

Xchanging Solutions Limited

ANNUAL REPORT - 2013

TABLE OF CONTENTS

1.	Directors' Report	2
2.	Management Discussion and Analysis	7
3.	Corporate Governance Report	12
4.	Standalone Financial Statements - Indian GAAP	23
5.	212 Statements	62
6.	Consolidated Financial Statements - Indian GAAP	64
7.	Notice	98
8.	Proxy Form	107
9.	Shareholder Information	

BOARD OF DIRECTORS

Kenneth Lever	-	Executive Chairman & Chief Executive Officer
David Bauernfeind	-	Executive Director
Henry D'Souza	-	Independent Director
Ashok Kumar R	-	Independent Director

CHIEF FINANCIAL OFFICER

Vinod Goel

COMPANY SECRETARY

Vijayamahantesh V. Khannur

STATUTORY AUDITORS

Price Waterhouse

Building No. 8, 7th & 8th floor

Tower B, DLF Cyber City

Gurgaon – 122 002

Haryana

REGISTERED OFFICE

SJR I-Park, Plot No. 13,14,15

EPIP Industrial Area

Phase I, Whitefield

Bangalore - 560 066

Karnataka

Phone : +91 80 30540000

Fax : +91 80 41157394

Email : compliance@asia.xchanging.com

REGISTRAR AND SHARE TRANSFER AGENT

Karvy Computershare Private Limited

Plot No.17-24, Vittal Rao Nagar

Madhapur

Hyderabad - 500 081

Phone : +91 040-23420816

Fax : +91 040-23420814

Email : ksreddy@karvy.com

Website : www.karvy.com

DIRECTORS' REPORT

Dear Shareholders,

The Board of Directors ("Board") is pleased to present the thirteenth annual report and the audited statement of accounts for the year ended 31 December 2013.

Financial Results

Indian GAAP (consolidated)

Particulars	31 December 2013 (Rs. in lakhs)	31 December 2012 (Rs. in lakhs)
Total Income	26,615	22,508
Total Expenditure	22,632	19,394
Profit before Interest, Depreciation and Tax	3,983	3,114
Depreciation & Amortization	499	508
Finance Costs	17	16
Exceptional Items Gain/(Loss)	438	(536)
Profit / (Loss) before Tax	3,905	2,054
Income Tax (including deferred tax)	874	829
Net Profit / (Loss) after Tax	3,031	1,225
Earnings/ (Loss) per share Rs.	2.72	1.10

Indian GAAP (standalone)

Particulars	31 December 2013 (Rs. in lakhs)	31 December 2012 (Rs. in lakhs)
Total Income	13,066	10,802
Total Expenditure	9,882	8,548
Profit before Interest, Depreciation and Tax	3,184	2,254
Depreciation & Amortization	434	344
Finance Costs	17	16
Exceptional Items Gain/(Loss)	165	(536)
Profit / (Loss) before Tax	2,898	1,358
Income Tax (including deferred tax)	744	715
Net Profit / (Loss) after Tax	2,154	643
Earnings/ (Loss) per share Rs.	1.93	0.58

Review of Operations (Rs. in lakhs)

During the year ended 31 December 2013, the consolidated income of the Company was Rs. 26,615 as against Rs. 22,508 during the previous year ended 31 December 2012. At a standalone level the total income of the Company for the year ended 31 December 2013 amounted to Rs. 13,066 compared to Rs. 10,802 during the previous year ended 31 December 2012.

Dividend

The Board does not recommend a dividend per equity share.

Share Capital

There was no change in the paid up share capital of the Company. As at 31 December 2013, the paid up capital of the Company was Rs. 1,114,037,160/. This comprises 111,403,716 equity shares of Rs. 10/ each fully paid up.

Subsidiary Companies

As at 31 December 2013, your Company had 5 subsidiary companies, namely

- Xchanging Solutions (USA) Inc., USA
- Xchanging Solutions (Europe) Limited, UK
- Xchanging Solutions (Singapore) Pte. Ltd. Singapore
- Xchanging Solutions (Malaysia) Sdn. BHD, Malaysia
- NexPLICIT Infotech India Private Limited, India

As per the provisions of the Companies Act, 1956, the Company needs to attach the balance sheet and profit and loss account of the Company's subsidiaries in the annual report of the Company. However, as per the provisions of Section 212(8) and the General Circular No. 2/2011 dated 8 February 2011, the Ministry of Corporate Affairs has given a general exemption from attaching the balance sheet and profit and loss account of the Company's subsidiaries in the annual report of the Company provided that the Board of Directors passes a resolution for not attaching the

Directors' Report

balance sheet of the subsidiary concerned and the necessary disclosures are made in the annual report of the Company.

The Board believes that the consolidated accounts present a full and fair view of the state of affairs and the financial condition of the Group. Accordingly, the Board of Directors has passed a resolution for not attaching the balance sheet of the subsidiaries and the necessary disclosures are made in the annual report of the Company. Thus, the annual report does not contain the financial statements of these subsidiaries, but contains the audited consolidated financial statements of the Company and its subsidiaries. The accounts of these subsidiary companies along with related information are available for inspection during business hours at the Company's registered office.

Employee Stock Option Plans

The Company had announced following Employee Stock Option Plans (ESOPs) in due compliance with SEBI (ESOS & ESPS) Guidelines, 1999 and any amendment thereto, which were approved by the shareholders.

- Cambridge Solutions Limited Employee Stock Option Plan 2006
- Scandent Solutions Corporation Limited Employee Stock Option Plan 2005
- Scandent SSI IT Services Employee Stock Option Plan 2004
- Scandent Solutions Corporation Limited Employee Stock Option Plan 2004

All the outstanding options under Scandent Solutions Corporation Limited Employee Stock Option Plan 2004, Scandent SSI IT Services Employee Stock Option Plan 2004 and Scandent Solutions Corporation Limited Employees Stock Option Plan 2005 have lapsed.

The details of options granted, vested and exercised under the first scheme are given in appendix 1.

Corporate Governance Report

The Company is committed to good corporate governance practices. The Board endeavor to adhere to the standards set out by the Securities and Exchange Board of India (SEBI) corporate governance practices and accordingly has implemented all the major stipulations prescribed.

The Company followed optimum combination of Executive Directors and Independent Directors throughout the period and the Company is ensuring compliance with regard to the constitution of committees such as the Audit Committee and the Investor Grievance Committee.

A detailed corporate governance report in line with the requirements of Clause 49 of the listing agreement regarding the corporate governance practices followed by the Company and the practicing company secretary's certificate indicating compliance of mandatory requirements along with management discussion and analysis report are given as part of the annual report.

Personnel

Particulars of employees as required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended forms part of this report. However, in pursuance of Section 219(1) (b)(iv) of the Companies Act, 1956, this report is being sent to all the members of the Company excluding the aforesaid information and the said particulars are made available at the registered office of the Company.

Directors' Responsibility Statement

As stipulated in Section 217(2AA) of the Companies Act, 1956 (the Act), the Board, based on the representations received from the operating management, hereby confirms that:

- In the preparation of the annual accounts for the year ended 31 December 2013, the applicable

accounting standards have been followed and there were no material departures.

- The Board has selected such accounting policies and 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 financial year and of the profit or loss of the Company for the period.
- The Board has taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Board has prepared the annual accounts on a going concern basis.

Conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo

Information as per Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in report of the Board of Directors) Rules, 1988, is given in the appendix 2 included in this report.

Fixed Deposits

The Company has not accepted any fixed deposits under Section 58A of the Companies Act, 1956; and as such no amount of principal or interest was outstanding as of the balance sheet date.

Acknowledgements

The Board thanks the Company's clients, vendors, investors and bankers for their support during the year. The Board place on record their appreciation of the contribution made by employees at all levels.

The Board thanks the Government of India particularly the Ministry of Communication and Information Technology, SEZ authorities, the Customs and Excise Departments, the Software Technology Parks – Bangalore and Chennai, the Reserve Bank of India, the State Governments, and other Government Agencies for their support, and look forward to their continued support in the future.

For and on behalf of the Board of Directors,

Kenneth Lever

David Bauernfeind

Date : 28 February 2014

Place : London, UK

Appendix 1

#		Cambridge Solutions Limited ESOP 2006
A	Total number of options granted	
	Program 1	60,000
	Program 2	3,927,946
B	Options granted during the year	
	Program 1	NIL
	Program 2	NIL
C	Exercise price	
	Program 1	NIL
	Program 2	NIL
D	Total options vested (net of forfeited options)	
	Program 1	NIL
	Program 2	743,946
E	Options exercised during the year	
	Program 1	NIL
	Program 2	NIL
F	Total shares arise as a result of exercise of options during the year	
	Program 1	NIL
	Program 2	NIL
G	Options lapsed during the year	
	Program 1	NIL
	Program 2	15,946
H	Variation of terms of options	NIL
I	Money realized by exercise of options during the year	
	Program 1	NIL
	Program 2	NIL
J	Total number of options in force	
	Program 1	NIL
	Program 2	410,000
K	Employee-wise details of options granted during the year to	
	i) Senior managerial personnel	NIL
	ii) any other employees who receives a grant in any one year of option amounting to 5% or more of option granted during that year	NIL
	iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of your company at the time of grant.	NIL
L	Diluted earnings/ (loss) per share (EPS) pursuant to issue of shares on exercise of option	1.93
M	Impact of employee compensation cost calculated as difference between Intrinsic Value and Fair Market Value in accordance with SEBI Guidelines on ESOP, on Net Profit and EPS	Refer Table 1
N	Weighted average exercise price	
	Program 1	No Grants
	Program 2	No Grants
O	Weighted Average fair value of options	
	Program 1	No Grants
	Program 2	No Grants
P	Description of the method and significant assumptions used during the year	NA

Table 1

Impact of employee compensation cost calculated as difference between Intrinsic Value and Fair Market Value in accordance with SEBI Guidelines on ESOP, Net Profit and EPS

	Year ended 31 December 2013 (Rs. in lakhs)	Year ended 31 December 2012 (Rs. in lakhs)
Net profit/(loss) as reported	2,154	643
Net profit/(loss) available for equity shareholders	2,154	643
Add: stock based employee compensation expenses included in reported income	0	0
Less : stock based employee compensation expenses determined under fair value based method net of tax effects	0	0
Proforma Net Profit/(Loss)	2,154	643
Reported earnings / (loss) per share (including share capital pending allotment) Rs.		
Basic	1.93	0.58
Diluted	1.93	0.58

For and on behalf of the Board of Directors,

Kenneth Lever **David Bauernfeind**

Date : 28 February 2014

Place : London, UK

Appendix 2

1. Particulars pursuant to Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988.

A. Conservation of Energy

The operations of your Company are not energy intensive. However, adequate measures have been taken to reduce energy consumption by using energy efficient computer terminals.

B. Technology Absorption

As your Company progresses, necessary R & D activities will be initiated to meet the technology requirements for the future.

C. Foreign Exchange Earnings and Outgo

Particulars	31 December 2013 (Rs. in lakhs)	31 December 2012 (Rs. in lakhs)
Total foreign exchange earnings	10,403	9,397
Total foreign exchange outgo	1,086	841

For and on behalf of the Board of Directors

Kenneth Lever **David Bauernfeind**

Date : 28 February 2014

Place : London, UK

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Xchanging Solutions Limited (“the Company”), incorporated on 01 February 2002 with operations in India and an international presence established through subsidiaries in several countries (the Group).

Xchanging (Mauritius) Limited (“XML”), a wholly owned subsidiary of Xchanging plc, a listed company, incorporated under the laws of England and Wales, owns 75% of the outstanding share capital of the Company. The Xchanging plc and its subsidiaries including Xchanging Solution Limited are herein after referred as Xchanging plc Group.

Review of Operations (Rs. in lakhs)

During the current year the consolidated revenue of your Company was Rs. 24,309 against Rs. 20,883 in the previous year. Other income of the Company for the current year was Rs. 2,306 against Rs. 1,625 in the previous year.

Market Overview

NASSCOM (National Association of Software & Services Cos.) estimates Indian IT services exports growth to accelerate to 13-15% in FY2014-15 compared to 13% growth in FY2013-14, though there would be slower pace growth in domestic market. According to NASSCOM, the main drivers for growth would be due to cyclical uptick and disruptive digital technologies. In NASSCOM conference in February, 2014 the central theme was digital trends of social media, mobility, big data & analytics, cloud, internet of things are transforming clients' businesses - the value proposition, supply chain, marketing, payment systems & organization processes and this provides multiple opportunities to Indian IT business.

Also in recent survey of 400+ clients by outsourcing advisor Offshore Insights indicates positive demand scenario with increased CY14 IT budgets in the key verticals of financial services, retail and manufacturing and increased sourcing from low cost locations at ~24% of the budget up from 21.6% a year ago. Offshore Insights estimates that over 15% of clients' budgets could be spent on digital in 3 years¹.

Group Performance

The table below summarizes the Group's consolidated financial performance during the year:

Particulars	31 December 2013 (Rs. in lakhs)	31 December 2012 (Rs. in lakhs)
Total Revenue	24,309	20,883
Other Income	2,306	1,625
Total Income	26,615	22,508
Total Expenditure	22,632	19,394
Profit before Interest Depreciation and Tax	3,983	3,114
Depreciation & Amortization	499	508
Finance Costs	17	16
Exceptional items Gain /(Loss)	438	(536)
Profit / (Loss) before Tax	3,905	2,054
Income Tax (including deferred tax)	874	829
Net Profit / (Loss) after Tax	3,031	1,225
Earnings / (Loss) per share Rs.	2.72	1.10

Geographic Profile

Geography	2013		2012	
	Revenue (Rs. in lakhs)	%	Revenue (Rs. in lakhs)	%
Europe	6,299	26	8,799	42
USA	10,404	43	6,752	32
Rest of the World	7,606	31	5,332	26
Total	24,309	100	20,883	100

Balance Sheet

Key movements in consolidated balance sheet are outlined below:

Shareholders' funds: increased to Rs. 27,875 lakhs in the current year from Rs. 25,024 lakhs in the previous year due to current year profit.

Non-Current liabilities: reduced to Rs. 703 lakhs in the current year from Rs. 736 lakhs in the previous year mainly due to reduction in other long term liabilities which was partly offset by increase in long term borrowing and provisions.

Current liabilities: increased to Rs. 8,892 lakhs in the current year from Rs. 6,814 lakhs in the previous year mainly due to increase in trade payables and recognition of financial derivate liabilities of Rs. 1,396 in other current liabilities.

Non-current assets: increased to Rs. 19,539 lakhs in the current year from Rs. 19,079 lakhs in the previous year mainly due to recognition of net deferred tax assets of Rs. 621 lakhs in the current year.

Current assets: increased to Rs. 17,931 lakhs in the current year from Rs. 13,495 lakhs in the previous year, mainly due to increase in cash and bank balances by Rs. 3,292 lakhs, and recognition of financial derivate assets of Rs. 1,466 lakhs in other current assets. This was partly offset due to adjustment of MAT credit entitlement of Rs. 1,260 lakhs in the current year.

Related Parties

In relation to the relationship between the Xchanging plc Group and the Company and its subsidiaries, the companies where control exists and subsidiaries with which transactions have taken place during the year are disclosed in note No. 38 and note No. 33 of the Standalone and Consolidated Financial Statements respectively.

Internal control systems and their adequacy

The certification provided in the CEO and CFO Certification section of the Annual Report confirms the adequacy of our internal control system and procedures.

Threats and risks management

The Company maintains risk registers covering each aspect of the business and the operations. We review our whole risk hierarchy at least annually, which helps us to ensure that we have a consistent approach and focus on the potential risks.

Management Discussion and Analysis

We analyse the nature and extent of risks and consider their likelihood of occurrence and impact, both on an inherent and residual basis, after taking into account mitigating and compensating controls. This allows us to determine how we should manage each risk in order to achieve our strategic objectives.

The Board approves the group risk register process and risk register annually.

How we manage risk

We divide our risks into strategic, commercial, operational, and financial categories:

- Strategic risks reflect the potential for a significant strategic action or failure to react to developing market trends, to have a financial impact on the economic value of our business.
- Commercial risks reflect the potential to enter into a critical contract or commercial arrangement which may have an adverse impact on the economic value of our business.
- Operational risks reflect the potential for the failure of a critical process or procedure to have an adverse impact on the economic value of our business.
- Financial risks include interest, foreign exchange, tax rate changes and liquidity. Failure to manage these risks could negatively affect the economic value of our business.

Overview of risk management process



Strategic risks	
Key risk	Mitigating plan
Failure to utilise and exploit technology enablement for growth	<p>The rapidly changing nature and impact of technology means we need to respond to technology trends. Injecting technology enablement into our products and services is core to our growth strategy as we continue to:</p> <ul style="list-style-type: none"> • Invest in the development of new offerings • Develop innovative value adding customer solutions • Utilise our skilled knowledgeable resources • Review our existing products and services to ensure that they meet our customers' requirements

Management Discussion and Analysis

<p>Failure to secure new business from both new and existing customers</p>	<p>There are a number of significant changes in the sectors we operate in and the current economic environment results in pressure on our customers. Failure to secure new business could slow down the growth of the business. Successfully winning new business is managed by:</p> <ul style="list-style-type: none"> • Continual development of the unified sales strategy which enables selling across business sectors • Clearly defined product and service offerings and sales strategies that help us to attract customers • Ensuring utilisation of our competitive low cost offshore services and technological capabilities • Proactive engagement with third party advisors • Global use of Salesforce.com
<p>Commercial risks</p>	
<p>Key risk</p>	<p>Mitigating plan</p>
<p>We have a concentration of material new and existing contracts with customers in key markets, which may have a significant impact on the Group's performance</p>	<p>Our commercial risks continue to be well managed through legal review, delegated authorities and contract monitoring processes.</p> <p>We have a structured service management programme, with dedicated account managers who work closely with our customers utilising performance metrics in order to identify issues early and trigger corrective actions.</p> <p>This risk has reduced during 2013 as we increase our overall customer base.</p>
<p>Operational risks</p>	
<p>Key risk</p>	<p>Mitigating plan</p>
<p>Our reputation and ultimately our profitability are reliant on successful implementation and delivery of new contracts</p>	<p>We ensure successful implementation in the following ways:</p> <ul style="list-style-type: none"> • Detailed implementation and delivery plans with strong management control and oversight • Standardised procedures in use for the implementation and delivery of new contracts • Use of experienced employees with strong project, change and people management skills in order to ensure successful implementation
<p>Our customers demand efficient processing and high levels of service to help them achieve their objectives and protect their reputation.</p>	<p>Failure to meet our customers' expectations and contractual commitments would have a significant impact upon our reputation and profitability and could result in unexpected and costly litigation.</p> <p>We consistently work towards ensuring that our service levels are on target ensuring that we meet our customer requirements.</p>
<p>Continuing to retain our key personnel and recruit new talented individuals is fundamental to our success. Our intellectual property is one of our key assets</p>	<p>Succession plans are in place for senior managers across the business.</p> <ul style="list-style-type: none"> • Retention plans are in place for key employees • We have an established structure for employee performance and development monitoring • A clear recruitment strategy and graduate recruitment and development programme attracts high-potential employees. • Significant investment in leadership training programmes underpins our succession plans, and develops our employees

Management Discussion and Analysis

Financial risks	
Key risk	Mitigating plan
The Group's financial results may be subject to volatility arising from movements in interest rates, foreign exchange rates, liquidity and changes in taxation legislation, policy or tax rates	Our financial risks are well managed through our budgeting, forecasting and working capital and treasury controls. This reduces the volatility of our financial results, giving the Board greater medium-term visibility and ensuring we have required credit facilities in place.

Our people

Employee engagement

At Xchanging plc Group level, this year saw a focussed approach to employee engagement. Data from the 2013 Employee Survey suggested significant improvement in the extent to which employees feel that they are working in "One Xchanging" organization. The key areas of improvement were leadership, communication and career development. Action in these areas was pursued rigorously across the organization, resulting in higher response rate in 2013 survey and a ten point increase in the percentage of fully engaged employees.

Majority of employees believe that "in Xchanging we work together to deliver the best possible service to our customers" and believe "we share knowledge and experiences effectively".

Developing talent

As part of Xchanging plc Group programme in 2013, we successfully introduced Leadership for a Purpose, Xchanging's first ever global leadership development programme. This programme was designed and delivered with one of the world's foremost leadership development consultancies. As we strive for One Xchanging, we launched "Leapfrog" our new Enterprise Social Intranet which was implemented to improve communication, collaboration and knowledge sharing amongst our people.

In order to grow and nurture talent, in 2013, we hired many graduates in India business, who would begin their careers with a clearly mapped out plan to progress from Associate through Junior Management, Middle Management and then to Senior Management in a defined timescale. We built out defined career paths in areas such as Sales, Finance, Communications, Project Management and HR. We also created structured personal development plans to put young talent on an accelerated career trajectory within the organization.

Employee diversity

We think that greater diversity creates an environment in which innovation flourishes. We also think that a diverse workforce is best suited to serve our diverse customer base. We do business in a number of jurisdictions and communities and we employ people with from wide range of cultural backgrounds, experience, gender and nationality, to reflect the diversity of the areas we operate in.

We do not tolerate any form of discrimination and our employment policies and practices focus on ensuring that all our employment processes are free from unlawful discrimination on any grounds.

