





## TABLE OF CONTENTS

1. Boards' Report	03
2. Addendum to the Boards' Report	08
3. Management Discussion and Analysis Report	25
4. Corporate Governance Report	31
5. Standalone Financial Statements - Indian GAAP	45
6. Consolidated Financial Statements - Indian GAAP	83
7. AOC-1	125
8. Notice	126
9. Proxy Form	131

## BOARD OF DIRECTORS

David Bauernfeind	-	Non-Executive Director and Chairman
Alok Kumar Sinha	-	Executive Director and Chief Executive Officer
Henry D Souza	-	Independent Director
Ashok Kumar Ramanathan	-	Independent Director
Gopika Pant	-	Independent Director

## CHIEF FINANCIAL OFFICER

Vinod Goel

## COMPANY SECRETARY

Mayank Jain

## STATUTORY AUDITORS

### Price Waterhouse Chartered Accountants LLP

Building No.8, 7<sup>th</sup> & 8<sup>th</sup> 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](mailto:compliance@asia.xchanging.com)  
Website: [www.xchanging.com](http://www.xchanging.com)  
CIN : L72200KA2002PLC030072

## REGISTRAR AND SHARE TRANSFER AGENT

Karvy Computershare Private Limited,  
Karvy Selenium Tower B, Plot 31 - 32  
Gachibowli, Financial District,  
Nanakramguda,  
Hyderabad – 500 032  
Phone : +91 040-67162222  
Fax : +91 040-23001153  
Email : [einward.ris@karvy.com](mailto:einward.ris@karvy.com)  
Website : [www.karvy.com](http://www.karvy.com)

## LIST OF ALL ANNEXURES

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### A. BOARDS'REPORT

- Annexure – I** Particulars of contracts / arrangements with related parties (Form AOC – 2)
- Annexure – II** Secretarial Audit Report (Form MR – 3)
- Annexure – III** Details Pertaining to ESOP
- Annexure – IV** Remuneration to Directors / KMP / Employees
- Annexure – V** Annual report on CSR Activity of the Company
- Annexure – VI** Conservation of Energy, Research and Development, Technology Absorption, Foreign Exchange Earning and Outgo
- Annexure – VII** Extract of Annual Return (Form MGT – 9)

### B. CORPORATE GOVERNANCE REPORT

- Annexure – I** Compliance Certificate
- Annexure – II** Certificate on Corporate Governance Report

# BOARDS' REPORT

Dear Shareholders,

The Board of Directors ("Board") is pleased to present the Fifteenth Annual Report and the Audited Financial Statement of the Company for the financial year ended 31 December 2015.

## A. FINANCIAL RESULTS

The highlights of standalone and consolidated financial results of the Company for the financial years 2015 and 2014, prepared as per Indian GAAP are as under:

(INR in Lakhs)

PARTICULARS	STANDALONE		CONSOLIDATED	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Total Income	13,293	16,372	29,469	31,062
Total Expenditure	10,576	14,006	25,167	28,660
Profit before Interest, Depreciation and Tax	2,717	2,366	4,302	2,402
Depreciation & Amortization	389	450	420	477
Finance Costs	19	20	19	20
Exceptional Items Gain/(Loss)	-	(515)	-	1,268
Profit / (Loss) before Tax	2,309	1,381	3,863	3,173
Income Tax (including deferred tax)	945	659	943	662
Net Profit / (Loss) after Tax	1,364	722	2,920	2,511
Earnings / (Loss) per share Rs.	1.22	0.65	2.62	2.25

## B. REVIEW OF OPERATIONS

During the year ended 31 December 2015, the consolidated income of the Company was Rs 29,469 Lakhs as against Rs. 31,062 Lakhs during the previous year ended 31 December 2014. At a standalone level, the total income of the Company for the year ended 31 December 2015 amounted to Rs.13,293 Lakhs compared to Rs. 16,372 Lakhs during the previous year ended 31 December 2014.

## C. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report for the year 2015 as stipulated under Regulation 34(2)(e) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') is presented in a separate section and forms an integral part of this Report.

## D. DIVIDEND

The Board does not recommend a dividend per equity share.

## E. TRANSFER TO RESERVES

During the year under review, the Company is not required to transfer any amount to the General Reserve.

## F. SUBSIDIARY

Your company has 5 (five) subsidiaries for the financial year ended 31 December 2015.

During the year under review, there have been no material changes in the business of the subsidiaries. In terms of Section 129(3) of the Companies Act, 2013 ('The Act'), the Company has prepared a statement containing the salient features of the Financial Statement of subsidiaries in the prescribed Form AOC-1 which is attached to the Financial Statements of the Company.

The Financial Statements of Subsidiary Companies are kept open for inspection by the shareholders at the Registered Office of your Company during business hours on all days except Saturdays, Sundays and public holidays upto the date of the Annual General Meeting ('AGM') as required under Section 136 of the Act. Any member desirous of obtaining a copy of the said financial statements may write to the Company at its Registered Office. The financial statement including the consolidated financial statement and all other documents required to be attached with this report have been uploaded on to the website of your Company viz. <http://www.xchanging.com/investor-relations/xsl-content>.

## G. RELATED PARTY TRANSACTIONS

All Related Party Transactions were placed before the Audit Committee for approval as per the Related Party Transactions Policy of the Company as approved by the Board. The policy is also uploaded on to the website of the company and can be accessed through the link <http://www.xchanging.com/investor-relations/xsl-content>.

All related party transactions that were entered into during the financial year were on an 'arm's length basis' and were in the ordinary course of business.

Particulars of contracts or arrangements with related parties in the prescribed Form AOC-2, is provided as **Annexure - I** to this Boards' Report.

## H. AUDITORS

### i) Statutory Auditors and Auditors' Report

The Shareholders of the Company in the 13<sup>th</sup> AGM of the Company had appointed M/s Price Waterhouse Chartered Accountants LLP

(Firm Registration No. 012754N/N500016) ("PwC") as the Statutory Auditors of the Company to hold office from the conclusion of the 13<sup>th</sup> AGM till the conclusion of the 18<sup>th</sup> AGM of the Company subject to ratification of their appointment by the Members at every AGM held after the 13<sup>th</sup> AGM. Accordingly, it is proposed to ratify the appointment of PwC as Statutory Auditors of the Company from conclusion of the forthcoming AGM till the conclusion of next AGM.

The Auditors in the Auditors' Report dated 26 February 2016 have commented that the backup of the books of accounts and other books and papers are not maintained in electronic mode on servers physically located in India. The Company would like to clarify that the backup storage is maintained centrally outside India and the Company is in the process of evaluating technology options for this requirement.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

### ii) Secretarial Auditor

Pursuant to the provisions of Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr. Kumar Bhavesh Kishore (M/s. KBK & Company, Company Secretaries), to undertake the Secretarial Audit of the Company. Accordingly, in terms of provisions of Section 204(1) of the Act, a Secretarial Audit Report given by the Secretarial Auditor of the Company in the prescribed Form MR - 3 is provided as **Annexure - II**.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

## I. PARTICULARS OF LOANS, GUARANTEES, INVESTMENTS AND SECURITIES

Details of loan, Guarantee and Investment covered under Section 186 of the Act are provided in the notes to financial statements.

## J. PUBLIC DEPOSITS

Your Company has neither invited nor accepted any deposits from public within the meaning of Section 73 of the Act read with Companies (Acceptance of Deposits) Rules 2014 during the period under review.

## K. EMPLOYEES

### i) Key Managerial Personnel (KMP)

The following have been designated as the Key Managerial Personnel of the Company pursuant to Sections 2(51) and 203 of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

- a) Mr. Alok Kumar Sinha – Executive Director and Chief Executive Officer
- b) Mr. Vinod Goel – Chief Financial Officer
- c) Ms. Divya Pant- Company Secretary (27.02.2015 to 14.04.2015)
- d) Mr. Amit Kumar – Company Secretary (07.08.2015 to 27.10.2015)
- e) Mr. Mayank Jain - Company Secretary (26.02.2016 onwards)

### ii) Employees' Stock Option Plan (ESOP)

Details of ESOP are set out in **Annexure - III** to this Report.

### iii) Particulars of Employees and Related Disclosures

The Company had 4 (four) employees who were in receipt of remuneration as specified under Section 197 of the Act read with Rule 5(2) & (3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Disclosures with respect to the remuneration of Directors, KMPs and Employees as required under Section 197(12) of the Act read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given in **Annexure - IV** to this Report.

Details of employee remuneration as required under provisions of Section 197 of the Act read with Rule 5(2) & 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are available at the Registered Office of the Company during working hours for 21 days before the Annual General Meeting and shall be made available to any shareholder on request.

## L. BOARD AND COMMITTEES

### i) Directors

The Board at their meeting held on 07 November 2014, based on the recommendation of the Nomination and Remuneration Committee and subject to the approval of its

Members, appointed Mr. Alok Kumar Sinha as an Additional Director and Executive Director of the Company for a period of 3 (three) years w.e.f. 07 November 2014. Thereafter, at the AGM of the Company held on 25 May 2015, he was appointed as Director liable to retire by rotation and an Executive Director and Chief Executive Officer of the Company.

The Board at their meeting held on 27 February 2015, based on the recommendation of the Nomination and Remuneration Committee, appointed Ms. Gopika Pant as an Additional Director (Non-Executive and Independent) w.e.f. 02 March 2015.

Pursuant to provisions of the Act, Independent Directors are required to be appointed in accordance with Section 149 of the said Act and that the requirement of retirement by rotation shall not be applicable to the Independent Directors. Accordingly, the Board at their meeting held on 27 February 2015, based on the recommendation of the Nomination and Remuneration Committee, appointed Mr. Ashok Kumar Ramanathan, Mr. Henry D Souza and Ms. Gopika Pant as Independent Directors for a term of 5 (five) consecutive years which was subsequently approved by the shareholders of the Company at the AGM held on 25 May 2015.

As per Section 152 of the Act, Mr. David Bauernfeind retires by rotation and further being eligible, offers himself for re-appointment at the ensuing AGM. The Board recommend his re-appointment.

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Act and Regulation 16 of the Listing Regulations.

### ii) Board Evaluation

Pursuant to the provisions of Section 134(3)(p) of the Act and Clause 49 of the erstwhile Listing Agreement (now Regulation 4 of Listing Regulations), the Board and Committees of the Board have carried out an annual evaluation of their own performances respectively. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

### iii) Remuneration Policy

The Remuneration Policy of the Company as approved by the Board on the recommendation

of the Nomination and Remuneration Committee is available at <http://www.xchanging.com/investor-relations/xsl-content>.

### iv) Board/Committee Composition and Meetings

A calendar of meetings is prepared and circulated in advance to the Directors. The details of composition of Board and Committee and their meetings held during the year are given in the Corporate Governance Report. The intervening gap between the meetings was within the period prescribed under the Act and the Listing Agreement.

### v) Familiarization Programme and Separate Meeting of Independent Director's

During Financial Year 2015, one separate meeting of the Independent Directors of the Company was held on 15 May 2015 without the attendance of Non-Independent Directors and members of the Management. Along with other matters, Independent Directors discussed the matters specified in Schedule IV of the Act and Clause 49 of the Listing Agreement (now Regulation 25 of the Listing Regulations).

The Nomination and Remuneration Committee of the Company in its meeting held on 27 February 2015 has approved a familiarization programme for Independent Directors of the Company. The Familiarization programme for Independent Directors is available at <http://www.xchanging.com/investor-relations/xsl-content>.

### vi) Audit Committee

This Committee comprises the following Directors viz. Mr. Ashok Kumar Ramanathan (Chairman of the Committee), Mr. David Bauernfeind, Mr. Henry D Souza and Ms. Gopika Pant. The Company Secretary acts as the Secretary to the Committee.

All the recommendations of the Audit Committee were accepted by the Board.

### vii) Directors' Responsibility Statement

Pursuant to section 134(5) of the Act, your Directors, based on the representations received from the Management and after due enquiry confirms that:

- a) in the preparation of the annual accounts for the financial year ended 31 December

2015, the applicable accounting standards have been followed;

- b) the Directors had selected 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 as at 31 December 2015 and of the profit of the Company for the year ended on that date;
- c) the Directors have taken proper and sufficient care for 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 irregularities;
- d) the Directors have prepared the annual accounts on a going concern basis;
- e) the Directors have laid down adequate Internal Financial Controls to be followed by the Company and such Internal Financial Controls were operating effectively during the Financial Year ended 31 December 2015; and
- f) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively throughout the Financial Year ended 31 December 2015.

### M. GOVERNANCE

#### i) Corporate Governance

The Company is committed to uphold the highest standards of Corporate Governance and to adhere to the requirements set out by the Securities and Exchange Board of India. A detailed report on Corporate Governance along with the Certificate of Mr. Kumar Bhavesh Kishore (M/s. KBK & Company, Company Secretaries), confirming compliance with conditions of Corporate Governance as stipulated under Schedule V of the Listing Regulations forms an integral part of this Report.

#### ii) Vigil Mechanism / Whistle Blower Policy

The Company has established a whistle-blower policy and also established a mechanism for directors and employees to report their concerns. The details of the same are explained in the Corporate Governance Report.

#### iii) Risk Management

The Company has a Risk Management process which provides an integrated approach for managing the risks in various aspects of the business. The detailed framework is provided in the management discussion and analysis report.

#### iv) Internal Financial Controls

Your Company has in place adequate internal financial controls with reference to the financial statements.

#### v) Disclosure under the Sexual Harassment of Women at the Work Place (Prevention, Prohibition and Redressal) Act, 2013

The Company has in place an Anti-Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Internal Complaints Committee ("ICC") has been set up to redress the complaints received regarding sexual harassment. All employees are covered under this policy.

The following is the summary of the complaints received and disposed of during the financial year 2015:

- a) No. of complaints received : Nil
- b) No. of complaints disposed of : Nil

### N. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

The Corporate Social Responsibility Committee had formulated and recommended a Corporate Social Responsibility Policy to the Board of the Company which was subsequently adopted and implemented by the Company. The web-link to the CSR Policy is available at <http://www.xchanging.com/investor-relations/xsl-content>.

The detailed Annual Report on CSR activities is annexed herewith and marked as **Annexure - V**.

### O. CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information as per Section 134(3)(m) of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014 regarding Conservation of Energy, Research & Development, Technology Absorption and Foreign Exchange Earning and Outgo is annexed herewith as **Annexure - VI**.

**P. OTHER CHANGES**

**i) Share Capital**

- a) There was no change in the paid-up share capital of the Company. As on 31 December 2015, 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.
- b) The Board of Directors in the meeting held on 27 February 2015 has approved reduction of share capital by return of Rs. 5/- per share to the shareholders of the Company by reducing the nominal value of the shares from Rs.10/- to Rs.5/- per share, subject to the approval of the regulatory authorities, shareholders and the High Court of Karnataka.

Based upon aforesaid approval of the Board, an application was made to BSE Limited ('BSE') and National Stock Exchange of India Limited ('NSE') (collectively referred as 'Stock Exchanges') on 27 March 2015 and accordingly, the Company obtained No Objection / Observation Letter from the BSE and NSE vide their letters dated 24 June 2015 and 02 July 2015, respectively. However, due to expiry of validity period of the aforesaid Stock Exchange approvals, the Board in its meeting held on 26 February 2016 decided not to proceed with the capital reduction process.

- c) Xchanging Plc, the ultimate parent company of the Company, has received a binding offer ("Overseas Offer") from CSC Computer Sciences International Operations Limited along with Computer Sciences Corporation, CSC Technologies India Private Limited and Computer Sciences Corporation India Private Limited ("CSC") for acquisition of the entire share capital of Xchanging Plc. Considering the fact that any change in the control at the ultimate parent entity will trigger the open offer, accordingly, CSC in terms of provisions of Regulation 3, 4, and 5(1) of SEBI (SAST) Regulations, 2015 had made a public announcement of open offer to acquire 25% of public shareholding in the Company at INR 37.63 per share. This open offer is subject to successful completion of the Overseas Offer.

**ii) Statutory Disclosures**

None of the Directors of your Company are disqualified as per provision of Section 164(2) of the Act. The Directors of the Company have made necessary disclosures as required under various provisions of the Act and the Listing Agreement.

**iii) Significant and Material Orders passed by the Regulators or Courts**

During the period under review, your Company had received an order dated 20 November 2015 from the Hon'ble Company Law Board, Chennai Bench, wherein permitting the Company to follow a different Financial Year, i.e. 01 January to 31 December, than that is contemplated under Section 2(41) of the Act, i.e. 01 April to 31 March.

**iv) Extract of Annual Return**

Pursuant to Sub-section 3(a) of Section 134 and Sub-section (3) of Section 92 of the Act read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as on 31 December 2015 in Form MGT – 9 is attached herewith as **Annexure - VII** and forms a part of this Report.

**ACKNOWLEDGEMENTS:**

Your Directors would like to express their sincere appreciation for the co-operation and assistance received from the Company's Bankers, Regulatory Bodies and Stakeholders including other business associates who have extended their valuable sustained support and encouragement during the year under review.

Your Directors also wish to place on record their deep sense of gratitude and appreciation for the commitment displayed by executives, officers and staff at all levels of the Company, resulting in the successful performance of the Company during the year under review. We look forward to your continued support in the future.

**For and on behalf of the Board of Directors,**

**David Bauernfeind**  
**Non-Executive Director**  
**& Chairman**

**Alok Kumar Sinha**  
**Executive Director &**  
**Chief Executive Officer**

Place : London  
 Date : April 04, 2016

Place : Bangalore  
 Date : April 04, 2016

## ADDENDUM TO BOARDS' REPORT

Dear Shareholders,

This is inform you that following changes have been made after approval of the Boards' Report by the Board of Directors in their meeting held on 4April 2016.

### STATUTORY AUDITOR

M/s. Price Waterhouse Chartered Accountants LLP, Chartered Accountants, Statutory Auditors of the Company, (Firm Registration No. 012754N/N500016), ("**PwC**") have intimated that they would not continue as the Statutory Auditors of the Company from the conclusion of ensuing Annual General Meeting of the Company. The Board proposed to appoint M/s. Deloitte Haskins & Sells LLP, Chartered Accountants, (Firm Registration No. 117366W/W-1000180), ("**Deloitte**") as the Statutory Auditors of the Company on the recommendation of the Audit Committee. The written consent to act as Statutory Auditors along with the Certificate in compliance of the provisions of the Companies Act, 2013 ("**the Act**") have been received from Deloitte, the proposed Statutory Auditors.

In terms of Section 140(4) of the Act, a special notice has, accordingly, been received from Xchanging Technology Services Private Limited in its capacity as a member of the Company, proposing a resolution at the forthcoming Annual General Meeting for appointment of Deloitte as the Statutory Auditors of the Company in place of PwC, the existing Statutory Auditors.

A resolution proposing appointment of Deloitte as the Statutory Auditors of the Company pursuant to Section 139 of the Companies Act, 2013 forms part of the Notice.

### RESIGNATION OF THE DIRECTOR

Mr. David Bauernfeind, Non-Executive Director and Chairman has resigned from the Board of Directors of the Company & its Committees w.e.f. 27 May 2016 due to resignation in Xchanging Group. He has submitted his resignation in the Board Meeting held on 27 May 2016.

Accordingly, Mr. David Bauernfeind, Non-Executive Director and Chairman is not required to retire by rotation in upcoming Annual General Meeting.

All the above changes stated in this Addendum to Boards' Report are to be read in conjunction with the Boards' Report as a part of Annual Report-2015.

**David Bauernfeind**  
**Non-Executive Director &**  
**Chairman**

Place : London  
Date : May 27, 2016

**Alok Kumar Sinha**  
**Executive Director &**  
**Chief Executive Officer**

Place : Bangalore  
Date : May 27, 2016

# ANNEXURE – I TO BOARDS' REPORT

## Form AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

### 1. Details of contracts or arrangements or transactions not at arm's length basis –

- (a) Name(s) of the related party and nature of relationship: Nil
- (b) Nature of contracts/arrangements/transactions: Nil
- (c) Duration of the contracts / arrangements/transactions: NA
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any: NA
- (e) Justification for entering into such contracts or arrangements or transactions: NA
- (f) Date(s) of approval by the Board: NA
- (g) Amount paid as advances, if any: NA
- (h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188: NA

### 2. Details of material contracts or arrangement or transactions at arm's length basis

- (a) Name(s) of the related party and nature of relationship: Xchanging Solutions (USA) Inc, wholly owned subsidiary of the Company.
- (b) Nature of contracts/arrangements/transactions: Software Services.
- (c) Duration of the contracts / arrangements/transactions: Ongoing.
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any:  
Xchanging Solutions (USA) is providing software services to Xchanging Solutions Limited from time to time as per the terms in the agreement.  
Price & Payment: As mutually agreed between the parties.
- (e) Date(s) of approval by the Board, if any: 27th February, 2015
- (f) Amount paid as advances, if any: Nil

For and on behalf of the Board of Directors,

**David Bauernfeind**  
Non-Executive Director &  
Chairman

Place : London  
Date : April 04, 2016

**Alok Kumar Sinha**  
Executive Director &  
Chief Executive Officer

Place : Bangalore  
Date : April 04, 2016

## ANNEXURE – II TO BOARDS' REPORT

### Form MR-3 Secretarial Audit Report

For the Financial Year ended 31 December 2015

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

**The Members,  
Xchanging Solutions Limited,**  
SJR I Park, Plot No.13, 14, 15  
EPIP Industrial Area, Phase 1  
Whitefield, Bangalore, Karnataka-560 066  
CIN: L72200KA2002PLC030072

We have conducted secretarial audit of the compliance of applicable statutory provisions and adherence to good corporate practices by M/s. Xchanging Solutions Limited (hereinafter called "**the Company**"). The secretarial audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing our opinion thereon.

Based on our verification of M/s. Xchanging Solutions Limited's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31 December 2015, complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent based on the management representation letter/ confirmation received from the management, in the manner and subject to the reporting made hereinafter. The members are requested to read this report along with our letter dated 12 November 2015 annexed to this report as **Annexure – A**.

1. I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 December 2015 according to the applicable provisions of:
  - i) The Companies Act, 2013 (the Act) and the rules made thereunder;
  - ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
  - iii) The Depositories Act, 1996 and the regulations and bye-laws framed thereunder;
  - iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
  - v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act):-
    - I. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
    - II. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
    - III. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (*not applicable to the Company during the Audit period*);
    - IV. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
    - V. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (*not applicable to the Company during the Audit period*);
    - VI. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (*not applicable to the Company during the Audit period*);

VII. The Securities and Exchange Board of India (Registrars to an issue and share transfer agents) Regulations, 1993 regarding the companies Act and dealing with client; and

VIII. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (*not applicable to the Company during the Audit period*).

2. I further report that, having regard to the compliance system prevailing in the Company and on examination of the relevant documents, records, management confirmations in pursuance thereof, on test check basis, the company has complied with the following laws applicable specifically to the Company:
  - i) Water (Prevention and Control of Pollution) Act, 1974;
  - ii) The Air (Prevention and Control of Pollution) Act, 1981;
  - iii) Environmental Protection Act, 1986;
  - iv) Public Liabilities Insurance Act, 1991;
  - v) Employees Provident Fund and Miscellaneous Provisions Act, 1952;
  - vi) Payment of Wages Act, 1936;
  - vii) Minimum Wages Act, 1948; and
  - viii) Workmen's Compensation Act, 1923.
3. We have also examined compliance with the Secretarial Standards 1 and 2 issued by The Institute of Company Secretaries of India as they become applicable only from 01 July 2015.
4. The Listing Agreements entered into by the Company with:
  - i) National Stock Exchange of India Limited; and
  - ii) BSE Limited.
5. During the period under review, to the best of our knowledge and belief and according to the information and explanations given to us, the Company has complied with the provisions of the Acts, Rules, Regulations and Agreements mentioned under paragraph 1 above, to the extent applicable.
6. We further report that:
  - i) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The Board also has a woman director. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
  - ii) Adequate notice is given to all directors to schedule the Board Meetings. Notice of Board meetings was sent in compliance with the Act. A system exists for directors to seek and obtain further information and clarifications on the agenda items before the meetings and for their meaningful participation at the meetings. Majority decision is being carried out unanimously for each agenda item of the meeting. We are informed that there were no dissenting members' views on any of the matters during the year that were required to be captured and recorded as part of the minutes.
  - iii) There are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.
  - iv) Based on the Note 33 to the financial statements for financial year 2015, the Company issued 1,500,000 11% debentures of face value of Rs. 100 each on August 1 2002. 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 in favour of Bank and these debentures were redeemed in June 2007. Post redemption of these debentures, a civil suit was filed

against the Company by 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 restraining the Company from reflecting the redemption of debentures and directing the Company to continue to show it as due and payable. The Company has filed an appeal against the interim order, pending which no adjustment has been made in these accounts.

- v) The Board of Directors of the Company in their meeting held on 27 February 2015 had approved the proposal for reduction of Share Capital of the company by Rs. 5/- per Equity Share. However, the Board at their meeting held on 26 February 2016 had decided not to proceed further on the process for reduction of Share Capital.

**KBK & CO**  
**Company Secretaries**

**Kumar Bhavesh Kishore**  
**Proprietor**

Membership No: A22843

Certificate of Practice No: 11598

Date : February 29, 2016

Place : New Delhi

**Annexure –A to Secretarial Audit Report dated 29 February 2016**

To,

The Members,

**Xchanging Solutions Limited,**

SJR I Park, Plot no. 13, 14, 15

EPIP Industrial Area, Phase 1

Whitefield, Bangalore Karnataka- 560 066

[CIN: L72200KA2002PLC030072]

Our Secretarial Audit Report dated 29 February 2016 is to be read with this letter.

1. Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to make a report based on the secretarial records produced for our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices we followed provide a reasonable basis for our report.
3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company as it is taken care in the statutory audit.
4. We have obtained the Management's representation about the compliance of laws, rules and regulations and happening of events, wherever required.
5. Compliance with the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our examination was limited to the verification of procedures on test basis.
6. This Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**KBK & CO**

**Company Secretaries**

**Kumar Bhavesh Kishore**

**Proprietor**

Membership No: A22843

Certificate of Practice No: 11598

Date : February 29, 2016

Place : New Delhi

## ANNEXURE – III TO BOARDS' REPORT

### ESOP Schemes

Disclosures in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014 read with erstwhile SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999.

