

Xchanging Solutions Limited

ANNUAL REPORT - 2014

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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 (w.e.f. 2 March, 2015)

CHIEF FINANCIAL OFFICER

Vinod Goel

STATUTORY AUDITORS

Price Waterhouse Chartered Accountants LLP

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

REGISTERED OFFICE

SJR I-Park, Plot No. 13,14,15
EPIP Industrial Area
Phase I, Whitefield
Bangalore - 560 066
Karnataka
Phone : +91 80 30540000
Fax : +91 80 41157394
Email : compliance@asia.xchanging.com
Website : 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
Website : www.karvy.com

DIRECTORS' REPORT

Dear Shareholders,

The Board of Directors ("Board") is pleased to present the fourteenth annual report and the audited statement of accounts for the financial year ended 31 December 2014.

Financial Results

Indian GAAP (consolidated)

Particulars	31 December 2014 (Rs. in lakhs)	31 December 2013 (Rs. in lakhs)
Total Income	31,062	26,615
Total Expenditure	28,660	22,632
Profit before Interest, Depreciation and Tax	2,402	3,983
Depreciation & Amortization	477	499
Finance Costs	20	17
Exceptional Items Gain/(Loss)	1,268	438
Profit / (Loss) before Tax	3,173	3,905
Income Tax (including deferred tax)	662	874
Net Profit / (Loss) after Tax	2,511	3,031
Earnings/ (Loss) per share Rs.	2.25	2.72

Indian GAAP (standalone)

Particulars	31 December 2014 (Rs. in lakhs)	31 December 2013 (Rs. in lakhs)
Total Income	16,372	13,066
Total Expenditure	14,006	9,882
Profit before Interest, Depreciation and Tax	2,366	3,184
Depreciation & Amortization	450	434
Finance Costs	20	17
Exceptional Items Gain/(Loss)	(515)	165
Profit / (Loss) before Tax	1,381	2,898
Income Tax (including deferred tax)	659	744
Net Profit / (Loss) after Tax	722	2,154
Earnings/(Loss) per share Rs.	0.65	1.93

Review of Operations (Rs. in lakhs)

During the year ended 31 December 2014, the consolidated income of the Company was Rs. 31,062

as against Rs. 26,615 during the previous year ended 31 December 2013. At a standalone level, the total income of the Company for the year ended 31 December 2014 amounted to Rs. 16,372 compared to Rs. 13,066 during the previous year ended 31 December 2013.

Dividend

The Board does not recommend a dividend per equity share.

Share Capital

There was no change in the paid up share capital of the Company. As at 31 December 2014, 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. The Board of Directors in its 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 thereby 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.

Subsidiary Companies

As at 31 December 2014, your Company had five subsidiary companies, namely

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

As per the provisions of the Companies Act, the Company needs to attach the balance sheet and profit & loss account of the Company's subsidiaries in the annual report of the Company. However pursuant to the general exemption given by the Ministry of Corporate Affairs, the Board believes that the consolidated accounts present a full and fair view of the state of affairs and the financial condition of the Group. Accordingly, the Board of Directors has passed a resolution for not attaching the balance sheet of the subsidiaries and the necessary disclosures are made in the annual report of the Company. Thus, the annual report does not contain the financial statements of these subsidiaries, but contains

Directors' Report

the audited consolidated financial statements of the Company and its subsidiaries. The accounts of these subsidiary companies along with related information are available for inspection during business hours at the Company's registered office.

Directors

Mr. Kenneth Lever stepped down from the Board of directors with effect from November 7, 2014 and Mr. Alok Kumar Sinha has been appointed as whole time director and Chief Executive Officer of the Company with effect from November 7, 2014. Designation of Mr. David Bauernfeind has been changed to Non-Executive Director and Chairman with effect from November 8, 2014.

The appointment of Mr. Alok Kumar Sinha is recommended for approval before the shareholders in the ensuing Annual General Meeting.

Pursuant to provisions of the Companies Act, 2013, 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 resolutions for appointment of Mr. Ashok Kumar Ramnathan, Mr. Henry D Souza and Ms. Gopika Pant as Independent Directors for a term of 5 (five) years are being placed for approval of the members in the ensuing Annual General Meeting.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013 as well as Clause 49 of the Listing Agreement with the Stock Exchanges. As required under Clause 49 of Listing Agreement, brief resume, details of experience and other Directorships/Committee memberships/ Chairmanships held by the Directors in other companies, whose appointment/ re-appointment is due in the forthcoming Annual General Meeting of the Company, forms part of the Notice convening AGM.

Employee Stock Option Plans

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

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

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

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

Corporate Governance Report

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

A detailed corporate governance report in line with the requirements of Clause 49 of the listing agreement regarding the corporate governance practices followed by the Company and a certificate of compliance from Mr. Sudhir V Hulyalkar, practicing Company Secretary along with management discussion and analysis report forms part of this Directors' Report.

Personnel

Particulars of employees as required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended forms part of this report. However, in pursuance of Section 219(1)(b)(iv) of the Companies Act, 1956, this report is being sent to all the members of the Company excluding the aforesaid information and the said particulars are made available for inspection at the registered office of the Company during working hours for a period of twenty one days before the date of Annual General Meeting.

Directors' Responsibility Statement

As stipulated in Section 217(2AA) of the Companies Act, 1956 (the Act), the Board, based on the representations

received from the operating management, hereby confirm that:

1. In the preparation of the annual accounts for the year ended 31 December 2014, the applicable accounting standards have been followed and there were no material departures.
2. The Board has selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the period.
3. The Board has 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 other irregularities.
4. The Board has prepared the annual accounts on a going concern basis.

Statutory Auditors

The Shareholders in the 13th Annual General Meeting of the Company had appointed M/s Price Waterhouse, Chartered Accountants (Firm Registration No. 012754N) as Statutory Auditors of the Company to hold office from the conclusion of the 13th AGM till the conclusion of the 18th annual general meeting of the Company subject to ratification in every annual general meeting. The firm, M/s. Price Waterhouse is converted into a Limited Liability Partnership ("LLP") with effect from July 25, 2014 and the name of the LLP is Price Waterhouse Chartered Accountants LLP. The ratification of the appointment of M/s Price Waterhouse Chartered Accountants LLP (Firm Registration No. 012754N/N500016), as Statutory Auditors of the Company is re-commended to shareholders for their approval in the ensuing Annual General Meeting.

Corporate Social Responsibility Committee

In compliance with the provisions of Section 135 of the Companies Act, 2013, read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Board of Directors of the Company at its Meeting held on 07th November, 2014 has constituted a Corporate Social Responsibility Committee ("CSR Committee"). The CSR

Committee comprises of the following members:

1. Mr. Ashok Kumar Ramanathan – Chairman
2. Mr. Henry D Souza – Member
3. Mr. Alok Kumar Sinha - Member

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.

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

Information as per Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given in the Appendix 2 included in this report (Corresponding to section 134(3)(m) of the Companies Act 2013).

Fixed Deposits

During the year ended 31 December 2014, the Company has not accepted any fixed deposits under Section 58A of the Companies Act, 1956 (Section 73 and 76 of the Companies Act, 2013 as applicable) and as such no amount of principal or interest was outstanding as of the balance sheet date.