¹Source: Bank of America Merrill Lynch: India Computer Services – NASSCOM Bytes Feb 2014

CORPORATE GOVERNANCE REPORT

(as required under Clause 49 of the Listing Agreement entered into with Stock Exchanges)

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company is committed to the highest standards of corporate governance in all its activities and related processes. The Company believes that good corporate governance practices enable the management to direct and control the affairs of the Company in an efficient & effective manner and to achieve its goal of maximizing value for its shareholders. The Company believes that good corporate governance lies not merely in drafting a code of corporate governance but in practicing it.

The Company has put in place good corporate governance and confirms its compliance in terms of Clause 49 of the Listing Agreement.

2. BOARD OF DIRECTORS:

a. Composition of Board of Directors:

The Board of Directors as on 31 December 2013 comprised of 4 Directors of which 2 are Non-Executive Directors. The Chairman is an Executive Director. The number of Independent Directors i.e. those who do not have any material pecuniary relationship with the Company is 2, which is 50% of the total number of Directors. The composition of Board is in conformity with Clause 49 of the listing agreement entered into with the Stock Exchanges.

Membership in Board and Sub Committees of the Directors of the Company as on 31 December 2013 – other than Xchanging Solutions Limited (the Company).

Name of the Director	Promoter / Executive / Non Executive / Independent	No. of outside Directorships of public companies [@]	No. of outside Board level committees where chairperson or member [#]	
			Member	Chairman
Kenneth Lever	Promoter - Executive Chairman	None	-	-
David Bauernfeind	Promoter - Executive Director	None	-	-
R Ashok Kumar	Independent Director	None	-	-
Henry D Souza	Independent Director	None	-	-

[@] Excludes Directorships held in private limited companies, foreign companies, membership of management committees of various chambers/bodies/ Section 25 Companies.

[#] Includes only Audit Committee and Investors' Grievances Committee.

None of the Directors on the Board is a Member of more than 10 committees or Chairman of more than 5 Committees across all the companies in which they are Director.

b. Meeting and Attendance of each Director:

During the year ended 31 December 2013, total of 4 Board meetings (including board meetings via video conferencing) were held, the dates being 1 March 2013, 14 May 2013, 8 August 2013 and 12 November 2013 and the attendance of the Directors' is as follows.

Name of the Director	Category	Number of Board Meetings attended	Leave of Absence Granted	Attendance at the last AGM held on 21 May 2013
Kenneth Lever	Promoter- Executive Chairman	3	1	Yes
David Bauernfeind	Promoter – Executive Director	4	Nil	Yes
R Ashok Kumar	Independent Director	4	Nil	Yes
Henry D Souza	Independent Director	4	Nil	No

c) Remuneration of Directors:

The remuneration paid to the directors during the year ended 31 December 2013, other than sitting fees.

Sl. No.	Name of the Director	Remuneration paid (Amt. in Rs.)
1.	Kenneth Lever	Nil
2.	David Bauernfeind	Nil
3.	R Ashok Kumar	Nil
4.	Henry D Souza	Nil

Shareholding of the Non-Executive Directors in the Company as on 31 December 2013.

Sl. No.	Name of the Director	No. of Equity Shares of Rs. 10/- each held
1.	R Ashok Kumar	Nil
2.	Henry D Souza	Nil

3. AUDIT COMMITTEE:

1. The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreement read with Section 292A of the Companies Act, 1956.
2. The powers and role of the Audit Committee are as laid down under Clause 49 (II) (C) & (D) of the Listing Agreement and Section 292A of the Companies Act, 1956 and as described under Audit Committee charter are as follows:
 - Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
 - Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees to enable an adequate audit to be conducted.
 - Recommending to the Board the approval of payment to statutory auditors for any other services rendered by the statutory auditors.
 - Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
 - b) Changes, if any, in accounting policies and practices and reasons for the same
 - c) Major accounting entries involving estimates based on the exercise of judgment by management
 - d) Significant adjustments made in the financial statements arising out of audit findings

- e) Compliance with listing and other legal requirements relating to financial statements
 - f) Disclosure of any related party transactions
 - g) Any qualifications in the draft audit report.
-
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
 - Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
 - Reviewing, with the management, performance of statutory and internal auditors.
 - Reviewing, with the management, the adequacy of the internal control and risk management systems.
 - Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
 - Discussion with internal auditors any significant findings and follow up there on.
 - Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
 - Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 - To look into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors.
 - Approval of appointment of CFO (i.e. the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
 - To review the functioning of the Whistle Blower mechanism.

The Audit Committee also reviews the following information:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the audit committee), submitted by management;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

Composition of the Audit Committee:

The composition of the Audit Committee during the year was as follows:

1. Mr. R Ashok Kumar - Chairman
2. Mr. Henry D Souza - Member
3. Mr. David Bauernfeind - Member

During the year under review, five meetings of the Audit Committee (including meetings via video conferencing) were held, the dates being 1 March 2013, 14 May 2013, 8 August 2013, 1 October 2013 and 12 November 2013 and the attendance of the Directors' is as follows:

The attendance for the Audit Committee meetings is as follows:

Name of the Director	No. of Meetings Attended	Leave of Absence granted
R Ashok Kumar	5	Nil
Henry D Souza	5	Nil
David Bauernfeind	5	Nil

Company Secretary of the Company acts as Secretary of the Committee.

The previous Annual General Meeting of the Company was held on 21 May 2013 and the Chairman of the Audit Committee was present at the Annual General Meeting of the Company.

4. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE :

The Committee has been constituted towards the following:

- i. Review the reports submitted by RTA.
- ii. To redress the shareholders' complaints.
- iii. Quarterly status of shareholders' complaints and the status of their disposal.

The composition of the Committee during the year was as follows:

1. Mr. R Ashok Kumar
2. Mr. Henry D Souza
3. Mr. David Bauernfeind

The Company Secretary is the Compliance Officer.

During the year under review, there were 10 meetings of Shareholders' Grievances Committee held in which Mr. R Ashok Kumar was Chairman.

All the requests for dematerialisation of shares have been attended in time and there were no dematerialisation requests were pending as on 31 December 2013.

CEO / CFO CERTIFICATION

The Board of Directors has received a CEO & CFO certificate from Mr. Kenneth Lever, Executive Chairman and Chief Executive Officer and Mr. Vinod Goel, Chief Financial Officer as per the requirements of Para V of Clause 49 of the Listing Agreement is annexed to this Report in Annexure I.

CODE OF CONDUCT

The Board has formulated and adopted a Code of Conduct for all Board Members and Senior Management of the Company. Affirmation Report on Compliance of Code of Conduct has been received from the Board Members and Senior Management Personnel of the Company.

5. General Meeting:

5.1 ANNUAL GENERAL MEETING

The details of date, time, location and special resolutions at Annual General Meeting (AGM) held in last 3 years are as under:

Date	Time	Venue	Special Resolutions Passed	Directors' Attendance at AGM
21 May 2013	10 am	SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore – 560 066	a. Alteration of other objects clause of the memorandum of association of the Company	1. Kenneth Lever 2. David Bauernfeind 3. R Ashok Kumar
22 May 2012	10 am	SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore – 560 066	a. Approval of appointment of Mr. David Bauernfeind as Executive Director of the Company. b. Changing the name of the Company	1. Kenneth Lever 2. David Bauernfeind 3. R Ashok Kumar
23 May 2011	11 am	SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore – 560 066	a. Approval of appointment of Mr. Kenneth Lever as Executive Director of the Company. b. Approval of variation of terms of appointment of Mr. Darren Fisher, Executive Director & Chief Financial Officer of the Company. c. Approval of variation of terms of appointment of Mr. Thomas Runge, Executive Director & Chief Production Officer of the Company	1. Darren Fisher 2. Kunal Kashyap

5.2. Extraordinary General Meeting:

No Extra Ordinary General meeting was conducted during the year ended 31 December 2013.

5.3 Postal Ballot:

The Company has not passed any Resolution through Postal Ballot during the year ended 31 December 2013.

6. DISCLOSURES:

- i. There are no materially significant related party transactions of the Company which have potential conflict with the interest of the Company.
- ii. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority, on any matter related to capital markets, during the year from 01 January 2013 to 31 December 2013: NIL
- iii. The Company has a Whistle Blower policy closely monitored by internal auditor.
- iv. The Company has not adopted a treatment different from that prescribed in accounting standards.
- v. There are no pecuniary relationship or transactions between non-executive directors and the Company.
- vi. Details of compliance with mandatory requirements and adoption of non-mandatory requirements of Clause 49: The Company has complied with all the mandatory requirements of Clause 49 of the listing agreement.

7. MEANS OF COMMUNICATION:

The quarterly, annual financial results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board. These are also published in the prescribed format within 48 hours of the conclusion of the Board Meeting, in which they are considered, generally in all the editions of "The Financial Express" the national english daily, circulating in the whole or substantially the whole of India and in "Sanjevani", the newspaper published in regional language, where the registered office of the Company is situated.

The details of financial information are also available at www.cambridgeworldwide.com.

All the official news releases are also published on the Company's website.

8. GENERAL SHAREHOLDER INFORMATION:

1. Annual General Meeting

Date and Time : 02 June 2014 at 10.00 AM
Venue : Regd. Office: SJR I-Park, Plot 13, 14, 15,
EPIP Industrial Area, Phase I
Whitefield, Bangalore 560 066

2. Financial Calendar

The financial calendar of the Company is reproduced below;

Annual General Meeting	02 June 2014 at 10.00 AM
Results for quarter ending 31 March 2014	May 2014
Results for quarter ending 30 June 2014	Aug 2014
Results for quarter ending 30 September 2014	Nov 2014
Results for year ending 31 December 2014	February / March 2015

3. Book closure : 20 May 2014 to 02 June 2014 (both days inclusive)
4. Dividend payment date : NIL
5. Listing on the Stock Exchanges :

Equity Shares of the Company are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. Annual Listing fee for the year 2013-14, has been paid to the above Stock Exchanges.

The annual custodial fee for the year 2013-14 has been paid to both NSDL and CDSL.

Stock Code:

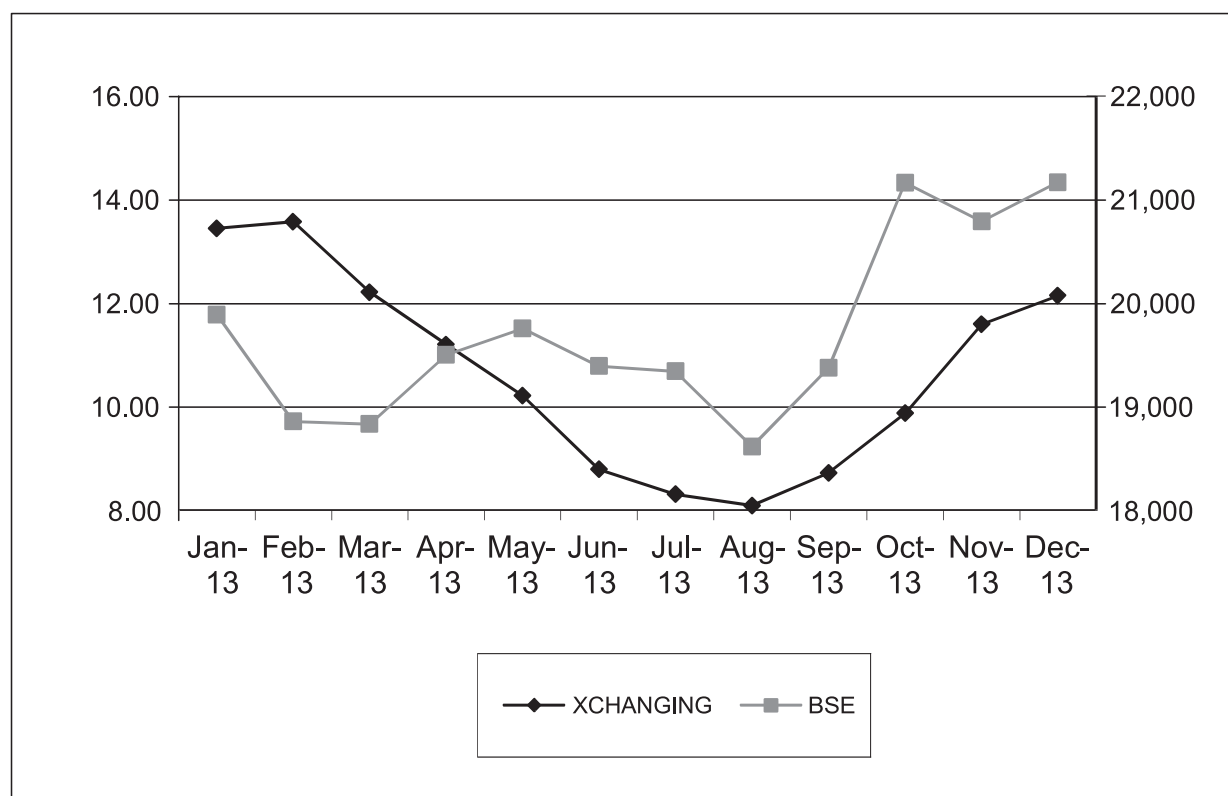
NSE : XCHANGING

BSE : 532616

6. Market Price data

Month & Year	Share price of Xchanging Solutions Limited (NSE)			Share price of Xchanging Solutions Limited (BSE)		
	High (Rs.)	Low (Rs.)	Close (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)
January 2013	14.45	13.20	13.40	18.50	13.30	13.45
February 2013	15.90	13.65	13.90	19.00	13.01	13.58
March 2013	12.15	10.05	12.15	14.79	10.50	12.22
April 2013	12.25	11.05	11.20	14.20	10.50	11.21
May 2013	10.90	10.55	10.60	12.99	9.75	10.22
June 2013	9.00	8.25	8.85	11.50	8.00	8.80
July 2013	9.80	7.60	8.10	11.20	8.10	8.32
August 2013	8.40	7.80	8.15	8.94	6.71	8.10
September 2013	9.30	8.65	8.65	13.49	8.14	8.73
October 2013	11.15	10.30	11.15	11.00	8.51	9.88
November 2013	11.75	10.90	11.05	12.92	9.46	11.60
December 2013	12.05	11.35	12.05	12.15	10.20	12.15

7. Performance of share price in comparison to BSE SENSEX



8. **Registrars and Transfer Agent:** Karvy Computershare Private Limited,
Plot No.17-24, Vittal Rao Nagar
Madhapur, Hyderabad - 500 081.
Phone +91 040-23420816
Fax +91 040-23420814
E mail : ksreddy@karvy.com
Website : www.karvy.com

9. **Share Transfer System:**

Shares sent for transfer in physical form are normally registered by our Registrars and Share Transfer Agents within 15 days of receipt of the documents, if the same are found in order. Shares under objection are returned within two weeks.

10. a. **Shareholding Pattern**

Categories of Shareholding as on 31 December 2013

Category	No. of Shares held	% of shareholding
Promoters	83,552,787	75.00%
Banks, FIs, Insurance Companies	431,882	0.39%
FIs	1,117	0.00%
Private Corporate Bodies	1,101,149	0.99%
Indian Public	4,909,559	4.41%
NRIs/OCBs	17,206,974	15.44%
Others	4,200,248	3.77%
Grand Total	111,403,716	100.00%

b. **Distribution of shareholding as on 31 December 2013**

No. of shares	No. of shareholders	% of total shareholders	No. of shares held	% to total equity
1 - 5000	17,794	91.33%	1,840,749	1.65%
5001 - 10000	898	4.61%	707,355	0.63%
10001 - 20000	408	2.09%	616,131	0.55%
20001 - 30000	142	0.73%	359,884	0.32%
30001 - 40000	55	0.28%	191,782	0.17%
40001 - 50000	50	0.26%	230,372	0.21%
50001 - 100000	73	0.37%	508,464	0.46%
100001 & Above	63	0.32%	106,948,979	96.00%
Total	19,483	100%	111,403,716	100%

11. **Dematerialisation of shares and liquidity:**

The Company's shares are compulsorily traded in dematerialised form. The Company has arrangements with both National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) for demat facility. As on 31 December 2013, 107,096,217 shares representing 96.13% of the Company's total shares were held in dematerialized form and the balance 4,307,499 shares representing 3.87%

of the Company's total shares were in physical form. The Company's shares are regularly traded on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

ISIN No.: INE 692G01013

12. Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity:

There are no outstanding GDRs/ADRs/Warrants.

13. Plant locations :

In view of the nature of the Company's business viz., Information Technology (IT) Services and IT enabled services; the Company operates from various offices in India and abroad but does not have any manufacturing plant.

14. Address for Correspondence:

Shareholders may correspond with the company at the Registered Office of the company or at the office of Registrars and Transfer Agent of the company.

Registered Office	Registrars and Transfer Agents
Xchanging Solutions Limited SJR I-Park, Plot 13, 14, 15. EPIP Industrial Area, Phase I Whitefield, Bangalore 560066, India. Phone +91 080 3054 0000 Fax +91 080 4115 7394 Email:compliance@asia.xchanging.com	Karvy Computershare Private Limited, "Karvy House", 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad – 500 034 Ph. No.: 040-23420815 Fax No.: 040-23420814

The above report has been placed before the Board at its meeting held on 28 February 2014 and the same was approved.

15. No. of shares traded during the year ended 31 December 2013:

BSE : 1,384,902 Shares

NSE : 719,141 Shares

16. Compliance Certificate by Practicing Company Secretary :

The Company has obtained a certificate from the Practicing Company Secretary regarding compliance of conditions of corporate governance as stipulated under Clause 49 of the Listing Agreements executed with Stock Exchanges, which is annexed herewith as Annexure II.

Annexure I

CEO/CFO CERTIFICATION

To
The Board of Directors
Xchanging Solutions Limited
Bangalore

February 28, 2014

We, Kenneth Lever, Executive Chairman and Chief Executive Officer and Vinod Goel, Chief Financial Officer of Xchanging Solutions Limited hereby certify to the Board, that;

- a. We have reviewed the financial statements and the cash flow statement for the year ended 31 December 2013 and that to the best of our knowledge and belief:
 - (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems and we have disclosed to the auditors, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the auditors:
 - (i) There are no significant changes in the internal control over financial reporting during the year ended 31 December 2013.
 - (ii) There are no significant changes in the accounting policies during the year ended 31 December 2013.
 - (iii) There have been no instances of significant fraud of which we have become aware or our involvement therein of the management or an employee having a significant role in the division's internal control over financial reporting.
- e. We further declare that all Board members and senior personnel have affirmed compliance with the code of conduct for the current year.

Kenneth Lever
Executive Chairman and Chief Executive Officer

Vinod Goel
Chief Financial Officer

Annexure II

CERTIFICATE ON CORPORATE GOVERNANCE REPORT

To,

The Members

Xchanging Solutions Limited

(Formerly known as Cambridge Solutions Limited)

I have examined the compliance of conditions of corporate governance by Xchanging Solutions Limited (the Company) for the year ended on 31 December 2013, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. My examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the company has complied with all the mandatory conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

I 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.

Sudhir Hulyalkar

Company Secretary in Practice

FCS No: 6040, CP No. 6137

Place : Bangalore

Date : 17.02.2014

INDEPENDENT AUDITORS' REPORT

To the Members of Xchanging Solutions Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Xchanging Solutions Limited (the "Company"), which comprise the Balance Sheet as at December 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Company's 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 the Accounting Standards referred to in sub-section (3C) of section 211 of 'the Companies Act, 1956' of India (the "Act"). 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.

Auditors' Responsibility

3. 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 and other applicable authoritative pronouncements 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.
4. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by 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 December 31, 2013;
 - (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

7. We draw your attention to Note 32 to the financial statements, regarding redemption of certain debentures, aggregating to Rs. 62,500,000, by the Company in the year 2007; subsequent order of the Hon'ble High Court of adjudicature at Madras restraining the Company from reflecting the redemption of debentures and to continue to show it as due and payable consequent to a petition filed by a third party; and non-reversal of the aforesaid redemption of debentures in the books of account of the Company pending admission and disposal of the appeal filed by the Company with the Hon'ble High Court of adjudicature at Madras on July 26, 2011. Depending on the outcome of the Company's appeal, significant adjustments may be required to be made and reflected in the subsequent period financial reporting. Our opinion is not qualified in this respect.

Report on other Legal and Regulatory Requirements

8. As required by 'the Companies (Auditor's Report) Order, 2003', as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
9. 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act;
 - (e) On the basis of written representations received from the directors as on December 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For Price Waterhouse

Firm Registration Number: 012754N

Chartered Accountants

Charan S. Gupta

Partner

Membership Number: 093044

Place : Gurgaon

Date : February 28, 2014

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 8 of the Independent Auditors' Report of even date to the members of Xchanging Solutions Limited on the financial statements as of and for the year ended December 31, 2013

- i.
 - a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
 - b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
 - c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- ii. The Company is in the business of rendering services, and consequently, does not hold any inventory. Therefore, the provisions of Clause 4(ii) of the said Order are not applicable to the Company.
- iii. The Company has not granted/taken any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of Clause 4(iii)(b), (c) and (d) / (f) and (g)] of the said Order are not applicable to the Company.
- 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 fixed assets and for the sale of services. The Company's operations do not involve purchase of inventory and sale of goods. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across, nor have been informed of, any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v.
 - a) According to the information and explanations given to us, there have been no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act.
 - b) In our opinion, and according to the information and explanations given to us, there are no transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year.
- vi. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- viii. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
- ix.
 - a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of income tax and sales tax, though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, wealth tax, service tax, customs duty, and other material statutory dues, as applicable, with the appropriate authorities.