Particulars	Cambridge Solutions Limited ESOP 2006
Options granted	
Program 1	60,000
Program 2	39,27,946
Options vested	
Program 1	-
Program 2	7,43,946
Options exercised	
Program 1	-
Program 2	-
The total number of shares arising as a result of exercise of option	
Program 1	-
Program 2	-
Options lapsed	
Program 1	-
Program 2	1,00,000
The exercise price	
Program 1	-
Program 2	-
Variation of terms of options	
Program 1	-
Program 2	-
Money realized by exercise of options	
Program 1	-
Program 2	-
Total number of options in force	
Program 1	-
Program 2	-
Employee wise details of options granted to:	
(i) key managerial personnel.	-
(ii) any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year.	-
(iii) identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	-

## ANNEXURE – IV TO BOARDS' REPORT

### Details of Remuneration

Details pertaining to Remuneration as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

- i) The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year:

Name & Designation	Ratio to Median XSL Remuneration
Mr. Alok K. Sinha - Executive Director & Chief Executive Officer	6

- ii) The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:

Name & Designation	% increase in XSL remuneration in the financial year
Mr. Alok K. Sinha - Executive Director & Chief Executive Officer	-
Mr. Vinod Goel - Chief Financial Officer	-
Ms. Divya Pant*- Company Secretary	-
Mr. Amit Kumar*- Company Secretary	-

\* Since this information is for part of the year, the same is not comparable.

- iii) The percentage increase in the median remuneration of employees in the financial year: 11%
- iv) The number of permanent employees on the rolls of company: 645
- v) The explanation on the relationship between average increase in remuneration and company's performance: 11% was the average increase in remuneration and there was no company performance incentive.
- vi) Comparison of the remuneration of the Key Managerial Personnel against the performance of the company: The remuneration payable to the KMP is in accordance with the Industry and Geographical standards.
- vii) Variation in the market capitalization of the Company, price earning ratio at the closing date of the current Financial Year and previous Financial Year and percentage increase or decrease in the market quotations of the share of the Company in comparison to the rate at which the Company came out with the last public offer in case of Listed Company: NA
- viii) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration: Average increase for Non-managerial cadre was around 11% compared to Manager Levels at 8%. There were some exceptional increases over 8% in managerial levels due to market corrections.
- ix) Comparison of the each remuneration of the Key Managerial Personnel against the performance of the company:
1. Mr. Alok K. Sinha - Executive Director & Chief Executive Officer
  2. Mr. Vinod Goel - Chief Financial Officer
  3. Ms. Divya Pant - Company Secretary (27.02.2015 to 14.04.2015)
  4. Mr. Amit Kumar - Company Secretary (07.08.2015 to 27.10.2015)
- The remuneration payable to the KMP is in accordance with the Industry and Geographical standards.
- x) The key parameters for any variable component of remuneration availed by the directors: Nil
- xi) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year:1:1.5
- xii) Affirmation that the remuneration is as per the remuneration policy of the company: Yes, our remuneration is as per the remuneration policy of the company.

## ANNEXURE – V TO BOARDS' REPORT

### Corporate Social Responsibility

Annual Report of Corporate Social Responsibility (CSR) Activities for the Financial Year ending 31 December 2015:

1. A brief outline of the company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programs:

#### CSR Policy:

Corporate Social Responsibility at Xchanging Solutions Limited originates from the ideology of providing sustainable value to the society. In this direction, the Company has adopted its CSR Policy striving for economic and social development that positively impacts the society at large. In doing so build a better, sustainable way of holistic life for the marginalized and underprivileged sections of the society and work towards raising the country's human development index. Through the small contribution, the Company aspires to improve the quality of life of people at the bottom of the pyramid.

CSR Policy of the Company provides the overview of projects or programs which are proposed to be undertaken by the Company.

The CSR Policy of the Company can be assessed at the company's website through the link: <http://www.xchanging.com/investor-relations/xsl-content>.

2. The Composition of the CSR Committee:

Name	Designation	Role in CSR Committee
Mr. Ashok Kumar Ramanathan	Independent Director	Chairman
Mr. Alok K. Sinha	Executive Director & Chief Executive Officer	Member
Mr. Henry D Souza	Independent Director	Member
Ms. Gopika Pant	Independent Director	Member

3. Average net profit of the company for last three financial years:

Rs. 1,879 Lakhs.

4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)

Rs. 37.58 Lakhs.

5. Details of CSR spent during the financial year:

a. Total amount to be spent for the financial year: Rs. 37.58 Lakhs

b. Amount unspent, if any: Rs. 21.58 Lakhs

## c. Manner in which the amount spent during the financial year is detailed below:

(INR in Lakhs)

S. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programme: i) Local area or other ii) Specify the State or District where the projects or programmes was undertaken	Amount outlay (Budget) project or programme wise	Amount spent on project or programs: Sub head: 1. Direct expenditure on project or programme; 2. Overhead	Cumulative expenditure up to the date of reporting	Amount spent: Direct or through implementing agencies
1	To create a unique learning space that provides relevant and meaningful educational opportunities for first generation learners from weaker sections of society especially the slums.	Promotion of Education	Bangalore, Karnataka	6.00	6.00	6.00	Through a registered charitable trust - Ananya Charitable Trust
2	To provide health services for breast and cervical cancer for women belonging to weaker section of the society who cannot afford the treatment otherwise.	Promoting healthcare including preventive healthcare	Tamilnadu & Karnataka	5.00	5.00	5.00	Through a registered charitable trust - Shadi Ganz Foundation Mammomobile Charitable Trust
3.	Contribution to Prime Minister National Relief Fund	Contribution to Prime Minister National Relief Fund	PAN India	5.00	5.00	5.00	Contribution to Prime Minister National Relief Fund
<b>TOTAL</b>				16.00	16.00	16.00	

**About Ananya Charitable Trust:**

**Ananya Charitable Trust ("The Trust")** is registered as a charitable trust in Bangalore, India. The vision of Ananya is to create a unique learning space that provides relevant and meaningful educational opportunities for first generation learners from weaker sections of society especially the slums of Bangalore. At present, Ananya is running 3 programs, i.e.:

- Ananya Shikshana Kendra ("ASK"), a school for first generation learners;
- Ananya Centre for Teachers ("ACT"), a teachers training program through which it organize workshops on various aspects of teaching to make teachers more innovative and creative; and
- Ananya Centre for Core Education and Personalized Training ("ACCEPT"), a life skills program for young adults.

Your Company has provided corpus funding for capacity building of the Organisation in order "To create a unique learning space that provides relevant and meaningful educational opportunities for first generation learners from weaker sections of society especially the slums."

### **About Shadi Ganz Foundation Mammobile Charitable Trust:**

**Shadi Ganz Foundation Mammobile Charitable Trust ("The Trust")** is registered in Bangalore, India. The vision of the Trust is to provide health services for breast and cervical cancer to women population lives in rural areas from weaker sections of society especially in the states of Karnataka and Tamil Nadu.

With the objective of prevention, detection and treatment of cervical and breast cancer in the state of Karnataka and Tamil Nadu, Trust has been started with mobile health and cancer screening Bus - also known as a 'Mammo Mobile'. These Mammobile Bus are fitted with mammography and ultra-sound screening equipment and technical staff, radiologists and nurses give many women in rural areas direct access to vital health programmes and education of Cancer.

The Trust has plan to put one bus on road every year and for this noble cause seeks sponsorships & donations from major auto manufactures, medical device manufacturers and corporates. The Trust is also hosting various events for raising funds.

Your Company has provided institutional funding support to Organisation "To provide health services for breast and cervical cancer for women belonging to weaker section of the society and cannot afford the treatment otherwise."

### **About Prime Minister National Relief Fund:**

Resources of the **Prime Minister National Relief Fund ("PMNRF")** are utilized primarily to render immediate relief to families of those killed in natural calamities like floods, cyclones and earthquakes, etc. and to the victims of the major accidents and riots. Assistance from PMNRF is also rendered, to partially defray the expenses for medical treatment like heart surgeries, kidney transplantation, cancer treatment, etc. The fund consists entirely of public contributions and does not get any budgetary support. The corpus of the fund is invested with banks in fixed deposits. Disbursements are made with the approval of the Prime Minister. The fund is recognized as a Trust under the Income Tax Act and the same is managed by Prime Minister or multiple delegates for national causes.

Your Company has made contribution to Prime Minister Relief Fund with an objective of Supporting Chennai in its fight with flood by reaching out to communities requiring immediate help.

### **6. As this was the first year of compliance under Corporate Social Responsibility Rules, 2014, your company invested time to understand the CSR Act and its requirement and undertook the following:**

- Built understanding of regulatory requirement pertaining to CSR.
- Developed CSR roadmap for the Organisation.
- Formed CSR Policy and Committee.
- Built capacity of internal team to monitor and execute CSR projects.
- Identified needs of marginalized families in areas identified by the company.
- Identified credible implementing partners to serve the needs identified.

Though the Company was not able to spend the complete amount required as per the regulatory requirement, The Company has already identified projects aligned with its CSR vision and is in the advance stage of discussion with implementing organisations to execute these projects.

### **7. CSR Committee hereby confirms that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and CSR Policy of the Company.**

**For Xchanging Solutions Limited**

Date : April 04, 2016  
Place : Bangalore

**Ashok Kumar Ramanathan**  
**Chairperson - CSR Committee**

### Conservation of Energy, Research and Development, Technology Absorption, Foreign Exchange Earnings and Outgo

#### 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

Your Company has continued its endeavour to develop and absorb advanced technologies for its various offering range to meet the requirements of a globally competitive market and to meet the technology requirements for the future.

#### C. Foreign Exchange Earnings and Outgo:

(INR in Lakhs)

Particulars	31 Dec 2015	31 Dec 2014
Total Foreign Exchange earnings	11,087	13,492
Total Foreign Exchange outgo	1,595	3,044

## ANNEXURE – VII TO BOARDS' REPORT

### EXTRACT OF ANNUAL RETURN

#### Form MGT-9

(As on the financial year ended on 31 December 2015)

Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management & Administration) Rules 2014

#### 1. Registration and other details of Company :

i) CIN	L72200KA2002PLC030072
ii) Registration Date	01/02/2002
iii) Name of the Company	Xchanging Solutions Limited
iv) Category / Sub-Category of the Company	Company Limited by shares
v) Address of the Registered office and contact details	SJR I –Park, Plot no. 13,14, 15 EPIP Industrial Area, Phase I, Whitefield, Bangalore- 560066 Telephone no: +918030540000 Email id:compliance@asia.xchanging.com
vi) Whether listed company Yes / No	Yes
vii) Name, Address and Contact Details of Registrar and Transfer Agent	Karvy Computershare Pvt. Ltd Karvy Selenium Tower B, Plot No. 31- 32 Financial District, Nanakramguda Gachibowli, Hyderabad – 500 032

#### 2. Principal Business Activity of the Company:

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:

S. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1.	Computer programming activities	6201	100.00

#### 3. Particulars of Holding, subsidiary and associate company:

S. No.	Name and address of the company	CIN/ GLN	Holding/ subsidiary/ Associate	% of shares held	Applicable Section
1.	Xchanging Mauritius Limited	NA	Holding	52.07	2 (46)
2.	Xchanging Solutions (Europe) Limited	NA	Subsidiary	100.00	2 (87)
3.	Xchanging Solutions (Singapore) Pte Limited	NA	Subsidiary	100.00	2 (87)
4.	Xchanging Solutions (Malaysia) Sdn Bhd	NA	Subsidiary	100.00	2 (87)
5.	Xchanging Solutions (USA) Inc.	NA	Subsidiary	100.00	2 (87)
6.	Nexplicit Infotech India Private Limited	U72200 KA2004 PTC047543	Subsidiary	100.00	2 (87)

#### 4. Shareholding Pattern of the Company

##### a) Category-wise Shareholding

Category of Shareholder	No. of shareholders	No. of fully paid up equity shares held	Total no. of shareholders	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) As a % of (A+B+C2)	Number of equity shares held in dematerialized form
A) Promoter & Promoter Group	2	8,35,52,787	8,35,52,787	75.00	8,35,52,787
B) Public	17,922	2,78,50,929	2,78,50,929	25.00	2,35,42,078
C) Non Promoter- Non Public	-	-	-	-	-

## Annexure – VII to Boards’ Report

Category of Shareholder	No. of shareholders	No. of fully paid up equity shares held	Total no. of shareholders	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) As a % of (A+B+C2)	Number of equity shares held in dematerialized form
C1) Shares underlying DRs	-	-	-	-	-
C2) Shares held by Employee Trust	-	-	-	-	-
<b>Grand Total</b>	17,924	11,14,03,716	11,14,03,716	100.00	10,70,94,865

### b) Shareholding of Promoters

Category of Shareholder	No. of shareholders	No. of fully paid up equity shares held	Total nos. of shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) as a % of (A+B+C2)	Number of equity shares held in dematerialized form
A1) Indian					
Xchanging Technology Services India Pvt Ltd.	1	2,55,50,000	2,55,50,000	22.93	2,55,50,000
Sub Total A1	1	2,55,50,000	2,55,50,000	22.93	2,55,50,000
A2) Foreign					
Xchanging (Mauritius) Limited	1	5,80,02,787	5,80,02,787	52.07	5,80,02,787
Sub Total A2	1	5,80,02,787	5,80,02,787	52.07	5,80,02,787
A=A1+A2	1	8,35,52,787	8,35,52,787	75.00	8,35,52,787

### c) Change in Promoters’ Shareholding (please specify, if there is no change)

S. No.	Particulars	Shareholding at the beginning of the year		Shareholding at the end of year	
		No. of shares	Shareholding as a % of total no. of shares	No. of shares	Shareholding as a % of total no. of shares
1.	Xchanging Mauritius Limited	8,35,52,787	75.00	5,80,02,787	52.07
2.	Xchanging Technology Services India Private Limited	-	-	2,55,50,000	22.93

### d) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

S. No.	Name	Total Shares
1.	Xchanging (Mauritius) Limited	5,80,02,787
2.	Xchanging Technology Services India Pvt Ltd.	2,55,50,000
3.	Scandent Holdings Mauritius Limited	1,31,67,551
4.	AON Minet Pension Scheme	42,00,047
5.	Katra Finance Limited	30,08,287
6.	Life Insurance Corporation of India	3,88,382
7.	R. B. K. Share Broking Ltd.	3,02,500
8.	Vivek Chand Burman	1,32,500
9.	Sangeeta Rajiv Pritmani	1,01,495
10.	M B Finmart Private Limited	1,00,000

e) Shareholding of Directors and Key Managerial Personnel:

S. No.	Names of Director and Key Managerial Personnel	Shareholding
1.	David Bauernfeind	-
2.	Alok Kumar Sinha	-
3.	Ashok Kumar Ramanathan	-
4.	Henry D Souza	-
5.	Gopika Pant	-
6.	Vinod Goel	-

5. Indebtness:

Indebtedness of the Company including interest outstanding/accrued but not due for payment:

(INR in Lakhs)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	212.08	-	-	212.08
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	42.44	-	-	42.44
Total (i+ii+iii)	254.52	-	-	254.52
Change in Indebtedness during the financial year				
<b>Principal</b>				
• Addition	33.83	-	-	33.83
• Reduction	102.25	-	-	102.25
<b>Interest</b>				
• Reduction	18.42	-	-	18.42
Net Change				
• Principal	68.42	-	-	68.42
• Interest	18.42	-	-	18.42
Indebtedness at the end of the financial year				
i) Principal Amount	143.66	-	-	143.66
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	24.02	-	-	24.02
Total (i+ii+iii)	167.68	-	-	167.68

## Annexure – VII to Boards' Report

### 6. Remuneration of Directors and Key Managerial Personnel mentioning their gross salary, value of perquisites, profits in lieu of salary, etc.

#### a) Remuneration to Managing Director, Whole-time Directors and/or Manager:

(INR in Lakhs)

S. No.	Particulars of Remuneration	Name of MD/WTD/ Manager			Total Amount
		MD	WTD*	Manager	
1	Gross salary:				
	a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	36.00	-	36.00
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	c) Profits in lieu of salary under section 17(3) Income tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission - as % of profit - others, specify.	-	-	-	-
5	Others, please specify.	-	-	-	-
6	Total (A)	-	36.00	-	36.00
7	Ceiling as per the Act	It is in accordance with the ceiling as specified under section 197 of the Companies Act, 2013.			

\* The remuneration provided above is for Mr. Alok Kumar Sinha.

#### b) Remuneration to other directors:

(INR in Lakhs)

S. No.	Particulars of Remuneration	Name of Directors				Total Amount
		Ashok Kumar Ramanathan	Henry D Souza	Gopika Pant		
1	1. Independent Directors					
	• Fee for attending board / committee meetings	6.80	6.80	5.20	18.80	
	• Commission	-	-	-	-	
	• Others, please specify.	-	-	-	-	
2	Total (1)	6.80	6.80	5.20	18.80	
3	2. Other Non-Executive Directors	-	-	-	-	
	• Fee for attending board / committee meetings	-	-	-	-	
	• Commission	-	-	-	-	
	• Others, please specify.	-	-	-	-	
4	Total (2)	-	-	-	-	
5	Total (B)=(1+2)	6.80	6.80	6.80	18.80	
6	Total Managerial Remuneration	-	-	-	18.80	
7	Overall Ceiling as per the Act	It is in accordance with the ceiling as specified under Companies Act, 2013.				

## Annexure – VII to Boards' Report

### c) Remuneration to key managerial personnel other than MD/manager/WTD:

(INR in Lakhs)

S. No.	Particulars of Remuneration	Key Managerial Personnel			Total Amount
		CEO	Company Secretary	CFO	
1	Gross salary: (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961  (b) Value of perquisites u/s 17(2) Income-tax Act, 1961  (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	36.00	Ms. Divya Pant (27.02.2015 to 14.04.2015)  5.00  Mr. Amit Kumar (07.08.2015 to 27.10.2015)  6.66	20.00	67.66
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission - as % of profit - Others, specify.	-	-	-	-
5	Others, please specify.	-	-	-	-
6	Total	36.00	11.66	20.00	67.66

### 7. Penalties/punishment/compounding of offences:

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD/ NCLT/Court]	Appeal made, if any(give Details)
<b>A. Company</b>					
Penalty	N.A.	N.A.	N.A.	N.A.	N.A.
Punishment	N.A.	N.A.	N.A.	N.A.	N.A.
Compounding	N.A.	N.A.	N.A.	N.A.	N.A.
<b>B. Directors</b>					
Penalty	N.A.	N.A.	N.A.	N.A.	N.A.
Punishment	N.A.	N.A.	N.A.	N.A.	N.A.
Compounding	N.A.	N.A.	N.A.	N.A.	N.A.
<b>C. Other Officers In Default</b>					
Penalty	N.A.	N.A.	N.A.	N.A.	N.A.
Punishment	N.A.	N.A.	N.A.	N.A.	N.A.
Compounding	N.A.	N.A.	N.A.	N.A.	N.A.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

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

Xchanging Plc, a listed company, incorporated under the laws of England and Wales, through its direct subsidiary Xchanging (Mauritius) Limited (“XML”) and indirect subsidiary Xchanging Technologies Services India Private Limited (“XTSI”), owns 75% of the outstanding share capital of the Company. Xchanging Plc and its subsidiaries including Xchanging Solutions Limited, are hereafter referred to as Xchanging Plc Group.

## INDUSTRY STRUCTURE, OVERVIEW AND TRENDS; OPPORTUNITIES, THREATS AND OUTLOOK

Over the last few years, we have all come to agree that VUCA (volatility, uncertainty, complexity and ambiguity) is the new normal. Economic and political upheavals, disruptive technologies, expanding competition and rapidly evolving customer requirements present new challenges and opportunities for the global technology industry; which now has to serve two distinct requirements of simultaneously driving operational excellence and creating enterprise digital transformation; which can enable organisations to improve customer reach and engagement, make faster decisions, improve time to market of solutions and help clients grow their businesses. While operational excellence currently garners major share of IT investments, enterprise digital transformation will increasingly drive future growth of the technology industry. The success of individual industry players will rest upon their ability to create sound business strategies that address both these opportunities.

### GLOBAL IT-BPM INDUSTRY\*

Worldwide IT-BPM (excl. hardware) spend in 2015 was clearly impacted by the volatility in global currencies resulting in a near flat growth of 0.4 per cent (USD 1.2 trillion) in 2015.

IT services saw a slight decline in growth (0.2%). A shift to cloud-based applications has led to a decline in traditional IS outsourcing, thereby impacting overall IT services growth.

Packaged software at USD 386 billion in 2015 saw a near-flat growth of 0.2 %, largely due to the US dollar strengthening against other currencies.

Worldwide BPM spend saw a 3% growth over 2014 with analytics services emerging as the largest driver. Customers are beginning to expect analytics as a part of bundled BPM services. Verticalised offerings of horizontal services is another important trend driving global BPM spend.

### INDIAN IT-BPM EXPORTS

Exports in FY 2016 are estimated at USD 108 billion, a 10.3% annual growth. Engineering Research & Development (ER&D) and product development continues to be the fastest growing segment at 12.6% driven by trends around IoT/connected devices and customers’ demands for disruptive innovation. IT services are to grow at the same rate as overall exports.

US and UK are the leading customer markets with a combined share of nearly 80%. However, there is a growing demand from APAC, LATAM and MEA. In terms of verticals, BFSI and Hi-Tech/Telecom continue their investments in analytics solutions as they focus on user experience. Manufacturing is showing interest in IoT/connected device technologies, further driven by the Make in India drive and Industry 4.0 initiatives.

The Company has found ways of carving out a niche for itself where it is able to bring value to customers and sell technology-enabled solutions and services. The large application management services market allows many companies with differentiated offerings to participate and have a healthy business in this market place.

Enterprises are increasingly demanding an ‘unbundling’ of services, giving rise to a market for dedicated providers. Nimble approaches to application services are requisite in a world where the norm is constant technological change. Companies are re-examining their engagement with technology and demanding greater IT agility. The result: a sharp shift towards simple, modular, custom apps.

The Company continues to focus on providing differentiated, technology-enabled capabilities which can be combined with our deep industry expertise in our target markets, keeping us relevant and critical to our customers’ IT environment.

## OUTLOOK

India’s IT-BPM sector total revenue is projected to reach USD 200-225 Billion by the year 2020, and between USD

## Management Discussion and Analysis

350-400 billion by the year 2025. Digital technologies will continue to define the sector and revenue from these is likely to have a 23% share by 2020 and >38 % by 2025. Indian service providers face a significant opportunity as digital technologies continue to be embedded in an ever widening range of products and services.

### **Partners of the future would need to develop capabilities:**

- **IT services players:** Develop best-of-breed solutions specific to use cases, proprietary platforms to integrate legacy and digital technologies, and offerings in new digital service lines. The need is to optimise traditional offerings using automation and lean processes.
- **BPM:** Reach out to a new cadre of customers, place more focus on customer experience, migrate processes to business process-as-a-service offerings, make analytics an integral part of their model.
- **ER&D:** Greater emphasis on IP and exchange-to-exchange initiatives; cater to use cases around the IoT, adopt new business models (use or performance-based offerings), gain capabilities around embedded hardware and software.
- **Analytics:** Must point exact solutions to address highly specific analytics use cases, develop the ability to gather and mine varied types of public data, and deploy more specialised techniques, such as machine learning and neural networks.

### **These shifts in the industrial landscape have five major implications for partners of the future, who must:**

- Develop offerings along new digital service lines, while re-inventing traditional declining service lines.
- Invest in a portfolio with fundamentally different economics, putting more resources towards transformational and disruptive technologies.
- Create a three-in-one organisation to effectively manage delivery of solutions along the three horizons of enterprise technology.
- Re-examine staffing, capability and retraining needs, especially in light of the increased decoupling of revenue to head count.
- Forge partnerships with niche players and platforms to develop an ecosystem to deliver digital solutions.

\* Source: Nasscom Strategic Review 2016; The IT-BPM Sector in India.

## **RISKS AND CONCERNS**

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 in ensuring that we have a consistent approach and focus on the potential risks.

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**

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

Risk registers are maintained in a hierarchy across the business and include risks which are strategic, commercial, operational and financial in nature.

- Strategic risks reflect the potential for a significant strategic action or a failure to react to developing trends in the market, 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 business.
- Operational risks reflect the potential for the failure of a critical process or procedure to have an adverse impact on the business.

OVERVIEW OF RISK MANAGEMENT PROCESS



STRATEGIC RISKS	
Risk	Mitigating Actions
Failure to utilise and exploit technology enablement for growth.	<p>The rapidly changing nature and impact of technology means that we need to respond to technology trends. Injecting technology enablement into our services and products is core to our growth strategy as we continue to:</p> <ul style="list-style-type: none"> <li>• Invest in the development of new offerings.</li> <li>• Develop innovative value adding customer solutions.</li> <li>• Utilise our skilled knowledgeable resources.</li> <li>• Review our existing services and products to ensure that they meet our customers' requirements.</li> </ul>
Failure to secure new business from both new and existing customers.	<p>There are 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"> <li>• Investing in innovative services and products for both new and existing customers.</li> <li>• Ensuring utilisation of our technology capabilities and competitive low cost offshore services.</li> <li>• Clearly defined offerings and sales strategies that help us to attract customers.</li> <li>• Continual development of the unified sales strategy which enables selling across business sectors.</li> <li>• Effective performance of sales team.</li> </ul>
COMMERCIAL RISKS	
Risk	Mitigating Actions
We have a concentration of material contracts with customers in key markets, which may have a significant impact on the Group's performance.	<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</p>

## Management Discussion and Analysis

	work closely with our customers utilising performance metrics in order to identify issues early and trigger corrective actions.
<b>OPERATIONAL RISKS</b>	
<b>Risk</b>	<b>Mitigating Actions</b>
Our reputation and ultimately our profitability are reliant on successful implementation and delivery of new contracts.	<p>We ensure successful implementation in the following ways:</p> <ul style="list-style-type: none"> <li>• Detailed implementation and delivery plans with strong management control and oversight.</li> <li>• Use of experienced employees with strong project, change and people management skills in order to ensure successful implementation.</li> <li>• Standardised procedures in use for the implementation and delivery of new contracts.</li> </ul>
Our customers demand efficient processing and high levels of service to help them achieve their objectives and protect their reputation.	<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>Mitigating actions include:</p> <ul style="list-style-type: none"> <li>• Consistently ensuring that our service levels are on target.</li> <li>• Optimising our cost of delivery through standardisation and simplification.</li> <li>• Investing internally in Group change programmes to improve our shared service centre and support services.</li> <li>• Ongoing contract management.</li> <li>• Building on existing customer relations.</li> </ul>
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>Succession plans are in place for senior managers across the business.</p> <ul style="list-style-type: none"> <li>• We have an established structure for employee performance and development monitoring.</li> <li>• A clear recruitment strategy and graduate recruitment and development programme attracts high-potential employees.</li> <li>• Significant investment in leadership training programmes underpins our succession plans, and develops our employees.</li> </ul>
<b>FINANCIAL RISKS</b>	
<b>Risk</b>	<b>Mitigating Actions</b>
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.	We continue to manage our financial risks through our established 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 the required credit facilities in place.

### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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

### DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

#### A. OVERVIEW

The financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP) and comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with rule 7 of the Companies (Accounts) Rules, 2014.