Acknowledgements

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

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

Place : Bangalore

Date : February 27, 2015

Date : February 27, 2015

Appendix 1

#		Cambridge Solutions Limited ESOP 2006
A	Total number of options granted	
	Program 1	60,000
	Program 2	3,927,946
B	Options granted during the year	
	Program 1	NIL
	Program 2	NIL
C	Exercise price	
	Program 1	NIL
	Program 2	NIL
D	Total options vested (Net of forfeited options)	
	Program 1	NIL
	Program 2	743,946
E	Options exercised during the year	
	Program 1	NIL
	Program 2	NIL
F	Total shares arise as a result of exercise of options during the year	
	Program 1	NIL
	Program 2	NIL
G	Options lapsed during the year	
	Program 1	NIL
	Program 2	310,000
H	Variation of terms of options	NIL
I	Money realised by exercise of options during the year	
	Program 1	NIL
	Program 2	NIL
J	Total Number of options in force	
	Program 1	NIL
	Program 2	100,000
K	Employee-wise details of options granted during the year to	
	i) Senior managerial personnel	NIL
	ii) any other employees who receives a grant in any one year of option amounting to 5% or more of option granted during that year	NIL
	iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of your company at the time of grant.	NIL
L	Diluted earnings/ (loss) per share (EPS) pursuant to issue of shares on exercise of option	0.65
M	Impact of employee compensation cost calculated as difference between Intrinsic Value and Fair Market Value in accordance with SEBI Guidelines on ESOP, on Net Profit and EPS	Refer Table 1
N	Weighted average exercise price	
	Program 1	No Grants
	Program 2	No Grants
O	weighted Average fair value of options	
	Program 1	No Grants
	Program 2	No Grants
P	Description of the method and significant assumptions used during the year	NA

Table 1

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

	Year ended 31 December 2014 (Rs. in lakhs)	Year ended 31 December 2013 (Rs. in lakhs)
Net profit/(loss) as reported	722	2,154
Net profit/(loss) available for equity shareholders	722	2,154
Add: stock based employee compensation expenses included in reported income	0	0
Less : stock based employee compensation expenses determined under fair value based method net of tax effects	0	0
Proforma Net Profit/(Loss)	722	2,154
Reported earnings / (loss) per share (including share capital pending allotment) Rs.		
Basic	0.65	1.93
Diluted	0.65	1.93

For and on behalf of the Board of Directors,

David Bauernfeind
Non Executive Director &
Chairman

Place: London
Date: February 27, 2015

Alok Kumar Sinha
Executive Director &
Chief Executive Officer

Place : Bangalore
Date : February 27, 2015

Appendix 2

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

A. Conservation of Energy

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

B. Technology Absorption

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

C. Foreign Exchange Earnings and Outgo (Standalone)

Particulars	31 December 2014 (Rs. in lakhs)	31 December 2013 (Rs. in lakhs)
Total foreign exchange earnings	13,492	10,403
Total foreign exchange outgo	3,044	1,086

For and on behalf of the Board of Directors,

David Bauernfeind
Non Executive Director &
Chairman

Place: London
Date: February 27, 2015

Alok Kumar Sinha
Executive Director &
Chief Executive Officer

Place : Bangalore
Date : February 27, 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Xchanging Solutions Limited (“the Company”), incorporated on February 1, 2002 with operations in India and an international presence established through subsidiaries in several countries (the Group).

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

Review of Operations (Rs. in lakhs)

During the current year the consolidated revenue of your Company was Rs. 28,695 against Rs. 24,309 in the previous year. Other income of the Company for the current year was Rs.2,367 against Rs. 2,306 in the previous year.

Market Overview

Technology markets are changing rapidly. The size of the worldwide IT Services market is estimated at US\$648 billion with a compound annual growth (CAGR) of 4.7% between 2012 and 2017¹. Traditionally, this market has been suited to large technology providers benefiting from economies of scale and operating on transactional processing models. The marketplace for large enterprise software systems supports demand in an adjoining market, for customisation of those systems, integration and maintenance. As the technology market moves towards a more agile and flexible model, new opportunities are presenting themselves for specialist best in class providers. Services are often provided on an outcome based model.

The Company has found ways of carving out a niche for ourselves where we are able to bring value to our customers and sell technology-enablement as a service or technology itself. The large application management services market allows many companies with differentiated offerings to participate and still have a healthy business in this marketplace.

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, demanding greater IT agility. The result: a sharp shift towards simple, modular, custom apps².

The Company focus is to provide differentiated, technology-enabled capabilities which we combine with our deep industry expertise in our target markets, keeping us relevant and critical to our customers’ IT environments.

Group Performance

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

Particulars	31 December 2014 (Rs. in lakhs)	31 December 2013 (Rs. in lakhs)
Total Revenue	28,695	24,309
Other Income	2,367	2,306
Total Income	31,062	26,615
Total Expenditure	28,660	22,632
Profit before Interest Depreciation and Tax	2,402	3,983
Depreciation & Amortization	477	499
Finance Costs	20	17
Exceptional items Gain /(Loss)	1,268	438
Profit / (Loss) before Tax	3,173	3,905
Income Tax (including deferred tax)	662	874
Net Profit / (Loss) after Tax	2,511	3,031
Earnings / (Loss) per share Rs.	2.25	2.72

Geographic Profile

Geography	2014		2013	
	Revenue (Rs. in lakhs)	%	Revenue (Rs. in lakhs)	%
Europe	9,408	33	6,299	26
USA	11,188	39	10,404	43
India	1,466	5	808	3
Rest of the World	6,633	23	6,798	28
Total	28,695	100.00	24,309	100.00

Balance Sheet

Key movements in consolidated balance sheet are outlined below:

Shareholders' funds: increased to Rs. 30,426 lakhs in the current year from Rs. 27,875 lakhs in the previous year due to current year profit.

Non-Current liabilities: increased to Rs. 757 lakhs in the current year from Rs. 703 lakhs in the previous year mainly due to increase in long term borrowings and other long term liabilities.

Current liabilities: decreased to Rs. 9,728 lakhs in the current year from Rs. 10,022 lakhs in the previous year mainly due to decrease in trade payables which was partly offset by increase in provisions.

Non-current assets: increased to Rs.21,856 lakhs in the current year from Rs. 20,669 lakhs in the previous year mainly due to recognition of net deferred tax assets of Rs.376 lakhs in current year and increase in long term loans and advances.

Current assets: increased to Rs. 19,055 lakhs in the current year from Rs. 17,931 lakhs in the previous year mainly due to increase in trade receivables which was partly offset by decrease in loans and advances.

Related Parties

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

Internal control systems and their adequacy

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

Threats and risks management

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

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.

Management Discussion and Analysis

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"> • Invest in the development of new offerings • Develop innovative value adding customer solutions • Utilise our skilled knowledgeable resources • Review our existing services and products to ensure that they meet our customers' requirements
Failure to secure new business from both new and existing customers	<p>There are a number of significant changes in the sectors we operate in and the current economic environment results in pressure on our customers. Failure to secure new business could slow down the growth of the business.</p> <p>Successfully winning new business is managed by:</p> <ul style="list-style-type: none"> • Investing in innovative services and products for both new and existing customers • Ensuring utilisation of our technology capabilities and competitive low cost offshore services • Clearly defined offerings and sales strategies that help us to attract customers • Continual development of the unified sales strategy which enables selling across business sectors • Effective performance of sales team.

Management Discussion and Analysis

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 work closely with our customers utilising performance metrics in order to identify issues early and trigger corrective actions.</p>
Operational risks	
Risk	Mitigating Actions
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"> • Detailed implementation and delivery plans with strong management control and oversight • Use of experienced employees with strong project, change and people management skills in order to ensure successful implementation • Standardised procedures in use for the implementation and delivery of new contracts
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"> • Consistently ensuring that our service levels are on target • Optimising our cost of delivery through standardisation and simplification • Investing internally in Group change programmes to improve our shared service centre and support services • Ongoing contract management • Building on existing customer relations
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"> • We have an established structure for employee performance and development monitoring • A clear recruitment strategy and graduate recruitment and development programme attracts high-potential employees. • Significant investment in leadership training programmes underpins our succession plans, and develops our employees
Financial risks	
Risk	Mitigating Actions
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	<p>We continue to manage our financial risk 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</p>

Our people

Developing talent

Following significant progress with leadership development efforts in 2013, we turned our attention to the wider management population in 2014. Partnering with a management and leadership development consultancy, we took the innovative step of training a group of senior managers across the world to co-facilitate a very focused and practical management development programme. The programme features 360 degree feedback and incorporates a range of unique tools that internal research has shown will have the most significant impact on performance. Managers leave the programme committing to work on deliverables that will make an impact on their team or business unit as well as in their personal performance.

Our Sales Academy continues to improve our sales capability and embed best practice across the organisation. All sales professionals have now attended our 'Growing and Winning Business' programme which has enabled a common language and methodology for sales across Xchanging. The tools taught on the workshop have been built into 'how we sell' and have been incorporated into core sales processes.

Mini CEOs Programme (Case Study)

A unique development programme was created with the Indian School of Business, which featured a five day event on the campus in Hyderabad, covering business strategy, innovation and leadership. This was followed by a series of live webinars with faculties from top business schools across the world and six 'action learning projects', which have laid the foundations for fundamental change and growth across the Application Services business.

In order to continue to achieve 'One Xchanging', we have continued the transformation of our HR function, which was initiated in 2013. We have now nearly completed the implementation of the Workday HR information system and the creation of a global HR shared service organisation, incorporating day-to-day HR support, recruitment and learning and development.