- b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of wealth tax, sales tax, service tax and customs duty which have not been deposited on account of any dispute. The particulars of dues of income tax as at December 31, 2013 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
The Income Tax Act, 1961	Income Tax	5,820,828 (*)	2003-2004	The Commissioner of Income Tax (Appeals), Bangalore
		119,316,051 (**)	2004-2005	The Commissioner of Income Tax (Appeals), Bangalore
		13,741,157 (***)	2005-2006	Income Tax Appellate Tribunal
		32,928,105	2008-2009	Income Tax Appellate Tribunal

(*) Rs. 4,157,527 has been deposited "under protest" by the Company

(**) Rs. 92,096,750 has been deposited "under protest" by the Company

(***) Rs. 11,334,806 has been deposited "under protest" by the Company

- x. The accumulated losses of the Company did not exceed fifty percent of its net worth as at December 31, 2013 and it has not incurred cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company.
- xiii. As the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order 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 Order are not applicable to the Company.
- xv. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of Clause 4(xv) of the Order are not applicable to the Company.
- xvi. In our opinion, and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- 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 the no funds raised on short-term basis have been used for long-term investment.

Annexure to Independent Auditors' Report

- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.
- xix. The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company.
- xx. The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

For Price Waterhouse

Firm Registration Number: 012754N

Chartered Accountants

Charan S. Gupta

Partner

Membership Number: 093044

Place : Gurgaon

Date : February 28, 2014

BALANCE SHEET

XCHANGING SOLUTIONS LIMITED BALANCE SHEET

(All amounts in Rs. Lakhs, unless otherwise stated)

	Note	As at	
		Dec 31, 2013	Dec 31, 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	11,140	11,140
Reserves and surplus	4	5,625	3,471
		<u>16,765</u>	<u>14,611</u>
Non-current liabilities			
Long-term borrowings	5	126	92
Other long-term liabilities	6	17	107
Long-term provisions	7	560	537
		<u>703</u>	<u>736</u>
Current liabilities			
Trade payables	8	1,928	1,598
Other current liabilities	9	2,867	1,318
Short-term provisions	10	685	903
		<u>5,480</u>	<u>3,819</u>
TOTAL		<u>22,948</u>	<u>19,166</u>
ASSETS			
Non-current assets			
Fixed assets			
(i) Tangible assets	11	635	674
(ii) Intangible assets	12	43	38
(iii) Capital work in-progress		17	-
Non-current investments	13	5,874	5,874
Deferred tax assets (Net)	42	621	-
Long-term loans and advances	14	2,224	2,283
Other non-current assets	15	105	17
		<u>9,519</u>	<u>8,886</u>
Current assets			
Trade receivables	16	4,270	4,191
Cash and bank balances	17	5,053	2,248
Short-term loans and advances	18	1,798	3,367
Other current assets	19	2,308	474
TOTAL		<u>13,429</u>	<u>10,280</u>
		<u>22,948</u>	<u>19,166</u>

The Notes referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

For Price Waterhouse

Firm Registration Number: 012754N

Chartered Accountants

Charan S. Gupta

Partner

Membership Number: 093044

Place : Gurgaon

Date : February 28, 2014

For and on behalf of the Board of Directors

Kenneth Lever

Executive Chairman &
Chief Executive Officer

Place : London

Date : February 28, 2014

Vinod Goel

Chief Financial Officer

Place: Gurgaon

Date : February 28, 2014

David Bauernfeind

Executive Director

Vijayamahantesh Khannur

Company Secretary

Place: Bangalore

Date : February 28, 2014

STATEMENT OF PROFIT AND LOSS

XCHANGING SOLUTIONS LIMITED STATEMENT OF PROFIT AND LOSS

(All amounts in Rs. Lakhs, unless otherwise stated)

	Note	For the year ended	
		Dec 31, 2013	Dec 31, 2012
Revenue			
Revenue from operations	22	11,211	9,978
Other income	23	1,855	824
Total Revenue		<u>13,066</u>	<u>10,802</u>
Expenses			
Employee benefits expense	24	6,490	6,112
Other operating costs	25	3,392	2,436
Finance costs	26	17	16
Depreciation and amortisation	27	434	344
Total Expenses		<u>10,333</u>	<u>8,908</u>
Profit before exceptional items and tax		2,733	1,894
Exceptional items - gain / (loss)	29	165	(536)
Profit before tax		<u>2,898</u>	<u>1,358</u>
Tax Expense			
Current tax - for the year		1,365	715
Current tax - for earlier year		150	-
MAT Credit Entitlement for earlier year		(150)	-
Net Current tax		<u>1,365</u>	<u>715</u>
Deferred tax (Credit)		(621)	-
Total Tax Expense		<u>744</u>	<u>715</u>
Profit for the year		<u>2,154</u>	<u>643</u>
Earnings per Equity Share	36		
[Nominal value per share Rs.10 (2012: Rs.10)]			
Basic		1.93	0.58
Diluted		1.93	0.58

The Notes referred to above form an integral part of the Statement of Profit and Loss.

This is the Statement of Profit and Loss referred to in our report of even date.

For Price Waterhouse

Firm Registration Number: 012754N
Chartered Accountants

Charan S. Gupta Partner

Membership Number: 093044
Place : Gurgaon
Date : February 28, 2014

For and on behalf of the Board of Directors

Kenneth Lever
**Executive Chairman &
Chief Executive Officer**
Place : London
Date : February 28, 2014

David Bauernfeind Executive Director

Vinod Goel
Chief Financial Officer
Place: Gurgaon
Date : February 28, 2014

Vijayamahantesh Khannur
Company Secretary
Place: Bangalore
Date : February 28, 2014

CASH FLOW STATEMENT

XCHANGING SOLUTIONS LIMITED Cash Flow Statement

(All amounts in Rs. Lakhs, unless otherwise stated)

	For the year ended	
	Dec 31, 2013	Dec 31, 2012
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	2,898	1,358
Adjustments for:		
Depreciation and amortisation	434	344
(Profit) / Loss on sale of fixed assets (net)	1	(19)
Foreign exchange (gain) / loss (net) - unrealised	(643)	(48)
Interest income	(455)	(341)
Provision for doubtful advances/security deposits (net)-made/ (written back) [including exceptional items gain Rs. 165 (2012: loss of Rs. 536)]	(249)	536
Provision for doubtful debts (net) - made/(written back)	(68)	2
Other provisions no longer required written back	-	(206)
Liabilities no longer required written back	(435)	(174)
Bad debts written off	155	-
Advances written off	73	-
Interest expense	17	16
Operating profit before working capital changes	1,728	1,468
Changes in working capital:		
(Increase) / Decrease in trade receivables	592	443
(Increase) / Decrease in other current assets	(215)	17
(Increase) / Decrease in loans and advances	748	(134)
Increase / (Decrease) in trade payables	133	(1,169)
Increase / (Decrease) in other current liabilities	526	985
Increase / (Decrease) in other long-term liabilities	(90)	17
Increase / (Decrease) in provisions	(41)	(186)
Cash generated from operations	3,381	1,441
Taxes paid (net of refunds)	(259)	(293)
Net cash generated from operating activities (A)	3,122	1,148
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(455)	(694)
Proceeds from sale of fixed assets	32	47
Loans and advances to fellow subsidiaries	(125)	(925)
Long term deposits with banks with maturity period more than 3 months but less than 12 months	(435)	(6)
Long term deposits with banks with maturity period more than 12 months	(88)	(1)
Interest received	302	341
Net cash used in investing activities (B)	(769)	(1,238)

Contd.....

Cash Flow Statement

(All amounts in Rs. Lakhs, unless otherwise stated)

	For the year ended	
	Dec 31, 2013	Dec 31, 2012
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings (net)	34	(1)
Interest paid	(17)	(16)
Net cash generated from / (used in) financing activities (C)	17	(17)
Net increase in cash and cash equivalents (A + B + C)	2,370	(107)
Cash and cash equivalents at the beginning of the year	2,245	2,352
Cash and cash equivalents at the end of the year	4,615	2,245
Components of cash and cash equivalents:		
Cash on hand	-	-
Balances with banks:		
In current accounts	1,510	430
Demand deposits (less than 3 months maturity)	3,105	1,815
	4,615	2,245

Notes:

- (1) The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at December 31, 2013 and the related Statement of Profit and Loss for the year ended on that date.
- (2) The above Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard - 3 on Cash Flow Statements as notified under Section 211(3C) of the Companies Act, 1956 and reallocations required for this purpose are as made by the Company.
- (3) Prior year's figures have been regrouped / reclassified wherever necessary to conform with current year's classification.

This is the Cash Flow Statement referred to in our report of even date.

For Price Waterhouse

Firm Registration Number: 012754N
Chartered Accountants

Charan S. Gupta Partner

Membership Number: 093044
Place : Gurgaon
Date : February 28, 2014

For and on behalf of the Board of Directors

Kenneth Lever
**Executive Chairman &
Chief Executive Officer**
Place : London
Date : February 28, 2014

David Bauernfeind
Executive Director

Vinod Goel
Chief Financial Officer
Place: Gurgaon
Date : February 28, 2014

Vijayamahantesh Khannur
Company Secretary
Place: Bangalore
Date : February 28, 2014

NOTES TO THE FINANCIAL STATEMENTS

XCHANGING SOLUTIONS LIMITED

Notes to the Financial Statements

1. GENERAL INFORMATION

Xchanging Solutions Limited ('the Company'), incorporated on February 1, 2002, is an information technology (IT) services provider with operations in India and an international presence established through subsidiaries in several countries including the USA, Singapore and the UK.

Pursuant to agreements, arrangements, amalgamations, etc. (with requisite approvals from various High Courts in India, wherever applicable), the Company has, during earlier years, acquired the IT services businesses (including assets and liabilities) of / from the following entities:

- SSI Limited (Information Technology division with operations in India, USA and several other countries).
- Scandent Group Limited, Mauritius (with operations in USA, Singapore, Germany, etc.).
- Matrix One India Limited (with operations in India).

Pursuant to share purchase agreements between Xchanging (Mauritius) Limited (XML), a wholly owned subsidiary of Xchanging Plc, a listed company incorporated in UK, and the erstwhile principal shareholders of the Company, and consequent open offer to public, XML now owns 75.00% (2012: 75.00%) of the outstanding share capital of the Company. Though the open offer process was completed on April 9, 2009, XML obtained the power of operational control of the Company effective January 1, 2009.

The shareholding pattern as at the year-end is given below:

Name of the shareholder	2013	2012
Xchanging (Mauritius) Limited	75.00%	75.00%
Scandent Holding Mauritius Limited	11.82%	11.82%
AON Minet Pension Scheme	3.77%	3.77%
Katra Finance Limited	2.70%	2.70%
Others	6.71%	6.71%
	100.00%	100.00%

Pursuant to approval of the shareholders in the annual general meeting and subsequent approval of the Registrar of Companies on June 11, 2012, the name of the Company has been changed to Xchanging Solutions Limited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. These financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the other relevant provisions of the Companies Act, 1956.

All assets and liabilities have been classified as current and non current as per the Company's normal operating cycle and other criteria set out in the revised Schedule VI to the Companies Act, 1956. Based on the nature of services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current - non current classification of assets and liabilities.

2.2 Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon management’s best knowledge of current events and actions, actual results could differ from these estimates. Any revision in accounting estimates is recognised prospectively in current and future periods.

2.3 Tangible Assets and Depreciation

- (i) Tangible assets are stated at cost of acquisition less accumulated depreciation and impairment losses. Cost comprises the purchase price and any directly attributable costs of bringing the assets to their working condition for their intended use.
- (ii) Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.
- (iii) Depreciation is provided on a straight-line method (SLM) based on estimated useful life of fixed assets determined by management (which are higher than the rates prescribed under Schedule XIV to the Companies Act, 1956) as follows:

	Years
Computers	3
Vehicles	2 to 5
Office equipments	5
Furniture and fixtures	5

- (iv) Leasehold improvements are amortised over the period of lease or five years, whichever is lower.
- (v) Assets individually costing up to Rupees five thousand are fully depreciated in the year of purchase.

2.4 Intangible Assets and Amortisation

Intangible assets are recognised only if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets comprise of computer software which is amortised on straight-line basis over an estimated useful life of two to six years.

The amortisation period and method used for intangible assets are reviewed at each financial year end.

2.5 Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in Statement of Profit and Loss in the period in which they are incurred.

2.6 Lease accounting

As a lessee:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Profit and Loss on a straight-line basis over the period of the lease.

2.7 Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

2.8 Impairment of assets

Assessment is done at each Balance Sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased.

2.9 Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefit will flow to the Company and that revenue can be reliably measured.

- (i) Revenue from time and material contracts are recognised as related services are performed.
- (ii) Revenue from fixed price contracts for delivering services is recognised under the proportionate completion method wherein revenue is recognised based on services performed to date as a percentage of total services to be performed.
- (iii) Revenue from maintenance contracts are recognised rateably over the term of the maintenance contract on a straight-line basis.
- (iv) Revenue from certain services are recognised as the services are rendered, on the basis of an agreed amount in accordance with the agreement entered into by the Company.
- (v) Revenue from sale of user licenses for software application is recognised on transfer of the title in the user license.
- (vi) Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- (vii) Provision for estimated losses, if any, on incomplete contracts are recorded in the period in which such losses become probable based on the current contract estimates.
- (viii) Deferred and unearned revenues represent the estimated unearned portion of fees derived from certain fixed-rate service agreements. Unearned revenues for fixed fee contracts are recognised on a pro-rata basis over the term of the underlying service contracts, which are generally one year.
- (ix) Unbilled revenue represents costs and earnings in excess of billings as at the balance sheet date.

2.10 Foreign currency transactions

- (i) Initial recognition:

On initial recognition, all foreign currency transactions are recorded by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Subsequent recognition:

As at the reporting date, non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. All non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

All monetary assets and liabilities in foreign currency are restated at the end of accounting period other than those monetary assets which are provided for being doubtful of recovery.

Exchange differences on restatement of all monetary items are recognised in the Statement of Profit and Loss.

(iii) Forward exchange contracts not intended for trading or speculation purposes:

The premium or discount arising at the inception of forward exchange contracts entered into to hedge an existing asset/liability, is amortised as expense or income over the life of the contract. Exchange differences on such a contract are recognised in the Statement of Profit and Loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract are recognised as income or as expense for the period.

2.11 Employee benefits

- (a) Provident Fund, Employee State Insurance and Employee Pension Scheme: Contribution towards provident fund, employee state insurance and employee pension scheme is made to the regulatory authorities, where the Company has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Company does not carry any further obligations, apart from the contributions made on a monthly basis.
- (b) Gratuity: The Company provides for gratuity, a defined benefit plan (the "gratuity plan") covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The gratuity plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's last drawn salary and years of employment with the Company. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.
- (c) Compensated absences and Long service award: Accumulated compensated absences and Long service award, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Accumulated compensated absences and Long service award, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

- (d) Employee Share-based Payments: Equity settled stock options granted to the employees under Employee Stock Option Plans are accounted for as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Guidelines, 1999, issued by Securities and Exchange Board of India and the Guidance Note on Employee Share based Payments issued by the Institute of Chartered Accountants of India. The intrinsic value of the option being excess of market value of the underlying share immediately prior to date of grant over its exercise price is recognised

as deferred employee compensation with a credit to employee stock option outstanding account. The deferred employee compensation is charged to Statement of Profit and Loss on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion and to deferred employee compensation expense equal to the un-amortised portion.

2.12 Taxes on income

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

Deferred tax is recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty/ virtual certainty, as may be applicable, that sufficient future taxable income will be available against which such deferred tax assets can be realised. 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. At each Balance Sheet date, the Company reassesses unrecognised deferred tax assets, if any.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

Minimum Alternative Tax credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

2.13 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares, that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

2.14 Provisions and contingent liabilities

Provisions: Provisions are recognised when there is a present obligation 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 there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date and are not discounted to its present value.

Provisions for onerous contracts (i.e., contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it) are recognised when it is probable that cash 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.

Contingent liabilities: Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made, is termed as a contingent liability.

2.15 Exceptional items

Exceptional items are generally non-recurring items of income and expense within profit or loss from ordinary activities, which are of such size, nature or incidence that their disclosure is relevant to explain the performance of the Company for the year.

2.16 Project work expenses

Project work expenses represents amounts charged by sub-contractors and cost of hardware and software incurred for execution of projects. These expenses are recognised on an accrual basis.

2.17 Cash and cash equivalents

In the cash flow statement, cash and cash equivalents includes cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2013	Dec 31, 2012
3. SHARE CAPITAL		
Authorised capital:		
125,000,000 (2012: 125,000,000) equity shares of Rs. 10 each	12,500	12,500
Issued, subscribed and paid up capital:		
111,403,716 (2012: 111,403,716) equity shares of Rs. 10 each fully paid up	11,140	11,140
	11,140	11,140

a) Reconciliation of number of shares

Equity shares	As at Dec 31, 2013		As at Dec 31, 2012	
	Number of shares	Amount	Number of shares	Amount
Shares outstanding at the beginning of the year	111,403,716	11,140	111,403,716	11,140
Add / (Less): Movement during the year	-	-	-	-
Shares outstanding at the end of the year	111,403,716	11,140	111,403,716	11,140

b) Rights, preferences and restrictions attached to shares

Equity shares: The Company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

c) Shares held by holding company and subsidiary of holding company:

Name of shareholder	As at Dec 31, 2013		As at Dec 31, 2012	
	Number of shares	Amount	Number of shares	Amount
Xchanging (Mauritius) Limited, the holding company	83,552,787	8,355	83,552,787	8,355

d) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company:

Name of shareholder	As at Dec 31, 2013		As at Dec 31, 2012	
	Number of shares held	Percentage	Number of shares held	Percentage
Xchanging (Mauritius) Limited	83,552,787	75.00	83,552,787	75.00
Scandent Holding Mauritius Limited	13,167,551	11.82	13,167,551	11.82

e) Shares reserved for issue under options:

Particulars of Employees Stock Options (ESOP) on unissued share capital have been disclosed in Note 28. The total number of shares issued under ESOP in the last 5 years is as below:

Year	Number of shares
2009	16,666
2010	21,667
Total	38,333

f) Pursuant to SSI Limited (Information Technology division) merger scheme, the share capital of the Company as at March 31, 2004 was reduced from Rs.3,284 (2012: Rs.3,284) to Rs.1,316 (2012: Rs.1,316) and the capital reduction of Rs.1,969 (2012: Rs.1,969) was utilised to adjust the debit balance of equivalent amount in the Statement of Profit and Loss of the Company as at March 31, 2004.

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2013	Dec 31, 2012
4 RESERVES AND SURPLUS		
Capital reserve (Refer Note below)	57	57
Securities premium:		
Balance as at the beginning of the year	8,417	8,417
Balance as at end of the year	8,417	8,417
Stock compensation adjustment:		
Balance as at the beginning of the year	7	7
Balance as at the end of the year	7	7
Surplus in Statement of Profit and Loss		
Balance as at the beginning of the year	(5,010)	(5,653)
Profit for the year	2,154	643
Balance as at the end of the year	(2,856)	(5,010)
	5,625	3,471

Note:

Capital reserve represents waiver of liability by Scandent Holding Mauritius Limited, erstwhile ultimate holding company.

5 LONG-TERM BORROWINGS

Secured

From Bank:

Loan for purchase of Tangible assets	126	92
	126	92

Nature of security and terms of repayment for secured borrowings are as follows:

a) Nature of security: Vehicles purchased on loan for employees

b) Terms of Repayment: Monthly payment of equated monthly instalments for a period of 3-5 years

c) Interest rate: 9.5% to 13.5%

6 OTHER LONG-TERM LIABILITIES

Trade payables	17	17
Advance from customers	-	90
	17	107

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2013	Dec 31, 2012
7 LONG-TERM PROVISIONS		
Provision for employee benefits (Refer Note 24):		
Provision for compensated absences	14	13
Provision for gratuity	293	272
Provision for long service award	48	47
	<u>355</u>	<u>332</u>
Other provisions (Refer Note 40):		
Provision for litigation	32	32
Provision for onerous lease contracts	173	173
	<u>205</u>	<u>205</u>
	<u>560</u>	<u>537</u>
8 TRADE PAYABLES		
Dues to:		
Subsidiaries	337	441
Fellow subsidiaries	551	157
Others (Refer Note 41)	1,040	1,000
	<u>1,928</u>	<u>1,598</u>
9 OTHER CURRENT LIABILITIES		
Current maturities of long-term borrowings	54	62
Unamortised premium on forward contracts	24	-
Deferred revenue	489	497
Employee benefits payable	799	594
Creditors for capital goods	6	12
Statutory dues	99	153
Foreign currency payable under forward contracts	1,396	-
	<u>2,867</u>	<u>1,318</u>
10 SHORT-TERM PROVISIONS		
Provision for employee benefits (Refer Note 24):		
Provision for compensated absences	8	57
Provision for gratuity	60	70
Provision for long service award	17	22
Other provisions:		
Provision for taxation [Net of advance tax Rs.3,341 (2012: Rs.3,082)]	2,010	754
(Less): Adjustment of MAT Credit Entitlement pertaining to previous year	<u>(1,410)</u>	<u>-</u>
	<u>685</u>	<u>903</u>

(All amounts in Rs. Lakhs, unless otherwise stated)

11 TANGIBLE ASSETS

	Gross Block (at cost)			Depreciation / Amortisation			Net Block			
	2012	Additions	Deletions	2013	2012	For the year	Deletions	2013	2012	
Leasehold improvements	523	-	-	523	262	110	-	372	151	261
Computers	1,500	157	-	1,657	1,331	133	-	1,464	193	169
Vehicles (Refer Note (i) below)	374	163	170	367	214	81	137	158	209	160
Office equipments	229	19	-	248	169	14	-	183	65	60
Furniture and fixtures	240	-	-	240	216	7	-	223	17	24
Total	2,866	339	170	3,035	2,192	345	137	2,400	635	674
2012	2,494	624	252	2,866	2,112	304	224	2,192	674	674

12 INTANGIBLE ASSETS

	Gross Block (at cost)			Depreciation / Amortisation			Net Block			
	2012	Additions	Deletions	2013	2012	For the year	Deletions	2013	2012	
Computer software	640	94	-	734	602	89	-	691	43	38
Total	640	94	-	734	602	89	-	691	43	38
2012	566	74	-	640	562	40	-	602	38	38
Grand Total	3,506	433	170	3,769	2,794	434	137	3,091	678	712
2012	3,060	698	252	3,506	2,674	344	224	2,794	712	712

Notes:

- (i) All vehicles are taken on loan.
(ii) There are no borrowing costs capitalised during the current or previous year.