The consolidated financial statements have been prepared in compliance with the accounting standard AS - 21 on Consolidation of Accounts.

#### B. RESULTS OF OPERATIONS

##### 1. Review of Operations

During the current year, the consolidated revenue of your Company was Rs. 27,948 Lakhs against Rs. 28,695 Lakhs in the previous year. Other income of the Company for the current year was Rs. 1,521 Lakhs against Rs. 2,367 Lakhs in the previous year.

The company has only one primary segment viz, Information Technology (IT) services and accordingly the financials relate to this segment.

##### 2. Group Performance

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

(INR in lakhs)

Particulars	31 Dec 2015	31 Dec 2014
Total Revenue	27,948	28,695
Other Income	1,521	2,367
Total Income	29,469	31,062
Total Expenditure	25,167	28,660
Profit before Interest Depreciation and Tax	4,302	2,402
Depreciation & Amortization	420	477
Finance Costs	19	20
Exceptional items Gain /(Loss)	-	1,268
Profit / (Loss) before Tax	3,863	3,173
Income Tax (including deferred tax)	943	662
Net Profit / (Loss) after Tax	2,920	2,511
Earnings / (Loss) per share Rs.	2.62	2.25

### 3. Geographic Profile

(INR in lakhs)

Geography	2015		2014	
	Revenue	%	Revenue	%
Europe	6,233	22%	9,408	33%
USA	13,678	49%	11,188	39%
India	1,003	4%	1,466	5%
Rest of the World	7,034	25%	6,633	23%
<b>Total</b>	<b>27,948</b>	<b>100%</b>	<b>28,695</b>	<b>100%</b>

### 4. Capital Markets

The Capital Market Information relating to the company's shares such as stock exchanges in which they are listed/traded, trading volume, stock price movements etc., has been provided in the Report on Corporate Governance (under the heading "General Shareholder Information") which forms part of this Annual Report 2015.

## MATERIAL DEVELOPMENTS IN HUMAN RESOURCES AND EMPLOYEE RELATIONS

### Developing Talent

Managing human resources effectively and efficiently plays a critical role in ensuring that a satisfied, motivated work force delivers quality services. It also plays an important role in increasing staff performance and productivity, enhancing an organization's competitive advantage, and contributing directly to the organizational goals. Satisfied, highly-motivated and loyal employees represent the basis of competitive company. The growth of satisfaction is to be reflected in the increase of productivity, improvement of the products' quality or rendered services and higher number of innovations.

The Company is highly employee oriented, and the focus is on the development of employees.

The Company's talent development program is scientific, and is based on organizational objectives and a diagnostics conducted in 2014 to determine gaps in leadership skills, strategic thinking and a rainmaker mind-set in the mid and senior management; and a robust technical and entrepreneurial mind-set in the operational cadre.

The Mini CEO program of 2014 has very successfully delivered many leaders at multiple levels. This program is now being changed into a continual leadership pipeline generation mechanism.

### Employee Diversity

We are committed to embedding a culture of diversity and inclusion across our Group. This includes ensuring opportunity for all and embraces the positive effect that our diverse workforce brings.

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.

Xchanging Solutions Limited has a total of 645 employees on its rolls as of 31 December 2015.

# CORPORATE GOVERNANCE REPORT

## 1. COMPANY'S PHILOSOPHY

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 and 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 a good corporate governance policy and confirms its compliance with the applicable listing agreement and/or regulations of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”).

## 2. BOARD OF DIRECTORS:

### A. Composition of Board of Directors:

The Board of Directors as on 31 December 2015 comprised of 5 (five) Directors of which 4 (four) are Non – Executive Directors. The Chairman is a Non – Executive Director. The number of Independent Directors on the Board is 3 (three), which is more than 50% of the total number of Directors. The composition of Board is in conformity with Regulation 17 of the Listing Regulations.

Membership in Board and Sub - Committees of the Directors of the Company as on 31 December 2015 other than Xchanging Solutions Limited (“**the Company**”) is as under:

Name of the Director	Category	DIN	No. of outside Directorships of public companies@	No. of outside Board level committees where chairperson or member #	
				Member	Chairman
<b>Executive Directors</b>					
Mr. Alok Kumar Sinha	Promoter	02147416	-	-	-
<b>Non-Executive Director</b>					
Mr. David Bauernfeind <b>(Chairman)</b>	Promoter	01619392	-	-	-
Mr. Ashok Kumar Ramanathan	Independent Director	02055559	-	-	-
Mr. Henry D Souza	Independent Director	00276157	1	-	-
Ms. Gopika Pant	Independent Director	00388675	2	-	-

@Excludes Directorships held in private limited companies, foreign companies, membership of management committees of various chambers/bodies/ Section 25 Companies (corresponding to Section 8 Companies of the Companies Act, 2013).

# Includes only Audit Committee and Stakeholders' Relationship Committee.

None of the Independent Directors is a director in more than 7 (seven) listed companies. None of the Directors on the Board is a Member of more than 10 (ten) committees or Chairman of more than 5 (five) Committees across all the companies in which they are Director.

### B. Number of Board Meetings, Attendance of the Directors at Meetings of the Board and at the Annual General Meeting:

During the financial year ended 31 December 2015, total 4 (four) Board Meetings (including Board Meetings via video conferencing) were held on the following dates – 27 February 2015, 15 May 2015, 7 August 2015 and 6 November 2015. The gap between two meetings did not exceed 120 days. These meetings had good attendance. The last AGM of the Company held on 25 May, 2015.

The attendance of the Directors' at these Meetings is as under:

Director	Category	Number of Board Meetings attended	Leave of Absence Granted	Attendance at the AGM
Mr. David Bauernfeind (Non-Executive Director & Chairman)	Promoter	3	1	Present
Mr. Alok Kumar Sinha (Executive Director & Chief Executive Officer)	Promoter	4	-	Present
Mr. Ashok Kumar Ramanathan	Independent Director	4	-	Present
Mr. Henry D Souza	Independent Director	4	-	Not Present
Ms. Gopika Pant	Independent Director	3	-	Not Present

**C. Meetings of Independent Directors**

During Financial Year 2015, one Separate Meeting of the Independent Directors of the Company was held on 15 May 2015 without the attendance of Non-Independent Directors and members of the Management. Along with other matters, Independent Directors discussed the matters specified in Schedule IV of the Act and clause 49 of the Listing Agreement (Now, Regulation 25 of the Listing Regulations).

**D. Directors seeking Appointment/Re-appointment**

Mr. David Bauernfeind, Non-Executive Director and Chairman of the Company is liable to retire by rotation and being eligible for re-appointment at the forthcoming Annual General Meeting of the Company has offered himself for re-appointment.

Mr. David Bauernfeind is a Member of the following Board Committees:

S. No.	Name of the Committee	Position held
1.	Audit Committee	Member
2.	Nomination & Remuneration Committee	Member

**E. Code of Conduct**

The Board has formulated and adopted a Code of Conduct for all Board Members and Senior Management Personnel of the Company. These Codes have been posted on the Company's website at <http://www.xchanging.com/investor-relations/xsl-content>.

Affirmation Report on Compliance of Code of Conduct has been received from the Board Members and Senior Management Personnel of the Company. A declaration to that effect is given in the Compliance Certificate Annexed to the report.

The Code of Conduct for the Board Members of the Company has been amended in line with the provisions of the Companies Act, 2013 ('The Act'), which includes Code for Independent Directors, which is a guide to professional conduct for Independent Directors of the Company pursuant to section 149(8) and Schedule IV of the Act.

**F. Compliance Certification**

As required under Regulation 17(8) read with Part B of Schedule II of the Listing Regulations, Mr. Alok Kumar Sinha, Executive Director and Chief Executive Officer and Mr. Vinod Goel, Chief Financial Officer of the Company have certified to the Board regarding the Financial Statements for the year ended 31 December 2015. The Certificate is annexed to this Report as **Annexure - I**.

**G. Board Evaluation**

As required under the provisions of Section 134(3)(p) of the Act and clause 49 of the Listing Agreement (now, Regulation 4 of the Listing Regulations), the Board and Committees of the Board have carried out annual evaluation of their own performances respectively. The performance evaluation framework is in place and the evaluation questionnaires were circulated to all the members of the Board and Committees for their response to evaluate performance of Board and Committees of the Board.

The criteria of evaluation is exercising of responsibilities in the interest of the Company, striving to attend meetings of the Board of Directors and Committees of which he is a member, participating constructively and actively in the meetings of the Board or committees of the Board etc.

**H. Familiarization Programme for Independent Directors**

As per the provisions of clause 49 of the Listing Agreement (now, Regulation 46(2)(i) of Listing Regulations), the details of programs for familiarization of the Independent Directors with the Company, their roles, rights, responsibility in the Company, nature of the industry in which the Company operates, business model of the Company and related matters are available on the website of the Company at <http://www.xchanging.com/investor-relations/xsl-content>.

**3. POLICY ON APPOINTMENT AND REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES:**

**A. Remuneration Policy**

Pursuant to the provisions of the Act and clause 49 of the listing agreement (now, Regulation 19(4) read with Part D of Schedule II of the Listing Regulations), the Company has adopted a Policy for Remuneration of Directors, Key Managerial Personnel and Senior Management, which has been approved by the Board of the Company at its Meeting held on 7 November 2014 based on the recommendations made by the Nomination and Remuneration Committee.

**Appointment**

Nomination and Remuneration Committee (“NRC”) determines the criteria of appointment to the Board and is vested with the authority to identify candidates for appointment to the Board of Directors. In evaluating the suitability of a person for appointment / continuing to hold appointment as a Director, the NRC takes into account among others, Board diversity, person’s eligibility, qualification, expertise, track record, general understanding of the business, professional ethics, integrity and other fit and proper criteria’s. Based on recommendation of the NRC, the Board evaluates the candidate(s) and decide on the selection of the appropriate member.

**Remuneration**

The remuneration of Executive / Non-Executive Directors and KMPs is governed by the external competitive environment, track record, potential, individual performance and performance of the Company as well as industry standards and decided by NRC in accordance to the above mentioned policies. It is proposed by NRC and subsequently approved by the Board.

**B. Remuneration to Non-Executive Directors for the year ended 31 December 2015**

The remuneration and sitting fee paid to the Non-executive directors during the year ended 31 December 2015 along with their respective shareholding in the Company are as under:

Directors	Sitting Fees paid for the Board and Committee Meetings held during the year ended 31 December 2015	Commission for the year ended 31 December 2015, provided as payable in the accounts of the Company for the year under review	No. of Equity Shares held as on 31 December 2015
David Bauernfeind	-	-	-

**C. Remuneration paid/payable to Executive Director (Whole-time Director) for the year ended 31 December 2015**

Following Remuneration was paid to whole-time director during the year ended 31 December 2015. The said remuneration was fixed by the Nomination and Remuneration Committee and subsequently approved by the Board of Directors and Shareholders of the Company.

Name of Executive Director	(INR in Lakhs)					Contract Period	Shares held as on 31 December 2015
	Salary	Commission	Company's contribution to Funds	Perquisites & Allowance	Total		
Alok Kumar Sinha	36.00	-	-	-	36.00	-	-

Brief terms of employment and details of remuneration of the Executive Directors are as under:

1.	Name of the Director	Mr. Alok Kumar Sinha
(a)	Salary, benefits, bonuses, stock options, pension etc.	Salary not exceeding INR 40 lakhs per annum. Reimbursement of travel and out of pocket expenses incurred for business purpose of the Company.
(b)	Details of fixed component and performance linked incentives, along with the performance criteria;	Fixed Salary not exceeding INR 40 lakhs per annum. Not entitled for any performance linked incentives.
(c)	Service contracts, notice period, severance fees;	The appointment of Mr. Alok Kumar Sinha, as Whole Time Director and designated as Chief Executive Officer of the Company shall be for a period of 3 years, effective from 07 November 2014 and he shall be liable to retire by rotation.
(d)	Stock option details, their pricing at the time of issue, period over which accrued and period over which exercisable.	NA

**4. RISK MANAGEMENT**

The Company has a Risk Management process which provides an integrated approach for managing the risks in various aspects of the business. A write-up on the above is provided in the management discussion and analysis report.

**5. COMMITTEES OF THE BOARD**

**A. Audit Committee**

1. The Audit Committee of the Company is constituted in line with the provisions of clause 49 of the Listing Agreement (Now, Regulations 18 of Listing Regulations) read with Section 177 of the Act.
2. The role, duties and powers of the Audit Committee are as follows:

**The role of the Audit Committee includes the follow:**

1. 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;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing with the management, the annual financial statements and auditor's report thereon 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 Boards' Report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013.

- 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. Qualifications in the draft audit report.
5. Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval;
  6. 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 utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
  7. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
  8. Approval or any subsequent modification of transactions of the company with related parties;
  9. Scrutiny of inter-corporate loans and investments;
  10. Valuation of undertakings or assets of the Company, wherever it is necessary;
  11. Evaluation of internal financial controls and risk management systems;
  12. Reviewing with the Management, performance of statutory and internal auditors, adequacy of the internal control systems;
  13. 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;
  14. Discussion with internal auditors of any significant findings and follow up there on;
  15. 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;
  16. 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;
  17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
  18. To review the functioning of the Whistle Blower Mechanism;
  19. 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 and background, etc. of the candidate; and
  20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

**The Audit Committee shall mandatorily review the following information:**

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

**The Audit Committee shall have powers, which should include the following:**

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

**The Composition of the Audit Committee is as follows:**

1. Mr. Ashok Kumar Ramanathan
2. Mr. David Bauernfeind
3. Mr. Henry D Souza
4. Ms. Gopika Pant

Mr. Ashok Kumar Ramanathan is the Chairman of the Committee.

During the year under review, 4 (four) meetings of the Audit Committee (including meetings via video conferencing) were held, the dates being 27 February 2015, 15 May 2015, 07 August 2015 and 06 November 2015.

**The attendance for the Audit Committee meetings is as follows:**

Name of the Member of committee	No. of Meetings Attended	Leave of Absence granted
Ashok Kumar Ramanathan	4	N.A
David Bauernfeind	3	Yes
Henry D Souza	4	N.A.
Gopika Pant	3	N.A.

The previous Annual General Meeting of the Company was held on 25 May 2015 and the Chairman of the Audit Committee was present at the Annual General Meeting of the Company.

**B. Nomination and Remuneration Committee**

1. The Nomination and Remuneration Committee of the Company is constituted in line with the provisions of clause 49 of the Listing Agreement (now, Regulation 19(4) read with Part D of Schedule II of the Listing Regulations) read with Section 178 of the Act.
2. The role, duties and powers of the Nomination and Remuneration Committee are as follows:
  - a. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
  - b. Formulation of process for grant, allot, issue, administer, cancel and forfeit employees' stock options under any ESOP schemes of the Company and to exercise such powers as conferred by the Board on the earlier Remuneration Committee;
  - c. Formulation of criteria for evaluation of Independent Directors and the Board;
  - d. Devising a policy on Board diversity;
  - e. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.

**The composition of the Committee is as follows:**

1. Mr. Ashok Kumar Ramanathan
2. Mr. David Bauernfeind

3. Mr. Henry D Souza
4. Ms. Gopika Pant

Mr. Ashok Kumar Ramanathan is the Chairman of the Committee.

During the year under review, 3 (three) meetings of the Nomination and Remuneration Committee (including meeting via video conferencing) were held, the dates being 27 February 2015, 07 August 2015 and 06 November 2015.

**The attendance for the Nomination and Remuneration Committee meetings is as follows:**

Name of the Member of committee	No. of Meetings Attended	Leave of Absence granted
Ashok Kumar Ramanathan	3	-
David Bauernfeind	3	-
Henry D Souza	3	-
Gopika Pant	3	-

### C. Stakeholders' Relationship Committee

1. The Stakeholders' Relationship Committee of the Company is constituted in line with the provisions of clause 49 of the Listing Agreement (now, Regulation 20 of the Listing Regulations) read with Section 178 of the Act.
2. The Stakeholders' Relationship Committee shall specifically look into the matters relating to transfer/ transmission of shares and the redressal of grievances of shareholders, debenture holders and other security holders and shall consider and resolve the grievances of the security holders of the company including complaints related to transfer of shares, non-receipt of balance sheet and non-receipt of declared dividends.

**The composition of the Committee is as follows:**

1. Mr. Ashok Kumar Ramanathan
2. Mr. Alok Kumar Sinha
3. Mr. Henry D Souza
4. Ms. Gopika Pant

Mr. Ashok Kumar Ramanathan is the Chairman of the Committee.

During the year under review, there were 4 (four) meetings of Shareholders/ Investors' Grievances Committee - the dates being 27 February 2015, 15 May 2015, 07 August 2015 and 06 November 2015.

**The attendance for the Shareholders/ Investors' Grievances Committee meetings is as follows:**

Name of the Member of committee	No. of Meetings Attended	Leave of Absence granted
Ashok Kumar Ramanathan	4	-
Alok Kumar Sinha	4	-
Henry D Souza	4	-
Gopika Pant	3	-

During the year 2015, 6 (six) complaints of the shareholders were received, and resolved in a timely manner.

### D. Corporate Social Responsibility Committee

In compliance with Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules 2014, the Company has established a Corporate Social Responsibility (CSR) Committee during the financial year 2014.

The CSR Committee has been entrusted with the responsibility of formulating and recommending to the Board, a Corporate Social Responsibility Policy indicating the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013, recommending to Board the amount of expenditure to be incurred on CSR activities and monitoring the Corporate Social Responsibility Policy of the Company from time to time.

The CSR Committee comprises the following members:

1. Mr. Ashok Kumar Ramanathan
2. Mr. Henry D Souza
3. Mr. Alok Kumar Sinha
4. Ms. Gopika Pant

Mr. Ashok Kumar Ramanathan is the Chairman of the Committee.

During the year under review, two meetings of the CSR Committee were held; the dates being 15 May 2015 and 7 August 2015.

**The attendance for the CSR Committee meetings is as follows:**

Name of the Member of committee	No. of Meetings Attended	Leave of Absence granted
Ashok Kumar Ramanathan	2	-
Alok Kumar Sinha	2	-
Henry D Souza	2	-
Gopika Pant	2	-

## 6. GENERAL BODY MEETINGS

### A. Details of Annual General Meetings and Special Resolutions passed

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

Date	Time	Venue	Special Resolutions Passed	Directors' Attendance at AGM
25 May 2015	10 AM	SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore – 560 066	Approval of appointment of Mr. Alok Kumar Sinha as whole time director and designated as Executive Director and Chief Executive Officer of the company for a period of 3 (three) years.	1. David Bauernfeind 2. Ashok Kumar Ramanathan 3. Alok Kumar Sinha
02 June 2014	10 AM	SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore – 560 066	Approval of 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 (three) years.	1. Kenneth Lever 2. David Bauernfeind 3. Ashok Kumar Ramanathan 4. Henry D Souza
21 May 2013	10 AM	SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore – 560 066	Alteration of other objects clause of the memorandum of association of the Company	1. Kenneth Lever 2. David Bauernfeind 3. Ashok Kumar Ramanathan

### B. Extraordinary General Meeting

No Extraordinary General meeting was conducted during the year ended 31 December 2015.

### C. Postal Ballot

The Company has not passed any resolution through Postal Ballot during the year ended 31 December 2015.

### 7. DISCLOSURES:

- i. There are no materially significant related party transactions of the Company which pose a potential conflict with the interest of the Company. The Related Party Transaction Policy of the Company is available at <http://www.xchanging.com/investor-relations/xsl-content>
- ii. The Material Subsidiary Policy of the Company as approved by the Board of Directors is available at <http://www.xchanging.com/investor-relations/xsl-content>
- iii. The Familiarization Programme for Independent Directors as approved by the Nomination and Remuneration Committee of the Company is available at <http://www.xchanging.com/investor-relations/xsl-content>
- iv. The Board of Directors of the Company at their meeting held on 06 November, 2015 in concurrence with the requirement under SEBI (Prohibition of Insider Trading) Regulations, 2015 adopted the Code of Practices and Procedures for Fair Disclosure of Price-Sensitive Information; and Revised Code of Conduct for Prevention of Insider Trading. The aforesaid code is available at <http://www.xchanging.com/investor-relations/xsl-content>.
- v. 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 last three years: Nil
- vi. In accordance with the requirement of Section 177 of the Act and the Rules made there under and Regulation 22 of the Listing Regulations, the Company has formulated a 'Vigil Mechanism/Whistle Blower Policy'. The Whistle Blower policy is closely monitored by an internal auditor. No employee personnel has been denied access to the Audit Committee.
- vii. The Company has not adopted a treatment different from that prescribed in accounting standards.
- viii. There are no pecuniary relationships or transactions between Non-Executive Directors and the Company.
- ix. Details of compliance with mandatory requirements and adoption of non-mandatory requirements of Regulation 34(3) of the Listing Regulations read with Schedule V of the Listing Regulations: The Company has complied with all the mandatory requirements of the Listing Regulations.
- x. Pursuant of Regulation 109 of the Listing Regulations, dated 02 September 2015, the Company had signed and executed fresh Listing Agreement with the Stock Exchanges (i.e. "NSE" and "BSE") under the provision of Listing Regulations.

### 8. MEANS OF COMMUNICATION:

The quarterly and 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 most parts of India and in "Sanjevani", the newspapers published in the regional language of the place, where the Company's registered office of the Company is situated. The details of financial information are also available at <http://www.xchanging.com/investor-relations/xsl-content>

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

### 9. GENERAL SHAREHOLDER INFORMATION:

#### 1. Annual General Meeting

Date and Time	:	27 June 2016 at 10:00 AM
Venue	:	Regd. Office: SJR I - Park, Plot No. 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	27 June 2016
Results for quarter ending March 31, 2016	12 May 2016
Results for quarter ending June 30, 2016	August 2016
Results for quarter ending September 30, 2016	November 2016
Results for year ending December 31, 2016	February 2017

3. **Book closure** : 21 June 2016 to 27 June 2016 (both days inclusive)

4. **Dividend payment date** : Nil

## 5. Listing on the Stock Exchanges

Equity Shares of the Company are listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. Annual Listing fee for the year 2015-16, has been paid to the above Stock Exchanges.

The annual custodial fee for the year 2015-16 has been paid to both NSDL and CDSL.

Scrip Code:

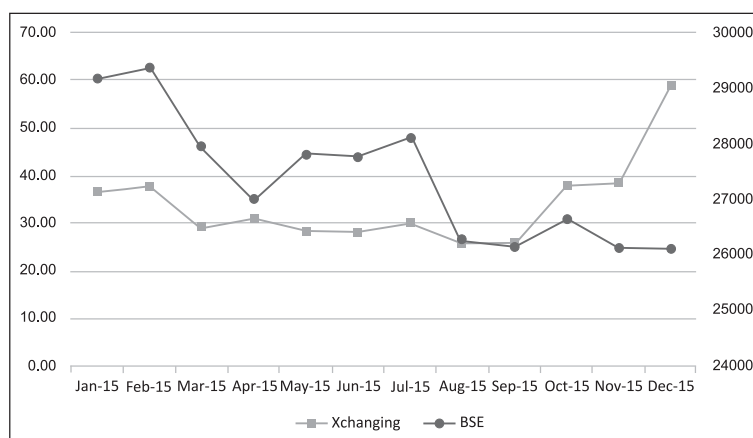
NSE : XCHANGING

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 2015	44.90	34.10	36.75	44.00	36.45	36.60
February 2015	41.70	32.10	38.05	40.90	34.00	37.70
March 2015	39.00	27.60	29.95	38.80	27.55	29.45
April 2015	36.80	28.00	30.50	36.85	29.20	31.05
May 2015	33.90	27.15	28.10	34.05	27.25	28.50
June 2015	31.00	22.65	28.45	31.35	21.20	28.20
July 2015	36.20	28.00	31.15	36.65	25.40	30.15
August 2015	33.40	23.00	25.95	35.00	22.45	26.00
September 2015	26.90	22.70	26.00	27.95	23.10	25.95
October 2015	43.00	25.65	38.00	42.50	26.20	37.90
November 2015	41.40	33.80	38.75	41.45	34.55	38.70
December 2015	63.50	37.10	57.45	61.00	37.25	58.85

7. Performance of Share Price in Comparison to BSE SENSEX



8. Registrar and Transfer Agent:

Karvy Computershare Private Limited  
 Karvy Selenium Tower B, Plot 31-32, Gachibowli,  
 Financial District, Nanakramguda,  
 Hyderabad – 500 032.  
 Phone: +91 040-67162222  
 Fax +91 040-23001153  
 Email: einward.ris@karvy.com  
 Website: www.karvy.com

9. Share Transfer System:

Shares sent for transfer in physical form are normally registered by our Registrar and Share Transfer Agent within 15 days of receipt of the documents, if the same are found in order, and as per the requirement of statutory provisions. Shares under objection are returned within two weeks. The Stakeholders Relationship Committee looks into the issues relating to Share Transfers and Investor Grievances and the Committee meets periodically.

10. SHAREHOLDING PATTERN

A. Categories of Shareholding as on 31 December 2015

Category	No. of Shares held	% of shareholding
Promoters	8,35,52,787	75.00
Banks, FIs, Insurance Companies, Mutual Funds	4,04,182	0.36
FIs	1,117	0.00
Private Corporate Bodies	13,23,958	1.19
Indian Public	55,72,332	5.00
NRIs/OCBs/Foreign National/Clearing member	1,63,49,092	14.68
Others	42,00,248	3.77
<b>Grand Total</b>	<b>11,14,03,716</b>	<b>100</b>

B. Distribution of Shareholding as on 31 December 2015

No. of shares	No. of share holders	% of total shareholders	No. of shares held	% to total equity
1 - 5000	17,740	98.97	39,82,557	3.57
5001 - 10000	92	0.51	6,72,551	0.60

No. of shares	No. of share holders	% of total shareholders	No. of shares held	% to total equity
10001 - 20000	51	0.28	7,29,063	0.65
20001 - 30000	21	0.12	5,25,728	0.47
30001 - 40000	2	0.01	70,500	0.06
40001 - 50000	3	0.02	1,41,793	0.13
50001 - 100000	6	0.03	4,27,975	0.38
100001 & Above	9	0.05	10,48,53,549	94.12
<b>TOTAL</b>	<b>17,924</b>	<b>100</b>	<b>11,14,03,716</b>	<b>100</b>

**11. DEMATERIALISATION OF SHARES AND LIQUIDITY:**

The Company's shares are compulsorily traded in the dematerialized 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 2015, 10,70,94,865 shares representing 96.13% of the Company's total shares were held in dematerialized form and the balance 43,08,851 shares representing 3.87% of the Company's total shares were in the physical form. The Company's shares are regularly traded on the National Stock Exchange of India Limited and BSE 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 Registrar and Transfer Agent of the Company.