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.

The number of employees as on 31 December, 2014 were 984.

¹ Horses for Sources: Outsourcing is Dead, Long Live Outsourcing!, June 2013

² Accenture: Every Business is a Digital Business: From Digitally Disrupted to Digital Disrupter, 2014

CORPORATE GOVERNANCE REPORT

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

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

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

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

2. BOARD OF DIRECTORS:

a. Composition of Board of Directors:

The Board of Directors as on 31 December 2014 comprised of 4 Directors of which 3 are Non – Executive Directors. The Chairman is a Non – Executive Director. The number of Independent Directors on the Board is 2, which is 50% of the total number of Directors. The composition of Board is in conformity with Clause 49 of the listing agreement entered into with the Stock Exchanges.

Membership in Board and Sub-Committees of the Directors of the Company as on 31 December 2014 – other than Xchanging Solutions Limited (the Company)

Name of the Director	Promoter / Executive / Non Executive / Independent	No. of outside Directorships of public companies [@]	No. of outside Board level committees where chairperson or member [#]	
			Member	Chairman
David Bauernfeind	Promoter- Non Executive Director	None	-	-
Alok Kumar Sinha	Promoter - Executive Director	None	-	-
Ashok Kumar Ramanathan	Independent Director	None	-	-
Henry D Souza	Independent Director	1	-	-

[@] Excludes Directorships held in private limited companies, foreign companies, membership of management committees of various chambers / bodies / Section 25 Companies of the Companies Act, 1956 (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 listed companies. None of the Directors on the Board is a Member of more than 10 committees or Chairman of more than 5 Committees across all the companies in which they are Director.

b. Meeting and Attendance of each Director:

During the year ended 31 December 2014, total of 5 Board meetings (including board meetings via video conferencing) were held, the dates being 28 February 2014, 15 May 2014, 02 June 2014, 11 August 2014 and 07 November 2014 and the attendance of the Directors' is as follows:

Name of the Director	Category	Number of Board Meetings attended	Leave of Absence Granted	Attendance at the last AGM held on 02 June 2014
Kenneth Lever*	Promoter - Executive Chairman	4	1	Yes
David Bauernfeind*	Promoter - Non Executive Director & Chairman	5	Nil	Yes
Ashok Kumar Ramanathan	Independent Director	5	Nil	Yes
Henry D Souza	Independent Director	5	Nil	Yes
Alok Kumar Sinha*	Promoter - Executive Director	1	Nil	NA

c) Remuneration of Directors:

The remuneration paid to the directors during the year ended 31 December 2014, other than sitting fees.

Sl. No.	Name of the Director	Remuneration paid (Amt. in Rs.)
1.	Kenneth Lever*	Nil
2.	David Bauernfeind*	Nil
3.	Ashok Kumar Ramanathan	Nil
4.	Henry D Souza	Nil
5.	Alok Kumar Sinha*	5,40,000

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.
(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 November 07, 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

Shareholding of the Non-Executive Directors in the Company as on 31 December, 2014.

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

* Kenneth Lever stepped down from the Board of directors with effect from Nov 7, 2014 and Alok Kumar Sinha has been appointed as whole time director and Chief Executive Officer of the Company with effect from Nov 7, 2014. Designation of David Bauernfeind has been changed to Non-Executive director and Chairman with effect from Nov 8, 2014.

3. AUDIT COMMITTEE:

- The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreement read with Section 177 of the Companies Act, 2013 (corresponding to the erstwhile section 292A of the Companies Act, 1956).
- The role, duties and powers of the Audit Committee are as laid down under Clause 49 of the Listing Agreement and Section 177 of the Companies Act, 2013 and as described under Audit Committee charter are as follows:

The role of the audit committee includes the following:

- 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;
- Recommendation for appointment, remuneration and terms of appointment of auditors of the company;
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013
 - Changes, if any, in accounting policies and practices and reasons for the same
 - Major accounting entries involving estimates based on the exercise of judgment by management
 - Significant adjustments made in the financial statements arising out of audit findings
 - Compliance with listing and other legal requirements relating to financial statements
 - Disclosure of any related party transactions
 - Qualifications in the draft audit report
- Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds 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;
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.

Composition of the Audit Committee

The composition of the Audit Committee as on 31 December, 2014 was as follows :

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

During the year under review, four meetings of the Audit Committee (including meetings via video conferencing) were held, the dates being 28 February 2014, 15 May 2014, 11 August 2014 and 07 November 2014 and the attendance of the members is as follows.

The attendance for the Audit Committee meetings is as follows:

Name of the Member of the Committee	No. of Meetings Attended	Leave of Absence granted
Ashok Kumar Ramanathan	4	Nil
Henry D Souza	4	Nil
David Bauernfeind	4	Nil

Mr. Ashok Kumar Ramanathan is the Chairman of the Committee and Company Secretary of the Company acts as Secretary of the Committee.

The previous Annual General Meeting of the Company was held on 02 June 2014 and the Chairman of the Audit Committee was present at the Annual General Meeting of the Company.

4. 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 read with Section 178 of the Companies Act, 2013.
2. The role, duties and powers of the Nomination and Remuneration Committee are as laid down under Clause 49 of the Listing Agreement and Section 178 of the Companies Act, 2013 and as described under Nomination and Remuneration Committee charter 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. Henry D Souza
3. Mr. David Bauernfeind

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

During the year under review, only one meeting of Nomination and Remuneration Committee was held on Nov 7, 2014 and Mr. Ashok Kumar Ramanathan and Mr. Henry D Souza were present at the meeting.

The Board of Directors in its meeting held on 7 November, 2014 has approved the Nomination and Remuneration policy of the Company, based on the recommendation of the Nomination and Remuneration Committee. The Nomination and Remuneration Policy of the Company is available at <http://www.xchanging.com/investor-relations/xsl-content>.

5. 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 read with Section 178 of the Companies Act, 2013. The existing Shareholders/ Investors' Grievances Committee of the Board stands dissolved with the constitution of the Stakeholders relationship Committee.
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, non-receipt of declared dividends.

The composition of the Committee is as follows

1. Mr. Ashok Kumar Ramanathan
2. Mr. Henry D Souza
3. Mr. Alok Kumar Sinha

Mr. Ashok Kumar Ramanathan is the Chairman of the Committee. Company Secretary of the Company is the compliance officer.

During the year under review, there were 9 meetings of Shareholders/ Investors' Grievances Committee were held and one meeting of Stakeholder's Relationship Committee was held on 7 November, 2014 in which Mr. Ashok Kumar Ramanathan was Chairman

During the year 2014, no complaints of the shareholders were received.

CEO / CFO CERTIFICATION

The Board of Directors has received certificate from Mr. Alok Kumar Sinha, Executive Director and Chief Executive Officer and Mr. Vinod Goel, Chief Financial Officer as per the requirements of Clause 49 of the Listing Agreement and the Certificate is annexed to this Report in Annexure I.

CODE OF CONDUCT

The Board has formulated and adopted a Code of Conduct for all Board Members and Senior Management Personnel of the Company. Affirmation Report on Compliance of Code of Conduct has been received from the Board Members and Senior Management Personnel of the Company. A declaration to that effect is given in the CEO/CFO Certificate annexed to the report.

6. GENERAL BODY MEETINGS:

6.1 ANNUAL GENERAL MEETING

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

Date	Time	Venue	Special Resolutions Passed	Directors' Attendance at AGM
02 June 2014	10 am	SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore – 560 066	a. Approval of appointment of Mr. Kenneth Lever as whole time director and designated as Executive Chairman and Chief Executive Officer of the company for a period of 3 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	a. Alteration of other objects clause of the memorandum of association of the Company.	1. Kenneth Lever 2. David Bauernfeind 3. Ashok Kumar Ramanathan
22 May 2012	10 am	SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore – 560 066	a. Approval of appointment of Mr. David Bauernfeind as Executive Director of the Company. b. Changing the name of the Company.	1. Kenneth Lever 2. David Bauernfeind 3. Ashok Kumar Ramanathan

6.2 Extraordinary General Meeting:

No Extra Ordinary General meeting was conducted during the year ended 31 December 2014.

6.3 Postal Ballot:

The Company has not passed any resolution through Postal Ballot during the year ended 31 December 2014.