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2013	Dec 31, 2012
13 NON-CURRENT INVESTMENTS		
(Unquoted, at cost, unless otherwise stated, fully paid-up)		
Other than trade		
In Subsidiary Companies (long-term):		
Xchanging Solutions (Singapore) Pte Limited, Singapore 2,300,000 (2012: 2,300,000) ordinary shares of Singapore\$ 1 each	7	7
Xchanging Solutions (Europe) Limited, UK 2,664,278 (2012: 2,664,278) ordinary shares of GBP 1 each (Less): Provision for diminution in value of investment	2,222 <u>(1,534)</u>	2,222 <u>(1,534)</u>
Xchanging Solutions (USA) Inc, USA 9,930,062 (2012: 9,930,062) common stock of US\$ 1 each (Less): Provision for diminution in value of investment	11,224 <u>(6,045)</u>	11,224 <u>(6,045)</u>
	5,874	5,874
Aggregate amount of unquoted investments	13,453	13,453
Aggregate provision for diminution in value of investments	(7,579)	(7,579)
14 LONG-TERM LOANS AND ADVANCES		
Unsecured, considered good (unless otherwise stated)		
Loans and advances to related parties:		
Subsidiaries :		
- Considered doubtful	17,283	17,283
(Less): Provision for doubtful advances	(17,283)	(17,283)
Fellow subsidiaries:		
- Considered good	1,950	1,825
Security deposits:		
- Considered good	260	434
- Considered doubtful	146	302
(Less): Provision for doubtful security deposits	(146)	(302)
Advances recoverable in cash or kind		
- Considered doubtful	38	111
(Less): Provision for doubtful advances	(38)	(111)
Other loans and advances		
- Prepaid expenses	14	24
	2,224	2,283

Note: As at December 31, 2013, the loans and advances balance of Rs. 17,283 (2012: Rs. 17,283) due from subsidiaries is interest free and repayable on demand. However, management does not have an intention to recover these loans in the next 12 months and hence these have been classified under long-term loans and advances.

(All amounts in Rs. Lakhs, unless otherwise stated)

Dues from subsidiaries	Maximum amount due at anytime during the year	Balance as at December 31, 2013
Xchanging Solutions (Europe) Limited	277	32
Xchanging Solutions (Singapore) Pte Limited	60	12
Xchanging Solutions (USA) Inc	17,728	17,469
		<u>17,513</u>
(Less): Provision for doubtful advances		<u>(17,283)</u>
		<u>230</u>

Dues from subsidiaries	Maximum amount due at anytime during the year	Balance as at December 31, 2012
Xchanging Solutions (Malaysia) Sdn Bhd	1	1
Xchanging Solutions (Europe) Limited	283	255
Xchanging Solutions (Singapore) Pte Limited	54	53
Xchanging Solutions (USA) Inc	17,662	17,662
		<u>17,971</u>
(Less): Provision for doubtful advances		<u>(17,283)</u>
		<u>688</u>

The above includes dues from subsidiaries classified as short-term in Note 18.

15 OTHER NON-CURRENT ASSETS

Others:

Long term deposits with banks with maturity period more than 12 months [Held as lien by bank]	105	17
	<u>105</u>	<u>17</u>

16 TRADE RECEIVABLES

Unsecured, considered good:

Outstanding for a period exceeding 6 months from the date they are due for payment	659	381
Others	3,611	3,810

Unsecured, considered doubtful:

Outstanding for a period exceeding 6 months from the date they are due for payment	607	675
(Less): Provision for doubtful debts	(607)	(675)
	<u>4,270</u>	<u>4,191</u>

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2013	Dec 31, 2012
17 CASH AND BANK BALANCES		
Cash and Cash equivalents		
Cash on hand	-	0
Balances with banks		
In current accounts	1,510	430
Demand deposits (less than 3 months maturity)	3,105	1,815
	<u>4,615</u>	<u>2,245</u>
Other bank balances		
Long term deposits with banks with maturity period more than 3 months but less than 12 months	438	3
	<u>5,053</u>	<u>2,248</u>

Note: Cash on hand is rounded off to zero as it is less than Rs. 1 lakh

18 SHORT-TERM LOANS AND ADVANCES

Unsecured considered good, unless otherwise stated:

Loans and advances to related parties:

Subsidiaries:		
Loans and advances	-	4
Expenses receivable	230	684
Fellow subsidiaries:		
Loans and advances	259	196
Security deposits	160	2
Other loans and advances		
- MAT Credit Entitlement	-	1,260
- Prepaid expenses	129	179
- Others: *		
Considered good	1,020	1,042
Considered doubtful	432	371
(Less): Provision for doubtful advances	(432)	(371)
	<u>1,798</u>	<u>3,367</u>

(All amounts in Rs. Lakhs, unless otherwise stated)

Notes:

- (i) As at December 31, 2013, the entire loans and advances balance of Rs. 230 (2012: Rs. 688) due from subsidiaries is interest free and repayable on demand.
- (ii) * Others include service tax recoverable amounting to Rs. 803 (2012: Rs. 811) which are considered good and Rs. 432 (2012: Rs. 371) which are considered doubtful and has been fully provided. The remaining balance is on account of advances given to vendors and employees.

	As at	
	Dec 31, 2013	Dec 31, 2012
19 OTHER CURRENT ASSETS		
Foreign currency receivables under forward contracts	1,466	-
Unbilled revenue		
- Considered good	616	401
- Considered doubtful	-	81
(Less): Provision for doubtful other current assets	-	(81)
Interest accrued on loans to fellow subsidiaries	164	52
Interest accrued on bank deposits	62	21
	2,308	474
20 CONTINGENT LIABILITIES		
(i) Bank guarantees	135	4
(ii) Claims against the Company not acknowledged as debts:		
Income tax matters [Note (b)]	2,060	1,403
Service tax matters [Note (c)]	2,359	2,359
	4,554	3,766

Notes:

- (a) The above contingent liabilities are possible obligation or present obligation that may (but probably will not) require an outflow of resources.
- (b) Represents various income tax demands under appeal.
- (c) Represents service tax amount on select categories of transactions relating to financial years 2007-08 to 2011-12 set out in a show cause notice issued by the Commissioner of Service Tax, Bangalore, which is disputed by the Company. Based on consultation with legal counsel, the Company has filed a formal reply to the show cause notice.
- (d) It is not practicable for the Company to estimate the timings of cash outflows, if any, in respect of the above pending resolution of the respective proceedings.
- (e) The Company does not expect any reimbursements in respect of the above contingent liabilities.

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2013	Dec 31, 2012
21 CAPITAL AND OTHER COMMITMENTS		
(a) Capital Commitments		
Estimated value of contracts in capital account remaining to be executed (net of advances)	47	89
(b) Other Commitments		
(a) The Company has export obligations under the Software Technology Parks of India (STPI) scheme. In accordance with such scheme, the Company procures capital goods without payment of duties, for which, agreements and bonds are executed by the Company in favour of the Government. In case the Company does not fulfil the export obligation, it is liable to pay, on demand an amount equal to such duties saved including interest and liquidated damages. As at December 31, 2013, the Company has availed duty benefits amounting to Rs. 178 (2012: Rs. 175). The Company expects to meet its commitment to earn requisite revenue in foreign currency as stipulated by the STPI regulations.		
(b) As at December 31, 2013, Xchanging Solutions (USA) Inc, USA, Company's wholly owned subsidiary, has negative net assets amounting to Rs. 24,534 (2012: Rs. 23,478). While the subsidiary is confident of generating funds from their operations, the Company intends to support the shortfall, if any.		
22 REVENUE FROM OPERATIONS		
Software services	11,211	9,978
	11,211	9,978
23 OTHER INCOME		
Interest income on bank deposits	222	175
Interest income on loans to fellow subsidiaries	233	166
Profit on sale of fixed assets (net)	-	19
Provision for doubtful advances no longer required written back (net)	84	-
Provision for doubtful debts no longer required written back (net)	68	-
Other provisions no longer required written back	-	206
Liabilities no longer required written back	435	174
Foreign exchange gain (net)	777	27
Miscellaneous income	36	57
	1,855	824

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2013	Dec 31, 2012
24 EMPLOYEE BENEFITS EXPENSE		
Salaries, allowances and bonus	5,924	5,522
Contribution to provident and other funds	284	253
Provision for gratuity and compensated absences	47	137
Staff welfare	235	200
	6,490	6,112

(a) Defined Contribution Plan

Provident Fund and Other Funds: During the year, the Company has recognised Rs.284 (2012: Rs.253) in the Statement of Profit and Loss relating to provident fund and other funds, which is included in the 'Contribution to provident and other funds'.

(b) Defined Benefit Plan

Gratuity (unfunded): The Company provides for gratuity, a defined benefit plan (the "gratuity plan") covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The gratuity plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's last drawn salary and years of employment with the Company.

The following tables summarise the components of expense recognised in the Statement of Profit and Loss and amounts recognised in the Balance Sheet for the gratuity plan:

	Dec 31, 2013	Dec 31, 2012
(i) Present Value of Defined benefit obligation		
Balance at the beginning of the year	342	326
Current Service Cost	64	63
Interest Cost	30	29
Actuarial (Gains) / Losses	(19)	(9)
Benefits paid	(64)	(67)
Balance at the end of the year	353	342
(ii) Assets and Liabilities recognised in the Balance Sheet		
Present Value of Defined Benefit Obligation	353	342
(Less): Fair Value of Plan Assets	-	-
Amounts recognised as liability	353	342
Recognised under:		
Long-term provisions (Refer Note 7)	293	272
Short-term provisions (Refer Note 10)	60	70
	353	342
(iii) Expense recognised in the Statement of Profit and Loss		
Current Service Cost	64	63
Interest Cost	30	29
Actuarial (Gains) / Losses	(19)	(9)
Total Expense	75	83

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2013	Dec 31, 2012
(iv) Actuarial Assumptions		
Discount Rate	8.75%	8.00%
Expected Return on Plan Assets	N/A	N/A
Attrition Rate	20%	20%
Increase in Compensation Cost	10%	10%
Retirement age	65	65

(v) Amounts recognised in current year and previous four years

	As on Dec 31, 2013	As on Dec 31, 2012	As on Dec 31, 2011	As on Dec 31, 2010	As on Dec 31, 2009
Defined Benefit Obligation	353	342	326	434	349
Fair Value of Plan Assets at the end of the year	-	-	-	160	115
Amount recognised in Balance Sheet (Liability)	(353)	(342)	(326)	(274)	(234)
Experience adjustments in Plan Assets gains / (losses)	-	-	-	4	8
Experience adjustments in Plan Liabilities gains / (losses)	19	13	12	(14)	(57)
(Gains) / losses due to change in assumptions	-	4	1	4	8

Notes:

- (i) The estimates of future salary increases, considered in the actuarial valuation, takes into account, inflation, seniority, promotions and other relevant factors, such as supply and demand in the employment market.
- (ii) The discount rate is based on the prevailing market yields of Indian government securities as at the Balance Sheet date for the estimated term of the obligation.

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2013	Dec 31, 2012
25 OTHER OPERATING COSTS		
Project work expenses	523	237
Claim work expenses	-	18
Travelling and conveyance	437	302
Rent and hire charges	332	432
Recruitment and relocation	97	55
Communication	258	226
Power and fuel	193	233
Insurance	76	67
Rates and taxes	8	11
Repairs and maintenance:		
Computer equipments	146	114
Others	167	165
Legal and professional	243	210
Printing and stationery	20	16
Business promotion	425	295
Bank charges	17	4
Customer claims/ warranties	171	-
Directors' sitting fees	8	7
Loss on sale of fixed assets (net)	1	-
Bad debts written off	155	-
Provision for doubtful debts (net)	-	2
Advances written off	73	-
Miscellaneous	42	42
	3,392	2,436
Auditors' remuneration (*) (included under Legal and professional)		
Statutory audit	67	62
Limited review of quarterly financial results	14	14
Certifications	4	-
Out-of-pocket expenses	5	4
(*) Excludes service tax.		
26 FINANCE COSTS		
Interest on long-term borrowings	17	16
	17	16
27 DEPRECIATION AND AMORTISATION		
Depreciation on Tangible assets	345	304
Amortisation on Intangible assets	89	40
	434	344

(All amounts in Rs. Lakhs, unless otherwise stated)

28 a) EMPLOYEE STOCK OPTIONS PLAN

	ESOP II Plan 2004		ESOP I Plan 2005		ESOP II Plan 2005		ESOP II Plan 2006	
	No. of shares	Weighted average exercise price (Rs.)	No. of shares	Weighted average exercise price (Rs.)	No. of shares	Weighted average exercise price (Rs.)	No. of shares	Weighted average exercise price (Rs.)
Vesting	- 20% of the options one year from the date of grant - 40% of the options two years from the date of grant - 40% of the options three years from the date of grant		One year from the date of grant		40% of the options one year from the date of grant and balance 60% two years from the date of grant		- 33.33% of the options one year from the date of grant - 33.33% of the options two years from the date of grant - 33.33% of the options three years from the date of grant	
Method of accounting	Intrinsic value method		Intrinsic value method		Intrinsic value method		Intrinsic value method	
Method of settlement	Equity		Equity		Equity		Equity	
Exercise price	128.75		10.00		113.15 - 172.00		56.90 - 140.35	
General description of plans	Pursuant to SSIIT merger Scheme, the Company granted 70,892 options under the ESOP II Plan 2004 on November 10, 2004 to the holder of options in SSI as on July 2, 2004, the appointed date.		Under the ESOP Plan 2005, on May 27, 2005, 179,263 options have been issued under Program I. During the year ended March 31, 2007, additional 5,737 shares were granted.		Under the ESOP Plan 2005, on May 27, 2005, 384,473 options under Program II have been issued. During the year ended March 31, 2007 additional 68,000 shares were granted.		During the year ended March 31, 2007, 60,000 options have been issued under Program I and 2,057,946 options under Program II. Further, during the year ended March 31, 2008 additional 1,870,000 shares were granted under Program II.	
December 31, 2013								
Options outstanding at the beginning of the year	-	-	-	-	-	-	425,946	87.33
Options granted during the year	-	-	-	-	-	-	-	-
Options forfeited during the year	-	-	-	-	-	-	-	-
Options exercised during the year	-	-	-	-	-	-	-	-
Options expired during the year	-	-	-	-	-	-	15,946	113.15
Options outstanding at the end of the year	-	-	-	-	-	-	410,000	86.33
Options exercisable at the end of the year	-	-	-	-	-	-	410,000	86.33
Weighted average remaining contractual life (in years)	-	-	-	-	-	-	0.86	-
December 31, 2012								
Options outstanding at the beginning of the year	-	-	5,000	10.00	20,500	172.00	743,946	92.38
Options granted during the year	-	-	-	-	-	-	-	-
Options forfeited during the year	-	-	-	-	20,500	172.00	318,000	99.14
Options exercised during the year	-	-	-	-	-	-	-	-
Options expired during the year	-	-	5,000	10.00	-	-	-	-
Options outstanding at the end of the year	-	-	-	-	-	-	425,946	87.33
Options exercisable at the end of the year	-	-	-	-	-	-	425,946	87.33
Weighted average remaining contractual life (in years)	-	-	-	-	-	-	1.82	-

	Dec 31, 2013	Dec 31, 2012
Net profit as reported	2,154	643
Net profit available for equity shareholders	2,154	643
Add: Stock based employee compensation expenses included in reported income	-	-
Less: Stock based employee compensation expenses determined under Fair Value based method net of tax effects	-	-
Revised profit	2,154	643
Earnings per share		
Basic	1.93	0.58
Diluted	1.93	0.58

- b) During the year, the Company has recognised employee benefits expense amounting to Rs. 3 (2012: Rs. 4) on account of cross charge of 'Stock Options and Stock Incentive Plan' related cost as per the agreement entered into between certain employees of the Company and the Ultimate Holding Company (Xchanging plc, UK). This stock option scheme of Xchanging plc, UK is being managed and run by Xchanging plc, UK. Accordingly, other detailed disclosures required by the Guidance Note on 'Accounting for Employee Share-based Payments' issued by Institute of Chartered Accountants of India have not been made, as these do not pertain to information relating to the Company and such information is not available with the Company.

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2013	Dec 31, 2012
29 EXCEPTIONAL ITEMS - GAIN / (LOSS)		
The Company has recorded exceptional items aggregating to gain of Rs. 165 (2012: loss of Rs. 536) as detailed below:		
(i) Provision for doubtful security deposit written back/(made) The Company, owing to the protracted discussions between the parties had estimated a portion of the security deposit to be doubtful of recovery and had made a provision towards security deposit to the extent considered doubtful of recovery in the previous year and disclosed as exceptional item. During the year, the Company has written back the provision made in the previous year in view of the settlement agreement reached with the party subsequent to the year end.	165	(165)
(ii) Provision for doubtful advances Considering the evidence of refund orders recently received by the Company and taking into account the rejection orders received in the past, and uncertainty on the timing of ultimate collection of the full refund amounts owing to litigative nature of the refund process with the tax authorities, the Company has made a provision in the books against part of the carrying value of service tax/ input credit asset.	-	(371)
	165	(536)
30 The Company has strategic gross investment amounting to Rs. 11,224 (2012: Rs. 11,224) in Xchanging Solutions (USA) Inc, USA, its wholly owned subsidiary. Further, the Company has granted loans and advances aggregating to Rs. 17,283 (2012: Rs. 17,283) and also has receivables (net of payables and provision) from the subsidiary amounting to Rs. 1,696 (2012: Rs. 2,058). Based on assessment of diminution in the value of investments and evaluation of recoverability of other balances, the Company has made a provision of Rs. 6,045 in prior years against the investments towards diminution in value considering it to be “a decline other than temporary” and Rs. 17,283 in prior years against the loans and advances considering it to be doubtful of recovery. The Company has also tested the investments for impairment using cash flow forecasts based on approved budgets and using a discounted cash flow method. As at the year end, the Company considers Xchanging Solutions (USA) Inc as a strategic long term investment and based on future growth projections, in the opinion of the management, the remaining value of the investments is not impaired. Further, based on the aforesaid evaluation of recoverability, the entire receivables is considered good and recoverable.		
31 The Company has strategic gross investments amounting to Rs. 2,222 (2012: Rs. 2,222) in Xchanging Solutions (Europe) Limited, UK, its wholly owned subsidiary. Based on assessment of diminution in the value of investments, the Company has made a provision of Rs. 1,534 in prior years considering it to be “a decline other than temporary”. The Company has also tested the investments for impairment using cash flow forecasts based on approved budgets and using a discounted cash flow method. As at the year end, the Company considers Xchanging Solutions (Europe) Limited as a strategic long term investment and based on future growth projections, in the opinion of the management, the remaining value of the investments is not impaired.		

(All amounts in Rs. Lakhs, unless otherwise stated)

- 32** On 1 August 2002, the Company issued 1,500,000, 11% debentures of face value of Rs. 100 each. The debentures were repayable at par at the end of five years from the date of issuance. Based on the orders of the Debt Recovery Tribunal, the Company had issued duplicate debenture certificates for 625,000 debentures (which form a part of the said 1,500,000 debentures) in favour of a Bank in June 2007. These debentures were redeemed in June 2007 and the same was disclosed in the annual report for the year ending March 2007. In August 2007, a civil suit was filed against the Company before the Hon'ble Madras High Court by another company ("Third Party"), claiming rights over the said 625,000 debentures. Decision on this suit is still pending before Hon'ble Madras High Court. On the basis of an interim application filed by the Third Party, the Hon'ble High Court passed an Interim Order in September 2007 restraining the Company from reflecting the redemption of debentures and directing the Company to continue to show it as due and payable. The said Order was made absolute in December 2010. The Company, in consultation with a senior legal counsel, has filed an appeal against the interim order of the Hon'ble High Court contending that it is not possible to show the debentures as due and payable as the debentures have already been redeemed and also reflected as redeemed in the Company's accounts prior to passing of interim order. The Company is awaiting the decision of the Hon'ble High Court in the Company's appeal; pending which, no adjustment has been made in the accounts.