Registered Office	Registrar and Transfer Agents
Xchanging Solutions Limited SJR I-Park, Plot No. 13, 14, 15. EPIP Industrial Area, Phase I Whitefield, Bangalore 560066, India. Phone +91 080 3054 0000 Fax +91 080 4115 7394 Email: <a href="mailto:compliance@asia.xchanging.com">compliance@asia.xchanging.com</a>	Karvy Computershare Private Limited Karvy Selenium Tower B, Plot 31 - 32 Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032 Phone +91 040-67162222 Fax +91 040-23001153 Email: <a href="mailto:einward.ris@karvy.com">einward.ris@karvy.com</a>

The above report was placed before the Board at its Meeting held on 04 April 2016 and, the same was approved.

**15. NO. OF SHARES TRADED DURING THE YEAR ENDED 31 DECEMBER 2015:**

BSE: 44,05,045 Shares

NSE: 54,38,309 Shares

**16. COMPLIANCE CERTIFICATE BY THE PRACTICING COMPANY SECRETARY:**

The Company has obtained a certificate from the Practicing Company Secretary regarding the compliance of conditions of corporate governance as stipulated under Schedule V (E) of the Listing Regulations, which is annexed herewith as **Annexure II**.

# ANNEXURE I OF COMPLIANCE CERTIFICATION

## COMPLIANCE CERTIFICATE

To

The Board of Directors  
Xchanging Solutions Limited  
Bangalore

We, Alok Kumar Sinha, Executive Director 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 2015 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; and
  - (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 of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit committee, deficiencies in the design or operation of such 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 and the Audit Committee:
  - (i) There are no significant changes in the internal control over financial reporting during the year ended 31 December 2015.
  - (ii) There are no significant changes in the accounting policies during the year ended 31 December 2015.
  - (iii) There have been no instances of significant fraud of which we have become aware and the involvement therein, if any, 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.

**Alok Kumar Sinha**  
**Executive Director & Chief Executive Officer**

**Vinod Goel**  
**Chief Financial Officer**

Place : Gurgaon  
Date : February 26, 2016

## ANNEXURE II OF CORPORATE GOVERNANCE REPORT

### CERTIFICATE ON CORPORATE GOVERNANCE REPORT

To,

The Members  
Xchanging Solutions Limited  
Bangalore

I have examined the compliance of conditions of corporate governance by Xchanging Solutions Limited (the Company) for the year ended on 31 December 2015, as stipulated in Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 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 conditions of corporate governance as stipulated in the said Regulations.

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.

**KBK & CO**  
**Company Secretaries**

**Kumar Bhavesh Kishore**  
**Proprietor**

Membership No: A22843

Certificate of Practice No: 11598

Date : March 28, 2016

Place : New Delhi

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF XCHANGING SOLUTIONS LIMITED

### Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of Xchanging Solutions Limited ("the Company"), which comprise the Balance Sheet as at 31 December 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Standalone Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements to give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 standalone financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements 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.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the 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 auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

### Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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, of the state of affairs of the Company as at 31 December 2015, and its profit and its cash flows for the year ended on that date.

# Independent Auditors' Report

## Emphasis of Matter

9. We draw your attention to Note 33 to the financial statements, regarding redemption of certain debentures, aggregating to INR 62,500,000, by the Company in the year 2007; subsequent order of the Hon'ble 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 Adjudicator 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

10. As required by 'the Companies (Auditor's Report) Order, 2015, issued by the Central Government of India in terms of sub-section (11) of section 143 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 3 and 4 of the Order.
11. As required by Section 143 (3) of the Act, we report that:
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books, except that the backup of the books of accounts and other books and papers maintained in electronic mode has not been maintained on servers physically located in India.
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - (e) On the basis of the written representations received from the directors as on 31 December 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31 December 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
  - (f) With respect to the maintenance of accounts and other matters connected therewith, reference is made to our comment in Paragraph [b] above that the back up of the books of accounts and other books and papers maintained in electronic mode has not been maintained on servers physically located in India.
  - (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
    - i. The Company has disclosed the impact, if any, of pending litigations as at 31 December 2015 on its financial position in its standalone financial statements – Refer Note 21.
    - ii. The Company has long-term contracts including derivative contracts as at 31 December 2015 for which there were no material foreseeable losses.
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31 December 2015.

**For Price Waterhouse Chartered Accountants LLP**  
Firm Registration Number: 012754N/N500016

**Suchita Sharma**  
Partner  
Membership Number: 073897

Place : Gurgaon  
Date : February 26, 2016

## ANNEXURE TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 10 of the Independent Auditors' Report of even date to the members of Xchanging Solutions Limited on the standalone financial statements as of and for the year ended December 31, 2015

- 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 2 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.
- ii. The Company is in the business of rendering services, and consequently, does not hold any inventory. Therefore, the provisions of Clause 3(ii) of the said Order are not applicable to the Company.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a) and (iii)(b) 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 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. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under to the extent notified.
- vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
- vii. (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 employees' state insurance, provident fund and professional tax, though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including income tax, service tax, labour welfare fund, duty of customs, cess 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, the particulars of dues of service tax, duty of customs or cess as at December 31, 2015 which have not been deposited on account of a dispute. The particulars of dues of income tax as at December 31, 2015 which have not been deposited on account of dispute, are as follows:

Name of the statute	Nature of due	Amount(Rs.)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	5,820,828 (*)	Assessment Year 2004-2005	The Commissioner of Income Tax (Appeals), Bangalore
		119,316,051 (**)	Assessment Year 2005-2006	The Commissioner of Income Tax (Appeals), Bangalore
		13,741,157 (***)	Assessment Year 2006-2007	Income Tax Appellate Tribunal

## Annexure to Independent Auditors' Report

Name of the statute	Nature of due	Amount(Rs.)	Period to which the amount relates	Forum where the dispute is pending
		32,928,105 (****)	Assessment Year 2009-2010	Income Tax Appellate Tribunal
		1,153,320	Assessment Year 2010-2011	Income Tax Appellate Tribunal

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

(\*\*) Rs. 97,519,289 has been deposited "under protest" by the Company

(\*\*\*) Rs. 11,319,884 has been deposited "under protest" by the Company

(\*\*\*\*) Rs. 17,000,000 has been deposited "under protest" by the Company

- c) There are no amounts required to be transferred by the Company to the Investor Education and Protection Fund in accordance with the provisions of the Companies Act, 1956 and the rules made thereunder.
- viii. The accumulated losses of the Company did not exceed fifty percent of its net worth as at December 31, 2015 and it has not incurred cash losses in the financial year ended on that date and or in the immediately preceding financial year.
- ix. 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 at the balance sheet date. The Company has not issued any debentures during the year.
- x. 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 3(x) of the Order are not applicable to the Company.
- xi. 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.
- xii. 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 Chartered Accountants LLP**  
Firm Registration Number: 012754N/N500016

**Suchita Sharma**  
Partner  
Membership Number: 073897

Place : Gurgaon  
Date : February 26, 2016

# BALANCE SHEET

## XCHANGING SOLUTIONS LIMITED BALANCE SHEET

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

	Note	As at	
		Dec 31, 2015	Dec 31, 2014
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	3	11,140	11,140
Reserves and surplus	4	7,711	6,347
		<u>18,851</u>	<u>17,487</u>
<b>Non-current liabilities</b>			
Long-term borrowings	5	91	158
Other long-term liabilities	6	35	32
Long-term provisions	7	342	302
		<u>468</u>	<u>492</u>
<b>Current liabilities</b>			
Trade payables	8		
a) total outstanding dues of micro enterprises and small enterprises and		-	-
b) total outstanding dues of creditors other than micro enterprises and small enterprises		1,173	1,939
Other current liabilities	9	661	2,558
Short-term provisions	10	2,943	2,703
		<u>4,777</u>	<u>7,200</u>
<b>TOTAL</b>		<u><b>24,096</b></u>	<u><b>25,179</b></u>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed assets			
(i) Tangible assets	11	459	704
(ii) Intangible assets	12	20	20
Non-current investments	13	5,186	5,186
Deferred tax assets (net)	14	703	997
Long-term loans and advances	15	4,100	3,924
Other non-current assets	16	110	134
		<u>10,578</u>	<u>10,965</u>
<b>Current Assets</b>			
Trade receivables	17	3,538	5,084
Cash and bank balances	18	8,357	5,948
Short-term loans and advances	19	264	871
Other current assets	20	1,359	2,311
		<u>13,518</u>	<u>14,214</u>
<b>TOTAL</b>		<u><b>24,096</b></u>	<u><b>25,179</b></u>
Significant accounting policies	2		

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 Chartered Accountants LLP**  
Firm Registration Number: 012754N/N500016

**Suchita Sharma**  
Partner  
Membership Number: 073897  
Place: Gurgaon  
Date : February 26, 2016

**For and on behalf of the Board of Directors**  
**Xchanging Solutions Limited**

**David Bauernfeind**  
Non Executive Director &  
Chairman  
Place : London  
Date : February 26, 2016

**Alok K Sinha**  
Executive Director &  
Chief Executive Officer  
Place : Gurgaon  
Date : February 26, 2016

**Vinod Goel**  
Chief Financial Officer  
Place : Gurgaon  
Date : February 26, 2016

**Mayank Jain**  
Company Secretary  
Place : Gurgaon  
Date : February 26, 2016

# STATEMENT OF PROFIT AND LOSS

## XCHANGING SOLUTIONS LIMITED STATEMENTS OF PROFIT AND LOSS

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

	Note	For the year ended	
		Dec 31, 2015	Dec 31, 2014
<b>Revenue</b>			
Revenue from operations	23	12,090	14,958
Other income	24	1,203	1,414
<b>Total Revenue</b>		<u>13,293</u>	<u>16,372</u>
<b>Expenses</b>			
Employee benefits expense	25	6,450	7,365
Other operating costs	26	4,126	6,641
Finance costs	27	19	20
Depreciation and amortisation	28	389	450
<b>Total Expenses</b>		<u>10,984</u>	<u>14,476</u>
Profit before exceptional items and tax		2,309	1,896
Exceptional items - Gain/ (loss)	30	-	(515)
Profit before tax		<u>2,309</u>	<u>1,381</u>
<b>Tax Expense</b>			
Current tax		651	1,035
Deferred tax charge/ (credit)	14	294	(376)
<b>Total Tax Expense</b>		<u>945</u>	<u>659</u>
<b>Profit for the year</b>		<u><u>1,364</u></u>	<u><u>722</u></u>
Earnings per Equity Share			
[Nominal value per share Rs.10 (2014: Rs.10)]	37		
Basic		1.22	0.65
Diluted		1.22	0.65
Significant accounting policies	2		

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 Chartered Accountants LLP**  
Firm Registration Number: 012754N/N500016

**Suchita Sharma**  
Partner  
Membership Number: 073897  
Place : Gurgaon  
Date : February 26, 2016

**For and on behalf of the Board of Directors**  
**Xchanging Solutions Limited**

**David Bauernfeind**  
Non Executive Director &  
Chairman  
Place : London  
Date : February 26, 2016

**Alok K Sinha**  
Executive Director &  
Chief Executive Officer  
Place : Gurgaon  
Date : February 26, 2016

**Vinod Goel**  
Chief Financial Officer  
Place : Gurgaon  
Date : February 26, 2016

**Mayank Jain**  
Company Secretary  
Place : Gurgaon  
Date : February 26, 2016

# CASH FLOW STATEMENT

## XCHANGING SOLUTIONS LIMITED CASH FLOW STATEMENT

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

	For the year ended	
	Dec 31, 2015	Dec 31, 2014
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	2,309	1,381
<b>Adjustments for:</b>		
Depreciation and amortisation	389	450
(Profit) / Loss on sale of fixed assets	(8)	(11)
Foreign exchange (gain)/ loss - unrealised	33	(452)
Interest income	(627)	(498)
Provision for mark to market losses on derivatives	1	-
Provision for doubtful advances	144	580
Provision for doubtful debts	78	(446)
Provision for diminution in value of investments	-	688
Liabilities no longer required written back	(388)	(396)
Bad debts written off	-	295
Advances written off	6	-
Interest expense	19	20
Operating profit before working capital changes	1,956	1,611
<b>Changes in working capital:</b>		
(Increase) / Decrease in trade receivables	1,502	(28)
(Increase) / Decrease in other current assets	(532)	117
(Increase) / Decrease in current loans and advances	611	959
(Increase) / Decrease in non current loans and advances	(324)	(1,232)
Increase / (Decrease) in trade payables	(765)	(173)
Increase / (Decrease) in other current liabilities	(137)	83
Increase / (Decrease) in other long-term liabilities	3	15
Increase / (Decrease) in provisions	42	(195)
Cash generated from operations	2,356	1,157
Taxes paid (net of refunds)	(414)	(210)
<b>Net cash generated from operating activities (A)</b>	<b>1,942</b>	<b>947</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of tangible / intangible assets	(192)	(503)
Proceeds from sale of tangible assets	50	35
Loans and advances to fellow subsidiaries	-	82
Long term deposits with banks with maturity period more than 3 months but less than 12 months	7	431
Long term deposits with banks with maturity period more than 12 months	95	(29)
Interest received	601	351
<b>Net cash generated from investing activities (B)</b>	<b>561</b>	<b>367</b>

*Contd....*

## Cash Flow Statement

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

	For the year ended	
	Dec 31, 2015	Dec 31, 2014
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings	34	118
Repayment from long-term borrowings	(102)	(86)
Interest paid	(19)	(20)
<b>Net cash (used in)/ generated from financing activities (C)</b>	<b>(87)</b>	<b>12</b>
<b>Net increase in cash and cash equivalents (A + B + C)</b>	<b>2,416</b>	<b>1,326</b>
Cash and cash equivalents at the beginning of the year	5,941	4,615
<b>Cash and cash equivalents at the end of the year</b>	<b>8,357</b>	<b>5,941</b>
<b>Components of cash and cash equivalents:</b>		
Cash on hand	-	-
Balances with banks:		
In current accounts	1,301	1,104
Demand deposits (less than 3 months maturity)	7,055	4,850
Effect of exchange differences on balances with banks in foreign currency	1	(13)
	<b>8,357</b>	<b>5,941</b>

### Notes:

- (1) The above Cash Flow Statement has been prepared under the indirect method as set out in the applicable Accounting Standard [Accounting Standard - 3 on "Cash Flow Statement" specified under section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies Amendment Rules, 2014.]
- (2) Figures in brackets indicate cash outflow.
- (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 Chartered Accountants LLP**  
Firm Registration Number: 012754N/N500016

**Suchita Sharma**  
Partner  
Membership Number: 073897  
Place : Gurgaon  
Date : February 26, 2016

**For and on behalf of the Board of Directors**  
**Xchanging Solutions Limited**

**David Bauernfeind**  
Non Executive Director &  
Chairman  
Place : London  
Date : February 26, 2016

**Alok K Sinha**  
Executive Director &  
Chief Executive Officer  
Place : Gurgaon  
Date : February 26, 2016

**Vinod Goel**  
Chief Financial Officer  
Place : Gurgaon  
Date : February 26, 2016

**Mayank Jain**  
Company Secretary  
Place : Gurgaon  
Date : February 26, 2016

# 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 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 acquired 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. On June 18, 2015, XML has sold 22.93% of its holding in the Company to its fellow subsidiary Xchanging Technology Services India Private Limited, India ('XTSIPL') and as a result XML holding in the Company has reduced to 52.07%.

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 was changed to Xchanging Solutions Limited (formerly, Cambridge Solutions Limited).

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

Name of the shareholder	2015	2014
Xchanging Technology Services India Private Limited, India	22.93%	-
Xchanging (Mauritius) Limited	52.07%	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%
	<b>100.00%</b>	<b>100.00%</b>

#### 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. Pursuant to section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, till the standards of accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act, 1956 shall continue to apply. Consequently 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, 2013.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. 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 pro-rata basis on the straight-line method (SLM) based on estimated useful life of fixed assets determined by management (which are different from the rates prescribed under Schedule II to the Companies Act, 2013) 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.
- (vi) Pursuant to the notification of Schedule II of the Companies Act 2013, by the Ministry of Corporate Affairs effective 01 April 2014, the management has internally reassessed the useful lives to compute depreciation, to conform to the requirements of the Companies Act, 2013. In case of furniture and fixtures, servers and vehicles, on the basis of technical evaluation, management believes that 5 years, 3 years and 2 to 5 years respectively is best estimate of its useful life as the Company expects to use these assets over this period. Hence, the useful life in respect of furniture and fixtures, servers and vehicles is different from the useful life prescribed under Part C of Schedule II of the Companies Act, 2013.

### 2.4 Intangible Assets and Amortisation

Intangible assets are stated at cost of acquisition less accumulated depreciation and impairment losses.

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 one to six years. Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss.

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

### **2.5 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.

### **2.6 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.

### **2.7 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.

### **2.8 Revenue recognition**

Revenue is recognised net of service tax 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) 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.
- (vii) 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.
- (viii) Unbilled revenue represents costs and earnings in excess of billings as at the balance sheet date.

### **2.9 Other Income**

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

### 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) Forward exchange contracts outstanding as at the year end on account of firm commitment / highly probable forecast transactions are marked to market and the losses, if any, are recognised in the Statement of Profit and Loss and gains are ignored in accordance with the Announcement of Institute of Chartered Accountants of India on 'Accounting for Derivatives' issued in March 2008.

### 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: Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year 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, 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 on the 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.
- (e) Other Long Term Employee Benefits – Long Service Award/Long Term Incentive Plan/Long Term Retention Bonus: The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognized in the Statement of Profit and Loss in the year in which they arise.

### **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

## Notes to the Financial Statements

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. 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, 2015	Dec 31, 2014
<b>3. Share Capital</b>		
<b>Authorised capital:</b>		
125,000,000 (2014: 125,000,000) Equity shares of Rs.10 each	12,500	12,500
<b>Issued, subscribed and paid up capital:</b>		
111,403,716 (2014: 111,403,716) Equity shares of Rs.10 each fully paid up	11,140	11,140
	<b>11,140</b>	<b>11,140</b>

#### a) Reconciliation of number of shares

Equity Shares	As at Dec 31, 2015		As at Dec 31, 2014	
	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	-	-	-	-
<b>Shares outstanding at the end of the year</b>	<b>111,403,716</b>	<b>11,140</b>	<b>111,403,716</b>	<b>11,140</b>

#### 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.

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

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

Name of Shareholder	As at Dec 31, 2015		As at Dec 31, 2014	
	Number of Shares	Amount	Number of Shares	Amount
Xchanging (Mauritius) Limited, the holding company	58,002,787	5,800	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, 2015		As at Dec 31, 2014	
	Number of Shares held	Percentage	Number of Shares	Percentage
Xchanging (Mauritius) Limited	58,002,787	52.07	83,552,787	75.00
Scandent Holding Mauritius Limited	13,167,551	11.82	13,167,551	11.82
Xchanging Technology Services India Private Limited	25,550,000	22.93	-	-

**e) Shares reserved for issue under options:**

Particulars of employees stock options on unissued share capital have been disclosed in Note 29. The total number of shares issued under ESOP in the last 5 years is as below:

Year	Number of shares
2010	21,667
<b>Total</b>	<b>21,667</b>

**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 (2014: Rs.3,284) to Rs.1,316 (2014: Rs.1,316) and the capital reduction of Rs.1,968 (2014: Rs.1,968) 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.

**g) Proposed Reduction of Share Capital**

The Board of Directors of Xchanging Solutions Limited ("XSL" or "the Company") in its meeting held on 27th February 2015 proposed to reduce its paid-up share capital from Rs. 11,140 comprising of 11,14,03,716 equity shares of Rs. 10/- each to Rs. 5,570 comprising of 11,14,03,716 equity shares of Rs. 5/- each, by returning a sum of Rs.5/- per equity share amounting to Rs. 5,570 to the shareholders, proportionate to their shareholding in the Company, subject to approval of the shareholders and the Securities and Exchange Board of India and the confirmation of the Hon'ble High Court of Karnataka at Bangalore. Consequent to the reduction, the face value of an equity share of the Company would be reduced from Rs. 10/- to Rs. 5/- and no cancellation of equity shares was proposed.

Based upon aforesaid approval of the Board of Directors of the Company, the corresponding application for the same was filed with the Stock Exchanges (BSE & NSE) on 27th March 2015. The Company obtained No Objection / Observation Letter for Reduction of Capital from the BSE and NSE vide their letters dated 24th June, 2015 and 2nd July, 2015 respectively. However, due to expiry of validity period of aforesaid approvals, it is therefore, now proposed not to proceed with the capital reduction process.

## Notes to the Financial Statements

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

	As at	
	Dec 31, 2015	Dec 31, 2014
<b>4. RESERVES AND SURPLUS</b>		
Capital reserve [Refer note below]		
Balance as at the beginning of the year	57	57
Balance as at the end of the year	<u>57</u>	<u>57</u>
Securities premium:		
Balance as at the beginning of the year	8,417	8,417
Balance as at the end of the year	<u>8,417</u>	<u>8,417</u>
Stock compensation adjustment:		
Balance as at the beginning of the year	7	7
Balance as at the end of the year	<u>7</u>	<u>7</u>
Surplus in Statement of Profit and Loss		
Balance as at the beginning of the year	(2,134)	(2,856)
Profit for the year	1,364	722
Balance as at end of the year	<u>(770)</u>	<u>(2,134)</u>
	<u><b>7,711</b></u>	<u><b>6,347</b></u>

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

## 5 LONG TERM BORROWINGS

(Refer note 9)

### Secured

From Bank:

Loan for purchase of Tangible assets	91	158
	<u>91</u>	<u>158</u>

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 2-6 years (2014: 2-5 years)
- c) **Interest rate:** 9.5% to 13.5% per annum (2014: 9.5% to 13.5% per annum)

## 6 OTHER LONG TERM LIABILITIES

Due to:

Micro small and medium enterprises [Refer note 8(i)]	-	-
Trade Payables	35	15
Payable to landlord	-	17
	<u>35</u>	<u>32</u>

## Notes to the Financial Statements

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

	As at	
	Dec 31, 2015	Dec 31, 2014
<b>7 LONG TERM PROVISIONS</b>		
(Refer note 2.11 and 25)		
Provision for employee benefits :		
Provision for gratuity	308	269
Provision for long service award	34	33
	<u>342</u>	<u>302</u>
<b>8 TRADE PAYABLE</b>		
Due to:		
Micro small and medium enterprises [Refer note(i)]	-	-
Subsidiaries	174	478
Other Related parties	236	484
Others	763	977
	<u>1,173</u>	<u>1,939</u>
<b>Notes:</b>		
(i) 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').		
<b>9 OTHER CURRENT LIABILITIES</b>		
(Refer note 2.8 and 2.10)		
Current maturities of long-term borrowings	53	54
Unamortised premium on forward contracts	-	35
Deferred Revenue	232	229
Employee benefits payable	245	702
Creditors for capital goods	3	7
Advances from customers	10	11
Statutory dues	118	121
Foreign currency payable under forward contracts	-	1,399
	<u>661</u>	<u>2,558</u>
<b>10 SHORT TERM PROVISIONS</b>		
(Refer note 2.10, 2.11, 2.12, 25 and 43)		
Provision for employee benefits :		
Provision for compensated absences	51	49
Provision for gratuity	91	83
Provision for long service award	8	16
Other Provisions:		
Provision for mark to market losses on derivatives	1	-
Provision for taxation [Net of advance tax Rs. 2,831 (2014: Rs. 2,418)]	2,792	2,555
	<u>2,943</u>	<u>2,703</u>

## 11 TANGIBLE ASSETS

(Refer note 2.2, 2.3 and 2.7)

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

Particulars	Gross Block			Depreciation			Net Block As at Dec 31, 2015	
	As at Jan 1, 2015	Additions	Deletions/ Adjustments	As at Dec 31, 2015	As at Jan 1, 2015	For the year		Deletions/ Adjustments
Leasehold Improvements	531	3	-	534	483	44	-	527
Computers	1,729	73	225	1,577	1,434	173	225	1,382
Vehicles	402	40	160	282	165	88	118	135
Office Equipment	290	18	15	293	201	22	15	208
Furniture and Fittings	264	-	2	262	229	10	2	237
Total	3,216	134	402	2,948	2,512	337	360	2,489

## As at Dec 31, 2014

Particulars	Gross Block			Depreciation			Net Block As at Dec 31, 2014	
	As at Jan 1, 2014	Additions	Deletions/ Adjustments	As at Dec 31, 2014	As at Jan 1, 2014	For the year		Deletions/ Adjustments
Leasehold Improvements	523	8	-	531	372	111	-	483
Computers	1,657	264	192	1,729	1,464	162	192	1,434
Vehicles	367	140	105	402	158	88	81	165
Office Equipment	248	42	-	290	183	18	-	201
Furniture and Fittings	240	24	-	264	223	6	-	229
Total	3,035	478	297	3,216	2,400	385	273	2,512

**Note:** Adjustments include items no longer used by the Company.

## 12 INTANGIBLE ASSETS

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

(Refer note 2.2 and 2.4)

Particulars	Gross Block			Depreciation			Net Block As at Dec 31, 2015
	As at Jan 1, 2015	Additions	Deletions/ Adjustments	As at Dec 31, 2015	For the year	Deletions/ Adjustments	
Computer software	776	52	-	828	52	-	808
Total	776	52	-	828	52	-	808

### As at Dec 31, 2014

Particulars	Gross Block			Depreciation			Net Block As at Dec 31, 2014
	As at Jan 1, 2014	Additions	Deletions/ Adjustments	As at Dec 31, 2014	For the year	Deletions/ Adjustments	
Computer software	734	42	-	776	65	-	756
Total	734	42	-	776	65	-	756

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

	As at	
	Dec 31, 2015	Dec 31, 2014
<b>13. NON CURRENT INVESTMENTS</b>		
<b>(Unquoted, at cost, unless otherwise stated, fully paid up)</b>		
<b>Other than trade</b>		
(Refer note 2.6, 2.7, 31 and 32)		
In Subsidiary Companies :		
Xchanging Solutions (Singapore) Pte Limited, Singapore		
2,300,000 (2014: 2,300,000)		
ordinary shares of Singapore\$1 each	7	7
Xchanging Solutions (Europe) Limited, UK		
2,664,278 (2014: 2,664,278)		
ordinary shares of GBP 1 each	2,222	2,222
(Less): Provision for diminution in value of investment	<u>(2,222)</u>	<u>(2,222)</u>
Xchanging Solutions (USA) Inc, USA 9,930,062		
(2014: 9,930,062) common stock of US\$ 1 each	11,224	11,224
(Less): Provision for diminution in value of investment	<u>(6,045)</u>	<u>(6,045)</u>
	<b>5,186</b>	<b>5,186</b>
Aggregate amount of unquoted investments	13,453	13,453
Aggregate provision for diminution in value of investments	(8,267)	(8,267)

**14 DEFERRED TAX ASSETS**

(Refer note 2.12)

Company 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 and liabilities as at December 31, 2015 comprise of the following:

Particulars	As at Dec 31, 2014	(Credit)/ Charged to Statement of Profit and Loss	As at Dec 31, 2015
<b>Deferred Tax Assets</b>			
Depreciation	291	(4)	295
Provision for gratuity	120	(18)	138
Provision for compensated absences	16	(2)	18
Provision for other employee benefits	152	94	58
Others	418	224	194
<b>Total (A)</b>	<b>997</b>	<b>294</b>	<b>703</b>
<b>Deferred Tax Liabilities (B)</b>	-	-	-
<b>Deferred Tax Assets (Net) (A)-(B)</b>	<b>997</b>	<b>294</b>	<b>703</b>

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

## As at Dec 31, 2014

Particulars	As at Dec 31, 2013	(Credit)/ Charged to Statement of Profit and Loss	As at Dec 31, 2014
<b>Deferred Tax Assets</b>			
Depreciation	285	(6)	291
Provision for gratuity	120	-	120
Provision for compensated absences	7	(9)	17
Provision for other employee benefits	77	(75)	152
Others	132	(286)	418
<b>Total (A)</b>	<b>621</b>	<b>(376)</b>	<b>997</b>
<b>Deferred Tax Liabilities (B)</b>	-	-	-
<b>Deferred Tax Assets (Net) (A)-(B)</b>	<b>621</b>	<b>(376)</b>	<b>997</b>

As at

	Dec 31, 2015	Dec 31, 2014
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**15 LONG TERM LOANS AND ADVANCES**

(Refer note 2.2, 31 and 32)

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	1,868	1,868
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Capital advances

2	-
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Security deposits

- Considered good	248	276
- Considered doubtful	-	146
(Less): Provision for doubtful security deposits	-	(146)

Advances recoverable in cash or kind

- Considered good	1,300	1,230
- Considered doubtful	12	38
(Less): Provision for doubtful advances	(12)	(38)

Balances with Government Authorities

- Considered good	681	549
- Considered doubtful	377	1,002
(Less): Allowance for doubtful advances	(377)	(1,002)

Other Loans and Advances

- Prepaid Expenses	1	1
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<b>4,100</b>	<b>3,924</b>
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**Note:** As at December 31, 2015, the loans and advances balance of Rs. 17,283 (2014: Rs. 17,283) due from subsidiaries is interest free and repayable on demand. However, management does not have an intention to demand these loans in the next 12 months and hence these have been classified under long-term loans and advances.