6.4 Special resolution proposed to be conducted through postal ballot: None of the businesses proposed to be transacted at the ensuing Annual General Meeting requires passing of resolution through Postal Ballot.

7. DISCLOSURES:

- i. There are no materially significant related party transactions of the Company which have 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 Board of directors in its meeting held on 7 November, 2014 has approved the Material Subsidiary Policy of the Company. The Material Subsidiary Policy of the Company is available at <http://www.xchanging.com/investor-relations/xsl-content>

- iii. 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>.
- iv. 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
- v. In accordance with the requirement of Section 177 of the Companies Act, 2013 and the Rules made thereunder and clause 49 of the Listing Agreement, the Company has formulated a 'Vigil Mechanism/ Whistle Blower Policy'. The Whistle Blower policy is closely monitored by internal auditor. No personnel has been denied access to the Audit Committee.
- vi. The Company has not adopted a treatment different from that prescribed in accounting standards.
- vii. There are no pecuniary relationship or transactions between Non-Executive directors and the Company.
- viii. Details of compliance with mandatory requirements and adoption of non-mandatory requirements of Clause 49: The Company has complied with all the mandatory requirements of Clause 49 of the listing agreement.

8. MEANS OF COMMUNICATION:

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

The details of financial information are also available at <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	:	25th May, 2015 at 10:00 AM
Venue	:	Regd. Office: SJR I - Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore 560 066

2. Financial Calendar

The financial calendar of the Company is reproduced below:

Annual General Meeting	25th May, 2015 at 10:00AM
Results for quarter ending March 31, 2015	May 2015
Results for quarter ending June 30, 2015	Aug 2015
Results for quarter ending September 30, 2015	Nov 2015
Results for year ending December 31, 2015	February / March 2016

3. Book closure : 12 May 2015 to 25 May 2015 (both days inclusive)
 4. Dividend payment date : NIL
 5. **Listing on the Stock Exchanges**

Equity Shares of the Company are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. Annual Listing fee for the year 2014-15, has been paid to the above Stock Exchanges.

The annual custodial fee for the year 2014-15 has been paid to both NSDL and CDSL.

Stock Code:

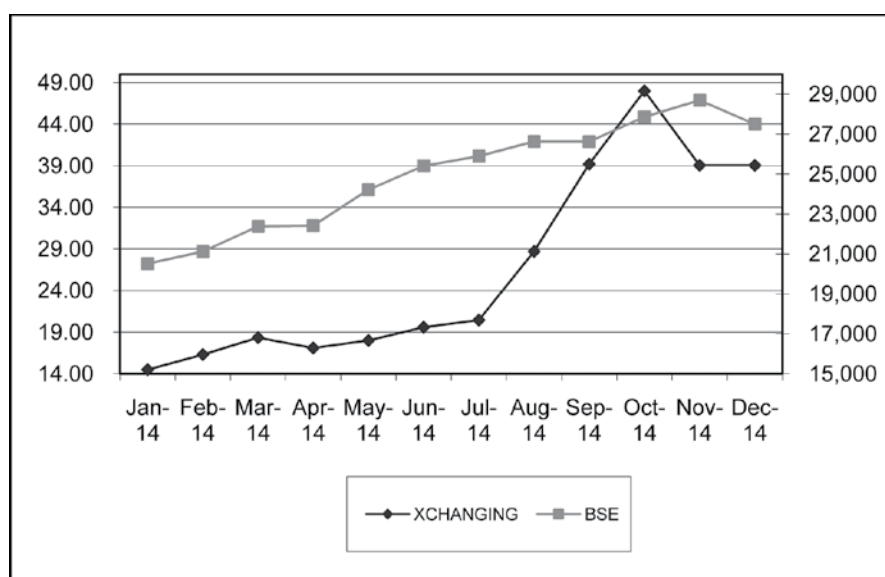
NSE : XCHANGING

BSE : 532616

6. **Market Price data**

Month & Year	Share price of Xchanging Solutions Limited (NSE)			Share price of Xchanging Solutions Limited (BSE)		
	High (Rs.)	Low (Rs.)	Close (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)
January 2014	18.30	12.30	14.40	18.61	12.34	14.49
February 2014	17.45	12.15	16.20	17.80	12.50	16.31
March 2014	21.90	16.40	18.35	22.00	15.70	18.35
April 2014	21.20	16.15	17.00	21.20	16.65	17.10
May 2014	21.80	15.00	18.05	22.25	15.40	18.00
June 2014	21.85	17.45	19.75	21.75	17.45	19.60
July 2014	25.50	17.90	20.20	25.45	17.30	20.45
August 2014	28.25	19.50	28.25	28.70	19.50	28.70
September 2014	50.30	29.45	39.55	51.20	29.00	39.20
October 2014	48.60	34.50	48.50	49.45	35.30	48.00
November 2014	50.45	37.05	38.95	49.60	37.75	39.05
December 2014	44.50	34.20	39.25	45.85	34.15	39.05

7. **Performance of share price in comparison to BSE SENSEX**



8. **Registrars 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
 E mail : einward.ris@karvy.com
 Website : www.karvy.com

9. **Share Transfer System:**

Shares sent for transfer in physical form are normally registered by our Registrars and Share Transfer Agents within 15 days of receipt of the documents, if the same are found in order 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. a. **Shareholding Pattern**

Categories of Shareholding as on 31 December 2014

Category	No. of Shares held	% of shareholding
Promoters	83,552,787	75.00%
Banks, FIs, Insurance Companies, Mutual Funds	404,182	0.36%
FII's	1,117	0.00%
Private Corporate Bodies	1,174,633	1.05%
Indian Public	5,242,770	4.71%
NRIs/OCBs/Foreign National	16,827,979	15.11%
Others	4,200,248	3.77%
Grand Total	111,403,716	100.00%

b. **Distribution of shareholding as on 31 December 2014**

No. of shares	No. of shareholders	% of total shareholders	No. of shares held	% to total equity
1 - 5000	18034	99.15	3,860,942	3.47%
5001 - 10000	80	0.44	583,925	0.52%
10001 - 20000	41	0.23	617,634	0.55%
20001 - 30000	13	0.07	312,416	0.28%
30001 - 40000	2	0.01	71,458	0.06%
40001 - 50000	2	0.01	94,559	0.08%
50001 - 100000	6	0.03	464,044	0.42%
100001 & Above	10	0.05	105,398,738	94.61%
Total	18188	100%	111,403,716	100%

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

The Company's shares are compulsorily traded in dematerialized form. The Company has arrangements with both National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) for demat facility. As on 31st December, 2014, 107,094,665 shares representing 96.13% of the Company's total shares were held in dematerialized form and the balance 4,309,051 shares representing 3.87% of the Company's total shares were in physical form. The Company's shares are regularly traded on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

ISIN No.: INE 692G01013

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

There are no outstanding GDRs/ADRs/Warrants

13. Plant locations :

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

14. Address for Correspondence:

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

Registered Office	Registrars and Transfer Agents
Xchanging Solutions Limited SJR I-Park, Plot 13, 14, 15. EPIP Industrial Area, Phase I Whitefield, Bangalore 560066, India. Phone +91 080 3054 0000 Fax +91 080 4115 7394 Email:compliance@asia.xchanging.com	Karvy Computershare Private Limited Karvy 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

The above report has been placed before the Board at its meeting held on 27 February 2015 and the same was approved.

15. No. of shares traded during the year ended 31 December 2014:

BSE : 2,736,606 Shares

NSE : 2,838,256 Shares

16. Compliance Certificate by Practicing Company Secretary :

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

Annexure I

CEO/CFO CERTIFICATION

To

The Board of Directors
Xchanging Solutions Limited
Bangalore

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 2014 and that to the best of our knowledge and belief:
 - (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems and we have disclosed to the auditors and the Audit committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit Committee:
 - (i) There are no significant changes in the internal control over financial reporting during the year ended 31 December 2014.
 - (ii) There are no significant changes in the accounting policies during the year ended 31 December 2014.
 - (iii) There have been no instances of significant fraud of which we have become aware or involvement therein of the management or an employee having a significant role in the division's internal control over financial reporting.
- e. We further declare that all Board members and senior personnel have affirmed compliance with the code of conduct for the current year.