(All amounts in Rs. Lakhs, unless otherwise stated)

	Year ended	
	Dec 31, 2013	Dec 31, 2012
33 Value of Imports on CIF basis		
Capital goods	17	1
	17	1
34 Expenditure in Foreign Currency		
Project work expenses	264	148
Travelling	312	68
Communication	39	17
Others	471	608
	1,086	841
Note:		
(i) Others include employee benefits expenses paid on behalf of Company amounting to Rs. 361 (2012: Rs. 318).		
35 Earnings in Foreign Currency		
FOB value of exports from Software services	9,900	8,983
Unbilled revenue	503	414
	10,403	9,397
36 Basic and Diluted Earnings per share		
(Nominal value of shares: Rs.10)		
Profit for the year after tax	2,154	643
Weighted average number of equity shares considered for calculating basic earnings per share – (A)	111,403,716	111,403,716
Earnings per share – Basic (Rs.)	1.93	0.58
Add: Weighted average number of potential equity shares under employee stock options – (B)	-	-
Weighted average number of equity shares considered for calculating diluted earnings per share – (A + B)	111,403,716	111,403,716
Earnings per share – Diluted (Rs.)	1.93	0.58

(All amounts in Rs. Lakhs, unless otherwise stated)

37 Segment Reporting

The dominant source of risk and returns of the enterprise is considered to be the business in which it operates, viz. - Information Technology (IT) Services. The sub businesses are fully aligned to IT Services business of the Company and the same are being viewed by the management as a single business segment. Being a single business segment company, no primary segment information is being provided.

The secondary segment information as per Accounting Standard 17 "Segment Reporting" in relation to the geographies is as follows:

	Revenue by location of customers		Carrying amount of segment assets by location of the assets		Addition to Fixed Assets	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Europe	5,520	5,159	-	-	-	-
USA	3,501	2,996	-	-	-	-
Rest of the World	2,190	1,823	22,327	17,906	433	698
	11,211	9,978	22,327	17,906	433	698

(All amounts in Rs. Lakhs, unless otherwise stated)

38 Related Party Disclosures**A. Names of related parties and nature of relationship:****

Nature of relationship	Names of related parties
Parties where control exists:	
(i) Holding companies:	
Ultimate Holding Company	Xchanging plc, UK
Intermediate holding companies	Xchanging Holdings Limited, UK Xchanging BV, The Netherlands
Immediate holding company	Xchanging (Mauritius) Limited, Mauritius ('XML')
(ii) Subsidiary companies	
	Xchanging Solutions (Europe) Limited UK ('XSEL')
	Xchanging Solutions (Singapore) Pte Limited, Singapore ('XSSPL')
	Xchanging Solutions (Malaysia) Sdn Bhd, Malaysia ('XSMSB')
	Xchanging Solutions (USA) Inc, USA ('XSUI')
	Cambridge Solutions Pty Limited, Australia ('CSPL') (upto March 20, 2012)
	Nexplicit Infotech India Private Limited, India ('NI IPL')

Parties under common control with whom transactions have taken place:

Fellow Subsidiaries	Xchanging Integrated Services Victoria Pty Limited, Australia ('XISVPL')
	Xchanging Integrated Services Australia Pty Limited, Australia ('XISAPL')
	Xchanging Builders (India) Private Limited, India ('XBPL')
	Xchanging Systems and Service Inc., USA ('XSSI')
	Xchanging Global Insurance Solutions Ltd., UK ('XGISL')
	Xchanging Technology Services India Private Limited, India ('XTSIPL')
	Xchanging UK Limited, UK ('XUKL')
	Xchanging Asia Pacific Sdn Bhd, Malaysia ('XAPSB')
	Xchanging HR Services Ltd, UK ('XHRSL') (*)
	Xchanging Procurement Services Limited, UK ('XPSL')
	Ferguson Snell & Associates Ltd, UK ('FSAL')
	Xchanging Inc. USA ('XI')
	Xchanging PTY Limited, Australia ('XPL')

Key Managerial Personnel (KMP)

Executive Chairman and Chief Executive Officer	Kenneth Lever (*)
Executive Director	David Bauernfeind (*)

(*) No transactions during the year.

** The above information and those in "(B) Summary of transactions with related parties" have been determined to the extent such parties have been identified by the management of the Company.

(All amounts in Rs. Lakhs, unless otherwise stated)

	Holding companies		Subsidiary companies		Fellow subsidiaries		Total	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012

B. Summary of transactions with related parties is as follows:****Expenses paid on behalf of the Company:**

XSEL, UK	-	-	242	262	-	-	242	262
XSSPL, Singapore	-	-	58	6	-	-	58	6
XSUI, USA	-	-	59	4	-	-	59	4
XUKL, UK	-	-	-	-	298	15	298	15
XTSIPL, India	-	-	-	-	181	-	181	-
XBPL, India	-	-	-	-	16	-	16	-
XGISL, UK	-	-	-	-	83	176	83	176
XHRSL, UK	-	-	-	-	-	16	-	16
FSAL, UK	-	-	-	-	3	-	3	-
XPL, Australia	-	-	-	-	66	67	66	67
Xchanging plc, UK	3	4	-	-	-	-	3	4

Expenses paid on behalf of the related party:

XISAPL, Australia	-	-	-	-	12	9	12	9
XISVPL, Australia	-	-	-	-	4	-	4	-
XSEL, UK	-	-	54	27	-	-	54	27
XSSPL, Singapore	-	-	17	32	-	-	17	32
XSUI, USA	-	-	173	137	-	-	173	137
XGISL, UK	-	-	-	-	39	-	39	-
XTSIPL, India	-	-	-	-	167	239	167	239
XAPSB, Malaysia	-	-	-	-	36	72	36	72
XPSL, UK	-	-	-	-	8	-	8	-
XUKL, UK	-	-	-	-	73	19	73	19
XI, USA	-	-	-	-	3	-	3	-
XSSI, USA	-	-	-	-	7	-	7	-

Interest Income on loans:

XTSIPL, India	-	-	-	-	108	108	108	108
XBPL, India	-	-	-	-	125	58	125	58

Notes to the Financial Statements

(All amounts in Rs. Lakhs, unless otherwise stated)

	Holding companies		Subsidiary companies		Fellow subsidiaries		Total	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012

Revenue:

XISVPL, Australia	-	-	-	-	27	230	27	230
XSEL, UK	-	-	1,485	1,462	-	-	1,485	1,462
XSSPL, Singapore	-	-	36	86	-	-	36	86
XSUI, USA	-	-	2,336	2,348	-	-	2,336	2,348
XISAPL, Australia	-	-	-	-	215	-	215	-
XGISL, UK	-	-	-	-	734	802	734	802
XI, USA	-	-	-	-	4	-	4	-
XUKL, UK	-	126	-	-	201	-	201	126
XAPSB, Malaysia	-	-	-	38	-	-	-	38
XPSL, UK	-	-	-	-	119	-	119	-
XSSI, USA	-	-	-	-	9	-	9	-
XTSIPL, India	-	-	-	-	111	115	111	115

Loans given during the year:

XBPL, India	-	-	-	-	125	977	125	977
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Loans repaid during the year:

XTSIPL, India	-	-	-	-	-	44	-	44
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C. Summary of balances of related parties is as follows:

Trade Receivables:

XISVPL, Australia	-	-	-	-	-	37	-	37
XSEL, UK	-	-	1,147	823	-	-	1,147	823
XSSPL, Singapore	-	-	19	59	-	-	19	59
XSUI, USA	-	-	1,748	1,822	-	-	1,748	1,822
XUKL, UK	-	-	-	-	139	22	139	22
XAPSB, Malaysia	-	-	-	-	-	17	-	17
XPSL, UK	-	-	-	-	33	-	33	-
XISAPL, Australia	-	-	-	-	20	-	20	-
XGISL, UK	-	-	-	-	129	287	129	287

Provision for doubtful debts:

XSEL, UK	-	-	(224)	(224)	-	-	(224)	(224)
XSUI, USA	-	-	(140)	(140)	-	-	(140)	(140)

(All amounts in Rs. Lakhs, unless otherwise stated)

	Holding companies		Subsidiary companies		Fellow subsidiaries		Total	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Expenses Payable:								
XSEL, UK	-	-	86	301	-	-	86	301
XBPL, India	-	-	-	-	12	-	12	-
FSAL, UK	-	-	-	-	3	-	3	-
XSSPL, Singapore	-	-	68	52	-	-	68	52
NIPL, India	-	-	85	85	-	-	85	85
XSUI, USA	-	-	98	3	-	-	98	3
XUKL, UK	-	-	-	-	272	16	272	16
XGISL, UK	-	-	-	-	24	0	24	0
XHRSL, UK	-	-	-	-	-	32	-	32
XTSIPL, India	-	-	-	-	225	93	225	93
XAPSB, Malaysia	-	-	-	-	5	3	5	3
Xchanging plc, UK	9	4	-	-	-	-	9	4
XPL, Australia	-	-	-	-	1	9	1	9
Expenses Receivable:								
XISVPL, Australia	-	-	-	-	-	6	-	6
XSEL, UK	-	-	32	255	-	-	32	255
XSSPL, Singapore	-	-	12	49	-	-	12	49
XSMSB, Malaysia	-	-	-	1	-	-	-	1
XSUI, USA	-	-	186	379	-	-	186	379
XTSIPL, India	-	-	-	-	-	123	-	123
XGISL, UK	-	-	-	-	8	1	8	1
XI, USA	-	-	-	-	2	-	2	-
XUKL, UK	-	-	-	-	41	4	41	4
XSSI, USA	-	-	-	-	9	-	9	-
XPL, Australia	-	-	-	-	1	-	1	-
XTSIPL, India	-	-	-	-	174	-	174	-
XISAPL, Australia	-	-	-	-	8	-	8	-
XAPSB, Malaysia	-	-	-	-	16	62	16	62
Loans and advances:								
XTSIPL, India	-	-	-	-	900	900	900	900
XSSPL, Singapore	-	-	-	4	-	-	-	4
XSUI, USA	-	-	17,283	17,283	-	-	17,283	17,283
XBPL, India	-	-	-	-	1,214	977	1,214	977
Provision for doubtful advances:								
XSUI, USA	-	-	(17,283)	(17,283)	-	-	(17,283)	(17,283)

(All amounts in Rs. Lakhs, unless otherwise stated)

39 Leases**Operating lease**

As lessee:

In case of assets taken on lease:

The Company has operating lease arrangements for its office premises, guest houses and certain equipments. The lease arrangements for premises and guest houses have been entered up to a maximum of six years from the respective dates of inception. Some of these lease arrangements have price escalation clauses. Rent and hire charges for such operating leases recognised in the Statement of Profit and Loss for the year ended December 31, 2013 amounts to Rs. 332 (2012: Rs. 432).

Future minimum lease payments under operating lease arrangements are as under:

Particulars	Dec 31, 2013	Dec 31, 2012
Not later than one year	249	344
Later than one year and not later than five years	156	274
Later than 5 years	-	-
Total	405	618

40 Provisions

In accordance with AS 29 'Provisions, Contingent Liabilities and Contingent Assets', the particulars of provisions as at December 31, 2013 are as follows:

Particulars	Dec 31, 2012	Created during the year	Utilised/ reversed during the year	Dec 31, 2013
Onerous lease contracts [Note (i)]	173	-	-	173
	(173)	-	-	(173)
Litigation [Note (ii)]	32	-	-	32
	(32)	-	-	(32)

Notes:

- (i) Provision for onerous lease contracts relates to losses recognised on contracts to the extent that unavoidable cost of meeting the obligations under the contract exceeds the economic benefits expected to be received under it. Pending settlement with the lessor, it is not possible to estimate the timings of the outflow.
- (ii) Provision for litigation relates to a litigation matter. Due to the very nature of such costs, it is not possible to estimate the timing/uncertainties relating to their outflows.
- (iii) Prior year numbers are disclosed within brackets.

41 Dues to micro, small and medium enterprises (MSMED)

Based on the information available to date, the Company has identified no vendors that qualify under the requirements of the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED').

(All amounts in Rs. Lakhs, unless otherwise stated)

42 Taxation**a) Current Tax:**

Current tax charge reflects provision for income tax based on the taxable income of the Company after considering taxable income as per the local tax laws applicable in India. While ascertaining the taxable income for the current year, the brought forward losses if any, have also been considered.

The current tax charge for the Company includes minimum alternative tax (MAT) determined under Section 115JB of the Income Tax Act, 1961, of India.

Provision for income tax has been computed by applying the Income Tax Act, 1961 to the profit for the financial year ended December 31, 2013, although the actual tax liability of the Company has to be computed each year by reference to the taxable profit for each fiscal year ended March 31.

b) Deferred Tax Assets (Net):

During the year, the Company has reassessed unrecognised deferred tax assets and has recognised deferred tax for timing differences to the extent there is a reasonable certainty that sufficient taxable income will be available against which such deferred tax assets can be realised as envisaged under AS22 "Accounting for Taxes on Income".

Details of deferred tax assets (net) as at December 31, 2013 is as per below:

Particulars	As at December 31, 2012	Credit/ (Charged) to Statement of Profit and Loss	As at December 31, 2013
Deferred Tax Assets			
Depreciation	-	285	285
Provision for gratuity	-	120	120
Provision for compensated absences	-	7	7
Provision for other employee benefits	-	77	77
Others	-	132	132
Total (A)	-	621	621
Deferred Tax Liabilities (B)	-	-	-
Deferred Tax Assets (Net) (A)-(B)	-	621	621
Previous year	-	-	-

c) Transfer Pricing:

The Company has significant intra group transactions pertaining to revenue and expense cross charges. The management is in the process of updating the transfer pricing study for such transactions entered into during the year ended December 31, 2013, and does not anticipate any adjustments with regard to the transactions involved.

(All amounts in Rs. Lakhs, unless otherwise stated)

43 Derivatives

a. Derivatives outstanding as at the reporting date

Particulars	Purpose	As at	
		Dec 31, 2013	Dec 31, 2012
Forward contracts to sell USD	Hedge of foreign exchange trade receivables	USD 1.6 million;	-
Forward contracts to sell GBP		Rs.1,050 million;	-
		GBP 0.4 million;	-
		Rs. 416	-

b. Particulars of unhedged foreign currency exposures as at the reporting date

(Currency in Lakhs)

Particulars	USD	GBP	SGD	Euro	MYR	AUD
Trade receivables	37	11	-	2	-	5
	(59)	(17)	(1)	(3)	(2)	(2)
Cash and bank balances	3	1	-	-	-	-
	(3)	-	-	-	-	-
Loans and advances	3	1	-	-	1	-
	(7)	(3)	(1)	-	(3)	-
Trade payables	9	4	1	-	-	-
	(9)	(4)	(1)	-	-	-

Note:

(i) Prior year numbers are disclosed within brackets.

44. Previous Year Figures

Previous year figures have been reclassified to conform to this year's classification.

For Price Waterhouse

Firm Registration Number: 012754N

Chartered Accountants

Charan S. Gupta**Partner**

Membership Number: 093044

Place : Gurgaon

Date : February 28, 2014

For and on behalf of the Board of Directors**Kenneth Lever****Executive Chairman &
Chief Executive Officer**

Place : London

Date : February 28, 2014

David Bauernfeind**Executive Director****Vinod Goel****Chief Financial Officer**

Place: Gurgaon

Date : February 28, 2014

Vijayamahantesh Khannur**Company Secretary**

Place: Bangalore

Date : February 28, 2014

STATEMENT PURSUANT TO SECTION 212 (1)(e) OF THE COMPANIES ACT, 1956
Relating to the subsidiary companies for the period ended December 31, 2013

1	Name of the Subsidiary Company	Xchanging Solutions (USA) Inc	Xchanging Solutions (Europe) Limited	Xchanging Solutions (Singapore) Pte. Limited	Xchanging Solutions (Malaysia) Sdn. Bhd.	Nexplicit Infotech India Private Limited
2	Financial Year of the subsidiary company	31st December 2013	31st December 2013	31st December 2013	31st December 2013	31st December 2013
3	No. of shares held in Subsidiary Company as on above date	9,930,062	2,664,278	2,300,000	250,000	10,000
4	% of holding (Equity)	100%	100%	100%	100%	100%
5	The net aggregate of Profit / (Losses) of the subsidiary companies so far as they concern the members of the company	-	-	-	-	-
a.	Dealt with in the Account of the company for the year ended December 31, 2013	Nil	Nil	Nil	Nil	Nil
b.	Not Dealt with in the Account of the company for the year ended December 31, 2013	USD 2,435,261	GBP (199,630)	SGD (970,742)	MYR 466	INR (15,000)
6	The net aggregate of Profit / (Losses) of the subsidiary companies for the previous financial years since it became a subsidiary company so far as they concern the members of the company	-	-	-	-	-
a.	Dealt with in the Account of the company for the year ended December 31, 2013	Nil	Nil	Nil	Nil	Nil
b.	Not Dealt with in the Account of the company for the year ended December 31, 2013	USD (71,627,135)	GBP (1,894,855)	SGD 715,499	MYR 3,975,408	INR 8,813,841

Statement pursuant to exemption received under Section 212(8) of the Companies Act, 1956 relating to subsidiary companies

(All Amounts in INR Millions)

Sl No	Name of the Subsidiary Company	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Investment other than investment in subsidiary	Turnover	Profit/ (Loss) before taxation	Provision for taxation	Profit/ (Loss) after taxation	Proposed dividend	Country
1	Xchanging Solutions (USA) Inc.,	61.77	613.43	(3,067.10)	299.61	2,753.29	-	998.16	152.05	1.62	150.45	-	U.S.A
2	Xchanging Solutions (Europe) Limited	101.85	271.37	(213.33)	188.33	130.29	-	262.32	(17.64)	-	(17.64)	-	U.K.
3	Xchanging Solutions (Singapore) Pte. Limited	48.71	112.03	(12.43)	282.78	183.18	-	587.45	(35.28)	12.00	(47.28)	-	SINGAPORE
4	Xchanging Solutions (Malaysia) Sdn. Bhd.	18.77	4.69	74.62	80.44	1.13	-	-	0.01	-	0.01	-	MALAYSIA
5	Nexplicit Infotech India Private Limited	1.00	0.10	9.73	16.59	6.76	-	-	(0.02)	-	(0.02)	-	INDIA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Xchanging Solutions Limited

1. We have audited the accompanying consolidated financial statements (the "Consolidated Financial Statements") of Xchanging Solutions Limited ("the Company") and its subsidiaries; hereinafter referred to as the "Group" (refer Note 2.1B to the attached consolidated financial statements) which comprise the consolidated Balance Sheet as at December 31, 2013, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information which we have signed under reference to this report.

Management's Responsibility for the Consolidated Financial Statements

2. The Company's 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 Group 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.

Auditors' Responsibility

3. 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 and other applicable authoritative pronouncements 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.
4. 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 auditors' 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 auditors consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements notified under Section 211(3C) of the Companies Act, 1956.
7. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to in paragraph 9 below, and to the best of our information and according to the explanations given to us, in our opinion, the accompanying consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

Independent Auditors' Report

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at December 31, 2013;
- (b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

8. We draw your attention to Note 29 to the consolidated financial statements, regarding redemption of certain debentures, aggregating to Rs. 62,500,000, by the Company in the year 2007; subsequent order of the Hon'ble High Court of adjudication at Madras restraining the Company from reflecting the redemption of debentures and to continue to show it as due and payable consequent to a petition filed by a third party; and non-reversal of the aforesaid redemption of debentures in the books of account of the Company pending admission and disposal of the appeal filed by the Company with the Hon'ble High Court of adjudication at Madras on July 26, 2011. Depending on the outcome of the Company's appeal, significant adjustments may be required to be made and reflected in the subsequent period financial reporting. Our opinion is not qualified in this respect.

Other Matter

9. We did not audit the financial statements of two subsidiaries included in the consolidated financial statements, which constitute total assets of Rs. 23,871,373 and net assets of Rs. 15,435,155 as at December 31, 2013, total revenue of Rs. Nil, net profit of Rs. 10,298 and net cash flows amounting to Rs. 257,990 for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.

For Price Waterhouse

Firm Registration Number: 012754N

Chartered Accountants

Charan S. Gupta

Partner

Membership Number: 093044

Place : Gurgaon

Date : February 28, 2014

CONSOLIDATED BALANCE SHEET

XCHANGING SOLUTIONS LIMITED Consolidated Balance Sheet

(All amounts in Rs. Lakhs, unless otherwise stated)

	Note	As at	
		Dec 31, 2013	Dec 31, 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	11,140	11,140
Reserves and surplus	4	16,735	13,884
		<u>27,875</u>	<u>25,024</u>
Non-current liabilities			
Long-term borrowings	5	126	92
Other long-term liabilities	6	17	107
Long-term provisions	7	560	537
		<u>703</u>	<u>736</u>
Current liabilities			
Trade payables	8	4,194	3,182
Other current liabilities	9	3,562	2,170
Short-term provisions	10	1,136	1,462
		<u>8,892</u>	<u>6,814</u>
TOTAL		<u>37,470</u>	<u>32,574</u>
ASSETS			
Non-current assets			
Fixed assets			
(i) Tangible assets	11	686	745
(ii) Intangible assets	12	15,886	15,881
(iii) Capital work-in-progress		17	-
Deferred tax assets (Net)	36	621	-
Long-term loans and advances	13	2,224	2,390
Other non-current assets	14	105	63
		<u>19,539</u>	<u>19,079</u>
Current assets			
Trade receivables	15	4,668	4,582
Cash and bank balances	16	7,514	4,222
Short-term loans and advances	17	1,911	2,876
Other current assets	18	3,838	1,815
		<u>17,931</u>	<u>13,495</u>
TOTAL		<u>37,470</u>	<u>32,574</u>

The Notes referred to above form an integral part of the Consolidated Balance Sheet.