## Notes to the Financial Statements

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

	As at	
	Dec 31, 2015	Dec 31, 2014
<b>16 OTHER NON-CURRENT ASSETS</b>		
Long term deposits with banks with maturity period more than 12 months [Held as lien by bank Rs 30 (2014: Rs 126)]	39	134
Interest accrued on loans to fellow subsidiaries	71	-
	<u>110</u>	<u>134</u>
<b>17 TRADE RECEIVABLE</b>		
Unsecured, considered good:		
Outstanding for a period exceeding 6 months from the date they are due for payment	91	610
Others	3,447	4,474
Unsecured, considered doubtful:		
Outstanding for a period exceeding 6 months from the date they are due for payment	127	161
Less: Provision for doubtful debts	(127)	(161)
	<u>3,538</u>	<u>5,084</u>
<b>18 CASH AND BANK BALANCES</b>		
(Refer note 2.17)		
Cash and Cash equivalents		
Cash on hand	-	-
Bank balances		
In current accounts	1,302	1,091
Demand Deposit (less than 3 months maturity)	7,055	4,850
	<u>8,357</u>	<u>5,941</u>
Other Bank Balances		
Long Term Deposit with maturity more than 3 months but less than 12 months	-	7
	<u>8,357</u>	<u>5,948</u>
Fixed Deposits with Banks include:		
Rs. 105 (2014: Rs. 7) which are under lien for issue of bank guarantees		

## Notes to the Financial Statements

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

	As at	
	Dec 31, 2015	Dec 31, 2014
<b>19 SHORT TERM LOANS AND ADVANCES</b>		
(Refer note 2.2)		
Unsecured considered good unless otherwise stated		
Loans and advances to related parties:		
Subsidiaries:		
Expenses recoverable	81	189
Fellow subsidiaries:		
Loans and advances	62	345
Balances with Government Authorities		
- Considered good	17	17
- Considered doubtful	10	10
Less: Allowance for doubtful advances	(10)	(10)
Other Loans and Advances		
- Prepaid Expenses	33	61
- Others:		
Considered Good	71	259
	<u>264</u>	<u>871</u>
<b>20 OTHER CURRENT ASSETS</b>		
(Refer note 2.8 and 2.10)		
Unsecured considered good unless otherwise stated		
Foreign currency receivable under forward contracts	-	1,439
Unbilled revenue	1,031	499
Interest accrued on loans to fellow subsidiaries	240	342
Interest accrued on bank deposits	88	31
	<u>1,359</u>	<u>2,311</u>
<b>21 CONTINGENT LIABILITIES</b>		
(Refer note 2.14)		
(i) Bank guarantees	129	127
(ii) Claims against the Company not acknowledged as debts:		
Income tax matters [Note (b)]	2,210	2,128
Service tax matters [Note (c)]	2,359	2,359
	<u>4,698</u>	<u>4,614</u>
(iii) In the ordinary course of business, the Company is subject to legal proceedings, claims and litigation. Xchanging Solutions Limited and its USA subsidiary, Xchanging Solution USA Inc., ("XSUI") is currently a defendant in a claim for an unspecified amount alleging a breach of warranties in the USA. The claim in question relates to a contract that was awarded to XSUI in 2006 and was subsequently sold by XSUI in 2007 to the claimant. The litigation is a fact intensive case for which the fact discovery and proceedings are ongoing in USA. Based on the facts produced and reviewed to date and legal advice thereon, the Company believes it is not probable that the claim will be successful. Therefore, no provision is required to be made at this stage.		

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

**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 responded 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.

	As at	
	Dec 31, 2015	Dec 31, 2014

**22 CAPITAL AND OTHER COMMITMENTS**

**(a) Capital Commitments**

Estimated value of contracts in capital account remaining to be executed (net of advances)	18	5
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**(b) Other Commitments**

- (i) 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, 2015, the Company has availed duty benefits amounting to Rs.178 (2014: Rs. 178). The Company expects to meet its commitment to earn requisite revenue in foreign currency as stipulated by the STPI regulations.
- (ii) As at December 31, 2015, Xchanging Solutions (USA) Inc, USA, Company's wholly owned subsidiary, has negative net assets amounting to Rs. 23,713 (2014: Rs. 23,743). While the subsidiary is confident of generating funds from their operations, the Company intends to support the shortfall, if any.

	For the year ended	
	Dec 31, 2015	Dec 31, 2014

**23 REVENUE FROM OPERATIONS**

(Refer note 2.8)

Software services	12,090	14,958
	<u>12,090</u>	<u>14,958</u>

## Notes to the Financial Statements

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

	For the year ended	
	Dec 31, 2015	Dec 31, 2014
<b>24 OTHER INCOME</b>		
(Refer note 2.9 and 2.10)		
Interest income on bank deposits	403	264
Interest income on loans to fellow subsidiaries	224	234
Profit on sale of tangible assets (net)	8	11
Provision for doubtful debts no longer required written back (net)	-	446
Liabilities no longer required written back	388	396
Foreign exchange gain (net)	136	-
Miscellaneous income	44	63
	<b>1,203</b>	<b>1,414</b>
<b>25 EMPLOYEE BENEFIT EXPENSE</b>		
(Refer note 2.11)		
Salaries, allowances and bonus	5,796	6,737
Contribution to provident and other funds	341	341
Gratuity	125	70
Staff welfare	188	217
	<b>6,450</b>	<b>7,365</b>

### (a) Defined Contribution Plans

**Provident Fund and Other Funds:** During the year, the Company has recognised Rs. 341 (2014: Rs. 341) 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:

	As at	
	Dec 31, 2015	Dec 31, 2014
<b>(i) Present Value of Defined benefit obligation</b>		
Balance at the beginning of the year	352	353
Current Service Cost	68	62
Interest Cost	29	31
Actuarial (Gains) / Losses	28	(23)
Benefits paid	(78)	(71)
<b>Balance at the end of the year</b>	<b>399</b>	<b>352</b>

## Notes to the Financial Statements

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

	As at	
	Dec 31, 2015	Dec 31, 2014
<b>(ii) Assets and Liabilities recognised in the Balance Sheet</b>		
Present Value of Defined Benefit Obligation	399	352
(Less): Fair Value of Plan Assets	-	-
<b>Amounts recognised as liability</b>	<b>399</b>	<b>352</b>
Recognised under:		
Long-term provisions (Refer Note 7)	308	269
Short-term provisions (Refer Note 10)	91	83
	<b>399</b>	<b>352</b>

	For the year ended	
	Dec 31, 2015	Dec 31, 2014
<b>(iii) Expense recognised in the Statement of Profit and Loss</b>		
Current Service Cost	68	62
Interest Cost	29	31
Actuarial (Gains) / Losses	28	(23)
<b>Total Expense</b>	<b>125</b>	<b>70</b>

	As at	
	Dec 31, 2015	Dec 31, 2014
<b>(iv) Actuarial Assumptions</b>		
Discount Rate	8.08%	8.09%
Expected Return on Plan Assets	N/A	N/A
Attrition Rate	25%	25%
Increase in Compensation Cost	9.25%	8.75%
Retirement Age	65	65

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

	As on Dec 31, 2015	As on Dec 31, 2014	As on Dec 31, 2013	As on Dec 31, 2012	As on Dec 31, 2011
Defined Benefit Obligation	399	352	353	342	326
Fair Value of plan assets at the end of the year	-	-	-	-	-
Amount recognized in Balance Sheet (Liability)	(399)	(352)	(353)	(342)	(326)
Experience adjustments in plan assets/gains / (losses)	-	-	-	-	-
Experience adjustments in plan liabilities gains / (losses)	(28)	23	19	13	12
(Gains) / losses due to change in assumptions	-	-	-	4	1

### 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.

## Notes to the Financial Statements

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

	For the year ended	
	Dec 31, 2015	Dec 31, 2014
<b>26 OTHER OPERATING COSTS</b>		
(Refer note 2.2, 2.5, 2.10, 2.16 and 44)		
Project work expenses	1,210	2,422
Travelling and conveyance	649	701
Rent	419	393
Recruitment and relocation	31	63
Communication	185	265
Power and fuel	184	196
Insurance	61	65
Rates and taxes	16	1
Repairs and maintenance:		
Computer equipment	251	186
Others	199	187
Expenditure towards Corporate Social Responsibility (CSR) activities	16	-
Legal and professional	288	304
Training and development	121	123
Printing and Stationery	19	15
Business promotion	148	500
Bank charges	9	11
Customer claims/ warranties	-	67
Directors' sitting fees	19	15
Foreign exchange loss (net)	-	143
Bad debts written off	-	295
Provision for doubtful debts (net)	78	-
Advances written off	6	-
Provision for doubtful advances	144	580
Provision for mark to market losses on derivatives	1	-
Miscellaneous	72	109
	<b>4,126</b>	<b>6,641</b>
Auditors' remuneration (*)		
(included under Legal and professional)		
Statutory audit	70	78
Limited review of quarterly financial results	33	16
Certifications	4	8
Out-of-pocket expenses	8	6
(*) Excludes service tax.		
<b>27 FINANCE COST</b>		
Interest on borrowings	19	20
	<b>19</b>	<b>20</b>
<b>28 DEPRECIATION AND AMORTISATION EXPENSE</b>		
(Refer note 2.2, 2.3 and 2.4)		
Depreciation on tangible assets	337	385
Amortisation on intangible assets	52	65
	<b>389</b>	<b>450</b>

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

29 a) Employee Stock Options Plan (Refer note 2.11 and 37)

Particulars	ESOP II Plan 2006	
	No. of shares	Weighted average exercise price (Rs.)
Vesting	- 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	
Method of settlement	Equity	
Exercise price	56.90 (2014: 56.90 - 140.35)	
General description of plans	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.	
<b>Dec 31, 2015</b>		
Options outstanding at the beginning of the year	100,000	56.90
Options granted during the year	-	-
Options forfeited during the year	-	-
Options exercised during the year	-	-
Options expired during the year	100,000	56.90
Options outstanding at the end of the year	-	-
Options exercisable at the end of the year	-	-
Weighted average remaining contractual life (in years)	-	-
<b>Dec 31, 2014</b>		
Options outstanding at the beginning of the year	410,000	86.33
Options granted during the year	-	-
Options forfeited during the year	-	-
Options exercised during the year	-	-
Options expired during the year	310,000	95.82
Options outstanding at the end of the year	100,000	56.90
Options exercisable at the end of the year	100,000	56.90
Weighted average remaining contractual life (in years)	0.08	-
	<b>Dec 31, 2015</b>	<b>Dec 31, 2014</b>
Net profit as reported	1,364	722
Net profit available for equity shareholders	1,364	722
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	1,364	722
<b>Earnings per share</b>		
Basic	1.22	0.65
Diluted	1.22	0.65

- b) During the year, the Company has recognised employee benefits expense amounting to Rs. NIL (2014: Rs. NIL) 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)

	For the year ended	
	Dec 31, 2015	Dec 31, 2014
<b>30 Exceptional Items - Gain/ (loss)</b>		
(Refer note 2.15, 32 and 41)		
The Company has recorded exceptional items aggregating to expense of Rs. Nil (2014: expense of Rs. 515) as detailed below:		
(i) Provision for onerous lease		
In prior years, the Company held a lease which became onerous and accordingly a provision was made under the exceptional items. The Company reassessed this provision and decided that this provision was no longer required and the same was reversed under the exceptional items.	-	173
(ii) Impairment of Investment		
The Company tested the investment in Xchanging Solutions (Europe) Limited, UK for impairment and pursuant to that assessment fully impaired the remaining value of its investment.	-	(688)
	-	<b>(515)</b>

- 31.** The Company has strategic gross investment amounting to Rs. 11,224 (2014: Rs. 11,224) in Xchanging Solutions (USA) Inc, USA, its wholly owned subsidiary. 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 (2014: 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 (2014: 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 by board of ultimate holding Company 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, the Company has granted loans and advances aggregating to Rs. 17,283 (2014: Rs. 17,283) and also has receivables (net of payables and provision) from the subsidiary amounting to Rs. 1,420 (2014: Rs. 1,214). Based on the aforesaid evaluation of recoverability, the net receivables is considered good and recoverable.
- 32** The Company has strategic gross investments amounting to Rs. 2,222 (2014: Rs. 2,222) in Xchanging Solutions (Europe) Limited, UK, its wholly owned subsidiary. 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. 2,222 (2014: Rs. 2,222) in prior years against the investments towards diminution in value considering it to be “a decline other than temporary”. The Company tests its investment for impairment using cash flow forecasts based on approved budgets by using a discounted cash flow method. Result of such analysis in the current year does not require any change in the assessment from the previous year. Further, the Company also has payables to the subsidiary amounting to Rs. 45 (2014: receivables (net of payables and provision) Rs. 1,163).
- 33** 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

## Notes to the Financial Statements

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 on July 26, 2011 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 financial statements prior to passing of interim order. The Company is awaiting the decision of the Hon'ble High Court on the Company's appeal; pending which, no adjustment has been made in the financial statements.

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

	For the year ended	
	Dec 31, 2015	Dec 31, 2014
<b>34 VALUE OF IMPORTS ON CIF BASIS</b>		
Capital goods	-	57
	<u>-</u>	<u>57</u>
<b>35 EXPENDITURE IN FOREIGN CURRENCY</b>		
Project work expenses	951	1,863
Travelling and conveyance	314	341
Communication	76	30
Business Promotion	33	471
Others	221	339
	<u>1,595</u>	<u>3,044</u>
<b>36 EARNINGS IN FOREIGN CURRENCY</b>		
Software services	11,087	13,492
	<u>11,087</u>	<u>13,492</u>
<b>37 BASIC AND DILUTED EARNINGS PER SHARE</b> (Refer note 2.13)		
Profit for the year after tax	1,364	722
Nominal value per share (Rs.)	10	10
Weighted average number of equity shares considered for calculating basic earnings per share – (A)	111,403,716	111,403,716
<b>Earnings per share – Basic (Rs.)</b>	<u>1.22</u>	<u>0.65</u>
Add: Weighted average number of potential equity shares under employee stock options – (B) (Refer note below)	-	-
Weighted average number of equity shares considered for calculating diluted earnings per share – (A + B)	111,403,716	111,403,716
<b>Earnings per share – Diluted (Rs.)</b>	<u>1.22</u>	<u>0.65</u>

**Note:** Exercise price Rs. 56.90 per share (2014: Rs. 56.90 per share) under the Employee Stock Options Plan is higher than Fair Value Rs. 33.71 per share (2014: Rs. 33.64 per share), hence it is antidilutive and not considered for the above.

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

### 38 SEGMENT REPORTING

The accounting policies adopted for segment reporting are in conformity with the accounting policies adopted for the Company. Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the Company as a whole and are not allocable to segments on a reasonable basis, is included as "Unallocated". Segment assets includes all the assets except for deferred tax assets which are treated as unallocable.

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, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
Europe	5,888	8,428	1,794	2,950	-	-
USA	4,580	4,106	7,435	7,270	-	-
India	1,003	1,466	13,914	13,390	186	520
Rest of the World	619	958	250	572	-	-
	<b>12,090</b>	<b>14,958</b>	<b>23,393</b>	<b>24,182</b>	<b>186</b>	<b>520</b>

39 RELATED PARTY DISCLOSURES

A. Names of related parties and nature of relationship:

1) Parties where control exists:

Nature of relationship	Names of related parties
<b>(i) Holding companies:</b>	
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, Mauritius')
<b>(ii) Subsidiary companies</b>	
	Xchanging Solutions (Europe) Limited, UK ('XSEL, UK')
	Xchanging Solutions (Singapore) Pte Limited, Singapore ('XSSPL, Singapore')
	Xchanging Solutions (Malaysia) Sdn Bhd, Malaysia ('XSMSB, Malaysia')
	Xchanging Solutions (USA) Inc, USA ('XSUI, USA')
	Nexplicit Infotech India Private Limited, India ('NI IPL, India')
<b>(iii) Key Managerial Personnel (KMP)</b>	
Executive Chairman and Chief Executive Officer	Kenneth Lever (upto November 7, 2014)
Non Executive Director & Chairman	David Bauernfeind (Executive Director upto November 7, 2014 and Non Executive Director & Chairman from November 8, 2014)
Executive Director & Chief Executive Officer	Alok K Sinha (from November 7, 2014)
Chief Financial Officer	Vinod Goel

2) Other Related Parties with whom transactions have taken place during the year:

<b>Fellow subsidiaries</b>	Xchanging Integrated Services Victoria Pty Limited, Australia ('XISVPL, Australia')
	Xchanging Integrated Services Australia Pty Limited, Australia ('XISAPL, Australia')
	Xchanging Builders (India) Private Limited, India ('XBPL, India')
	Xchanging Systems and Service Inc., USA ('XSSI, USA')
	Xchanging Global Insurance Solutions Ltd., UK ('XGISL, UK')
	Xchanging Technology Services India Private Limited, India ('XTSIPL, India')
	Xchanging UK Limited, UK ('XUKL, UK')
	Xchanging Asia Pacific Sdn Bhd, Malaysia ('XAPSB, Malaysia')
	Xchanging Procurement Services Limited, UK ('XPSL, UK')
	Ferguson Snell & Associates Ltd, UK ('FSAL, UK')
	Xchanging Inc. USA ('XI, USA')
	Ins-sure Services Ltd, UK ('ISL, UK')
	SBB Services Inc, USA ('SBB, USA')
	Xchanging Procurement Services Europe SAS, France ('XPSLF, France')
	Xchanging Deutschland GmbH & Co. KG, Germany ('XDG, Germany')

## Notes to the Financial Statements

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

B. Summary of transactions with related parties is as follows:	Holding companies For the year ended		Subsidiaries companies For the year ended		Fellow subsidiaries For the year ended		Total For the year ended	
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014

### Expenses paid on behalf of the Company:

XSEL, UK	-	-	448	666	-	-	448	666
XSSPL, Singapore	-	-	59	54	-	-	59	54
XSUI, USA	-	-	293	129	-	-	293	129
XUKL, UK	-	-	-	-	36	306	36	306
XTSIPL, India	-	-	-	-	111	216	111	216
XBPL, India	-	-	-	-	44	48	44	48
XGISL, UK	-	-	-	-	200	130	200	130
FSAL, UK	-	-	-	-	26	25	26	25
<b>Total</b>	-	-	<b>800</b>	<b>849</b>	<b>417</b>	<b>725</b>	<b>1,217</b>	<b>1,574</b>

### Expenses paid on behalf of the related party:

XISVPL, Australia	-	-	-	-	-	18	-	18
XSEL, UK	-	-	16	-	-	-	16	-
XSSPL, Singapore	-	-	14	11	-	-	14	11
XSUI, USA	-	-	77	71	-	-	77	71
XGISL, UK	-	-	-	-	51	29	51	29
XTSIPL, India	-	-	-	-	110	95	110	95
XAPSB, Malaysia	-	-	-	-	6	17	6	17
XUKL, UK	-	-	-	-	18	89	18	89
XI, USA	-	-	-	-	-	3	-	3
XSSI, USA	-	-	-	-	-	6	-	6
ISL, UK	-	-	-	-	-	2	-	2
SBB, USA	-	-	-	-	-	4	-	4
<b>Total</b>	-	-	<b>107</b>	<b>82</b>	<b>185</b>	<b>263</b>	<b>292</b>	<b>345</b>

### Interest income on loans:

XTSIPL, India	-	-	-	-	63	108	63	108
XBPL, India	-	-	-	-	161	126	161	126
<b>Total</b>	-	-	-	-	<b>224</b>	<b>234</b>	<b>224</b>	<b>234</b>

## Notes to the Financial Statements

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

B. Summary of transactions with related parties is as follows:	Holding companies For the year ended		Subsidiaries companies For the year ended		Fellow subsidiaries For the year ended		Total For the year ended	
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014

### Revenue:

XISVPL, Australia	-	-	-	-	-	52	-	52
XSEL, UK	-	-	-	1,706	-	-	-	1,706
XSSPL, Singapore	-	-	-	8	-	-	-	8
XSUI, USA	-	-	2,480	2,498	-	-	2,480	2,498
XISAPL, Australia	-	-	-	-	49	228	49	228
XGISL, UK	-	-	-	-	1,444	1,626	1,444	1,626
XI, USA	-	-	-	-	-	4	-	4
XUKL, UK	-	-	-	-	-	312	-	312
XAPSB, Malaysia	-	-	-	-	-	13	-	13
XPSSL, UK	-	-	-	-	53	182	53	182
XSSI, USA	-	-	-	-	-	6	-	6
XTSIPL, India	-	-	-	-	107	31	107	31
SBB, USA	-	-	-	-	4	15	4	15
XPSLF, France	-	-	-	-	-	2	-	2
<b>Total</b>	-	-	<b>2,480</b>	<b>4,212</b>	<b>1,657</b>	<b>2,471</b>	<b>4,137</b>	<b>6,683</b>

### Loans given during the year:

XBPL, India	-	-	-	-	-	18	-	18
<b>Total</b>	-	-	-	-	-	<b>18</b>	-	<b>18</b>

### Loans repaid during the year:

XBPL, India	-	-	-	-	-	100	-	100
<b>Total</b>	-	-	-	-	-	<b>100</b>	-	<b>100</b>

## Notes to the Financial Statements

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

C. Summary of balances of related parties is as follows:	Holding companies As at		Subsidiaries companies As at		Fellow subsidiaries As at		Total As at	
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014

### Trade Receivables:

XSEL, UK	-	-	-	1,390	-	-	-	1,390
XSSPL, Singapore	-	-	-	3	-	-	-	3
XSUI, USA	-	-	1,387	1,195	-	-	1,387	1,195
XUKL, UK	-	-	-	-	-	151	-	151
XPSL, UK	-	-	-	-	28	-	28	-
XISAPL, Australia	-	-	-	-	-	26	-	26
XGISL, UK	-	-	-	-	577	570	577	570
XI, USA	-	-	-	-	-	4	-	4
XSSI, USA	-	-	-	-	-	10	-	10
XTSIPL, India	-	-	-	-	15	-	15	-
SBB, USA	-	-	-	-	11	7	11	7
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,387</b>	<b>2,588</b>	<b>631</b>	<b>768</b>	<b>2,018</b>	<b>3,356</b>

### Trade Payables:

XSEL, UK	-	-	45	296	-	-	45	296
XBPL, India	-	-	-	-	1	22	1	22
FSAL, UK	-	-	-	-	3	20	3	20
XSSPL, Singapore	-	-	4	22	-	-	4	22
NI IPL, India	-	-	85	85	-	-	85	85
XSUI, USA	-	-	40	76	-	-	40	76
XUKL, UK	-	-	-	-	16	159	16	159
XGISL, UK	-	-	-	-	163	41	163	41
XTSIPL, India	-	-	-	-	44	228	44	228
XAPSB, Malaysia	-	-	-	-	-	5	-	5
Xchanging plc, UK	9	9	-	-	-	-	9	9
<b>Total</b>	<b>9</b>	<b>9</b>	<b>174</b>	<b>479</b>	<b>227</b>	<b>475</b>	<b>410</b>	<b>963</b>

## Notes to the Financial Statements

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

C. Summary of balances of related parties is as follows:	Holding companies As at		Subsidiaries companies As at		Fellow subsidiaries As at		Total As at	
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014

### Expenses Recoverable:

XISVPL, Australia	-	-	-	-	-	19	-	19
XSEL, UK	-	-	-	69	-	-	-	69
XSSPL, Singapore	-	-	9	26	-	-	9	26
XSUI, USA	-	-	73	94	-	-	73	94
XGISL, UK	-	-	-	-	17	24	17	24
XI, USA	-	-	-	-	-	4	-	4
XUKL, UK	-	-	-	-	1	125	1	125
XSSI, USA	-	-	-	-	-	12	-	12
XTSIPL, India	-	-	-	-	39	122	39	122
XISAPL, Australia	-	-	-	-	-	8	-	8
XAPSB, Malaysia	-	-	-	-	-	24	-	24
ISL, UK	-	-	-	-	-	2	-	2
XDG, Germany	-	-	-	-	5	-	5	-
SBB, USA	-	-	-	-	-	5	-	5
<b>Total</b>	-	-	<b>82</b>	<b>189</b>	<b>62</b>	<b>345</b>	<b>144</b>	<b>534</b>

### Loans and Advances (including interest accrued):

XTSIPL, India	-	-	-	-	900	997	900	997
XSUI, USA	-	-	17,283	17,283	-	-	17,283	17,283
XBPL, India	-	-	-	-	1,279	1,213	1,279	1,213
XGISL, UK	-	-	-	-	-	67	-	67
XPSL, UK	-	-	-	-	-	4	-	4
SBB, USA	-	-	-	-	-	2	-	2
<b>Total</b>	-	-	<b>17,283</b>	<b>17,283</b>	<b>2,179</b>	<b>2,283</b>	<b>19,462</b>	<b>19,566</b>

### Security Deposit Given

XBPL, India	-	-	-	-	33	33	33	33
<b>Total</b>	-	-	-	-	<b>33</b>	<b>33</b>	<b>33</b>	<b>33</b>

### Provision for doubtful advances:

XSUI, USA	-	-	(17,283)	(17,283)	-	-	(17,283)	(17,283)
<b>Total</b>	-	-	<b>(17,283)</b>	<b>(17,283)</b>	-	-	<b>(17,283)</b>	<b>(17,283)</b>

## D. Remuneration paid to the key managerial personnel

Particulars	For the Year ended	
	Dec 31, 2015	Dec 31, 2014
Salaries, bonus, etc.	56	5
<b>Total</b>	<b>56</b>	<b>5</b>

**Note:** (i) As gratuity is computed for all the employees in aggregate, the amounts relating to key managerial personnel cannot be individually identified.