Alok Kumar Sinha
Executive Director and Chief Executive Officer

Vinod Goel
Chief Financial Officer

Place : Bangalore

Date : February 27, 2015

Annexure II

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 December 31, 2014, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

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

Sudhir V. Hulyalkar

Company Secretary in Practice
FCS No: 6040, CP No. 6137

Place : Bangalore

Date : 16.02.2015

INDEPENDENT AUDITORS' REPORT

To the Members of Xchanging Solutions Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Xchanging Solutions Limited (the "Company"), which comprise the Balance Sheet as at December 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 (the "Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2014;
 - (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

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

Report on other Legal and Regulatory Requirements

8. As required by 'the Companies (Auditor's Report) Order, 2003', as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
9. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
 - (e) On the basis of written representations received from the directors as on December 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016
(Formerly Price Waterhouse FRN: 012754N)

Suchita Sharma

Partner

Membership Number: 073897

Place : Bengaluru

Date : February 27, 2015

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 8 of the Independent Auditors' Report of even date to the members of Xchanging Solutions Limited on the financial statements as of and for the year ended December 31, 2014

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

- b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of sales-tax, wealth-tax, service-tax and customs duty which have not been deposited on account of any dispute. The particulars of dues of income tax as at December 31, 2014 which have not been deposited on account of a dispute are as follows:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
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	The Deputy Commissioner of Income Tax, Bangalore

(*) 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. 10,000,000 has been deposited "under protest" by the Company

- x. The accumulated losses of the Company did not exceed fifty percent of its net worth as at December 31, 2014 and it has not incurred cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company.
- xiii. As the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.
- xv. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of Clause 4(xv) of the Order are not applicable to the Company.

- xvi. In our opinion, and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.
- xix. The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company.
- xx. The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

For Price Waterhouse Chartered Accountants LLP

Firm Registration Number: 012754N/N500016

(Formerly Price Waterhouse FRN: 012754N)

Suchita Sharma

Partner

Membership Number:073897

Place : Bengaluru

Date : February 27, 2015

BALANCE SHEET

XCHANGING SOLUTIONS LIMITED BALANCE SHEET

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

	Note	As at	
		Dec 31, 2014	Dec 31, 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	11,140	11,140
Reserves and surplus	4	6,347	5,625
		<u>17,487</u>	<u>16,765</u>
Non-current liabilities			
Long-term borrowings	5	158	126
Other long-term liabilities	6	32	17
Long-term provisions	7	302	560
		<u>492</u>	<u>703</u>
Current liabilities			
Trade payables	8	1,939	1,928
Other current liabilities	9	2,558	2,867
Short-term provisions	10	2,703	1,815
		<u>7,200</u>	<u>6,610</u>
TOTAL		<u>25,179</u>	<u>24,078</u>
ASSETS			
Non-Current Assets			
Fixed assets			
(i) Tangible assets	11	704	635
(ii) Intangible assets	12	20	43
(iii) Capital work-in progress		-	17
Non-current investments	13	5,186	5,874
Deferred tax assets (net)	41	997	621
Long-term loans and advances	14	3,924	3,354
Other non-current assets	15	134	105
		<u>10,965</u>	<u>10,649</u>
Current Assets			
Trade receivables	16	5,084	4,270
Cash and bank balances	17	5,948	5,053
Short-term loans and advances	18	871	1,798
Other current assets	19	2,311	2,308
		<u>14,214</u>	<u>13,429</u>
TOTAL		<u>25,179</u>	<u>24,078</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
(Formerly Price Waterhouse, FRN 012754N)

Suchita Sharma
Partner
Membership Number: 073897
Place : Bengaluru
Date : February 27, 2015

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

David Bauernfeind
Non Executive Director & Chairman
Place : London
Date : February 27, 2015

Alok K Sinha
Executive Director & Chief Executive Officer
Place : Bangalore
Date : February 27, 2015

Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : February 27, 2015

Divya Pant
Company Secretary
Place : Bangalore
Date : February 27, 2015

STATEMENT OF PROFIT AND LOSS

XCHANGING SOLUTIONS LIMITED STATEMENT OF PROFIT AND LOSS

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

	Note	For the year ended	
		Dec 31, 2014	Dec 31, 2013
Revenue			
Revenue from operations	22	14,958	11,211
Other income	23	1,414	1,855
Total Revenue		<u>16,372</u>	<u>13,066</u>
Expenses			
Employee benefits expense	24	7,365	6,034
Other operating costs	25	6,641	3,848
Finance costs	26	20	17
Depreciation and amortisation	27	450	434
Total Expenses		<u>14,476</u>	<u>10,333</u>
Profit before exceptional items and tax		1,896	2,733
Exceptional items - Gain/ (loss)	29	(515)	165
Profit/ (Loss) before tax		<u>1,381</u>	<u>2,898</u>
Tax Expense			
Current tax- for the year		1,035	1,365
Current tax- for the earlier years		-	150
MAT Credit Entitlement		-	(150)
Net Current tax		1,035	1,365
Deferred tax charge/ (credit)	41	(376)	(621)
Total Tax Expense		<u>659</u>	<u>744</u>
Profit for the year		<u>722</u>	<u>2,154</u>
Earnings per Equity Share	36		
[Nominal value per share Rs.10 (2013: Rs.10)]			
Basic		0.65	1.93
Diluted		0.65	1.93

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
(Formerly Price Waterhouse, FRN 012754N)

Suchita Sharma
Partner

Membership Number: 073897
Place : Bengaluru
Date : February 27, 2015

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

David Bauernfeind
Non Executive Director &
Chairman
Place : London
Date : February 27, 2015

Alok K Sinha
Executive Director &
Chief Executive Officer
Place : Bangalore
Date : February 27, 2015

Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : February 27, 2015

Divya Pant
Company Secretary
Place : Bangalore
Date : February 27, 2015

CASH FLOW STATEMENT

XCHANGING SOLUTIONS LIMITED Cash Flow Statement

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

	For the year ended	
	Dec 31, 2014	Dec 31, 2013
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	1,381	2,898
Adjustments for:		
Depreciation and amortisation	450	434
(Profit) / Loss on sale of fixed assets	(11)	1
Foreign exchange (gain)/ loss - unrealised	(452)	(643)
Interest income	(498)	(455)
Provision for doubtful advances/security deposits	580	(249)
Provision for doubtful debts	(446)	(68)
Provision for diminution in value of investments	688	-
Liabilities no longer required written back	-	(435)
Other provisions no longer required written back	(396)	-
Bad debts written off	295	155
Advances written off	-	73
Interest expense	20	17
Operating profit before working capital changes	1,611	1,728
Changes in working capital:		
(Increase) / Decrease in trade receivables	(28)	592
(Increase) / Decrease in other current assets	117	(215)
(Increase) / Decrease in other non current assets	-	-
(Increase) / Decrease in current loans and advances	959	388
(Increase) / Decrease in non current loans and advances	(1,232)	360
Increase / (Decrease) in trade payables	(173)	133
Increase / (Decrease) in other current liabilities	83	533
Increase / (Decrease) in other long-term liabilities	15	(90)
Increase / (Decrease) in provisions	(195)	(41)
Cash generated from operations	1,157	3,388
Taxes paid (net of refunds)	(210)	(259)
Net cash generated from operating activities (A)	947	3,129
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of tangible / intangible assets	(503)	(455)
Proceeds from sale of tangible assets	35	32
Loans and advances to fellow subsidiaries	82	(125)
Long term deposits with banks with maturity period more than 3 months but less than 12 months	431	(435)
Long term deposits with banks with maturity period more than 12 months	(29)	(88)
Interest received	351	302
Net cash (used in)/ generated from investing activities (B)	367	(769)

Contd.....

Cash Flow Statement

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

	For the year ended	
	Dec 31, 2014	Dec 31, 2013
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	118	138
Repayment from long-term borrowings	(86)	(111)
Interest paid	(20)	(17)
Net cash generated from financing activities (C)	12	10
Net increase in cash and cash equivalents (A + B + C)	1,326	2,370
Cash and cash equivalents at the beginning of the year	4,615	2,245
Cash and cash equivalents at the end of the year	5,941	4,615
Components of cash and cash equivalents:		
Cash on hand	-	-
Balances with banks:		
In current accounts	1,104	1,521
Demand deposits (less than 3 months maturity)	4,850	3,105
Effect of exchange differences on balances with banks in foreign currency	(13)	(11)
	5,941	4,615

Notes:

- The above Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard - 3 on Cash Flow Statements as notified under Section 211(3C) of the Companies Act, 1956.
- Figures in brackets indicate cash outflow.
- 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
(Formerly Price Waterhouse, FRN 012754N)

Suchita Sharma Partner

Membership Number: 073897
Place : Bengaluru
Date : February 27, 2015

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

David Bauernfeind
Non Executive Director &
Chairman
Place : London
Date : February 27, 2015

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Executive Director &
Chief Executive Officer
Place : Bangalore
Date : February 27, 2015

Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : February 27, 2015

Divya Pant
Company Secretary
Place : Bangalore
Date : February 27, 2015

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 erstwhile principal shareholders of the Company and Xchanging (Mauritius) Limited (XML), a wholly owned subsidiary of Xchanging Plc, a listed company incorporated in UK, and consequent open offer to public, XML now owns 75.00% (2013: 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.