This is the Consolidated Balance Sheet referred to in our report of even date.

For Price Waterhouse

Firm Registration Number: 012754N
Chartered Accountants

Charan S. Gupta Partner

Membership Number: 093044
Place : Gurgaon
Date : February 28, 2014

For and on behalf of the Board of Directors

Kenneth Lever
Executive Chairman &
Chief Executive Officer
Place : London
Date : February 28, 2014

David Bauernfeind Executive Director

Vinod Goel
Chief Financial Officer
Place : Gurgaon
Date : February 28, 2014

Vijayamahantesh Khannur
Company Secretary
Place : Bangalore
Date : February 28, 2014

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

XCHANGING SOLUTIONS LIMITED Consolidated Statement of Profit and Loss

(All amounts in Rs. Lakhs, unless otherwise stated)

	Note	For the year ended	
		Dec 31, 2013	Dec 31, 2012
Revenue			
Revenue from operations	21	24,309	20,883
Other income	22	2,306	1,625
Total Revenue		26,615	22,508
Expenses			
Employee benefits expense	23	16,246	14,295
Other operating costs	24	6,386	5,099
Finance costs	25	17	16
Depreciation and amortisation	26	499	508
Total Expenses		23,148	19,918
Profit before exceptional items and tax		3,467	2,590
Exceptional items - gain / (loss)	28	438	(536)
Profit before tax		3,905	2,054
Tax Expense			
Current tax - for the year		1,495	829
Current tax - for earlier year		150	-
Less: MAT Credit Entitlement for earlier year		(150)	-
Net Current tax		1,495	829
Deferred tax (Credit)		(621)	-
Total Tax Expense		874	829
Profit for the year		3,031	1,225
Earnings per Equity Share [Nominal value per share Rs.10 (2012: Rs. 10)]	31		
Basic		2.72	1.10
Diluted		2.72	1.10

The Notes referred to above form an integral part of the Consolidated Statement of Profit and Loss. This is the Consolidated Statement of Profit and Loss referred to in our report of even date.

For Price Waterhouse

Firm Registration Number: 012754N
Chartered Accountants

Charan S. Gupta Partner

Membership Number: 093044
Place : Gurgaon
Date : February 28, 2014

For and on behalf of the Board of Directors

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Executive Chairman &
Chief Executive Officer
Place : London
Date : February 28, 2014

Vinod Goel
Chief Financial Officer
Place : Gurgaon
Date : February 28, 2014

David Bauernfeind Executive Director

Vijayamahantesh Khannur
Company Secretary
Place : Bangalore
Date : February 28, 2014

CONSOLIDATED CASH FLOW STATEMENT

XCHANGING SOLUTIONS LIMITED Consolidated Cash Flow Statement

(All amounts in Rs. Lakhs, unless otherwise stated)

	For the year ended	
	Dec 31, 2013	Dec 31, 2012
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	3,905	2,054
Adjustments for:		
Depreciation and amortisation	499	508
(Profit) / Loss on sale of fixed assets (net)	1	(19)
Foreign exchange (gain) / loss (net) - unrealised	(631)	(18)
Interest income	(455)	(341)
Provision for doubtful advances/security deposits (net) - made/ (written back) [including exceptional items gain Rs. 165 (2012: loss of Rs. 536)]	(238)	536
Provision for doubtful debts (net) - made/(written back)	(58)	21
Other provisions no longer required written back	-	(206)
Liabilities no longer required written back	(766)	(980)
Bad debts written off	155	-
Advances written off	73	-
Interest expense	17	16
Operating profit before working capital changes	2,502	1,571
Changes in working capital:		
(Increase) / Decrease in trade receivables	848	102
(Increase) / Decrease in other current assets	(248)	(69)
(Increase) / Decrease in loans and advances	(71)	324
Increase / (Decrease) in trade payables	465	(1,450)
Increase / (Decrease) in other current liabilities	631	1,418
Increase / (Decrease) in other long-term liabilities	(90)	17
Increase / (Decrease) in provisions	(193)	(149)
Cash generated from operations	3,844	1,764
Taxes paid (net of refunds)	(401)	(339)
Net cash generated from operating activities (A)	3,443	1,425
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(495)	(720)
Proceeds from sale of fixed assets	32	47
Loans and advances to fellow subsidiaries	(125)	(926)
Long term deposits with banks with maturity period more than 3 months but less than 12 months	(435)	3
Long term deposits with banks with maturity period more than 12 months	(42)	(6)
Interest received	302	341
Net cash used in investing activities (B)	(763)	(1,261)

Contd.....

Consolidated Cash Flow Statement

(All amounts in Rs. Lakhs, unless otherwise stated)

	For the year ended	
	Dec 31, 2013	Dec 31, 2012
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings (net)	34	1
Interest paid	(17)	(16)
Net cash generated from / (used in) financing activities (C)	17	(15)
Net increase in cash and cash equivalents (A + B + C)	2,697	149
Cash and cash equivalents at the beginning of the year	4,219	4,060
Effect of exchange differences on balances with banks in foreign currency	160	10
Cash and cash equivalents at the end of the year	7,076	4,219
Components of cash and cash equivalents:		
Cash on hand	1	2
Balances with banks:		
In current accounts	3,970	2,450
Demand deposits (less than 3 months maturity)	3,105	1,767
	7,076	4,219

Notes:

- (1) The above Consolidated Cash Flow Statement has been compiled from and is based on the Balance Sheet as at December 31, 2013 and the related Consolidated Statement of Profit and Loss for the year ended on that date.
- (2) The above Consolidated Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard - 3 on Cash Flow Statements as notified under Section 211(3C) of the Companies Act, 1956 and reallocations required for this purpose are as made by the Company.
- (3) Prior year's figures have been regrouped / reclassified wherever necessary to conform with current year's classification.

This is the Consolidated Cash Flow Statement referred to in our report of even date.

For Price Waterhouse

Firm Registration Number: 012754N
Chartered Accountants

Charan S. Gupta Partner

Membership Number: 093044
Place : Gurgaon
Date : February 28, 2014

For and on behalf of the Board of Directors

Kenneth Lever
**Executive Chairman &
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Place : London
Date : February 28, 2014

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Vinod Goel
Chief Financial Officer
Place : Gurgaon
Date : February 28, 2014

Vijayamahantesh Khannur
Company Secretary
Place : Bangalore
Date : February 28, 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Xchanging Solutions Limited ('the Company'), incorporated on February 1, 2002, is an information technology (IT) services provider with operations in India and an international presence established through subsidiaries in several countries including the USA, Singapore and the UK.

Pursuant to agreements, arrangements, amalgamations, etc. (with requisite approvals from various High Courts in India, wherever applicable), the Company has, during earlier years, acquired the IT services businesses (including assets and liabilities) of / from the following entities:

- SSI Limited (Information Technology division with operations in India, USA and several other countries).
- Scandent Group Limited, Mauritius (with operations in USA, Singapore, Germany, etc.).
- Matrix One India Limited (with operations in India).

Pursuant to share purchase agreements between Xchanging (Mauritius) Limited (XML), a wholly owned subsidiary of Xchanging Plc, a listed company incorporated in UK, and the erstwhile principal shareholders of the Company, and consequent open offer to public, XML now owns 75.00% (2012: 75.00%) of the outstanding share capital of the Company. Though the open offer process was completed on April 9, 2009, XML obtained the power of operational control of the Company effective January 1, 2009.

The shareholding pattern as at the year-end is given below:

Name of the shareholder	2013	2012
Xchanging (Mauritius) Limited	75.00%	75.00%
Scandent Holding Mauritius Limited	11.82%	11.82%
AON Minet Pension Scheme	3.77%	3.77%
Katra Finance Limited	2.70%	2.70%
Others	6.71%	6.71%
	100.00%	100.00%

Pursuant to approval of the shareholders in the annual general meeting and subsequent approval of the Registrar of Companies on June 11, 2012, the name of the Company has been changed to Xchanging Solutions Limited.

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

A These consolidated financial statements relate to Xchanging Solutions Limited ('the Company') and its subsidiaries (together 'the Group') and have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. These financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the other relevant provisions of the Companies Act, 1956.

The consolidated financial statements of the Group have been prepared based on a line-by-line consolidation of the balance sheet, statement of profit and loss and cash flow statement of the Company and its subsidiaries as at and for the year ended December 31, 2013. All material inter-company transactions and balances between the entities included in the consolidated financial statements have been eliminated.

The excess of cost to the Company of its investments in subsidiaries, over its proportionate share in equity of the subsidiaries at the date of acquisition is recognised in the consolidated financial statements as Goodwill and disclosed under Intangible Assets. In case the cost of investment in subsidiaries is less than the proportionate share in equity of the subsidiaries at the date of acquisition, the difference is treated as Capital Reserve and disclosed under Reserves and Surplus or netted off against Goodwill, as may be the case.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible in the same manner as the Company's separate financial statements.

All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956. Based on the nature of services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current – non current classification of assets and liabilities.

B Subsidiaries considered in the consolidated financial statements are given below:

Name of the subsidiary	Country of incorporation	Ownership interest	
		2013	2012
Direct subsidiaries:			
Xchanging Solutions (Singapore) Pte Limited	Singapore	100%	100%
Xchanging Solutions (Europe) Limited	United Kingdom	100%	100%
Xchanging Solutions (USA) Inc	USA	100%	100%
Indigo Markets Limited	Bermuda	-	100%
Step-down subsidiaries:			
Nexplicit Infotech India Private Limited	India	100%	100%
Xchanging Solutions (Malaysia) Sdn Bhd	Malaysia	100%	100%
Cambridge Solutions Pty Limited	Australia	-	100%

Notes:

- (i) Indigo Markets Limited has been liquidated on January 20, 2012.
- (ii) Cambridge Solutions Pty Limited has been liquidated on March 20, 2012.

2.2 Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision in accounting estimates is recognised prospectively in current and future periods.

2.3 Tangible Assets and Depreciation

- (i) Tangible assets are stated at cost of acquisition less accumulated depreciation and impairment losses. Cost comprises the purchase price and any directly attributable costs of bringing the assets to their working condition for their intended use.

- (ii) Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.
- (iii) Depreciation is provided on a straight-line method (SLM) based on estimated useful life of fixed assets determined by management (which are higher than the rates prescribed under Schedule XIV to the Companies Act, 1956) as follows:

	<u>Years</u>
Computers	2 to 4
Vehicles	2 to 5
Office equipments	3 to 5
Furniture and fixtures	5 to 10

- (iv) Leasehold improvements are amortised over the period of lease or five years, whichever is lower.
- (v) Assets individually costing up to Rupees five thousand are fully depreciated in the year of purchase.

2.4 Intangible Assets and Amortisation

Intangible assets are recognised only if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets comprise of goodwill and computer software.

- (i) Goodwill arising on acquisition is the difference between the cost of an acquired business and the aggregate of the fair value of that entity's identifiable assets and liabilities and the same is amortised on a straight-line basis over its economic life or the period defined in the Court scheme.
- (ii) Computer software is amortised over an estimated useful life of two to six years.
- (iii) The amortisation period and method used for intangible assets are reviewed at each financial year end.

2.5 Goodwill arising on consolidation

Goodwill arising on consolidation is carried at the value determined at the date of acquisition of the subsidiary. Goodwill arising on consolidation is not amortised, but is tested for impairment at every balance sheet date.

2.6 Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in Statement of Profit and Loss in the period in which they are incurred.

2.7 Lease accounting

As a lessee:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Profit and Loss on a straight-line basis over the period of the lease.

2.8 Impairment of assets

Assessment is done at each Balance Sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased.

2.9 Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefit will flow to the Group and that revenue can be reliably measured.

- (i) Revenue from time and material contracts are recognised as related services are performed.
- (ii) Revenue from fixed price contracts for delivering services is recognised under the proportionate completion method wherein revenue is recognised based on services performed to date as a percentage of total services to be performed.
- (iii) Revenue from maintenance contracts are recognised rateably over the term of the maintenance contract on a straight-line basis.
- (iv) Revenue from certain services are recognised as the services are rendered, on the basis of an agreed amount in accordance with the agreement entered into by the Group.
- (v) Revenue from sale of user licenses for software application is recognised on transfer of the title in the user license.
- (vi) Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- (vii) Provision for estimated losses, if any, on incomplete contracts are recorded in the period in which such losses become probable based on the current contract estimates.
- (viii) Deferred and unearned revenues represent the estimated unearned portion of fees derived from certain fixed-rate service agreements. Unearned revenues for fixed fee contracts are recognised on a pro-rata basis over the term of the underlying service contracts, which are generally one year.
- (ix) Unbilled revenue represents costs and earnings in excess of billings as at the balance sheet date.

2.10 Foreign currency transactions

- (i) Initial recognition:
On initial recognition, all foreign currency transactions are recorded by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- (ii) Subsequent recognition:
As at the reporting date, non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. All non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

All monetary assets and liabilities in foreign currency are restated at the end of accounting period other than those monetary assets which are provided for being doubtful of recovery.

Exchange differences on restatement of all monetary items are recognised in the Statement of Profit and Loss.

- (iii) Forward exchange contracts not intended for trading or speculation purposes:

The premium or discount arising at the inception of forward exchange contracts entered into to hedge an existing asset/liability, is amortised as expense or income over the life of the contract. Exchange differences on such a contract are recognised in the Statement of Profit and Loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract are recognised as income or as expense for the period.

- (iv) Foreign subsidiaries:

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.

In translating the financial statements of a non-integral foreign operation for incorporation in financial statements of the Group, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operation are translated at monthly average exchange rates of the transactions; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the investment.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expense in the same period in which the gain or loss on disposal is recognised.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

2.11 Employee benefits

- (a) Provident Fund, Employee Pension Scheme, Employee State Insurance and Other Funds: Contribution towards provident fund, employee pension scheme, employee state insurance and other funds is made to the regulatory authorities, where the Group has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Group does not carry any further obligations, apart from the contributions made on a monthly basis.
- (b) Gratuity: The Company provides for gratuity, a defined benefit plan (the "gratuity plan") covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The gratuity plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's last drawn salary and years of employment with the Group. The Group's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.
- (c) Compensated absences and Long service award: Accumulated compensated absences and Long service award, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Accumulated compensated absences and Long service award, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

- d) Employee Share-based Payments: Equity settled stock options granted to the employees under Employee Stock Option Plans are accounted for as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Guidelines, 1999, issued by Securities and Exchange Board of India and the Guidance Note on Employee Share based Payments issued by the Institute of Chartered Accountants of India. The intrinsic value of the option being excess of market value of the underlying share immediately prior to date of grant over its exercise price is recognised as deferred employee compensation with a credit to employee stock option outstanding account. The deferred employee compensation is charged to Consolidated Statement of Profit and Loss on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion and to deferred employee compensation expense equal to the un-amortised portion.

2.12 Taxes on income

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

Deferred tax is recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty/ virtual certainty, as may be applicable, that sufficient future taxable income will be available against which such deferred tax assets can be realised. 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. At each Balance Sheet date, the Group reassesses unrecognised deferred tax assets, if any.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

Minimum Alternative Tax credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

2.13 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares, that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

2.14 Provisions and contingent liabilities

Provisions: Provisions are recognised when there is a present obligation 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 there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date and are not discounted to its present value.

Provisions for onerous contracts (i.e., contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it) are recognised when it is probable that cash 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.

Contingent liabilities: Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made, is termed as a contingent liability.

2.15 Exceptional items

Exceptional items are generally non-recurring items of income and expense within profit or loss from ordinary activities, which are of such size, nature or incidence that their disclosure is relevant to explain the performance of the Group for the year.

2.16 Project work expenses

Project work expenses represents amounts charged by sub-contractors and cost of hardware and software incurred for execution of projects. These expenses are recognised on an accrual basis.

2.17 Cash and cash equivalents

In the cash flow statement, cash and cash equivalents includes cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2013	Dec 31, 2012
3 SHARE CAPITAL		
Authorised capital:		
125,000,000 (2012: 125,000,000) equity shares of Rs. 10 each	12,500	12,500
Issued, subscribed and paid up capital:		
111,403,716 (2012: 111,403,716) equity shares of Rs.10 each fully paid up	11,140	11,140
	11,140	11,140

a) Reconciliation of number of shares:

Equity shares	As at Dec 31, 2013		As at Dec 31, 2012	
	Number of shares	Amount	Number of shares	Amount
Shares outstanding at the beginning of the year	111,403,716	11,140	111,403,716	11,140
Add / (Less): Movement during the year	-	-	-	-
Shares outstanding at the end of the year	111,403,716	11,140	111,403,716	11,140

b) Rights, preferences and restrictions attached to shares

Equity shares: The Company has one class of equity shares having a par value of Rs. 10 per share. Each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

c) Shares held by holding company and subsidiary of holding company:

Name of shareholder	As at Dec 31, 2013		As at Dec 31, 2012	
	Number of shares	Amount	Number of shares	Amount
Xchanging (Mauritius) Limited, the holding company	83,552,787	8,355	83,552,787	8,355

d) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company:

Name of shareholder	As at Dec 31, 2013		As at Dec 31, 2012	
	Number of shares held	Percentage	Number of shares held	Percentage
Xchanging (Mauritius) Limited	83,552,787	75.00	83,552,787	75.00
Scandent Holding Mauritius Limited	13,167,551	11.82	13,167,551	11.82

e) Shares reserved for issue under options:

Particulars of Employees Stock Options (ESOP) on unissued share capital have been disclosed in Note 27. The total number of shares issued under ESOP in the last 5 years is as below:

Year	Number of shares
2009	16,666
2010	21,667
Total	38,333

f) Pursuant to SSI Limited (Information Technology division) merger scheme, the share capital of the Company as at March 31, 2004 was reduced from Rs.3,284 (2012: Rs.3,284) to Rs.1,316 (2012: Rs.1,316) and the capital reduction of Rs.1,969 (2012: Rs.1,969) was utilised to adjust the debit balance of equivalent amount in the Statement of Profit and Loss of the Company as at March 31, 2004.

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2013	Dec 31, 2012
4 RESERVES AND SURPLUS		
Capital reserve (Refer Note below)	361	361
Securities premium:		
Balance as at the beginning of the year	8,417	8,417
Balance as at the end of the year	8,417	8,417
Stock compensation adjustment:		
Balance as at the beginning of the year	7	7
Balance as at the end of the year	7	7
Foreign currency translation reserve:		
Balance as at the beginning of the year	(559)	(661)
Add / (Less): Movement during the year	(180)	102
Balance as at end of the year	(739)	(559)
Surplus in Statement of Profit and Loss:		
Balance as at the beginning of the year	5,658	4,433
Profit for the year	3,031	1,225
Balance as at end of the year	8,689	5,658
	16,735	13,884

Note:

Capital reserve represents waiver of liability by Scandent Holding Mauritius Limited, erstwhile ultimate holding company.

5 LONG-TERM BORROWINGS

Secured

From Bank:

Loan for purchase of Tangible assets	126	92
	126	92

Nature of security and terms of repayment for secured borrowings are as follows:

a) Nature of security: Vehicles purchased on loan for employees

b) Terms of Repayment: Monthly payment of equated monthly installments for a period of 3-5 years

c) Interest rate: 9.5% to 13.5%

6 OTHER LONG-TERM LIABILITIES

Trade payables	17	17
Advance from customers	-	90
	17	107

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2013	Dec 31, 2012
7 LONG-TERM PROVISIONS		
Provision for employee benefits (Refer Note 23):		
Provision for compensated absences	14	13
Provision for gratuity	293	272
Provision for long service award	48	47
	<u>355</u>	<u>332</u>
Other provisions (Refer Note 35):		
Provision for litigation	32	32
Provision for onerous lease contracts	173	173
	<u>205</u>	<u>205</u>
	<u>560</u>	<u>537</u>
8 TRADE PAYABLES		
Dues to:		
Fellow subsidiaries	1,027	443
Others	3,167	2,739
	<u>4,194</u>	<u>3,182</u>
9 OTHER CURRENT LIABILITIES		
Current maturities of long-term borrowings	54	62
Unamortised premium on forward contracts	24	-
Deferred revenue	633	535
Employee benefits payable	1,140	1,202
Creditors for capital goods	6	12
Statutory dues	309	359
Foreign currency payable under forward contracts	1,396	-
	<u>3,562</u>	<u>2,170</u>
10 SHORT-TERM PROVISIONS		
Provision for employee benefits (Refer Note 23):		
Provision for compensated absences	366	518
Provision for gratuity	60	70
Provision for long service award	17	22
Other provisions:		
Provision for taxation [Net of advance tax Rs. 3,414 (2012: Rs. 3,118)]	2,103	852
(Less): Adjustment of MAT Credit Entitlement pertaining to previous year	(1,410)	-
	<u>1,136</u>	<u>1,462</u>

(All amounts in Rs. Lakhs, unless otherwise stated)

11 TANGIBLE ASSETS

	Gross Block (at cost)				Depreciation / Ammortisation				Net Block			
	2012	Additions	Deletions	Translation	2013	2012	For the year	Deletions	Translation	2013	2012	
							year					
Leasehold improvements	1,049	-	8	47	1,088	748	148	8	47	935	153	301
Computers	2,504	193	15	118	2,800	2,313	155	15	114	2,567	233	191
Vehicles (Refer Note (i) below)	373	163	170	-	366	214	81	137	-	158	208	159
Office equipments	361	20	4	16	393	294	17	4	14	321	72	67
Furniture and fixtures	372	-	6	16	382	345	8	6	15	362	20	27
Total	4,659	376	203	197	5,029	3,914	409	170	190	4,343	686	745
2012	4,188	646	253	78	4,659	3,606	468	224	64	3,914	745	

12 INTANGIBLE ASSETS

	Gross Block (at cost)				Depreciation / Ammortisation				Net Block			
	2012	Additions	Deletions	Transla- tion	2013	2012	For the year	Deletions	Translation	2013	2012	
							year					
Goodwill arising on consolidation	16,123	-	-	-	16,123	282	-	-	-	282	15,841	15,841
Goodwill acquired	673	-	-	104	777	673	-	-	104	777	-	-
Computer software	4,534	95	-	613	5,242	4,494	90	-	613	5,197	45	40
Total	21,330	95	-	717	22,142	5,449	90	-	717	6,256	15,886	15,881
2012	21,203	74	-	53	21,330	5,361	40	-	48	5,449	15,881	
Grand Total	25,989	471	203	914	27,171	9,363	499	170	907	10,599	16,572	16,626
2012	25,391	720	253	131	25,989	8,967	508	224	112	9,363	16,626	

Notes:

- (i) All vehicles are taken on loan.
(ii) There are no borrowing costs capitalised during the current or previous year.