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

**40 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, 2015 amounts to Rs.419 (2014: Rs. 393).

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

Particulars	Dec 31, 2015	Dec 31, 2014
Not later than one year	347	240
Later than one year and not later than five years	818	624
Later than five years	378	541
<b>Total</b>	<b>1,543</b>	<b>1,405</b>

**41 PROVISIONS**

In accordance with AS 29 'Provisions, Contingent Liabilities and Contingent Assets', the particulars of provisions as at December 31 2015 are as follows:

Particulars	Jan 1, 2015	Created during the year	Utilised/ reversed during the year	Dec 31, 2015
Onerous lease contracts [Note (i)]	- (173)	- (-)	- (173)	- (-)
Litigation [Note (i)]	- (32)	- (-)	- (32)	- (-)

**Notes:** (i) Prior year numbers are disclosed within brackets.

**42 TRANSFER PRICING**

The Company has carried out international and domestic transactions with associated enterprises. The Company appoints independent consultants to conduct a Transfer Pricing Study to determine whether the transactions with associated enterprises undertaken during the period are on an "arms length basis". For the current year, the transfer pricing study shall be completed within the permissible time under the legislation and adjustments, if any, arising from the transfer pricing study shall be accounted for as and when the study is completed. However, the Management is confident that its international and domestic transactions with associated enterprises are at arm's length so that the aforesaid legislation/transactions will not have any material impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation for the current year.

**43 DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE****a. Derivatives outstanding as at the reporting date**

Particulars	Purpose	As at	
		Dec 31, 2015	Dec 31, 2014
Forward contracts to sell USD	Hedge of foreign exchange trade receivables	1,490	2,436
<b>Total</b>		<b>1,490</b>	<b>2,436</b>

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

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

Particulars	As at			
	Dec 31, 2015		Dec 31, 2014	
Trade Payable	GBP: 253,750*	249	AUD: 5,508*	3
	MYR: 2,198*	**	EUR: 5,588*	4
	SGD: 6,888*	3	GBP: 524,459*	518
	USD: 77,999*	52	MYR: 29,551*	5
			SGD: 45,066*	22
		USD: 149,156	95	
		<b>304</b>	<b>647</b>	
Trade Receivables	AUD: 1,660*	1	AUD: 496,047*	257
	EUR: 71840*	52	EUR: 72,960*	56
	GBP: 1,030,048*	1,011	GBP: 2,607,805*	2,576
	MYR: 44,186*	7	MYR: 28,921*	5
	USD: 3,243,986*	2,148	SGD: 6,395*	3
			USD: 969,276*	616
		<b>3,219</b>	<b>3,513</b>	

\* Amounts are in absolute figures

\*\* Amount is below the rounding off norm adopted by the Company

**c. Mark-to-Market (gains)/losses**

Particulars	As at	
	Dec 31, 2015	Dec 31, 2014
Mark-to-market losses recognised in income statement	1	-

**44 CORPORATE SOCIAL RESPONSIBILITY (CSR)**

As per Sec 135 of the Companies Act, 2013 applicable in the current year, the Company has spent Rs 16 on various CSR initiatives, during the year, which are mentioned below:

Sector in which the project is covered	Dec 31, 2015
Ananya Charitable Trust	6
Shadi Ganz Foundation Mammomobile Charitable Trust	5
Prime Minister's National Relief Fund	5
<b>Total</b>	<b>16</b>

**45 PREVIOUS YEAR FIGURES**

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

**For Price Waterhouse Chartered Accountants LLP**  
Firm Registration Number: 012754N/N500016

**Suchita Sharma**  
Partner  
Membership Number: 073897  
Place : Gurgaon  
Date : February 26, 2016

**For and on behalf of the Board of Directors**  
**Xchanging Solutions Limited**

<b>David Bauernfeind</b> Non Executive Director & Chairman Place : London Date : February 26, 2016	<b>Alok K Sinha</b> Executive Director & Chief Executive Officer Place : Gurgaon Date : February 26, 2016
<b>Vinod Goel</b> Chief Financial Officer Place : Gurgaon Date : February 26, 2016	<b>Mayank Jain</b> Company Secretary Place : Gurgaon Date : February 26, 2016

# INDEPENDENT AUDITORS' REPORT

## To the Members of Xchanging Solutions Limited

### Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Xchanging Solutions Limited ("hereinafter referred to as the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), (refer Note 2.1B to the attached consolidated financial statements), comprising of the consolidated Balance Sheet as at December 31, 2015, the consolidated Statement of Profit and Loss, the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information prepared based on the relevant records (hereinafter referred to as "the Consolidated Financial Statements").

### Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") 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 including the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of Consolidated Financial Statements. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safe guarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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, which has been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

### Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.
4. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements 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.
5. 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 auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Holding Company has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.
6. We believe that the audit evidence obtained by us, other than the unaudited financial information as certified

## Independent Auditors' Report

by the management and referred to in sub-paragraph 9 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated 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 of the consolidated state of affairs of the Group as at December 31, 2015, and their consolidated profit and their consolidated cash flows for the year ended on that date.

### Emphasis of Matter

8. We draw your attention to Note 30 to the financial statements, regarding redemption of certain debentures, aggregating to INR 62,500,000, by the Company in the year 2007; subsequent order of the Hon'ble 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 Adjudicator 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 information of two subsidiaries incorporated outside India and one subsidiary incorporated in India whose financial information reflect total assets of Rs 41,647,830 and net assets of Rs 34,107,200 as at December 31, 2015, total revenue of Rs. Nil, net loss of Rs 45,388,343 and net cash outflows amounting to Rs 18,745,576 for the year ended on that date, as considered in the consolidated financial statements. These financial information are unaudited and have been furnished to us by the Management, and our opinion on the consolidated financial statements insofar as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-sections (3) and (11) of Section 143 of the Act insofar as it relates to the aforesaid subsidiaries is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, these financial information are not material to the Group.

Our opinion on the consolidated financial statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the financial information certified by the Management.

### Report on Other Legal and Regulatory Requirements

10. As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, based on the comments in the auditors' reports of the Holding company and representation received from the management for subsidiary company incorporated in India (Refer paragraph 9 above and Note 2.1B to the consolidated financial statements), we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
11. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
  - (b) In our opinion, proper books of account as required by law maintained by the Holding Company and its subsidiary included in the Group incorporated in India including relevant records relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and records of the Holding Company and representation received from the management for entity un-audited (refer paragraph 9 above).
  - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account

## Independent Auditors' Report

maintained by the Holding Company and its subsidiary included in the Group incorporated in India including relevant records relating to the preparation of the consolidated financial statements (refer paragraph 9 above).

- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors of the Holding Company as on December 31, 2015 taken on record by the Board of Directors of the Holding Company and representation received from the management for entities un-audited, for all entities incorporated in India (refer paragraph 9 above), none of the directors of the Group companies incorporated in India are disqualified as on December 31, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The consolidated financial statements disclose the impact, if any, of pending litigations as at December 31, 2015 on the consolidated financial position of the Group - Refer Note 20 to the consolidated financial statements.
  - ii. The Group had long-term contracts including derivative contracts as at December 31, 2015 for which there were no material foreseeable losses.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary company incorporated in India during the year ended December 31, 2015, based on the records of the Holding Company and representation received from the management for entity un-audited (refer paragraphs 9 above).

**For Price Waterhouse Chartered Accountants LLP**  
Firm Registration Number: 012754N/N500016

**Suchita Sharma**  
Partner  
Membership Number: 073897

Place : Gurgaon  
Date : February 26, 2016

## ANNEXURE TO INDEPENDENT AUDITORS' REPORT

**Referred to in paragraph 10 of the Independent Auditors' Report of even date to the members of Xchanging Solutions Limited on the consolidated financial statements as of and for the year ended December 31, 2015**

- i. (a) The Holding Company and its subsidiary incorporated in India are maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets, based on the records of the Holding Company and representations received from the management in respect of the subsidiary incorporated in India (refer paragraphs 9 of the main report).
- (b) The fixed assets of the Holding Company are physically verified by the Management according to a phased programme designed to cover all the items over a period of 2 years which, in our opinion, is reasonable having regard to the size of the aforesaid 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.  

Fixed assets of subsidiary incorporated in India, have been physically verified by the management of the subsidiary during the year and no material discrepancies have been noticed on such verification as represented by the management of the subsidiary (refer paragraphs 9 of the main report). The frequency of such physical verification is reasonable based on the representation received from the management in respect of the subsidiary.
- ii. The Holding Company and its subsidiary incorporated in India are in the business of rendering services, and consequently, does not hold any inventory, based on the records of the Holding Company and representations received from the management in respect of the subsidiary (refer paragraphs 9 of the main report). Therefore, the provisions of Clause 3(ii) of the said Order are not applicable to such Holding Company and its subsidiary.
- iii. The Holding Company and its subsidiary incorporated in India have not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 189 of the Act, based on the records of the Holding Company and representations received from the management in respect of the subsidiary (refer paragraphs 9 of the main report). Therefore, the provisions of Clause 3(iii), (iii)(a) and (iii)(b) of the said Order are not applicable to the aforesaid Holding Company and its subsidiaries.
- iv. In our opinion, and according to the information and explanations given to us in respect of the Holding Company and based on the representation received from the management in respect of the subsidiary incorporated in India (refer paragraphs 9 of the main report), there is an adequate internal control system commensurate with the size of the aforesaid companies and the nature of their respective businesses for the purchase of fixed assets and for the sale of services. The aforesaid companies 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 aforesaid Holding Company and representations received from the management in respect of the subsidiary (refer paragraphs 9 of the main report), 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. The Holding Company and its subsidiary incorporated in India have not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under to the extent notified, based on the records of the Holding Company and representations received from the management in respect of the subsidiary (refer paragraphs 9 of the main report).
- vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Holding Company and its subsidiary incorporated in India, based on the records of the Holding Company and representations received from the management in respect of the subsidiary (refer paragraphs 9 of the main report).
- vii. (a) In our opinion, and according to the information and explanations given to us and the records of the Holding Company examined by us, the Company is generally regular in depositing undisputed statutory dues in respect of employees' state insurance, provident fund and professional tax, though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including income tax, service tax, labour welfare fund, duty of customs, cess and other material statutory dues, as applicable, with the appropriate authorities.

## Annexure to Independent Auditors' Report

Based on the representation received from management in respect of subsidiary incorporated in India, the aforesaid companies are regular in depositing the undisputed statutory dues, including provident fund, professional tax, employees' state insurance, income tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities (refer paragraphs 9 of the main report).

- (b) According to the information and explanations given to us and the records of the Holding Company incorporated in India examined by us, there are no dues of service-tax, duty of custom, or cess which have not been deposited on account of any dispute. The particulars of dues of income tax as at December 31, 2015 which have not been deposited on account of a dispute, are as follows:

Name of the Company	Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Xchanging Solutions Limited	Income Tax Act, 1961	Income tax	5,820,828 (*)	Assessment Year 2004-2005	The Commissioner of Income Tax (Appeals), Bangalore
			119,316,051 (**)	Assessment Year 2005-2006	The Commissioner of Income Tax (Appeals), Bangalore
			13,741,157 (***)	Assessment Year 2006-2007	Income Tax Appellate Tribunal
			32,928,105 (****)	Assessment Year 2009-2010	Income Tax Appellate Tribunal
			1,153,320	Assessment Year 2010-2011	Income Tax Appellate Tribunal

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

(\*\*) Rs. 97,519,289 has been deposited "under protest" by the Company

(\*\*\*) Rs. 11,319,884 has been deposited "under protest" by the Company

(\*\*\*\*) Rs. 17,000,000 has been deposited "under protest" by the Company

Based on the representation given by the management in respect of subsidiary incorporated in India, there are no dues of income-tax, sales-tax, wealth-tax, service-tax, duty of customs, duty of excise or value added tax or cess which have not been deposited on account of any dispute (refer paragraphs 9 of the main report).

- (c) There are no amounts required to be transferred by the Holding Company and its subsidiary incorporated in India to the Investor Education and Protection Fund in accordance with the provisions of the Companies Act, 1956 and the rules made thereunder, based on the records of the Holding Company and representations received from the management in respect of the subsidiary (refer paragraphs 9 of the main report).

- viii. The accumulated losses of the Holding Company did not exceed fifty percent of its net worth as at December 31, 2015 and it has not incurred cash losses in the financial year ended on that date and in the immediately preceding financial year.

Based on the representation received by the management in respect of subsidiary incorporated in India (refer paragraphs 9 of the main report), there were no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

- ix. According to the records of the Holding Company examined by us and the information and explanation given to us, and based on the representation received from the management in respect of subsidiary incorporated in India (refer paragraphs 9 of the main report), the companies incorporated in India have not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date. These Companies have not issued any debentures during the year.

## Annexure to Independent Auditors' Report

- x. In our opinion, and according to the information and explanations given to us for the Holding Company and based on the representation received by the management in respect of subsidiary incorporated in India (refer paragraphs 9 of the main report), the companies incorporated in India have not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of Clause 3(x) of the Order are not applicable to the aforesaid Holding Company and its subsidiary.
- xi. In our opinion, and according to the information and explanations given to us, the term loans obtained by the Holding Company have been applied for the purposes for which they were obtained.  
Based on the representation received by the management in respect of subsidiary incorporated in India (refer paragraphs 9 of the main report), the subsidiary have not raised any term loans. Accordingly, the provisions of Clause 3(xi) of the Order are not applicable to it.
- xii. During the course of our examination of the books and records of the Holding Company carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us and based on the representations received from the management in respect subsidiary incorporated in India (refer paragraphs 9 of the main report), we/management have neither come across any instance of material fraud on or the companies incorporated in India noticed or reported during the year, nor have we have been informed of any such case by the respective Managements.

**For Price Waterhouse Chartered Accountants LLP**  
Firm Registration Number: 012754N/N500016

**Suchita Sharma**  
Partner  
Membership Number: 073897

Place : Gurgaon  
Date : February 26, 2016

# CONSOLIDATED BALANCE SHEET

## XCHANGING SOLUTIONS LIMITED Consolidated Balance Sheet

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

	Note	As at	
		Dec 31, 2015	Dec 31, 2014
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	3	11,140	11,140
Reserves and surplus	4	22,157	19,286
		<u>33,297</u>	<u>30,426</u>
<b>Non-current liabilities</b>			
Long-term borrowings	5	91	158
Other long-term liabilities	6	35	32
Long-term provisions	7	617	567
		<u>743</u>	<u>757</u>
<b>Current liabilities</b>			
Trade Payables	8		
a) total outstanding dues of micro enterprises and small enterprises and		-	-
b) total outstanding dues of creditors other than micro enterprises and small enterprises		2,634	3,550
Other current liabilities	9	1,458	3,368
Short-term provisions	10	3,095	2,810
		<u>7,187</u>	<u>9,728</u>
<b>TOTAL</b>		<u><b>41,227</b></u>	<u><b>40,911</b></u>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed assets			
(i) Tangible assets	11	495	746
(ii) Intangible assets	12	15,863	15,863
Deferred tax assets (net)	13	703	997
Long-term loans and advances	14	4,331	4,116
Other non-current assets	15	110	134
		<u>21,502</u>	<u>21,856</u>
<b>Current Assets</b>			
Trade receivables	16	4,582	6,656
Cash and bank balances	17	10,814	7,541
Short-term loans and advances	18	557	862
Other current assets	19	3,772	3,996
		<u>19,725</u>	<u>19,055</u>
<b>TOTAL</b>		<u><b>41,227</b></u>	<u><b>40,911</b></u>
Significant accounting policies	2		

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 Chartered Accountants LLP**  
Firm Registration Number: 012754N/N500016

**Suchita Sharma**  
Partner  
Membership Number: 073897  
Place: Gurgaon  
Date : February 26, 2016

**For and on behalf of the Board of Directors**  
**Xchanging Solutions Limited**

<b>David Bauernfeind</b> Non Executive Director & Chairman Place : London Date : February 26, 2016	<b>Alok K Sinha</b> Executive Director & Chief Executive Officer Place : Gurgaon Date : February 26, 2016
<b>Vinod Goel</b> Chief Financial Officer Place : Gurgaon Date : February 26, 2016	<b>Mayank Jain</b> Company Secretary Place : Gurgaon Date : February 26, 2016

# 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, 2015	Dec 31, 2014
<b>Revenue</b>			
Revenue from operations	22	27,948	28,695
Other income	23	1,521	2,367
<b>Total Revenue</b>		<b>29,469</b>	<b>31,062</b>
<b>Expenses</b>			
Employee benefits expense	24	17,101	16,942
Other operating costs	25	8,066	11,718
Finance costs	26	19	20
Depreciation and amortisation	27	420	477
<b>Total Expenses</b>		<b>25,606</b>	<b>29,157</b>
Profit before exceptional items and tax		3,863	1,905
Exceptional items - Gain/ (loss)	29	-	1,268
Profit before tax		<b>3,863</b>	<b>3,173</b>
<b>Tax Expense</b>			
Current tax		649	1,038
Deferred tax charge/ (credit)	13	294	(376)
<b>Total Tax Expense</b>		<b>943</b>	<b>662</b>
<b>Profit for the year</b>		<b>2,920</b>	<b>2,511</b>
Earnings per Equity Share			
[Nominal value per share Rs.10 (2014: Rs. 10)]	32		
Basic		2.62	2.25
Diluted		2.62	2.25
Significant accounting policies	2		

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 Chartered Accountants LLP**  
Firm Registration Number: 012754N/N500016

**Suchita Sharma**  
Partner  
Membership Number: 073897  
Place : Gurgaon  
Date : February 26, 2016

**For and on behalf of the Board of Directors**  
**Xchanging Solutions Limited**

**David Bauernfeind**  
Non Executive Director &  
Chairman  
Place : London  
Date : February 26, 2016

**Alok K Sinha**  
Executive Director &  
Chief Executive Officer  
Place : Gurgaon  
Date : February 26, 2016

**Vinod Goel**  
Chief Financial Officer  
Place : Gurgaon  
Date : February 26, 2016

**Mayank Jain**  
Company Secretary  
Place : Gurgaon  
Date : February 26, 2016

# 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, 2015	Dec 31, 2014
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	3,863	3,173
<b>Adjustments for:</b>		
Depreciation and amortisation	420	477
(Profit) / Loss on sale of fixed assets	(8)	(12)
Foreign exchange (gain) / loss - unrealised	10	(506)
Interest income	(628)	(498)
Provision for mark to market losses on derivatives	1	-
Provision for doubtful advances	147	580
Provisions for doubtful debts no longer required written back	-	(1,111)
Liabilities no longer required written back	(608)	(605)
Bad debts written off	354	1,318
Provision for doubtful debts (net)	133	-
Advances written off	21	-
Interest expense	19	20
Operating profit before working capital changes	3,724	2,836
<b>Changes in working capital:</b>		
(Increase) / Decrease in trade receivables	1,579	(1,559)
(Increase) / Decrease in other current assets	(1,226)	(15)
(Increase) / Decrease in current loans and advances	288	1,077
(Increase) / Decrease in non current loans and advances	(381)	(1,424)
Increase / (Decrease) in trade payables	(897)	(793)
Increase / (Decrease) in other current liabilities	8	415
Increase / (Decrease) in other long-term liabilities	3	15
Increase / (Decrease) in provisions	47	(208)
Cash generated from operations	3,145	344
Taxes paid (net of refunds)	(368)	(285)
<b>Net cash generated from operating activities (A)</b>	<b>2,777</b>	<b>59</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of tangible / intangible assets	(216)	(521)
Proceeds from sale of tangible assets	50	36
Loans and advances to fellow subsidiaries	-	82
Long term deposits with banks with maturity period more than 3 months but less than 12 months	7	431
Long term deposits with banks with maturity period more than 12 months	95	(29)
Interest received	602	351
<b>Net cash generated from investing activities (B)</b>	<b>538</b>	<b>350</b>

Contd....

## Consolidated Cash Flow Statement

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

	For the year ended	
	Dec 31, 2015	Dec 31, 2014
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings	34	118
Repayment from long-term borrowings	(102)	(86)
Interest paid	(19)	(20)
<b>Net cash (used in)/ generated from financing activities (C)</b>	<b>(87)</b>	<b>12</b>
<b>Net increase in cash and cash equivalents (A + B + C)</b>	<b>3,228</b>	<b>421</b>
Cash and cash equivalents at the beginning of the year	7,534	7,076
Effect of exchange differences on balances with banks in foreign currency	52	37
<b>Cash and cash equivalents at the end of the year</b>	<b>10,814</b>	<b>7,534</b>
<b>Components of cash and cash equivalents:</b>		
Cash on hand	-	1
Balances with banks:		
In current accounts	3,751	2,691
Demand deposits (less than 3 months maturity)	7,055	4,850
Effect of exchange differences on balances with banks in foreign currency	8	(8)
	<b>10,814</b>	<b>7,534</b>

### Notes:

- (1) The above Cash Flow Statement has been prepared under the indirect method as set out in the applicable Accounting Standard [Accounting Standard - 3 on "Cash Flow Statement" specified under section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies Amendment Rules, 2014.]
- (2) Figures in brackets indicate cash outflow.
- (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 Chartered Accountants LLP

Firm Registration Number: 012754N/N500016

#### Suchita Sharma

Partner

Membership Number: 073897

Place : Gurgaon

Date : February 26, 2016

### For and on behalf of the Board of Directors

Xchanging Solutions Limited

#### David Bauernfeind

Non Executive Director & Chairman

Place : London

Date : February 26, 2016

#### Alok K Sinha

Executive Director & Chief Executive Officer

Place : Gurgaon

Date : February 26, 2016

#### Vinod Goel

Chief Financial Officer

Place : Gurgaon

Date : February 26, 2016

#### Mayank Jain

Company Secretary

Place : Gurgaon

Date : February 26, 2016

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## XCHANGING SOLUTIONS LIMITED 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 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 acquired 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. On June 18, 2015, XML has sold 22.93% of its holding in the Company to its fellow subsidiary Xchanging Technology Services India Private Limited, India ('XTSIPL') and as a result XML holding in the Company has reduced to 52.07%.

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 was changed to Xchanging Solutions Limited (formerly, Cambridge Solutions Limited).

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

Name of the shareholder	2015	2014
Xchanging Technology Services India Private Limited, India	22.93%	-
Xchanging (Mauritius) Limited	52.07%	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%
	<b>100.00%</b>	<b>100.00%</b>

### 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. Pursuant to section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, till the Standards of Accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act, 1956 shall continue to apply. Consequently 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, 2013.

## Notes to the Consolidated Financial Statements

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, 2015. 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 Schedule III to the Companies Act, 2013. 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:**

<b>Name of the subsidiary</b>	<b>Country of incorporation</b>	<b>Ownership interest</b>	
<b>Direct subsidiaries:</b>		<b>2015</b>	<b>2014</b>
Xchanging Solutions (Singapore) Pte Limited	Singapore	100%	100%
Xchanging Solutions (Europe) Limited	United Kingdom	100%	100%
Xchanging Solutions (USA) Inc	USA	100%	100%
<b>Step-down subsidiaries:</b>			
Nexplicit Infotech India Private Limited	India	100%	100%
Xchanging Solutions (Malaysia) Sdn Bhd	Malaysia	100%	100%

### **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 pro-rata basis on the straight-line method (SLM) based on estimated useful life of fixed assets determined by management (which are different from the rates prescribed under Schedule II to the Companies Act, 2013) as follows:

	<b>Years</b>
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.
- (vi) Pursuant to the notification of Schedule II of the Companies Act 2013, by the Ministry of Corporate Affairs effective 01 April 2014, the management has internally reassessed the useful lives to compute depreciation, to conform to the requirements of the Companies Act, 2013. In case of furniture and fixtures, servers and vehicles, on the basis of technical evaluation, management believes that 5 to 10 years, 2 to 4 years and 2 to 5 years respectively is best estimate of its useful life as the Company expects to use these assets over this period. Hence, the useful life in respect of furniture and fixtures, servers and vehicles is different from the useful life prescribed under Part C of Schedule II of the Companies Act, 2013.

### **2.4 Intangible Assets and Amortisation**

Intangible assets are stated at cost of acquisition less accumulated depreciation and impairment losses.

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. Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss.

- (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 one 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 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 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.

### **2.8 Revenue recognition**

Revenue is recognised net of service tax 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) 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.
- (vii) 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.
- (viii) Unbilled revenue represents costs and earnings in excess of billings as at the balance sheet date.

### **2.9 Other Income**

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

### **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) Translation of foreign operations:  
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.
- (v) Forward exchange contracts outstanding as at the year end on account of firm commitment / highly probable forecast transactions are marked to market and the losses, if any, are recognised in the Statement of Profit and Loss and gains are ignored in accordance with the Announcement of Institute of Chartered Accountants of India on 'Accounting for Derivatives' issued in March 2008.

### 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 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 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: Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year 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, 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 on the 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.
- (e) Other Long Term Employee Benefits – Long Service Award/Long Term Incentive Plan/Long Term Retention Bonus: The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognized in the Statement of Profit and Loss in the year in which they arise.