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

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

Name of the shareholder	2014	2013
Xchanging (Mauritius) Limited	75.00%	75.00%
Scandent Holding Mauritius Limited	11.82%	11.82%
AON Minet Pension Scheme	3.77%	3.77%
Katra Finance Limited	2.70%	2.70%
Others	6.71%	6.71%
	100.00%	100.00%

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 circular 15/2013 dated September 13, 2013 read with circular 08/2014 dated April 4, 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, 1956.

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 Revised Schedule VI to the Companies Act, 1956. Based on the nature of services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non current classification of assets and liabilities.

2.2 Use of Estimates

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

2.3 Tangible Assets and Depreciation

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

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

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

2.4 Intangible Assets and Amortisation

Intangible assets are 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 Borrowing Costs

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

2.6 Lease accounting

As a lessee:

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

2.7 Investments

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

2.8 Impairment of assets

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

2.9 Revenue recognition

Revenue is recognised 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.

2.10 Other Income

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

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 Provisions and contingent liabilities

Provisions: Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date and are not discounted to its present value.

Provisions for onerous contracts (i.e., contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it) are recognised when it is probable that cash outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

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

2.16 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.

2.17 Project work expenses

Project work expenses represents amounts charged by sub-contractors. These expenses are recognised on an accrual basis.

2.18 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 investment with original maturities of three months or less.

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

	As at	
	Dec 31, 2014	Dec 31, 2013
3. SHARE CAPITAL		
Authorised capital:		
125,000,000 (2013: 125,000,000) Equity shares of Rs.10 each	12,500	12,500
Issued, subscribed and paid up capital:		
111,403,716 (2013: 111,403,716) Equity shares of Rs.10 each fully paid up	11,140	11,140
	11,140	11,140

a) Reconciliation of number of shares

Equity shares	As at Dec 31, 2014		As at Dec 31, 2013	
	Number of shares	Amount	Number of shares	Amount
Shares outstanding at the beginning of the year	111,403,716	11,140	111,403,716	11,140
Add / (Less): Movement during the year	-	-	-	-
Shares outstanding at the end of the year	111,403,716	11,140	111,403,716	11,140

b) Rights, preferences and restrictions attached to shares

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

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

Name of shareholder	As at Dec 31, 2014		As at Dec 31, 2013	
	Number of shares	Amount	Number of shares	Amount
Xchanging (Mauritius) Limited, the holding company	83,552,787	8,355	83,552,787	8,355

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

Name of shareholder	As at Dec 31, 2014		As at Dec 31, 2013	
	Number of shares held	Percentage	Number of shares held	Percentage
Xchanging (Mauritius) Limited	83,552,787	75.00	83,552,787	75.00
Scandent Holding Mauritius Limited (Refer note f)	13,167,551	11.82	13,167,551	11.82

e) Shares reserved for issue under options:

Particulars of employees stock options on unissued share capital have been disclosed in Note 28.

The total number of shares issued under ESOP in the last 5 years is as below:

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

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

f) Pursuant to SSI Limited (Information Technology division) merger scheme, the share capital of the erstwhile Scandent Holding Mauritius Limited as at March 31, 2004 was reduced from Rs.3,284 (2013: Rs.3,284) to Rs.1,316 (2013: Rs.1,316) and the capital reduction of Rs.1,968 (2013: 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) Reduction of Share Capital

The Board of Directors in their meeting held on February 27, 2015 had approved the proposed reduction of Share Capital so as to reduce the fully paid-up face value of equity shares from Rs 10/- per share to Rs 5/- per share, subject to the approval of the Members and the Hon'ble Karnataka High Court. Pursuant to the scheme of reduction of share capital u/s 100 to 104 of the Companies Act, 1956 and after obtaining required approvals, the proposed Capital Reduction would result in the paid-up share capital of the Company being reduced from Rs.1,114,037,160 (Rupees one hundred and eleven crores forty lakhs thirty seven thousand one hundred and sixty only) comprising of 111,403,716 (eleven crores fourteen lakhs three thousand seven hundred and sixteen) equity shares of Rs. 10/- (Rupees Ten) each fully paid up to Rs.557,018,580 (Rupees Fifty Five Crore Seventy Lakhs Eighteen Thousand Five Hundred and Eighty Only) comprising of 111,403,716 (eleven crores fourteen lakhs three thousand seven hundred and sixteen) equity shares of Rs. 5/- (Rupees Five) each fully paid up. The proposed capital reduction is to compensate the shareholders by return of cash on their investment.

	As at	
	Dec 31, 2014	Dec 31, 2013
4 RESERVES AND SURPLUS		
Capital reserve (Refer Note below)	57	57
Securities premium:		
Balance as at the beginning of the year	8,417	8,417
Balance as at end of the year	8,417	8,417
Stock compensation adjustment:		
Balance as at the beginning of the year	7	7
Balance as at the end of the year	7	7
Surplus in Statement of Profit and Loss		
Balance as at the beginning of the year	(2,856)	(5,010)
Profit for the year	722	2,154
Balance as at the end of the year	<u>(2,134)</u>	<u>(2,856)</u>
	<u>6,347</u>	<u>5,625</u>

Note:

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

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

	As at	
	Dec 31, 2014	Dec 31, 2013
5 LONG-TERM BORROWINGS (Refer note 2.5)		
Secured		
From Bank:		
Loan for purchase of Tangible assets	158	126
	158	126
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 2-5 years		
c) Interest rate: 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	15	-
Payable to landlord	17	17
	32	17
7 LONG-TERM PROVISIONS (Refer note 2.12, 2.15, 24 and 40)		
Provision for employee benefits :		
Provision for compensated absences	-	14
Provision for gratuity	269	293
Provision for long service award	33	48
	302	355
Other provisions :		
Provision for Litigation	-	32
Provision for Onerous lease Contract	-	173
	-	205
	302	560
8 TRADE PAYABLES		
Due to:		
Micro small and medium enterprises [Refer note(i)]	-	-
Subsidiaries	478	337
Other Related parties	484	551
Others	977	1,040
	1,939	1,928

Notes:

- (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').

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

	As at	
	Dec 31, 2014	Dec 31, 2013
9 OTHER CURRENT LIABILITIES		
(Refer note 2.5, 2.9 and 2.11)		
Current maturities of long-term borrowings	54	54
Unamortised premium on forward contracts	35	24
Deferred Revenue	229	489
Employee benefits payable	702	799
Creditors for capital goods	7	6
Advances from customers	11	-
Statutory dues	121	99
Foreign currency payable under forward contracts	1,399	1,396
	2,558	2,867
10 SHORT-TERM PROVISIONS		
(Refer note 2.12, 2.13 and 24)		
Provision for employee benefits :		
Provision for compensated absences	49	8
Provision for gratuity	83	60
Provision for long service award	16	17
Other provisions:		
Provision for taxation [Net of advance tax Rs. 2,418 (2013: Rs. 2,211)]	2,555	3,140
(Less): Adjustment of MAT Credit Entitlement pertaining to previous year	-	(1,410)
	2,703	1,815

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

11 TANGIBLE ASSETS

(Refer note 2.2, 2.3 and 2.8)

	Gross Block			Depreciation				Net Block	
	As at January 1, 2014	Additions	Deletions/ Adjustments	As at December 31, 2014	For the year	Deletions/ Adjustments	As at December 31, 2014	As at December 31, 2014	As at December 31, 2013
Leasehold improvements	523	8	-	531	111	-	483	48	151
Computers	1,657	264	192	1,729	162	192	1,434	295	193
Vehicles	367	140	105	402	88	81	165	237	209
Office equipment	248	42	-	290	18	-	201	89	65
Furniture and Fittings	240	24	-	264	6	-	229	35	17
Total	3,035	478	297	3,216	385	273	2,512	704	635
2013	2,866	339	170	3,035	345	137	2,400	635	