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2013	Dec 31, 2012
13 LONG-TERM LOANS AND ADVANCES		
Unsecured, considered good (unless otherwise stated)		
Loans and advances to fellow subsidiaries	1,950	1,825
Security deposits		
- Considered good	260	541
- Considered doubtful	146	302
(Less): Provision for doubtful security deposits	(146)	(302)
Advances recoverable in cash or kind		
- Considered doubtful	454	469
(Less): Provision for doubtful advances	(454)	(469)
Other loans and advances		
- Prepaid expenses	14	24
	<u>2,224</u>	<u>2,390</u>
14 OTHER NON-CURRENT ASSETS		
Others:		
Long term deposits with banks with maturity period more than 12 months [Held as lien by bank]	105	63
	<u>105</u>	<u>63</u>
15 TRADE RECEIVABLES		
Unsecured, considered good:		
Outstanding for a period exceeding 6 months from the date they are due for payment	476	754
Others	4,192	3,828
Unsecured, considered doubtful:		
Outstanding for a period exceeding 6 months from the date they are due for payment	1,813	1,699
(Less): Provision for doubtful debts	(1,813)	(1,699)
	<u>4,668</u>	<u>4,582</u>
16 CASH AND BANK BALANCES		
Cash and Cash equivalents		
Cash on hand	1	2
Balances with banks		
In current accounts	3,970	2,450
Demand deposits (less than 3 months maturity)	3,105	1,767
	<u>7,076</u>	<u>4,219</u>
Other bank balances		
Long term deposits with banks with maturity period more than 3 months but less than 12 months	438	3
	<u>7,514</u>	<u>4,222</u>

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2013	Dec 31, 2012
17 SHORT-TERM LOANS AND ADVANCES		
Unsecured considered good, unless otherwise stated:		
Loans and advances to fellow subsidiaries	259	196
Security deposits	397	120
Other Loans and Advances:		
- MAT Credit Entitlement	-	1,260
- Prepaid Expenses	186	209
- Others: *		
- Considered good	1,069	1,091
- Considered doubtful	432	371
(Less): Provision for doubtful advances	(432)	(371)
	<u>1,911</u>	<u>2,876</u>
* Others include service tax recoverable amounting to Rs. 803 (2012: Rs. 811) which are considered good and Rs. 432 (2012: Rs. 371) which are considered doubtful and has been fully provided. The remaining balance is on account of advances given to vendors and employees.		
18 OTHER CURRENT ASSETS		
Foreign currency receivable under forward contracts	1,466	-
Unbilled revenue		
- Considered good	2,146	1,742
- Considered doubtful	-	81
(Less): Provision for doubtful other current assets	-	(81)
Interest accrued on loans to fellow subsidiaries	164	52
Interest accrued on bank deposits	62	21
	<u>3,838</u>	<u>1,815</u>
19 CONTINGENT LIABILITIES		
(i) Bank guarantees	150	99
(ii) Claims against the Group not acknowledged as debts:		
Income tax matters [Note (b)]	2,060	1,403
Service tax matters [Note (c)]	2,359	2,359
	<u>4,569</u>	<u>3,861</u>

Notes:

- (a) The above contingent liabilities are possible obligation or present obligation that may (but probably will not) require an outflow of resources.
- (b) Represents various income tax demands under appeal.
- (c) Represents service tax amount on select categories of transactions relating to financial years 2007-08 to 2011-12 set out in a show cause notice issued by the Commissioner of Service Tax, Bangalore, which is disputed by the Company. Based on consultation with legal counsel, the Company has filed a formal reply to the show cause notice.
- (d) It is not practicable for the Group to estimate the timings of cash outflows, if any, in respect of the above pending resolution of the respective proceedings.
- (e) The Group does not expect any reimbursements in respect of the above contingent liabilities.

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2013	Dec 31, 2012
20 CAPITAL AND OTHER COMMITMENTS		
(a) Capital Commitments		
Estimated value of contracts in capital account remaining to be executed (net of advances)	47	89
(b) Other Commitments		
<p>The Company has export obligations under the Software Technology Parks of India (STPI) scheme. In accordance with such scheme, the Company procures capital goods without payment of duties, for which, agreements and bonds are executed by the Company in favour of the Government. In case the Company does not fulfil the export obligation, it is liable to pay, on demand an amount equal to such duties saved including interest and liquidated damages. As at December 31, 2013, the Company has availed duty benefits amounting to Rs. 178 (2012: Rs. 175). The Company expects to meet its commitment to earn requisite revenue in foreign currency as stipulated by the STPI regulations.</p>		
21 REVENUE FROM OPERATIONS		
Software services	24,309	20,883
	24,309	20,883
22 OTHER INCOME		
Interest income on bank deposits	222	175
Interest income on loans to fellow subsidiaries	233	166
Profit on sale of fixed assets (net)	-	19
Provision for doubtful advances no longer required written back (net)	73	-
Provision for doubtful debts no longer required written back (net)	58	-
Other provisions no longer required written back	-	206
Liabilities no longer required written back	766	980
Foreign exchange gain (net)	826	-
Miscellaneous income	128	79
	2,306	1,625

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2013	Dec 31, 2012
23 EMPLOYEE BENEFITS EXPENSE		
Salaries, allowances and bonus	14,545	12,750
Contribution to provident and other funds	638	530
Provision for gratuity and compensated absences	69	209
Staff welfare	994	806
	16,246	14,295

(a) Defined Contribution Plan

Provident Fund and Other Funds: During the year, the Group has recognised Rs. 638 (2012: Rs. 530) in the Statement of Profit and Loss relating to provident fund and other funds, which is included in the 'Contribution to provident and other funds'.

(b) Defined Benefit Plan

Gratuity (unfunded): The Group provides for gratuity, a defined benefit plan (the "gratuity plan") covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The gratuity plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's last drawn salary and years of employment with the Group.

The following tables summarise the components of expense recognised in the Statement of Profit and Loss and amounts recognised in the Balance Sheet for the gratuity plan:

	Dec 31, 2013	Dec 31, 2012
(i) Present Value of Defined Benefit Obligation		
Balance at the beginning of the year	342	326
Current Service Cost	64	63
Interest Cost	30	29
Actuarial (Gains) / Losses	(19)	(9)
Benefits paid	(64)	(67)
Balance at the end of the year	353	342
(ii) Assets and Liabilities recognised in the Balance Sheet		
Present Value of Defined Benefit Obligation	353	342
(Less): Fair Value of Plan Assets	-	-
Amounts recognised as liability	353	342
Recognised under:		
Long-term provisions (Refer Note 7)	293	272
Short-term provisions (Refer Note 10)	60	70
	353	342
(iii) Expense recognised in the Statement of Profit and Loss		
Current Service Cost	64	63
Interest Cost	30	29
Actuarial (Gains) / Losses	(19)	(9)
Total Expense	75	83

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2013	Dec 31, 2012
(iv) Actuarial Assumptions		
Discount Rate	8.75%	8.00%
Expected Return on Plan Assets	N/A	N/A
Attrition Rate	20%	20%
Increase in Compensation Cost	10%	10%
Retirement Age	65	65

(v) Amounts recognised in current year and previous four years

	As on Dec 31, 2013	As on Dec 31, 2012	As on Dec 31, 2011	As on Dec 31, 2010	As on Dec 31, 2009
Defined Benefit Obligation	353	342	326	434	349
Fair Value of Plan Assets at the end of the year	-	-	-	160	115
Amount recognised in Balance Sheet (Liability)	(353)	(342)	(326)	(274)	(234)
Experience adjustments in Plan Assets gains / (losses)	-	-	-	4	8
Experience adjustments in Plan Liabilities gains / (losses)	19	13	12	(14)	(57)
(Gains) / losses due to change in assumptions	-	4	1	4	8

Notes:

- (i) The estimates of future salary increases, considered in the actuarial valuation, takes into on account, inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market.
- (ii) The discount rate is based on the prevailing market yields of Indian government securities as at the Balance Sheet date for the estimated term of the obligation.

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2013	Dec 31, 2012
24 OTHER OPERATING COSTS		
Project work expenses	1,273	834
Claim work expenses	-	30
Travelling and conveyance	930	742
Rent and hire charges	709	792
Recruitment and relocation	242	101
Communication	411	396
Power and fuel	219	256
Insurance	159	145
Rates and taxes	10	79
Repairs and maintenance:		
Computer equipments	155	120
Others	200	246
Legal and professional	572	673
Printing and stationery	63	60
Business promotion	887	470
Bank charges	44	29
Customer claims/ warranties	171	-
Directors' sitting fees	8	7
Loss on sale of fixed assets (net)	1	-
Foreign exchange loss (net)	-	68
Bad debts written off	155	-
Provision for doubtful debts (net)	-	21
Advances written off	73	-
Miscellaneous	104	30
	6,386	5,099
25 FINANCE COSTS		
Interest on long-term borrowings	17	16
	17	16
26 DEPRECIATION AND AMORTISATION		
Depreciation on Tangible assets	409	468
Amortisation on Intangible assets	90	40
	499	508

(All amounts in Rs. Lakhs, unless otherwise stated)

27 a) EMPLOYEE STOCK OPTIONS PLAN

	ESOP II Plan 2004		ESOP I Plan 2005		ESOP II Plan 2005		ESOP II Plan 2006	
	No. of shares	Weighted average exercise price (Rs.)	No. of shares	Weighted average exercise price (Rs.)	No. of shares	Weighted average exercise price (Rs.)	No. of shares	Weighted average exercise price (Rs.)
Vesting	- 20% of the options one year from the date of grant - 40% of the options two years from the date of grant - 40% of the options three years from the date of grant		One year from the date of grant		40% of the options one year from the date of grant and balance 60% two years from the date of grant		- 33.33% of the options one year from the date of grant - 33.33% of the options two years from the date of grant - 33.33% of the options three years from the date of grant	
Method of accounting	Intrinsic value method		Intrinsic value method		Intrinsic value method		Intrinsic value method	
Method of settlement	Equity		Equity		Equity		Equity	
Exercise price	128.75		10.00		113.15 - 172.00		56.90 - 140.35	
General description of plans	Pursuant to SSIIT merger Scheme, the Company granted 70,892 options under the ESOP II Plan 2004 on November 10, 2004 to the holder of options in SSI as on July 2, 2004, the appointed date.		Under the ESOP Plan 2005, on May 27, 2005, 179,263 options have been issued under Program I. During the year ended March 31, 2007, additional 5,737 shares were granted.		Under the ESOP Plan 2005, on May 27, 2005, 384,473 options under Program II have been issued. During the year ended March 31, 2007, additional 68,000 shares were granted.		During the year ended March 31, 2007, 60,000 options have been issued under Program I and 2,057,946 options under Program II. Further, during the year ended March 31, 2008, additional 1,870,000 shares were granted under Program II.	
December 31, 2013								
Options outstanding at the beginning of the year	-	-	-	-	-	-	425,946	87.33
Options granted during the year	-	-	-	-	-	-	-	-
Options forfeited during the year	-	-	-	-	-	-	-	-
Options exercised during the year	-	-	-	-	-	-	-	-
Options expired during the year	-	-	-	-	-	-	15,946	113.15
Options outstanding at the end of the year	-	-	-	-	-	-	410,000	86.33
Options exercisable at the end of the year	-	-	-	-	-	-	410,000	86.33
Weighted average remaining contractual life (in years)	-	-	-	-	-	-	0.86	-
December 31, 2012								
Options outstanding at the beginning of the year	-	-	5,000	10.00	20,500	172.00	743,946	92.38
Options granted during the year	-	-	-	-	-	-	-	-
Options forfeited during the year	-	-	-	-	20,500	172.00	318,000	99.14
Options exercised during the year	-	-	-	-	-	-	-	-
Options expired during the year	-	-	5,000	10.00	-	-	-	-
Options outstanding at the end of the year	-	-	-	-	-	-	425,946	87.33
Options exercisable at the end of the year	-	-	-	-	-	-	425,946	87.33
Weighted average remaining contractual life (in years)	-	-	-	-	-	-	1.82	-

	Dec 31, 2013	Dec 31, 2012
Net profit as reported	3,031	1,225
Net profit available for equity shareholders	3,031	1,225
Add: Stock based employee compensation expenses included in reported income	-	-
Less: Stock based employee compensation expenses determined under Fair Value based method net of tax effects	-	-
Revised profit	3,031	1,225
Earnings per share		
Basic	2.72	1.10
Diluted	2.72	1.10

- b) During the year, the Group has recognised employee benefits expense amounting to Rs. 9 (2012: Rs. 4) on account of cross charge of 'Stock Options and Stock Incentive Plan' related cost as per the agreement entered into between certain employees of the Group and the Ultimate Holding Company (Xchanging plc, UK). This stock option scheme of Xchanging plc, UK is being managed and run by Xchanging plc, UK. Accordingly, other detailed disclosures required by the Guidance Note on 'Accounting for Employee Share-based Payments' issued by Institute of Chartered Accountants of India have not been made, as these do not pertain to information relating to the Group and such information is not available with the Group.

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2013	Dec 31, 2012
28 EXCEPTIONAL ITEMS - GAIN / (LOSS)		
The Group has recorded exceptional items aggregating to gain of Rs. 438 (2012: loss of Rs. 536) as detailed below:		
(i) Recovery of loans and advances written off in earlier year	273	-
In prior years, the Group had fully written off loan provided to Cambridge Integrated Services Group Inc ('CISGI') by Xchanging Solutions (USA) Inc which was included as exceptional item. During the year, the Group has received part of this amount from the liquidator of CISGI as part of the liquidation process.		
(ii) Provision for doubtful security deposit written back/(made)	165	(165)
The Company, owing to the protracted discussions between the parties had estimated a portion of the security deposit to be doubtful of recovery and had made a provision towards security deposit to the extent considered doubtful of recovery in the previous year and disclosed as exceptional item. During the year, the Company has written back the provision made in the previous year in view of the settlement agreement reached with the party subsequent to the year end.		
(iii) Provision for doubtful advances	-	(371)
Considering the evidence of refund orders recently received by the Company and taking into account the rejection orders received in the past, and uncertainty on the timing of ultimate collection of the full refund amounts owing to litigative nature of the refund process with the tax authorities, the Company has made a provision in the books against part of the carrying value of service tax/ input credit asset.		
	438	(536)

29 On August 1, 2002, the Company issued 1,500,000, 11% debentures of face value of Rs. 100 each. The debentures were repayable at par at the end of five years from the date of issuance. Based on the orders of the Debt Recovery Tribunal, the Company had issued duplicate debenture certificates for 625,000 debentures (which form a part of the said 1,500,000 debentures) in favour of a Bank in June 2007. These debentures were redeemed in June 2007 and the same was disclosed in the annual report for the year ending March 2007. In August 2007, a civil suit was filed against the Company before the Hon'ble Madras High Court by another company ("Third Party"), claiming rights over the said 625,000 debentures. Decision on this suit is still pending before Hon'ble Madras High Court. On the basis of an interim application filed by the Third Party, the Hon'ble High Court passed an Interim Order in September 2007 restraining the Company from reflecting the redemption of debentures and directing the Company to continue to show it as due and payable. The said Order was made absolute in December 2010. The Company, in consultation with a senior legal counsel, has filed an appeal against the interim order of the Hon'ble High Court contending that it is not possible to show the debentures as due and payable as the debentures have already been redeemed and also reflected as redeemed in the Company's accounts prior to passing of interim order. The Company is awaiting the decision of the Hon'ble High Court in the Company's appeal; pending which no adjustment has been made in the accounts.

(All amounts in Rs. Lakhs, unless otherwise stated)

30 Goodwill arising on consolidation is carried at the value determined at the date of acquisition of the subsidiary. Goodwill relating to BPO businesses have been adusted during the prior years on sale of those operations. As at the year end, the Group has tested Goodwill arising on consolidation for impairment using cash flows forecasts based on budgets and using a discounted cash flow method to identify the enterprise value by applying a discount rate of 14.00% based on weighted average cost of capital. Based on such assessment, the Group has concluded that the recoverable value is higher than the carrying value and hence no impairment charge is accounted for during the year.

	Dec 31, 2013	Dec 31, 2012
31 Basic and Diluted Earnings Per Share		
(Nominal value of shares: Rs. 10)		
Profit for the year after tax	3,031	1,225
Weighted average number of equity shares considered for calculating basic earnings per share – (A)	111,403,716	111,403,716
Earnings per share – Basic (Rs.)	<u><u>2.72</u></u>	<u><u>1.10</u></u>
Add: Weighted average number of potential equity shares under employee stock options – (B)	-	-
Weighted average number of equity shares considered for calculating diluted earnings per share – (A + B)	111,403,716	111,403,716
Earnings per share – Diluted (Rs.)	<u><u>2.72</u></u>	<u><u>1.10</u></u>

(All amounts in Rs. Lakhs, unless otherwise stated)

32 Segment Reporting

The dominant source of risk and returns of the enterprise is considered to be the business in which it operates, viz. - Information Technology (IT) Services. The sub businesses are fully aligned to IT Services business of the Group and the same are being viewed by the management as a single business segment. Being a single business segment group, no primary segment information is being provided.

The secondary segment information as per Accounting Standard 17 "Segment Reporting" in relation to the geographies is as follows:

	Revenue by location of customers		Carrying amount of segment assets by location of the assets		Addition to Fixed Assets	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Europe	6,299	8,799	1,562	962	2	-
USA	10,404	6,752	2,852	2,233	-	-
Rest of the World	7,606	5,332	32,435	28,119	469	720
	24,309	20,883	36,849	31,314	471	720

(All amounts in Rs. Lakhs, unless otherwise stated)

33 Related Party Disclosures**A. Names of related parties and nature of relationship:****

Nature of relationship	Names of related parties
Parties where control exists:	
Holding companies:	
Ultimate Holding Company	Xchanging plc, UK
Intermediate holding companies	Xchanging Holdings Limited, UK Xchanging BV, The Netherlands
Immediate holding company	Xchanging (Mauritius) Limited, Mauritius ('XML')

Parties under common control with whom transactions have taken place:

Fellow subsidiaries	Xchanging Integrated Services Victoria Pty Limited, Australia ('XISVPL')
	Xchanging Integrated Services Australia Pty Limited, Australia ('XISAPL')
	Xchanging Systems and Service Inc., USA ('XSSI')
	Xchanging Global Insurance Solutions Ltd., UK ('XGISL')
	Xchanging Technology Services India Private Limited, India ('XTSIPL')
	Xchanging UK Limited, UK ('XUKL')
	Xchanging GmbH, Germany ("XG")
	Xchanging Asia Pacific Sdn Bhd, Malaysia ('XAPSB')
	Xchanging HR Services Ltd, UK ('XHRSL')
	Ins-sure Services Limited, UK ('ISSL')
	Xchanging Procurement Services Limited, UK ('XPSL')
	Ferguson Snell & Associates Ltd, UK ('FSAL')
	Xchanging Inc. USA ('XI')
	Xchanging Procurement Services PTY Limited, UK ('XPSPL') (*)
	Xchanging PTY Limited, Australia ('XPL')
	Xchanging Builders (India) Private Limited, India ('XBPL')
	Xchanging Services Inc. USA ('XSI') (*)

Key Managerial Personnel (KMP)

Executive Chairman and Chief Executive Officer	Kenneth Lever (*)
Executive Director	David Bauernfeind (*)

(*) No transactions during the year.

** The above information and those in "(B) Summary of transactions with related parties" have been determined to the extent such parties have been identified by the management of the Group.