### 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. 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, 2015	Dec 31, 2014		
<b>3. Share Capital</b>				
<b>Authorised capital:</b>				
125,000,000 (2014: 125,000,000) Equity shares of Rs.10 each	12,500	12,500		
<b>Issued, subscribed and paid up capital:</b>				
111,403,716 (2014: 111,403,716) Equity shares of Rs.10 each fully paid up	11,140	11,140		
	<b>11,140</b>	<b>11,140</b>		
<b>a) Reconciliation of number of shares</b>				
Equity Shares	As at Dec 31, 2015		As at Dec 31, 2014	
	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
<b>Add / (Less):</b> Movement during the year	-	-	-	-
<b>Shares outstanding at the end of the year</b>	<b>111,403,716</b>	<b>11,140</b>	<b>111,403,716</b>	<b>11,140</b>

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

**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, 2015		As at Dec 31, 2014	
	Number of Shares	Amount	Number of Shares	Amount
Xchanging (Mauritius) Limited, the holding company	58,002,787	5,800	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 Shareholders	As at Dec 31, 2015		As at Dec 31, 2014	
	Number of Shares held	Percentage	Number of Shares	Percentage
Xchanging (Mauritius) Limited	58,002,787	52.07	83,552,787	75.00
Scandent Holding Mauritius Limited	13,167,551	11.82	13,167,551	11.82
Xchanging Technology Services India Private Limited	25,550,000	22.93	-	-

**e) Shares reserved for issue under options:**

Particulars of Employee 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
2010	21,667
<b>Total</b>	<b>21,667</b>

**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 (2014: Rs. 3,284) to Rs. 1,316 (2014: Rs. 1,316) and the capital reduction of Rs.1,968 (2014: Rs. 1,968) 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.

**g) Proposed Reduction of Share Capital**

The Board of Directors of Xchanging Solutions Limited ("XSL" or "the Company") in its meeting held on 27th February 2015 proposed to reduce its paid-up share capital from Rs. 11,140 comprising of 11,14,03,716 equity shares of Rs. 10/- each to Rs. 5,570 comprising of 11,14,03,716 equity shares of Rs. 5/- each, by returning a sum of Rs.5/- per equity share amounting to Rs. 5,570 to the shareholders, proportionate to their shareholding in the Company, subject to approval of the shareholders and the Securities and Exchange Board of India and the confirmation of the Hon'ble High Court of Karnataka at Bangalore. Consequent to the reduction, the face value of an equity share of the Company would be reduced from Rs. 10/- to Rs. 5/- and no cancellation of equity shares was proposed.

Based upon aforesaid approval of the Board of Directors of the Company, the corresponding application for the same was filed with the Stock Exchanges (BSE & NSE) on 27th March 2015. The Company obtained No Objection / Observation Letter for Reduction of Capital from the BSE and NSE vide their letters dated 24th June, 2015 and 2nd July, 2015 respectively. However, due to expiry of validity period of aforesaid approvals, it is therefore, now proposed not to proceed with the capital reduction process.

## Notes to the Consolidated Financial Statements

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

	As at	
	Dec 31, 2015	Dec 31, 2014
<b>4. RESERVES AND SURPLUS</b>		
Capital reserve [Refer note below]		
Balance as at the beginning of the year	361	361
Balance as at the end of the year	<u>361</u>	<u>361</u>
Securities premium:		
Balance as at the beginning of the year	8,417	8,417
Balance as at the end of the year	<u>8,417</u>	<u>8,417</u>
Stock compensation adjustment:		
Balance as at the beginning of the year	7	7
Less: Transfer to securities premium on exercise of stock options during the year	-	-
Balance as at the end of the year	<u>7</u>	<u>7</u>
Foreign currency translation reserve		
Balance as at the beginning of the year	(699)	(739)
Add / (Less): Movement during the year	(49)	40
Balance as at the end of the year	<u>(748)</u>	<u>(699)</u>
Surplus in Statement of Profit and Loss		
Balance as at the beginning of the year	11,200	8,689
Profit for the year	2,920	2,511
Balance as at end of the year	<u>14,120</u>	<u>11,200</u>
	<u><b>22,157</b></u>	<u><b>19,286</b></u>

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

## 5 LONG TERM BORROWINGS

(Refer note 9)

Secured

From Banks:

Loan for purchase of Tangible assets	91	158
	<u><b>91</b></u>	<u><b>158</b></u>

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 2-6 years (2014: 2-5 years)
- c) **Interest rate:** 9.5% to 13.5% per annum (2014: 9.5% to 13.5% per annum)

## Notes to the Consolidated Financial Statements

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

	As at	
	Dec 31, 2015	Dec 31, 2014
<b>6 OTHER LONG TERM LIABILITIES</b>		
Due to:		
Micro small and medium enterprises [Refer note 8(i)]	-	-
Trade Payables	35	15
Payable to landlord	-	17
	<u>35</u>	<u>32</u>
<b>7 LONG TERM PROVISIONS</b>		
(Refer note 2.11 and 24)		
Provision for employee benefits :		
Provision for compensated absences	275	265
Provision for gratuity	308	269
Provision for long service award	34	33
	<u>617</u>	<u>567</u>
<b>8 TRADE PAYABLE</b>		
Due to:		
Micro small and medium enterprises [Refer note(i)]	-	-
Related parties	678	1,421
Others	1,956	2,129
	<u>2,634</u>	<u>3,550</u>
<b>Notes:</b>		
(i) Based on the information available to date, the Company and its subsidiary incorporated in India have identified no vendors that qualify under the requirements of the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED').		
<b>9 OTHER CURRENT LIABILITIES</b>		
(Refer note 2.8 and 2.10)		
Current maturities of long-term borrowings	53	54
Unamortised premium on forward contracts	-	35
Deferred Revenue	397	258
Advances from customers	14	140
Employee benefits payable	646	1,136
Creditors for capital goods	3	7
Statutory dues	345	339
Foreign currency payable under forward contracts	-	1,399
	<u>1,458</u>	<u>3,368</u>

## Notes to the Consolidated Financial Statements

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

	As at	
	Dec 31, 2015	Dec 31, 2014
<b>10 SHORT TERM PROVISIONS</b>		
(Refer note 2.10, 2.11, 2.12 and 24)		
Provision for employee benefits:		
Provision for compensated absences	135	133
Provision for gratuity	91	83
Provision for long service award	8	16
Other Provisions:		
Provision for mark to market losses on derivatives	1	-
Provision for taxation [Net of advance tax Rs. 2,895 (2014: Rs. 2,481)]	2,860	2,578
	<b>3,095</b>	<b>2,810</b>

**11 TANGIBLE ASSETS**

(Refer note 2.2, 2.3 and 2.7)

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

Particulars	Gross Block				Depreciation				Net Block As at Dec 31, 2015	
	As at Jan 1, 2015	Additions	Deletions/ Adjustments	Translation	As at Dec 31, 2015	For the year	Deletions/ Adjustments	Translation		As at Dec 31, 2015
Leasehold Improvements	1,088	3	3	(14)	1,074	45	3	(14)	1,068	6
Computers	2,898	97	1,013	17	1,999	199	1,012	15	1,772	227
Vehicles	401	40	160	-	281	88	118	-	135	146
Office Equipment	438	18	112	-	344	25	112	-	254	90
Furniture and Fittings	409	-	128	4	285	11	128	4	259	26
Total	5,234	158	1,416	7	3,983	368	1,373	5	3,488	495

**As at Dec 31, 2014**

Particulars	Gross Block				Depreciation				Net Block As at Dec 31, 2014	
	As at Jan 1, 2014	Additions	Deletions/ Adjustments	Translation	As at Dec 31, 2014	For the year	Deletions/ Adjustments	Translation		As at Dec 31, 2014
Leasehold Improvements	1,088	7	-	(7)	1,088	112	-	(7)	1,040	48
Computers	2,800	278	192	12	2,898	183	192	12	2,570	328
Vehicles	366	140	105	-	401	88	81	-	165	236
Office Equipment	393	46	-	(1)	438	21	-	(1)	341	97
Furniture and Fittings	382	24	-	3	409	7	-	3	372	37
Total	5,029	495	297	7	5,234	411	273	7	4,488	746

Note: Adjustments include items no longer used by the Group.

12 INTANGIBLE ASSETS

(Refer note 2.2, 2.4, 2.5 and 2.7)

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

Particulars	Gross Block				Amortisation				Net Block
	As at Jan 1, 2015	Additions	Deletions/ Adjustments	Translation	As at Dec 31, 2015	For the year	Deletions/ Adjustments	Translation	As at Dec 31, 2015
Goodwill arising on consolidation	16,123	-	-	-	16,123	-	-	-	15,841
Goodwill acquired	777	-	-	53	830	-	-	53	830
Computer software	5,440	52	5,677	222	37	52	5,677	222	15
Total	22,340	52	5,677	275	16,990	52	5,677	275	1,127

As at Dec 31, 2014

Particulars	Gross Block				Amortisation				Net Block
	As at Jan 1, 2014	Additions	Deletions/ Adjustments	Translation	As at Dec 31, 2014	For the year	Deletions/ Adjustments	Translation	As at Dec 31, 2014
Goodwill arising on consolidation	16,123	-	-	-	16,123	-	-	-	15,841
Goodwill acquired	777	-	-	-	777	-	-	-	777
Computer software	5,242	43	-	155	5,440	66	-	155	5,418
Total	22,142	43	-	155	22,340	66	-	155	6,477

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

**13 DEFERRED TAX ASSETS**

(Refer note 2.12)

Company 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 and liabilities as at December 31, 2015 comprise of the following:

Particulars	As at Dec 31, 2014	(Credit)/ Charged to Statement of Profit and Loss	As at Dec 31, 2015
<b>Deferred Tax Assets</b>			
Depreciation	291	(4)	295
Provision for gratuity	120	(18)	138
Provision for compensated absences	16	(2)	18
Provision for other employee benefits	152	94	58
Others	418	224	194
<b>Total (A)</b>	<b>997</b>	<b>294</b>	<b>703</b>
<b>Deferred Tax Liabilities (B)</b>	-	-	-
<b>Deferred Tax Assets (Net) (A)-(B)</b>	<b>997</b>	<b>294</b>	<b>703</b>

**As at Dec 31, 2014**

Particulars	As at Dec 31, 2013	(Credit)/ Charged to Statement of Profit and Loss	As at Dec 31, 2014
<b>Deferred Tax Assets</b>			
Depreciation	285	(6)	291
Provision for gratuity	120	-	120
Provision for compensated absences	7	(9)	17
Provision for other employee benefits	77	(75)	152
Others	132	(286)	418
<b>Total (A)</b>	<b>621</b>	<b>(376)</b>	<b>997</b>
<b>Deferred Tax Liabilities (B)</b>	-	-	-
<b>Deferred Tax Assets (Net) (A)-(B)</b>	<b>621</b>	<b>(376)</b>	<b>997</b>

## Notes to the Consolidated Financial Statements

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

	As at	
	Dec 31, 2015	Dec 31, 2014
<b>14 LONG TERM LOANS AND ADVANCES</b>		
(Refer note 2.2)		
Unsecured, considered good (unless otherwise stated)		
Loans and advances to fellow subsidiaries	1,868	1,868
Capital advances	2	-
Security deposits		
- Considered good	478	468
- Considered doubtful	8	146
(Less): Provision for doubtful security deposits	(8)	(146)
Advances recoverable in cash or kind		
- Considered good	1,300	1,230
- Considered doubtful	12	38
(Less): Provision for doubtful advances	(12)	(38)
Balances with Government Authorities		
- Considered good	682	549
- Considered doubtful	377	1,002
(Less): Allowance for doubtful advances	(377)	(1,002)
Other Loans and Advances		
- Prepaid Expenses	1	1
	<b>4,331</b>	<b>4,116</b>
<b>15 OTHER NON-CURRENT ASSETS</b>		
Long term deposits with banks with maturity period more than 12 months [Held as lien by bank Rs 30 (2014: Rs 126)]	39	134
Interest accrued on loans to fellow subsidiaries	71	-
	<b>110</b>	<b>134</b>
<b>16 TRADE RECEIVABLE</b>		
Unsecured, considered good:		
Outstanding for a period exceeding 6 months from the date they are due for payment	161	539
Others	4,421	6,117
Unsecured, considered doubtful:		
Outstanding for a period exceeding 6 months from the date they are due for payment	165	354
Less: Provision for doubtful debts	(165)	(354)
	<b>4,582</b>	<b>6,656</b>

## Notes to the Consolidated Financial Statements

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

	As at	
	Dec 31, 2015	Dec 31, 2014
<b>17 CASH AND BANK BALANCES</b>		
(Refer note 2.17)		
Cash and Cash equivalents		
Cash on hand	-	1
Balances with banks		
In current accounts	3,759	2,683
Demand Deposit (less than 3 months maturity)	7,055	4,850
	<u>10,814</u>	<u>7,534</u>
Other bank balances		
Long Term Deposit with maturity more than 3 months but less than 12 months	-	7
	<u>10,814</u>	<u>7,541</u>
	<u><u>10,814</u></u>	<u><u>7,541</u></u>
Fixed Deposits with Banks include:		
Rs. 105 (2014: Rs. 7) which are under lien for issue of bank guarantees		
<b>18 SHORT TERM LOANS AND ADVANCES</b>		
(Refer note 2.2)		
Unsecured considered good unless otherwise stated		
Loans and advances to fellow subsidiaries	244	345
Security deposits	123	70
Balances with Government Authorities		
- Considered good	17	17
- Considered doubtful	10	10
Less: Allowance for doubtful advances	(10)	(10)
Other Loans and Advances		
- Prepaid Expenses	78	146
Others:		
- Considered good	95	284
	<u>557</u>	<u>862</u>
	<u><u>557</u></u>	<u><u>862</u></u>
<b>19 OTHER CURRENT ASSETS</b>		
(Refer note 2.8 and 2.10)		
Unsecured considered good unless otherwise stated		
Foreign currency receivable under forward contracts	-	1,439
Unbilled revenue	3,444	2,184
Interest accrued on loans to fellow subsidiaries	240	342
Interest accrued on bank deposits	88	31
	<u>3,772</u>	<u>3,996</u>
	<u><u>3,772</u></u>	<u><u>3,996</u></u>

## Notes to the Consolidated Financial Statements

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

	As at	
	Dec 31, 2015	Dec 31, 2014
<b>20 CONTINGENT LIABILITIES</b>		
(Refer note 2.14)		
(i) Bank guarantees	364	254
(ii) Claims against the Company not acknowledged as debts:		
Income tax matters [Note (b)]	2,210	2,128
Service tax matters [Note (c)]	2,359	2,359
	<u>4,933</u>	<u>4,741</u>

(iii) In the ordinary course of business, the Company is subject to legal proceedings, claims and litigation. Xchanging Solutions Limited and its USA subsidiary, Xchanging Solution USA Inc., ("XSUI") is currently a defendant in a claim for an unspecified amount alleging a breach of warranties in the USA. The claim in question relates to a contract that was awarded to XSUI in 2006 and was subsequently sold by XSUI in 2007 to the claimant. The litigation is a fact intensive case for which the fact discovery and proceedings are ongoing in USA. Based on the facts produced and reviewed to date and legal advice thereon, the Company believes it is not probable that the claim will be successful. Therefore, no provision is required to be made at this stage.

### Notes:

- The above contingent liabilities are possible obligation or present obligation that may (but probably will not) require an outflow of resources.
- Represents various income tax demands under appeal.
- 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 responded by the Company. Based on consultation with legal counsel, the Company has filed a formal reply to the show cause notice.
- 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.
- The Group does not expect any reimbursements in respect of the above contingent liabilities.



## Notes to the Consolidated Financial Statements

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

	For the year ended	
	Dec 31, 2015	Dec 31, 2014
<b>24 EMPLOYEE BENEFIT EXPENSE</b>		
(Refer note 2.11)		
Salaries, allowances and bonus	14,949	15,068
Contribution to provident and other funds	682	749
Gratuity	125	70
Staff welfare	1,345	1,055
	<b>17,101</b>	<b>16,942</b>

### (a) Defined Contribution Plan

**Provident Fund and Other Funds:** During the year, the Group has recognised Rs. 682 (2014: Rs. 749) 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:

	As at	
	Dec 31, 2015	Dec 31, 2014
<b>(i) Present Value of Defined Benefit Obligation</b>		
Balance at the beginning of the year	352	353
Current Service Cost	68	62
Interest Cost	29	31
Actuarial (Gains) / Losses	28	(23)
Benefits paid	(78)	(71)
<b>Balance at the end of the year</b>	<b>399</b>	<b>352</b>
<b>(ii) Assets and Liabilities recognised in the Balance Sheet</b>		
Present Value of Defined Benefit Obligation	399	352
(Less): Fair Value of Plan Assets	-	-
<b>Amounts recognised as liability</b>	<b>399</b>	<b>352</b>
Recognised under:		
Long-term provisions (Refer Note 7)	308	269
Short-term provisions (Refer Note 10)	91	83
	<b>399</b>	<b>352</b>

## Notes to the Consolidated Financial Statements

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

	For the year ended	
	Dec 31, 2015	Dec 31, 2014
<b>(iii) Expense recognised in the Statement of Profit and Loss</b>		
Current Service Cost	68	62
Interest Cost	29	31
Actuarial (Gains) / Losses	28	(23)
<b>Total Expense</b>	<b>125</b>	<b>70</b>

	As at	
	Dec 31, 2015	Dec 31, 2014
<b>(iv) Actuarial Assumptions</b>		
Discount Rate	8.08%	8.09%
Expected Return on Plan Assets	N/A	N/A
Attrition Rate	25%	25%
Increase in Compensation Cost	9.25%	8.75%
Retirement Age	65	65

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

	As on Dec 31, 2015	As on Dec 31, 2014	As on Dec 31, 2013	As on Dec 31, 2012	As on Dec 31, 2011
Defined Benefit Obligation	399	352	353	342	326
Fair Value of Plan Assets at the end of the year	-	-	-	-	-
Amount recognised in Balance Sheet (Liability)	(399)	(352)	(353)	(342)	(326)
Experience adjustments in Plan Assets gains/(losses)	-	-	-	-	-
Experience adjustments in Plan Liabilities gains / (losses)	(28)	23	19	13	12
(Gains) / losses due to change in assumptions	-	-	-	4	1

#### 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.

## Notes to the Consolidated Financial Statements

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

	For the year ended	
	Dec 31, 2015	Dec 31, 2014
<b>25 OTHER OPERATING COSTS</b>		
(Refer note 2.2, 2.6, 2.10, 2.16 and 38)		
Project work expenses	2,678	4,461
Travelling and conveyance	874	949
Rent	803	802
Recruitment and relocation	59	94
Communication	290	396
Power and fuel	202	221
Insurance	142	126
Rates and taxes	16	7
Repairs and maintenance:		
Computer equipments	256	203
Leasehold improvements	20	24
Others	207	207
Expenditure towards Corporate Social Responsibility (CSR) activities	16	-
Legal and professional	1,318	964
Training and development	127	171
Printing and Stationery	57	55
Business promotion	196	805
Bank charges	53	36
Customer claims/ warranties	-	67
Directors' sitting fees	19	15
Foreign exchange loss (net)	-	50
Bad debts written off	354	1,318
Provision for doubtful debts (net)	133	-
Advances written off	21	-
Provision for doubtful advances	147	580
Provision for mark to market losses on derivatives	1	-
Miscellaneous	77	167
	<b>8,066</b>	<b>11,718</b>
<b>26 FINANCE COST</b>		
Interest on borrowings	19	20
	<b>19</b>	<b>20</b>
<b>27 DEPRECIATION AND AMORTISATION</b>		
(Refer note 2.2, 2.3 and 2.4)		
Depreciation on tangible assets	368	411
Amortisation on intangible assets	52	66
	<b>420</b>	<b>477</b>

## Notes to the Consolidated Financial Statements

### 28 a) Employee Stock Options Plan (Refer note 2.11 and 32)

Particulars	ESOP II Plan 2006	
	No. of shares	Weighted average exercise price (Rs.)
Vesting	- 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	
Method of settlement	Equity	
Exercise price	56.90 (2014: 56.90 - 140.35)	
General description of plans	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.	
<b>Dec 31, 2015</b>		
Options outstanding at the beginning of the year	100,000	56.90
Options granted during the year	-	-
Options forfeited during the year	-	-
Options exercised during the year	-	-
Options expired during the year	100,000	56.90
Options outstanding at the end of the year	-	-
Options exercisable at the end of the year	-	-
Weighted average remaining contractual life (in years)	-	-
<b>Dec 31, 2014</b>		
Options outstanding at the beginning of the year	410,000	86.33
Options granted during the year	-	-
Options forfeited during the year	-	-
Options exercised during the year	-	-
Options expired during the year	310,000	95.82
Options outstanding at the end of the year	100,000	56.90
Options exercisable at the end of the year	100,000	56.90
Weighted average remaining contractual life (in years)	0.08	-
	<b>Dec 31, 2015</b>	<b>Dec 31, 2014</b>
Net profit as reported	2,920	2,511
Net profit available for equity shareholders	2,920	2,511
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	2,920	2,511
<b>Earnings per share</b>		
Basic	2.62	2.25
Diluted	2.62	2.25

- b) During the year, the Group has recognised employee benefits expense amounting to Rs. Nil (2014: Rs. 54) 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)

	For the year ended	
	Dec 31, 2015	Dec 31, 2014
<b>29 EXCEPTIONAL ITEMS - GAIN/ (LOSS)</b>		
(Refer note 2.15 and 36)		
The Group has recorded exceptional items aggregating to income of Rs. NIL (2014: income of Rs. 1268) as detailed below:		
(i) Provision for onerous lease		
In prior years, the Company held a lease which became onerous and accordingly a provision was made under the exceptional items. The Company reassessed this provision and decided that this provision was no longer required and the same was reversed under the exceptional items.	-	173
(ii) Writeback of payables		
During the previous year, the Group received a confirmation from the liquidator of Cambridge Integrated Services Group Inc (CISGI) that USD 21 (INR 1,293) payable by XSUI to ProcessMind holdings Mauritius Ltd.(PHML), wholly owned subsidiary of CISGI can be offset against the receivable from CISGI by XSUI. In the prior years, the Group had already written off its receivable from CISGI. Hence there was no receivables in the books which could be offset and accordingly this liability was written back and had been recognized as an exceptional income. Further the liquidator of CISGI claimed the over payment of USD 3 (INR 198) made to XSUI as liquidation proceeds in prior years. As this receipt was treated as an exceptional income in the prior years, the same was recognised as exceptional cost in the previous year. XUK a fellow subsidiary had paid this amount on behalf of XSUI and claimed this from XSUI.	-	1,095
	<b>-</b>	<b>1,268</b>

**30** 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 on July 26, 2011 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 financial statements 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 financial statements.

## Notes to the Consolidated Financial Statements

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

- 31** 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 adjusted 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 13% p.a. (2014: 13.00% p.a.) 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.

	For the year ended	
	Dec 31, 2015	Dec 31, 2014
<b>32 BASIC AND DILUTED EARNINGS PER SHARE</b> (Refer note 2.13)		
Net profit/ (loss) for the year after tax	2,920	2,511
Nominal value per share (Rs.)	10	10
Weighted average number of equity shares considered for calculating basic earnings/ (loss) per share – (A)	111,403,716	111,403,716
<b>Earnings/ (loss) per share – Basic (Rs.)</b>	<b>2.62</b>	<b>2.25</b>
Add: Weighted average number of potential equity shares under employee stock options during the year – (B) (Refer note below)	-	-
Weighted average number of equity shares considered for calculating diluted earnings/ (loss) per share – (A + B)	111,403,716	111,403,716
<b>Earnings/ (loss) per share – Diluted (Rs.)</b>	<b>2.62</b>	<b>2.25</b>

**Note:** Exercise price Rs. 56.90 per share (2014: Rs. 56.90 per share) under the Employee Stock Options Plan is higher than Fair Value Rs. 33.71 per share (2014: Rs. 33.64 per share), hence it is antidilutive and not considered for the above.

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

### 33 SEGMENT REPORTING

The accounting policies adopted for segment reporting are in conformity with the accounting policies adopted for the Company. Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the Company as a whole and are not allocable to segments on a reasonable basis, is included as "Unallocated". Segment assets includes all the assets except for deferred tax assets which are treated as unallocable.