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

12 INTANGIBLE ASSETS

(Refer note 2.2 and 2.4)

	Gross Block			Amortisation				Net Block	
	As at January 1, 2014	Additions	Deletions/ Adjustments	As at December 31, 2014	For the year	Deletions/ Adjustments	As at December 31, 2014	As at December 31, 2014	As at December 31, 2013
Computer software	734	42	-	776	65	-	756	20	43
Total	734	42	-	776	65	-	756	20	43
2013	640	94	-	734	89	-	691	43	
Grand Total	3,769	520	297	3,992	450	273	3,268	724	678
2013	3,506	433	170	3,769	434	137	3,091	678	-

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

	As at	
	Dec 31, 2014	Dec 31, 2013
13 NON-CURRENT INVESTMENTS		
(Unquoted, at cost, unless otherwise stated, fully paid-up)		
Other than trade (Refer note 2.7, 30 and 31)		
In Subsidiary Companies :		
Xchanging Solutions (Singapore) Pte Limited, Singapore 2,300,000 (2013: 2,300,000) ordinary shares of Singapore\$1 each	7	7
Xchanging Solutions (Europe) Limited, UK 2,664,278 (2013: 2,664,278) ordinary shares of GBP 1 each (Less): Provision for diminution in value of investment	2,222 (2,222)	2,222 (1,534)
Xchanging Solutions (USA) Inc, USA 9,930,062 (2013: 9,930,062) common stock of US\$1 each (Less): Provision for diminution in value of investment	11,224 (6,045)	11,224 (6,045)
	<u>5,186</u>	<u>5,874</u>
Aggregate amount of unquoted investments	13,453	13,453
Aggregate provision for diminution in value of investments	(8,267)	(7,579)
14 LONG-TERM LOANS AND ADVANCES (Refer note 2.2, 30 and 31)		
Unsecured, considered good (unless otherwise stated)		
Loans and advances to related parties:		
Subsidiaries :		
- Considered doubtful (Less): Provision for doubtful advances		17,283 (17,283)
Fellow subsidiaries:		
- Considered good		1,868
Security deposits:		
- Considered good - Considered doubtful (Less): Provision for doubtful security deposits		276 146 (146)
Advances recoverable in cash or kind		
- Considered good - Considered doubtful (Less): Provision for doubtful advances		1,230 38 (38)
Balances with Government Authorities		
- Considered good - Considered doubtful (Less): Allowance for doubtful advances		549 1,002 (1,002)
Other loans and advances		
- Prepaid expenses		1
	<u>3,924</u>	<u>3,354</u>

Note: As at December 31, 2014, the loans and advances balance of Rs. 17,283 (2013: 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.

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

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

Dues from subsidiaries (Includes loans & advances and expense receivable)	Maximum amount due at anytime during the year	Balance as at December 31, 2014
Xchanging Solutions (Europe) Limited	94	69
Xchanging Solutions (Singapore) Pte Limited	27	26
Xchanging Solutions (USA) Inc	17,476	17,377
		17,472
(Less): Provision for doubtful loan and advances		(17,283)
		<u>189</u>

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

15 OTHER NON-CURRENT ASSETS

Long term deposits with banks with maturity period more than 12 months
[Held as lien by bank Rs 126 (2013 Rs 105)]

134	105
<u>134</u>	<u>105</u>

Fixed Deposits with Banks include:

Rs. 126 (Previous Year Rs. 105) which are under lien for issue of bank guarantees

16 TRADE RECEIVABLE

Unsecured, considered good:

Outstanding for a period exceeding 6 months from the date they are due for payment	610	659
Others	4,474	3,611

Unsecured, considered doubtful:

Outstanding for a period exceeding 6 months from the date they are due for payment	161	607
Less: Provision for doubtful debts	(161)	(607)
	<u>5,084</u>	<u>4,270</u>

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

	As at	
	Dec 31, 2014	Dec 31, 2013
17 CASH AND BANK BALANCES (Refer note 2.18)		
Cash and Cash equivalents		
Cash on hand	-	-
Bank balances		
In current accounts	1,091	1,510
Demand Deposit (less than 3 months maturity)	4,850	3,105
	<u>5,941</u>	<u>4,615</u>
Other bank balances		
Long Term Deposit with maturity more than 3 months but less than 12 months	7	438
	<u>5,948</u>	<u>5,053</u>
Fixed Deposits with Banks include: Rs. 7 (Previous Year Rs. 36) which are under lien for issue of bank guarantees		
18 SHORT-TERM LOANS AND ADVANCES (Refer note 2.2)		
Unsecured considered good unless otherwise stated		
Loans and advances to related parties:		
Subsidiaries:		
Expenses recoverable	189	230
Fellow subsidiaries:		
Loans and advances	345	259
Security deposits	-	160
Balances with Government Authorities		
- Considered good	17	46
- Considered doubtful	10	25
Less: Allowance for doubtful advances	(10)	(25)
Other Loans and Advances		
- Prepaid Expenses	61	129
- Others:		
Considered Good	259	974
Considered Doubtful	-	407
Less: Provision for doubtful advances	-	(407)
	<u>871</u>	<u>1,798</u>
19 OTHER CURRENT ASSETS (Refer note 2.11)		
Unsecured considered good unless otherwise stated		
Foreign currency receivable under forward contracts	1,439	1,466
Unbilled revenue	499	616
Interest accrued on loans to fellow subsidiaries	342	164
Interest accrued on bank deposits	31	62
	<u>2,311</u>	<u>2,308</u>

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

	As at	
	Dec 31, 2014	Dec 31, 2013
20 CONTINGENT LIABILITIES (Refer Note 2.15)		
(i) Bank guarantees	127	135
(ii) Claims against the Company not acknowledged as debts:		
Income tax matters [Note (b)]	2,128	2,060
Service tax matters [Note (c)]	2,359	2,359
	4,614	4,554

(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 or result in a material impact on the financial statements. Therefore, no provision is required to be made at this stage.

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.

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

	For the year ended	
	Dec 31, 2014	Dec 31, 2013
24 EMPLOYEE BENEFIT EXPENSE (Refer note 2.12)		
Salaries, allowances and bonus	6,737	5,505
Contribution to provident and other funds	341	284
Gratuity and compensated absences	70	47
Staff welfare	217	198
	7,365	6,034

(a) Defined Contribution Plans

Provident Fund and Other Funds: During the year, the Company has recognised Rs. 341 (2013: Rs. 284) 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, 2014	Dec 31, 2013
(i) Present Value of Defined benefit obligation		
Balance at the beginning of the year	353	342
Current Service Cost	62	64
Interest Cost	31	30
Actuarial (Gains) / Losses	(23)	(19)
Benefits paid	(71)	(64)
Balance at the end of the year	352	353
(ii) Assets and Liabilities recognised in the Balance Sheet		
Present Value of Defined Benefit Obligation	352	353
(Less): Fair Value of Plan Assets	-	-
Amounts recognised as liability	352	353
Recognised under:		
Long-term provisions (Refer Note 7)	269	293
Short-term provisions (Refer Note 10)	83	60
	352	353

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

	For the year ended	
	Dec 31, 2014	Dec 31, 2013
(iii) Expense recognised in the Statement of Profit and Loss		
Current Service Cost	62	64
Interest Cost	31	30
Actuarial (Gains) / Losses	(23)	(19)
Total Expense	70	75

	As at	
	Dec 31, 2014	Dec 31, 2013
(iv) Actuarial Assumptions		
Discount Rate	8.09%	8.75%
Expected Return on Plan Assets	N/A	N/A
Attrition Rate	25%	20%
Increase in Compensation Cost	8.75%	10%
Retirement Age	65	65

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

	As on December 31, 2014	As on December 31, 2013	As on December 31, 2012	As on December 31, 2011	As on December 31, 2010
Defined Benefit Obligation	352	353	342	326	434
Fair Value of plan assets at the end of the year	-	-	-	-	160
Amount recognized in Balance Sheet (Liability)	(352)	(353)	(342)	(326)	(274)
Experience adjustments in plan assets gains / (losses)	-	-	-	-	4
Experience adjustments in plan liabilities gains / (losses)	23	19	13	12	(14)
(Gains) / losses due to change in assumptions	-	-	4	1	4