(All amounts in Rs. Lakhs, unless otherwise stated)

	Holding companies		Fellow subsidiaries		Total	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012

B. Summary of transactions with related parties is as follows:****Expenses paid on behalf of the Group:**

XAPSB, Malaysia	-	-	39	-	39	-
XGISL, UK	-	-	105	222	105	222
XI, USA	-	-	-	17	-	17
XPSPL, Australia	-	-	-	41	-	41
XPL, Australia	-	-	66	68	66	68
XG, Germany	-	-	138	-	138	-
XUKL, UK	-	-	343	19	343	19
FSAL, UK	-	-	33	12	33	12
XBSL, UK	-	-	0	-	0	-
XHRSL, UK	-	-	16	73	16	73
XPSL, UK	-	-	54	-	54	-
XSSI, USA	-	-	176	98	176	98
XTSIPL, India	-	-	209	38	209	38
Xchanging plc, UK	9	4	-	-	9	4
XBPL, India	-	-	16	-	16	-

Expenses paid on behalf of related party:

XAPSB, Malaysia	-	-	45	593	45	593
XGISL, UK	-	-	218	116	218	116
ISSL, UK	-	-	12	-	12	-
XI, USA	-	-	3	-	3	-
XPSL, UK	-	-	8	-	8	-
XSSI, USA	-	-	3	152	3	152
XTSIPL, India	-	-	1,904	1,791	1,904	1,791
XUKL, UK	-	-	117	61	117	61
XISAPL, Australia	-	-	12	9	12	9
XISVPL, Australia	-	-	4	-	4	-
XFS, France	-	-	4	-	4	-

Interest Income on loans:

XTSIPL, India	-	-	108	108	108	108
XBPL, India	-	-	125	58	125	58

Notes to the Consolidated Financial Statements

(All amounts in Rs. Lakhs, unless otherwise stated)

	Holding companies		Fellow subsidiaries		Total	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Revenue:						
XGISL, UK	-	-	741	807	741	807
XUKL, UK	-	-	230	175	230	175
XAPSB, Malaysia	-	-	126	73	126	73
XHRSL, UK	-	-	70	-	70	-
XTSIPL, India	-	-	111	115	111	115
XISAPL, Australia	-	-	215	230	215	230
XISVPL, Australia	-	-	27	-	27	-
XI, USA	-	-	4	-	4	-
XPSL, UK	-	-	119	-	119	-
XSSI, USA	-	-	9	-	9	-

Loans given during the year:

XBPL, India	-	-	125	977	125	977
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Loans repaid during the year:

XTSIPL, India	-	-	-	44	-	44
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C. Summary of balances of related parties is as follows:

Trade Receivables:

XGISL, UK	-	-	259	298	259	298
XUKL, UK	-	-	153	31	153	31
ISSL, UK	-	-	9	-	9	-
XAPSB, Malaysia	-	-	260	760	260	760
XHRSL, UK	-	-	74	-	74	-
XPSL, UK	-	-	33	-	33	-
XTSIPL, India	-	-	215	139	215	139
XISAPL, Australia	-	-	20	37	20	37
XSI, USA	-	-	-	12	-	12
XFS, France	-	-	4	-	4	-
XG, Germany	-	-	0	-	0	-
XSSI, USA	-	-	3	-	3	-

(All amounts in Rs. Lakhs, unless otherwise stated)

	Holding companies		Fellow subsidiaries		Total	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Expenses Payable:						
FSAL, UK	-	-	10	-	10	-
XAPSB, Malaysia	-	-	104	13	104	13
XGISL, UK	-	-	47	2	47	2
XSSI, USA	-	-	56	81	56	81
XG, Germany	-	-	55	-	55	-
XUKL, UK	-	-	321	31	321	31
XHRSL, UK	-	-	28	108	28	108
XTSIPL, India	-	-	290	160	290	160
XPL, Australia	-	-	1	20	1	20
XPSL, UK	-	-	94	13	94	13
Xchanging plc, UK	9	4	-	-	9	4
XBPL, India	-	-	12	-	12	-
XISAPL, Australia	-	-	-	11	-	11
Expenses Receivable:						
XAPSB, Malaysia	-	-	16	62	16	62
XGISL, UK	-	-	8	1	8	1
XI, USA	-	-	2	-	2	-
XISVPL, Australia	-	-	-	6	-	6
XSSI, USA	-	-	9	-	9	-
XTSIPL, India	-	-	174	123	174	123
XUKL, UK	-	-	41	4	41	4
XISAPL, Australia	-	-	8	-	8	-
XPSL, UK	-	-	0	-	0	-
XPL, Australia	-	-	1	-	1	-
Loans and advances:						
XTSIPL, India	-	-	900	900	900	900
XBPL, India	-	-	1,214	977	1,214	977

(All amounts in Rs. Lakhs, unless otherwise stated)

34 Leases**Operating lease**

As lessee:

In case of assets taken on lease:

The Group has operating lease arrangements for its office premises, guest houses and certain equipments. The lease arrangements for premises and guest houses have been entered up to a maximum of six years from the respective dates of inception. Some of these lease arrangements have price escalation clauses. Rent and hire charges for such operating leases recognised in the Statement of Profit and Loss for the year ended December 31, 2013 amounts to Rs. 709 (2012: Rs. 792).

Future minimum lease payments under operating lease arrangements are as under:

Particulars	Dec 31, 2013	Dec 31, 2012
Not later than one year	249	344
Later than one year and not later than five years	156	274
Later than 5 years	-	-
Total	405	618

35 Provisions

In accordance with AS 29 'Provisions, Contingent Liabilities and Contingent Assets', the particulars of provisions as at December 31, 2013 are as follows:

Particulars	Dec 31, 2012	Created during the year	Utilised/ reversed during the year	Dec 31, 2013
Onerous lease contracts [Note (i)]	173	-	-	173
	(173)	-	-	(173)
Litigation [Note (ii)]	32	-	-	32
	(32)	-	-	(32)

Notes:

- (i) Provision for onerous lease contracts relates to losses recognised on contracts to the extent that unavoidable cost of meeting the obligations under the contract exceeds the economic benefits expected to be received under it. Pending settlement with the lessor, it is not possible to estimate the timing of the outflow.
- (ii) Provision for litigation relates to a litigation matter. Due to the very nature of such costs, it is not possible to estimate the timing/uncertainties relating to their outflows.
- (iii) Prior year numbers are disclosed within brackets.

(All amounts in Rs. Lakhs, unless otherwise stated)

36 Taxation**a) Current Tax:**

Current tax charge reflects provision for income tax based on the taxable income of the Group after considering taxable income as per the local tax laws applicable. While ascertaining the taxable income for the current year, the brought forward losses if any, have also been considered.

The current tax charge for the Company includes minimum alternative tax (MAT) determined under Section 115JB of the Income Tax Act, 1961, of India.

Provision for income tax of the Company has been computed by applying the Income Tax Act, 1961 to the profit for the financial year ended December 31, 2013, although the actual tax liability of the Company has to be computed each year by reference to the taxable profit for each fiscal year ended March 31.

b) Deferred Tax Assets (Net):

During the year, the Company has reassessed unrecognised deferred tax assets and has recognised deferred tax for timing differences to the extent there is a reasonable certainty that sufficient taxable income will be available against which such deferred tax assets can be realised as envisaged under AS22 "Accounting for Taxes on Income".

Details of deferred tax assets (net) as at December 31, 2013 is as per below:

Particulars	As at December 31, 2012	Credit/ (Charged) to Statement of Profit and Loss	As at December 31, 2013
Deferred Tax Assets			
Depreciation	-	285	285
Provision for gratuity	-	120	120
Provision for compensated absences	-	7	7
Provision for other employee benefits	-	77	77
Others	-	132	132
Total (A)	-	621	621
Deferred Tax Liabilities (B)	-	-	-
Deferred Tax Assets (Net) (A)-(B)	-	621	621
Previous year	-	-	-

c) Transfer Pricing:

The Group has significant intra group transactions pertaining to revenue and expense cross charges. The management is in the process of updating the transfer pricing study for such transactions entered into during the year ended December 31, 2013, and does not anticipate any adjustments with regard to the transactions involved.

(All amounts in Rs. Lakhs, unless otherwise stated)

37 Previous Year Figures

Previous year figures have been reclassified to conform to this year's classification.

For Price Waterhouse

Firm Registration Number: 012754N

Chartered Accountants

Charan S. Gupta

Partner

Membership Number: 093044

Place : Gurgaon

Date : February 28, 2014

For and on behalf of the Board of Directors

Kenneth Lever

**Executive Chairman &
Chief Executive Officer**

Place : London

Date : February 28, 2014

David Bauernfeind

Executive Director

Vinod Goel

Chief Financial Officer

Place: Gurgaon

Date : February 28, 2014

Vijayamahantesh Khannur

Company Secretary

Place: Bangalore

Date : February 28, 2014

NOTICE

NOTICE

Notice is hereby given that the Thirteenth Annual General Meeting ("AGM") of the Members of **XCHANGING SOLUTIONS LIMITED** ("the Company") will be held on **Monday, 02 June 2014 at 10.00 AM at SJR I-Park, Plot 13, 14, 15., EPIP Industrial Area, Phase I Whitefield, Bangalore 560 066, India**, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited balance sheet as at 31 December 2013 and the profit and loss account for the year ended on that date together with the reports of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. David Bauernfeind who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint M/s Price Waterhouse, Chartered Accountants (Firm Registration No. 012754N) as Statutory Auditors of the Company, who shall hold the office from the conclusion of this meeting till the conclusion of the sixth annual general meeting hereafter, subject to ratification in every annual general meeting till sixth such meeting on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors.

SPECIAL BUSINESS

4. To consider and, if thought fit to pass with or without modification(s), the following resolution as a **Special Resolution** :

RESOLVED THAT pursuant to the provisions of Sections 196, 197, 198, Schedule V and all other applicable provisions of the Companies Act, 2013, if any, (including any statutory modifications or re-enactment(s) thereof, for time being in force) and subject to the approval of Central Government or any other statutory authority as may be applicable, the approval of the Members be and is hereby accorded

to the appointment of Mr. Kenneth Lever as whole time director and designated as Executive Chairman and Chief Executive Officer of the Company for a period of 3 years with effect from 28 February 2014 on the following broad terms & conditions:

1. Tenure:

The appointment of Mr. Kenneth Lever, as Whole Time Director and designated as Executive Chairman and Chief Executive Officer of the Company for a period of 3 years with effect from 28 February 2014.

2. Duties:

Mr. Kenneth Lever shall perform such duties and exercise such powers as may from time to time be entrusted to him, subject to the superintendence and control of the Board of Directors of the Company.

3. Salary & Commission:

Mr. Kenneth Lever shall not be paid any remuneration and not to be entitled to commission during his tenure as whole time director or Executive Chairman and Chief Executive Officer.

4. Reimbursement of Travel and out of pocket expenses:

Mr. Kenneth Lever shall be entitled for actual reimbursement of travel and out of pocket expenses incurred for business purpose of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do and perform such acts, deeds, matters or things and take such steps as may be necessary, expedient or desirable to give effect to this Resolution.

By Order of the Board

Place : Bangalore
Date : 30 April 2014

Vijayamahantesh V. Khannur
Company Secretary

NOTES

1. An explanatory statement pursuant to Section 102 of the Companies Act, 2013 is annexed hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend the meeting and the proxy need not be a member of the Company. Under the Companies Act, voting is by show of hands unless a poll is demanded by a member or members present in person, or by proxy, holding at least one-tenth of the total shares entitled to vote on the resolution, or by those holding paid-up capital of at least Rs. 5,00,000 (Rupees five lakhs only). A proxy shall not vote except on a poll.
3. The instrument appointing the proxy should be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.
4. Electronic copy of the Notice of the 13th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 13th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.
5. Pursuant to Section 108 of Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014, it is mandatory to extend to the members of the Company, the facility to vote at the AGM by electronic means. Members of the Company can transact all the

items of the business through electronic voting system as contained in the notice of the meeting.

The Company has appointed Mr. Sudhir Hulyalkar, Practicing Company Secretary, failing him Mr. Naman Joshi, Practicing Company Secretary, who in the opinion of the Company is a duly qualified person, as a Scrutinizer who will collate the electronic voting process in a fair and transparent manner. The Scrutinizer shall within a period of three working days from the date of conclusion of e-voting period, submit his report of the votes cast in favour or against, if any, to the Chairman of the Company. The result of the same will be disclosed at the AGM proceedings.

INSTRUCTION FOR E-VOTING

- i. To use the URL for e-voting: <http://evoting.karvy.com>
- ii. Shareholders of the Company holding shares either in physical form or in dematerialized form, as on the record date, may cast their vote electronically.
- iii. Enter the login credentials [i.e., user id and password].

User-ID	For Members holding shares in Demat Form:-
	a) For NSDL:- 8 Character DP ID followed by 8 Digits Client ID
	b) For CDS :- 16 digits beneficiary ID
	For Members holding shares in Physical Form:-
	<ul style="list-style-type: none"> • Folio Number registered with the Company preceded by 1042. For example, if the folio number is SCD950025, then the user ID is 1042SCD950025.
Password	Your Unique password is provided on the Attendance / Proxy form annexed to this Notice.

Notice

- iv. If you are already registered with Karvy for e-voting then you can use your existing user ID and password for casting your vote.
 - v. After entering the details appropriately, click on LOGIN.
 - vi. Shareholders who are already not registered with Karvy for e-voting, will reach the Password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (e-z), one numeric value (0-9) and a special character. The system will prompt you to change your password and update any contact details like mobile, email etc. on first login. You may also enter the secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - vii. You need to login again with the new credentials.
 - viii. On successful login, the system will prompt you to select the EVENT i.e., Xchanging Solutions Limited.
 - ix. On the voting page, enter the number of shares as from the cut-off date under FOR/AGAINST or alternately you may enter partially any number in FOR and partially in AGAINST but the total number in FOR/AGAINST taken together should not exceed the total shareholding. You may also choose the option ABSTAIN.
 - x. Shareholders holding multiple folios / demat account shall choose the voting process separately for each folios / demat account.
 - xi. Cast your vote by selecting an appropriate option and click on SUBMIT. A confirmation box will be displayed. Click OK to confirm else CANCEL to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, shareholders can login any number of times till they have voted on the resolution.
 - xii. Once the vote on the resolution is cast by the shareholder, shareholder shall not be allowed to change it subsequently.
 - xiii. The Portal will be open for voting from: 9 A.M. on 28 May 2014 to 6 P.M. on 29 May 2014.
 - xiv. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for shareholders and e-voting User Manual for shareholders available at the download section of <http://evoting.karvy.com> or contact Karvy Computershare Pvt Ltd at Tel No. 1800 345 4001 (toll free).
6. Members / proxies should bring duly filled in attendance slips sent herewith for attending the meeting.
 7. The Register of Directors' shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
 8. The Register of Contracts, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members during business hours at the Registered Office of the Company.
 9. The company has already notified closure of Register of Members and Share Transfer Books thereof from 20 May 2014 to 02 June 2014 (both days inclusive).
 10. For changes in address, members are requested to notify:
 - (i) the R&T Agent of the Company, viz. Karvy, if shares are held in physical form; and

Notice

(ii) their respective Depository Participant (DP), if shares are held in electronic form.

A member desirous of getting any information on the accounts or operations of the Company is requested to forward his/her queries to the Company at least seven working days prior to the meeting, so that the required information can be made available at the meeting.

11. Members are requested to address all correspondence to the Registrar and Share Transfer Agents – Karvy Computershare Private Limited, Plot No.17-24, Vittal Rao Nagar Madhapur Hyderabad - 500 081, India.

12. The Auditors Certificate issued under the respective ESOP schemes, certifying that the Company's Stock Option Plans viz., Cambridge ESOP 2006, Scandent ESOP 2005 and Scandent SSI IT Services ESOP 2004 are being implemented in accordance with the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, and any amendment thereto, is available for inspection of the members at the AGM.

By Order of the Board

Place : Bangalore
Date : 30 April 2014

Vijayamahantesh V. Khannur
Company Secretary

EXPLANATORY STATEMENT

(Pursuant to Section 102 of the Companies Act, 2013)

Item No. 4

The Board of Directors at its meeting held on 28 February 2011 and the shareholders in the annual general meeting held on 23 May 2011 appointed Mr. Kenneth Lever, as whole time Director of the Company for a period of 3 years with effect from 28 February 2011, who has been designated as Executive Chairman and Chief Executive Officer. Further the Board of Directors in its meeting held on 28 February 2014 reappointed Mr. Kenneth Lever as Whole Time Director, to be designated as Executive Chairman and Chief Executive Officer of the Company for a further period of 3 years with effect from 28 February 2014 on the terms and conditions on the terms and conditions as may be agreed between by the Board of Directors and Mr. Kenneth Lever, and his appointment is subject to the approval of the shareholders. The said appointment is without any remuneration until otherwise determined by the Board. The above may also be treated as an abstract of the terms of the Agreement between the Company and Mr. Kenneth Lever pursuant to Section 190 of Companies Act, 2013. The Directors recommend the Resolution under item No. 4 for the approval by the shareholders as Special Resolution. None of the Directors of the Company, except Mr. Kenneth Lever, being interested in the respective resolutions relating to his appointment, is interested in the said Resolution.

Additional information on Directors

Name of the Director	Kenneth Lever	David Bauernfeind
Date of Birth	11 September 1953	12 April 1968
Date of appointment	29 October 2010	29 July 2011
Qualification	B Sc (Hons) Management Sciences, Manchester University, UK Fellow of the Institute of Chartered Accountants in England & Wales, UK	A.C.A, B.Sc. (Econ) Hons

Notice

Relation with Promoters/ Directors	Promoter Director		Promoter Director	
Expertise in Functional area	<p>Ken joins Xchanging from Numonyx B.V., the Swiss-based technology company, where he was Chief Financial Officer and Senior Vice President. He joined private equity financed Numonyx B.V. in 2008 having previously served as Chief Financial Officer of Tomkins plc, the global engineering and manufacturing group, from 1999 to 2007. From 1995 - 1999 Ken was Finance Director at Albright & Wilson plc, the FTSE 250 chemicals manufacturer, and prior to that he was Finance Director at the international construction, house building and aggregates group, Alfred McAlpine.</p>		<p>David is a Chartered Accountant trained in London. David began his career in the audit discipline with Deloitte and Touche, before gaining experience with Johnson Matthey PLC and progressing to Head of Audit with Airbus.</p> <p>David has worked with BAE Systems as Finance Controller (Defense) for a period of 5 years.</p> <p>David joined Xchanging in April 2001 as Finance Director Xchanging HR Services. Since then he has held several senior finance roles at Xchanging group. Currently he is group Chief Financial Officer for Xchanging.</p> <p>He is specialized in Commercial negotiation, multinational contracting, M&A, IFRS, public listed companies accounting etc.</p>	
Directorships in other Public Companies	NIL		NIL	
	Chairman	Member	Chairman	Member
Audit Committee	NIL	NIL	NIL	NIL
Shareholders' Grievances Committee	NIL	NIL	NIL	NIL
Membership / Chairmanship in Committees of Xchanging Solutions Limited	NIL	NIL	NIL	Audit Committee Investors' Grievances Committee
Number of shares held in Xchanging Solutions Limited	NIL		NIL	
Percentage of shareholding	NA		NA	

By Order of the Board

Place : Bangalore
Date : 30 April 2014

Vijayamahantesh V. Khannur
Company Secretary

XCHANGING SOLUTIONS LIMITED

Registered Office

SJR I-Park, Plot No. 13, 14, 15, EPIP Industrial Area, Phase I, Whitefield, Bangalore - 560 066

PROXY FORM

Regd. Folio No./ DP Client ID

I / We.....of

in the district ofbeing a member / members of the Company, hereby appoint

of in the district of

or failing him / herof

..... as my / our Proxy to attend and vote for me / us on my / our behalf at the

Thirteenth Annual General Meeting of the Company to be held on **Monday, 02 June 2014 at 10.00 A.M.** at

SJR I-Park, Plot No. 13, 14, 15, EPIP Industrial Area, Phase I, Whitefield, Bangalore - 560 066, India and at any

adjournment thereof.

Signed this.....day of 2014.

Affix
Revenue
Stamp

Note:

1. Proxy need not be a member.
2. This form, in order to be effective, should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the meeting.

SIGNATURE



XCHANGING SOLUTIONS LIMITED

Registered Office

SJR I-Park, Plot No. 13, 14, 15, EPIP Industrial Area, Phase I, Whitefield, Bangalore - 560 066

ATTENDANCE SLIP

Thirteenth Annual General Meeting: **Monday, 02 June 2014 at 10.00 A.M.**

Regd. Folio No./ DP Client ID

No. of shares held

I certify that I am a member / proxy for the member of the Company.



I hereby record my presence at the Thirteenth Annual General Meeting of the Company at SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore - 560 066, India, on **Monday, 02 June 2014 at 10.00 A.M.**

.....
Member's / proxy's name in BLOCK letters

.....
Signature of member / proxy

Note: Please fill up this attendance slip and hand it over at the entrance of the meeting hall.

Shareholder Information

XCHANGING SOLUTIONS LIMITED

SJR I-Park, Plot 13, 14, 15,
EPIP Industrial Area, Phase I
Whitefield, Bangalore 560 066
Tel : + 91 80 30540000
Fax : + 91 80 41157394

For Corporate reports and Company News, visit our website at: www.cambridgeworldwide.com

Statutory Auditors

Price Waterhouse
Building No.8, 7th & 8th floor,
Tower B, DLF Cyber City,
Gurgaon – 122 002, Haryana

Compliance Contact:

Vijayamahantesh V. Khannur
Tel +9180 30540000 Extn: 31064
Fax +9180 41157394
E-mail: compliance@asia.xchanging.com

Listed on the following stock exchanges (Ticker Symbol: XCHANGING)

BSE (Bombay Stock Exchange)

NSE (National Stock Exchange)

The Company got delisted from Madras Stock Exchange and Ahmedabad Stock Exchanges

Safe Harbor Statement

Certain statements in this document are forward looking statements which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward looking statements. The risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT services, including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns in fixed price, fixed time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, etc. The company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the company.

Registered Post

If Undelivered, please return to :

Xchanging Solutions Limited
SJR-I-Park, Plot No. 13, 14, 15
EPIP Industrial Area, Phase I
Whitefield, Bangalore - 560 066.