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, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
Europe	6,233	9,408	2,148	2,922	-	-
USA	13,678	11,188	5,025	3,972	-	2
India	1,003	1,466	13,914	13,390	186	519
Rest of the World	7,034	6,633	19,437	19,630	24	16
	<b>27,948</b>	<b>28,695</b>	<b>40,524</b>	<b>39,914</b>	<b>210</b>	<b>537</b>

34 RELATED PARTY DISCLOSURES

A. Names of related parties and nature of relationship:

1) Parties where control exists:

Nature of relationship	Names of related parties
<b>(i) Holding companies:</b>	
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, Mauritius’)
<b>(ii) Key Managerial Personnel (KMP)</b>	
Executive Chairman and Chief Executive Officer	Kenneth Lever (upto November 7, 2014)
Non Executive Director & Chairman	David Bauernfeind (Executive Director upto November 7, 2014 and Non Executive Director & Chairman from November 8, 2014)
Executive Director & Chief Executive Officer	Alok K Sinha (from November 7, 2014)
Chief Financial Officer	Vinod Goel

2) Other Related Parties with whom transactions have taken place during the year:

<b>Fellow subsidiaries</b>	Xchanging Integrated Services Victoria Pty Limited, Australia (‘XISVPL, Australia’) Xchanging Integrated Services Australia Pty Limited, Australia (‘XISAPL, Australia’) Xchanging Systems and Service Inc., USA (‘XSSI, USA’) Xchanging Global Insurance Solutions Ltd., UK (‘XGISL, UK’) Xchanging Technology Services India Private Limited, India (‘XTSIPL, India’) Xchanging UK Limited, UK (‘XUKL, UK’) Xchanging GmbH, Germany (‘XG, Germany’) Xchanging Asia Pacific Sdn Bhd, Malaysia (‘XAPSB, Malaysia’) Xchanging HR Services Ltd, UK (‘XHRSL, UK’) Xchanging Procurement Services Limited, UK (‘XPSSL, UK’) Ferguson Snell & Associates Ltd, UK (‘FSAL, UK’) Xchanging Inc. USA (‘XI, USA’) Xchanging Builders (India) Private Limited, India (‘XBPL, India’) Ins-sure Services Ltd, UK (‘ISL, UK’) SBB Services Inc, USA (‘SBB, USA’) Xchanging Procurement Services Europe SAS, France (‘XPSLF, France’) Xchanging International Ltd, UK (‘XIL, UK’) Xchanging Deutschland GmbH & Co. KG, Germany (‘XDG, Germany’) Xchanging Broking Services Ltd, UK (‘XBSL, UK’) Xchanging (SEA) Pte. Limited, Singapore (‘XSPL, Singapore’) LPSO Ltd, UK (‘LSPO, UK’)
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## Notes to the Consolidated Financial Statements

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

B.	Summary of transactions with related parties is as follows:	Holding companies		Fellow subsidiaries		Total	
		For the year ended		For the year ended		For the year ended	
		Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014

### Expenses paid on behalf of the Group:

XAPSB, Malaysia	-	-	24	48	24	48
XGISL, UK	-	-	178	-	178	-
XG, Germany	-	-	44	96	44	96
XUKL, UK	-	-	167	286	167	286
FSAL, UK	-	-	51	77	51	77
XPSL, UK	-	-	47	153	47	153
XSSI, USA	-	-	411	434	411	434
XTSIPL, India	-	-	303	534	303	534
XBPL, India	-	-	-	48	-	48
<b>Total</b>	-	-	<b>1,225</b>	<b>1,676</b>	<b>1,225</b>	<b>1,676</b>

### Expenses paid on behalf of related party:

XAPSB, Malaysia	-	-	45	19	45	19
XGISL, UK	-	-	435	177	435	177
XI, USA	-	-	-	3	-	3
XSPL, Singapore	-	-	125	-	125	-
XTSIPL, India	-	-	1,371	1,735	1,371	1,735
XUKL, UK	-	-	170	203	170	203
XISVPL, Australia	-	-	-	18	-	18
SBB, USA	-	-	-	4	-	4
ISL, UK	-	-	-	6	-	6
<b>Total</b>	-	-	<b>2,146</b>	<b>2,165</b>	<b>2,146</b>	<b>2,165</b>

### Interest income on loans:

XTSIPL, India	-	-	63	108	63	108
XBPL, India	-	-	161	126	161	126
<b>Total</b>	-	-	<b>224</b>	<b>234</b>	<b>224</b>	<b>234</b>

## Notes to the Consolidated Financial Statements

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

B.	Summary of transactions with related parties is as follows:	Holding companies		Fellow subsidiaries		Total	
		For the year ended		For the year ended		For the year ended	
		Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014

### Revenue:

XGISL, UK	-	-	1,532	1,674	1,532	1,674
XUKL, UK	-	-	-	312	-	312
XAPSB, Malaysia	-	-	68	490	68	490
XTSIPL, India	-	-	107	31	107	31
XISAPL, Australia	-	-	49	228	49	228
XISVPL, Australia	-	-	-	52	-	52
XI, USA	-	-	-	4	-	4
XPSL, UK	-	-	53	182	53	182
SBB, USA	-	-	4	15	4	15
XPSLF, France	-	-	-	2	-	2
XSPL, Singapore	-	-	2	-	2	-
XSSI, USA	-	-	-	6	-	6
<b>Total</b>	-	-	<b>1,815</b>	<b>2,996</b>	<b>1,815</b>	<b>2,996</b>

### Loans given during the year:

XBPL, India	-	-	-	18	-	18
<b>Total</b>	-	-	-	<b>18</b>	-	<b>18</b>

### Loans repaid during the year:

XBPL, India	-	-	-	100	-	100
<b>Total</b>	-	-	-	<b>100</b>	-	<b>100</b>

## Notes to the Consolidated Financial Statements

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

C. Summary of balances of related parties is as follows:	Holding companies As at		Fellow subsidiaries As at		Total As at	
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014

### Trade Receivables:

XGISL, UK	-	-	545	706	545	706
XUKL, UK	-	-	1	233	1	233
XAPSB, Malaysia	-	-	56	762	56	762
XPSL, UK	-	-	23	3	23	3
XTSIPL, India	-	-	186	371	186	371
XISAPL, Australia	-	-	-	26	-	26
FSAL, UK	-	-	33	2	33	2
XI, USA	-	-	-	4	-	4
SBB, USA	-	-	11	7	11	7
XIL, UK	-	-	46	47	46	47
LPSO Ltd, UK	-	-	19	-	19	-
XSPL, Singapore	-	-	2	-	2	-
XSSI, USA	-	-	42	12	42	12
<b>Total</b>	<b>-</b>	<b>-</b>	<b>964</b>	<b>2,173</b>	<b>964</b>	<b>2,173</b>

### Trade Payables:

FSAL, UK	-	-	3	27	3	27
XAPSB, Malaysia	-	-	-	240	-	240
XGISL, UK	-	-	163	47	163	47
XSSI, USA	-	-	7	187	7	187
XG, Germany	-	-	-	4	-	4
XUKL, UK	-	-	305	374	305	374
XHRSL, UK	-	-	-	1	-	1
XTSIPL, India	-	-	190	474	190	474
XPSL, UK	-	-	-	36	-	36
Xchanging plc, UK	9	9	-	-	9	9
XBPL, India	-	-	1	22	1	22
XPSLF, France	-	-	-	*	-	-
XISAPL, Australia	-	-	-	*	-	-
<b>Total</b>	<b>9</b>	<b>9</b>	<b>669</b>	<b>1,412</b>	<b>678</b>	<b>1,421</b>

\*Balance is rounded off to zero wherever it is less than Rs 1 Lakh

## Notes to the Consolidated Financial Statements

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

C. Summary of balances of related parties is as follows:	Holding companies As at		Fellow subsidiaries As at		Total As at	
	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014

### Expenses Recoverable:

XAPSB, Malaysia	-	-	36	24	36	24
XGISL, UK	-	-	90	24	90	24
XI, USA	-	-	-	4	-	4
XISVPL, Australia	-	-	-	19	-	19
XSSI, USA	-	-	-	12	-	12
XTSIPL, India	-	-	41	122	41	122
XUKL, UK	-	-	19	125	19	125
XISAPL, Australia	-	-	-	8	-	8
ISL, UK	-	-	-	2	-	2
SBB, USA	-	-	-	5	-	5
XG, Germany	-	-	5	-	5	-
<b>Total</b>	-	-	<b>191</b>	<b>345</b>	<b>191</b>	<b>345</b>

### Loans and Advances (including interest accrued):

XTSIPL, India	-	-	900	997	900	997
XGISL, UK	-	-	111	67	111	67
SBB, USA	-	-	-	2	-	2
XAPSB, Malaysia	-	-	-	34	-	34
XPSL, UK	-	-	5	4	5	4
XBPL, India	-	-	1,279	1,213	1,279	1,213
<b>Total</b>	-	-	<b>2,295</b>	<b>2,317</b>	<b>2,295</b>	<b>2,317</b>

### Security Deposit Given

XBPL, India	-	-	33	33	33	33
<b>Total</b>	-	-	<b>33</b>	<b>33</b>	<b>33</b>	<b>33</b>

### D. Remuneration paid to the key managerial personnel

Particulars	For the Year ended	
	Dec 31, 2015	Dec 31, 2014
Salaries, bonus, etc.	56	5
<b>Total</b>	<b>56</b>	<b>5</b>

#### Note:

- (i) As gratuity is computed for all the employees in aggregate, the amounts relating to key managerial personnel cannot be individually identified.

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

**35 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, 2015 amounts to Rs. 803 (2014: Rs. 802).

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

Particulars	Dec 31, 2015	Dec 31, 2014
Not later than one year	497	601
Later than one year and not later than five years	901	755
Later than five years	378	541
<b>Total</b>	<b>1,776</b>	<b>1,897</b>

**36 PROVISIONS**

In accordance with AS 29 'Provisions, Contingent Liabilities and Contingent Assets', the particulars of provisions as at December 31, 2015 are as follows:

Particulars	Jan 1, 2015	Created during the year	Utilised/ reversed during the year	Dec 31, 2015
Onerous lease contracts [Note (i)]	- (173)	- (-)	- (173)	- (-)
Litigation [Note (i)]	- (32)	- (-)	- (32)	- (-)

**Notes:**

(i) Prior year numbers are disclosed within brackets.

**37 TRANSFER PRICING**

The Group has carried out international and domestic transactions with associated enterprises. The Group appoints independent consultants to conduct a Transfer Pricing Study to determine whether the transactions with associated enterprises undertaken during the period are on an "arms length basis". For the current year, the transfer pricing study shall be completed within the permissible time under the legislation and adjustments, if any, arising from the transfer pricing study shall be accounted for as and when the study is completed. However, the Management is confident that its international and domestic transactions with associated enterprises and within its subsidiaries are at arm's length so that the aforesaid legislation/transactions will not have any material impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation for the current year.

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

**38 CORPORATE SOCIAL RESPONSIBILITY (CSR)**

As per Sec 135 of the Companies Act, 2013 applicable in the current year, the Company has spent Rs 16 on various CSR initiatives, during the year, which are mentioned below:

Sector in which the project is covered	Dec 31, 2015
Ananya Charitable Trust	6
Shadi Ganz Foundation Mammomobile Charitable Trust	5
Prime Minister's National Relief Fund	5
<b>Total</b>	<b>16</b>

**39 PREVIOUS YEAR FIGURES**

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

**For Price Waterhouse Chartered Accountants LLP**  
*Firm Registration Number: 012754N/N500016*

**Suchita Sharma**  
**Partner**  
 Membership Number: 073897  
 Place : Gurgaon  
 Date : February 26, 2016

**For and on behalf of the Board of Directors**  
**Xchanging Solutions Limited**

**David Bauernfeind**  
**Non Executive Director & Chairman**  
 Place : London  
 Date : February 26, 2016

**Alok K Sinha**  
**Executive Director & Chief Executive Officer**  
 Place : Gurgaon  
 Date : February 26, 2016

**Vinod Goel**  
**Chief Financial Officer**  
 Place : Gurgaon  
 Date : February 26, 2016

**Mayank Jain**  
**Company Secretary**  
 Place : Gurgaon  
 Date : February 26, 2016

## FORM AOC - 1

Pursuant to first proviso to Sub-section (3) of Section 129 read with rule 5 of Companies (Accounts) Rules, 2014

Statement containing salient features of the financials statements of subsidiaries/associates Companies / joint ventures as included in the consolidated Financial Statement

## Part – “A”: Subsidiaries

(INR in Lakhs)

S. No.	Particulars	Xchanging Solution Europe Ltd.	Xchanging Solutions (USA) Inc.	Xchanging Solutions Singapore Pte Ltd.	Xchanging Solutions (Malaysia) Sdn Bhd.
1.	Reporting Currency	INR	INR	INR	INR
2.	Exchange Rate	GB 98.14	USD 67.46	SGD46.45	MYR 15.42
3.	Capital Including Preference Capital	2,614.61	6,698.82	1,068.35	38.54
4.	Reserves & Surplus	(2205.19)	(30,859.75)	834.97	(0.16)
5.	Total Assets	477.81	4,606.36	3,335.09	49.15
6.	Investments Excluding investments in Subsidiaries	-	18.46	54.67	-
7.	Gross Turnover	20.63	12,365.94	7,622.13	-
8.	Profit (Loss) Before Tax	(13.60)	1,064.08	1,201.94	(2.20)
9.	Provision for Tax	(51.92)	39.40	13.34	-
10.	Profit (Loss) after Tax	38.32	1,024.68	1,188.59	(2.20)
11.	Proposed Dividend and Tax thereon	-	-	-	-
12.	Proportionate Voting right or interest in the company	100%	100%	100%	100%

Note:

Names of subsidiary which is under liquidation during the year: NexPLICIT Infotech India Private Limited

## NOTICE OF ANNUAL GENERAL MEETING

**Notice** is hereby given that the Fifteenth Annual General Meeting (“AGM”) of the members of Xchanging Solutions Limited (“the Company”) will be held on **Monday, 27 June 2016 at 10:00 am at SJR I-Park, Plot No. 13, 14, 15, EPIP Industrial Area, Phase I, Whitefield, Bangalore 560 066** to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt audited Financial Statements (Standalone and Consolidated) of the Company for the financial year ended 31st December 2015 and the Reports of the Board of Directors and Auditors thereon.
2. To appoint M/s Deloitte Haskins & Sells LLP, Chartered Accountants, (Firm Registration No. 117366W/W-1000180) as Statutory Auditors of the Company, in place of M/s Price Waterhouse Chartered Accountants LLP, (Firm Registration No. 012754N/N500016), the existing Statutory Auditors, to hold office from the conclusion of this Annual General Meeting, until the conclusion of next Annual General Meeting on such remuneration as may be mutually agreed upon between the Board of Directors and the Statutory Auditors.

By Order of the Board  
For **Xchanging Solutions Limited**

**Mayank Jain**

**Company Secretary**

Place : Gurgaon

Date : May 27, 2016

Membership No:-A26620

### NOTES:

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED AND SIGNED SHOULD REACH THE COMPANY'S REGISTERED OFFICE NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A BLANK PROXY FORM IS ENCLOSED.**

A person shall not act as a proxy for more than 50 members and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. However, a member holding more than ten percent of the total share capital of the company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person.

2. Only registered members carrying the attendance slip and the holders of valid proxies registered with the Company will be permitted to attend the Meeting. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for identification.
3. Every member entitled to vote at the Annual General Meeting of the Company can inspect the proxies lodged at the Company at any time during the business hours of the Company during the period beginning twenty four hours before the time fixed for the commencement of the Annual General Meeting and ending on the conclusion of the meeting. However, a prior notice of not less than 3 (three) days in writing of the intentions to inspect the proxies lodged shall be required to be provided to the Company.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 21 June 2016 to 27 June 2016 (both days inclusive) for the purpose of Annual General Meeting.
5. Members/ Proxy(ies) are requested to bring their copy of the Annual Report with them at the Annual General Meeting. Corporate members/ Societies etc. intending to send their authorized representative(s) are requested to send a duly certified copy of the Board Resolution/authority, as applicable, authorizing their representative(s) to attend and vote at the Annual General Meeting.
6. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
7. The members are requested to submit their queries addressed to the Chief Financial Officer/ Company Secretary of the Company at least 10 days in advance of the Annual General Meeting so that the information called for can be made available at the meeting.
8. All documents, including those required to be kept for inspection, referred to in the accompanying Notice, are open for inspection at the Registered Office of the Company on all working days, except Saturdays, Sundays and Public holidays, between 11:30 A.M. to 01:30 P.M. upto the date of the Annual General Meeting.

9. The Company had received Special Notice under Section 140(4) read with Section 115 of the Companies Act, 2013 from Xchanging Technology Services Private Limited, in its capacity as a Member of the Company recommending appointment of M/s Deloitte Haskins & Sells LLP (“Deloitte”), Chartered Accountants, (Firm Registration No. 117366W/W-1000180) as Statutory Auditors in place of M/s Price Waterhouse Chartered Accountants LLP, (“PwC”) (Firm Registration No. 012754N/N500016), the existing Statutory Auditors. The change in the Statutory Auditor is proposed due to the Company has received a letter from PwC, wherein it had been communicated that PwC would not continue as a statutory auditor of the Company from the conclusion of the ensuing Annual General Meeting. The written consent to act as Statutory Auditor along with the certificate in compliance of the provisions of the Companies Act, 2013 (“the Act”), has been received from the Deloitte.
10. Members desirous of getting any information with regard to Accounts/Reports or Operations of the Company are requested to submit their queries addressed to the Chief Financial Officer/ Company Secretary of the Company at least ten days in advance of the Annual General Meeting so that the information called for can be made available at the Meeting.
11. Members holding shares in physical mode are requested to quote their Ledger Folio No. in all their correspondence and intimate the following directly to the Company’s Registrar and Share Transfer Agent i.e. Karvy Computershare Private Limited
  - i) Changes, if any, in their address with PIN Code numbers.
  - ii) Request for making nominations as per the provisions contained in Section 72 of the Companies Act, 2013, in the prescribed Form SH-13.Members holding shares in dematerialized mode are requested to intimate the aforesaid changes directly to their Depository Participant, as applicable.
12. In terms of the provisions of the Companies Act, 2013, a Company can serve Annual Report through electronic mode to the shareholders who have registered their e-mail address with the Company or with the Depository Participant. Accordingly, the Annual Report of the Company is being sent on the email addresses made available to the Company by the Depositories or registered by the Members with the Company or RTA of the Company, unless any member has requested for a hard copy of the same.
13. The Annual Report of the Company for the financial year ended 31st December 2015 being circulated to the members of the Company and this notice calling annual general meeting is available in the Investor Relations section on the Company’s website, viz. <http://www.xchanging.com/investor-relations/xsl-content>. The notice of the meeting is also available at the website of Karvy at <http://evoting.karvy.com>
14. Members who have not registered their e-mail addresses so far are requested to register their e-mail addresses for receiving all communications including Annual Report, Notices etc. from the Company in electronic mode.
15. Electronic copy of the Notice of the 15<sup>th</sup> 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 e-mail IDs are registered with the Company/Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their e-mail address, physical copies of the Notice of the 15<sup>th</sup> 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.
16. In compliance with the provisions of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 and Section 108 of Companies Act, 2013 read with Companies (Management and Administration) Amendments Rules, 2015, the Company is pleased to provide the facility of voting through electronic means to its members. Members of the Company can transact all the items of the businesses with the facility of voting through electronic means as contained in the notice of the meeting.
17. The remote e-voting i.e. the facility of casting votes by a member using an electronic voting system from a place other than venue of a general meeting, shall commence at 09:00 AM on 24 June 2016 and will end at 05:00 PM on 26 June 2016. The facility for remote e-voting shall forthwith be blocked at the end of the period of remote e-voting.
18. The cut-off date i.e. date not earlier than seven days

## Notice

before the date of general meeting for determining the eligibility to vote by electronic means or in the general meeting shall be 20 June 2016.

19. A member whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e voting as well as voting in the general meeting.
20. The facility for voting through ballot paper shall be made available at the meeting and members attending the meeting who have not already cast their vote by remote e-voting shall be able to exercise their right at the meeting.
21. The members who have cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.
22. The Company has appointed M/s Ankush Agarwal & Associates, Company Secretary in Practice, 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, immediately after the conclusion of voting at the general meeting, first count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and make, not later than three days of conclusion of the meeting, a consolidated scrutinizer's report of the votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and shall declare the result of the voting forthwith.
23. The results on the resolutions shall be declared within 3 days of the conclusion of the AGM and the resolutions will be deemed to be passed on the AGM date subject to receipt of the requisite number of votes in favour of the Resolutions.
24. The Results of voting along with the Scrutinizer's Report(s) thereon would be available on the website of the Company at <http://www.xchanging.com/investor-relations/xsl-content> and Service provider's website <https://evoting.karvy.com> immediately after the declaration of the results and would also be communicated simultaneously to the BSE Limited and the National Stock Exchange of India Limited.
25. The complete details of the instructions for e-voting are annexed to this Notice.

### **INSTRUCTION FOR E-VOTING**

- i) **The procedure and instructions for remote e-voting are as under:**
  - a) Open your web browser during the voting period by typing the URL: <https://evoting.karvy.com>
  - b) Enter the login credentials (i.e. User ID and password mentioned in the email forwarding the Notice of AGM or mentioned on the attendance sheet accompanying the Notice of AGM in case email id is not registered and physical copy of the Annual Report is being received by you. **The said login credentials shall be valid only in case you continue to hold the shares on the cut-off date**). Your Folio No./DP ID Client ID will be your User ID. However, if you hold shares in demat form and you are already registered with Karvy for remote e-voting, you shall use your existing User ID and password for casting your vote.
  - c) Any person, who acquires shares of the Company and becomes member of the Company after dispatch of the Notice of AGM and holding shares as on the cut- off date i.e. 20 June 2016, may obtain the User id and password in the manner as mentioned below:
    - a. If the mobile number of the member is registered against Folio No. / DP ID Client ID, the member may send SMS : MYEPWD <space> Event number+Folio No. or DP ID Client ID to 9212993399  
Example for NSDL : MYEPWD <SPACE> IN12345612345678  
Example for CDSL : MYEPWD <SPACE> 1402345612345678  
Example for Physical : MYEPWD <SPACE> XXXX1234567
    - b. If e-mail or mobile number of the member is registered against Folio No. / DP ID Client ID, then on the home page of <https://evoting.karvy.com>, the member may click "forgot password" and enter Folio No. or DP ID Client ID and PAN to generate a password.
    - c. Member may call Karvy's toll free number 1-800-3454-001.
    - d. Member may send an e-mail request to [evoting@karvy.com](mailto:evoting@karvy.com)

## Notice

If the member is already registered with Karvy for remote e-voting, he can use his existing User ID and password for casting the vote without any need for obtaining any new User ID and password.

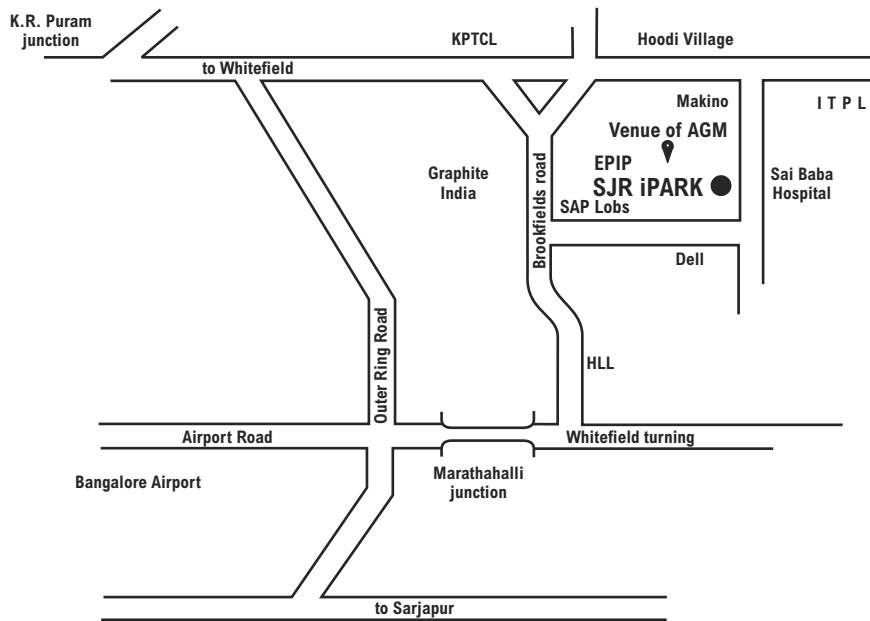
- d) After entering these details appropriately, click on "LOGIN".
  - e) You will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric (0-9) and a special character (@,#,\$,etc.). The system will prompt you to change your password and update your contact details like mobile number, email ID, etc. on first login. You will also be required to enter a secret question and answer of your choice to enable you to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.
  - f) You need to login again with the new credentials.
  - g) On successful login, the system will prompt you to select the Event Number for Xchanging Solutions Limited.
  - h) On the voting page you will see the Resolution Description and the options "FOR/AGAINST/ABSTAIN" for voting. Enter the number of shares (which represents the number of votes) as on the cut-off date under "FOR/AGAINST" or alternatively, you may partially enter any number in "FOR" and partially in "AGAINST" but the total number in "FOR/AGAINST" taken together should not exceed your total shareholding as on the cut-off date, as mentioned above. You may also choose the option "ABSTAIN" in case you do not want to cast vote.
  - i) You may then cast your vote by selecting an appropriate option and click on "Submit".
  - j) 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, Members can login any number of times till they have voted on the Resolution(s).
  - k) Members holding multiple folios / demat accounts shall choose the voting process separately for each of the folios / demat accounts.
1. Corporate / Institutional Members (i.e. other than Individuals, HUF, NRI, etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution / Authority Letter, etc., together with attested specimen signature(s) of the duly authorized representative(s), to the Scrutinizer at e-mail id: [cs.ankushagarwal@gmail.com](mailto:cs.ankushagarwal@gmail.com) with a copy to [evoting@karvy.com](mailto:evoting@karvy.com). The scanned image of the above mentioned documents should be in the naming format "Corporate Name\_EVENT NO."
  - l) Once the vote on a resolution is casted by a Member, the Member shall not be allowed to change it subsequently. **Further, the Members who have casted their vote through remote e-voting shall not be allowed to vote again at the Meeting.**
  - m) In case of any query pertaining to e-voting, please contact Karvy's toll free no. 1-800-34-54-001 or visit the FAQ's section available at Karvy's website <https://evoting.karvy.com>.
  - n) In case of grievances connected to the remote e-voting, please contact Mr. Anandan K, Manager at Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500032 at email id [Anandan.k@karvy.com](mailto:Anandan.k@karvy.com) contact no. - 040-67161591.
26. Members may please note that no gifts/ gift coupons shall be distributed at the venue of the Annual General Meeting.
  27. 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  
For Xchanging Solutions Limited

**Mayank Jain**  
Company Secretary  
Membership No:-A26620

Place: Gurgaon  
Date : May 27, 2016

## Route Map of Venue



# XCHANGING SOLUTIONS LIMITED

Regd. Office: SJR I-Park, Plot 13, 14, 15,  
EPIP Industrial Area, Phase I, Whitefield, Bangalore 560 066.  
CIN:L72200KA2002PLC030072  
Tel.: +91 80 3054 0000; Fax: +91 80 4115 7394  
Email: [compliance@asia.xchanging.com](mailto:compliance@asia.xchanging.com) Website: [www.xchanging.com](http://www.xchanging.com)

## Proxy Form

(Pursuant to Section 105(6) of the Companies Act 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014

Name of the Member(s) :	:
Registered Address :	:
Email Id :	:
Folio No. / Client ID :	:
DP ID No. :	:

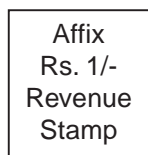
I/We, being the member(s) of ..... shares of the above named Company, hereby appoint:

- (1) Name: .....  
Address: .....  
E-mail Id: ..... Signature: ....., or failing him;
- (2) Name: .....  
Address: .....  
E-mail Id: ..... Signature: ....., or failing him;
- (3) Name: .....  
Address: .....  
E-mail Id: ..... Signature: ....., or failing him;

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 15th Annual General Meeting of the Company, to be held on Monday, the 27 June, 2016 at 10:00am. at SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I, Whitefield, Bangalore 560 066 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolutions	No. of Shares held	For	Against
1. To receive, consider and adopt audited Financial Statements (Standalone and Consolidated) of the Company for the financial year ended 31st December 2015 and the Reports of the Board of Directors and Auditors thereon.			
2. To appoint M/s Deloitte Haskins & Sells LLP, Chartered Accountants, (Firm Registration No. 117366W/W-1000180) as Statutory Auditors of the Company, in place of M/s Price Waterhouse Chartered Accountants LLP, (Firm Registration No. 012754N/N500016), the existing Statutory Auditors, to hold office from the conclusion of this Annual General Meeting, until the conclusion of next Annual General Meeting on such remuneration as may be mutually agreed upon between the Board of Directors and the Statutory Auditors			

Signed this ..... day of ..... 2016



Signature of Shareholder ..... Signature of Proxy holder(s) .....

Note: The Proxy Form in order to be effective should be duly completed, signed and deposited at the Registered Office of the Company, not later than 48 hours before the commencement of the Meeting.



## Shareholder Information

### XCHANGING SOLUTIONS LIMITED

SJR I-Park, Plot 13, 14, 15.  
EPIP Industrial Area, Phase I  
Whitefield, Bangalore 560066  
Tel +9180 30540000  
Fax +9180 41157394

For Corporate reports and Company News, visit our website at: <http://www.xchanging.com/investor-relations/xsl-content>

### STATUTORY AUDITORS

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

### COMPLIANCE CONTACT:

Compliance Officer  
Tel +91 803054000  
Fax +91 8041157394  
E-mail: [compliance@asia.xchanging.com](mailto: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.