Notes:

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

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

	As at	
	Dec 31, 2014	Dec 31, 2013
25 OTHER OPERATING COSTS (Refer note 2.6, 2.11 and 2.17)		
Project work expenses	2,422	942
Travelling and conveyance	701	437
Rent	393	332
Recruitment and relocation	63	97
Communication	265	258
Power and fuel	196	193
Insurance	65	76
Rates and taxes	1	8
Repairs and maintenance:		
Computer equipment	186	146
Others	187	167
Legal and professional	304	243
Training and development	123	37
Printing and Stationery	15	20
Business promotion	500	425
Bank charges	11	17
Customer claims/ warranties	67	171
Directors' fees (includes sitting fees)	15	8
Loss on sale of tangible assets	-	1
Foreign exchange loss (net)	143	-
Bad debts written off	295	155
Advances written off	-	73
Provision for doubtful advances	580	-
Miscellaneous	109	42
	6,641	3,848
Auditors' remuneration (*) (included under Legal and professional)		
Statutory audit	78	67
Limited review of quarterly financial results	16	14
Certifications	8	4
Out-of-pocket expenses	6	5
(*) Excludes service tax		
26 FINANCE COST (Refer note 2.5)		
Interest on long-term borrowings	20	17
	20	17
27 DEPRECIATION AND AMORTISATION EXPENSE (Refer note 2.2, 2.3 and 2.4)		
Depreciation on Tangible assets	385	345
Amortisation on Intangible assets	65	89
	450	434

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

28 a) EMPLOYEE STOCK OPTIONS PLAN (Refer Note 2.12 and 36)

	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 - 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.	

December 31, 2014		
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	-
December 31, 2013		
Options outstanding at the beginning of the year	425,946	87.33
Options granted during the year	-	-
Options forfeited during the year	-	-
Options exercised during the year	-	-
Options expired during the year	15,946	113.15
Options outstanding at the end of the year	410,000	86.33
Options exercisable at the end of the year	410,000	86.33
Weighted average remaining contractual life (in years)	0.86	-

	December 31, 2014	December 31, 2013
Net profit as reported	722	2,154
Net profit available for equity shareholders	722	2,154
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	722	2,154
Earnings per share		
Basic	0.65	1.93
Diluted	0.65	1.93

- b) During the year, the Company has recognised employee benefits expense amounting to Rs. NIL (2013: Rs. 3) on account of cross charge of 'Stock Options and Stock Incentive Plan' related cost as per the agreement entered into between certain employees of the Company and the Ultimate Holding Company (Xchanging plc, UK). This stock option scheme of Xchanging plc, UK is being managed and run by Xchanging plc, UK. Accordingly, other detailed disclosures required by the Guidance Note on 'Accounting for Employee Share-based Payments' issued by Institute of Chartered Accountants of India have not been made, as these do not pertain to information relating to the Company and such information is not available with the Company.

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

	As at	
	Dec 31, 2014	Dec 31, 2013
29 EXCEPTIONAL ITEMS (Refer Note 2.16, 31 and 40)		
The Company has recorded exceptional items aggregating to expense of Rs. 515 (2013: income of Rs. 165) as detailed below:		
(i) Provision for doubtful security deposit made/(written back) The Company, owing to the protracted discussions between the parties had estimated a portion of the security deposit to be doubtful of recovery and had made a provision towards security deposit to the extent considered doubtful of recovery in the previous year and disclosed as exceptional item. During the year, the Company has written back the provision made in the previous year in view of the settlement agreement reached with the party subsequent to the year end.	-	165
(ii) Provision for onerous lease In prior years, the Company held a lease which has become onerous and accordingly a provision has been made under the exceptional items. During the current period, the Company has reassessed this provision and decided that this provision is no longer required and the same is reversed under the exceptional items	173	-
(iii) 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)	-
	<u>(515)</u>	<u>165</u>
30 The Company has strategic gross investment amounting to Rs. 11,224 (2013: Rs. 11,224) in Xchanging Solutions (USA) Inc, USA, its wholly owned subsidiary. Based on assessment of diminution in the value of investments, the Company has made a provision of Rs. 6,045 (2013: 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 (2013: 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 (2013: Rs. 17,283) and also has receivables (net of payables and provision) from the subsidiary amounting to Rs. 1,214 (2013: Rs. 1,696). Based on the evaluation of recoverability, the net receivables is considered good and recoverable.		
31 The Company has strategic gross investments amounting to Rs. 2,222 (2013: Rs. 2,222) in Xchanging Solutions (Europe) Limited, UK, its wholly owned subsidiary. Based on assessment of diminution in the value of investments, the Company has made a provision of Rs. 1,534 (2013: Rs. 1,534) in prior years against the investments towards diminution in value considering it to be “a decline other than temporary”. The Company has also tested the investments for impairment using cash flow forecasts based on approved budgets by Board of ultimate holding Company and using a discounted cash flow method. As a result of this assessment, during the year the company has created additional provision of Rs 688. With the additional provision, the value of investment Rs. 2,222 in Xchanging Solutions (Europe) Limited, UK is fully impaired as at the year end. Further, the Company also has receivables (net of payables and provision) from the subsidiary amounting to Rs. 1,163 (2013: Rs. 869). Based on the evaluation of recoverability, the net receivables is considered good and recoverable.		

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

- 32** 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 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, 2014	Dec 31, 2013
33 Value of Imports on CIF basis		
Capital goods	57	17
	57	17
34 Expenditure in Foreign Currency		
Project work expenses	1,232	625
Travelling	341	312
Communication	30	39
Business Promotion	471	-
Employee Benefits	631	-
Others	339	110
	3,044	1,086
35 Earnings in Foreign Currency		
FOB value of exports from Software services	13,125	9,900
Unbilled revenue	367	503
	13,492	10,403
36 Basic and Diluted Earnings per share (Refer note 2.14)		
Profit for the year after tax	722	2,154
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
Earnings per share – Basic (Rs.)	0.65	1.93
Add: Weighted average number of potential equity shares under employee stock options – (B)	-	-
Weighted average number of equity shares considered for calculating diluted earnings per share – (A + B)	111,403,716	111,403,716
Earnings per share – Diluted (Rs.)	0.65	1.93

Note: Exercise price Rs. 56.90 per share is higher than Fair Value Rs. 33.64 per share, hence it is antidilutive and not considered for the above.

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

37 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	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Europe	8,428	5,520	2,950	2,353	-	-
USA	4,106	3,501	7,270	7,596	-	-
India	1,466	808	13,390	12,602	520	433
Rest of the World	958	1,382	572	906	-	-
	14,958	11,211	24,182	23,457	520	433

38 Related Party Disclosures

A. Names of related parties and nature of relationship:

1) Parties where control exists:

Nature of relationship	Names of related parties
(i) Holding companies:	
Ultimate Holding Company	Xchanging plc, UK
Intermediate holding companies	Xchanging Holdings Limited, UK Xchanging BV, The Netherlands
Immediate holding company	Xchanging (Mauritius) Limited, Mauritius ('XML')
(ii) Subsidiary companies	
	Xchanging Solutions (Europe) Limited, UK ('XSEL')
	Xchanging Solutions (Singapore) Pte Limited, Singapore ('XSSPL')
	Xchanging Solutions (Malaysia) Sdn Bhd, Malaysia ('XSMSB')
	Xchanging Solutions (USA) Inc, USA ('XSUI')
	Nexplicit Infotech India Private Limited, India ('NI IPL')
(iii) Key Managerial Personnel (KMP)	
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)

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

(i) Fellow subsidiaries	Xchanging Integrated Services Victoria Pty Limited, Australia ('XISVPL') Xchanging Integrated Services Australia Pty Limited, Australia ('XISAPL') Xchanging Builders (India) Private Limited, India ('XBPL') Xchanging Systems and Service Inc., USA ('XSSI') Xchanging Global Insurance Solutions Ltd., UK ('XGISL') Xchanging Technology Services India Private Limited, India ('XTSIPL') Xchanging UK Limited, UK ('XUKL') Xchanging Asia Pacific Sdn Bhd, Malaysia ('XAPSB') Xchanging Procurement Services Limited, UK ('XPPL') Ferguson Snell & Associates Ltd. UK ('FSAL') Xchanging Inc. USA ('XI') Xchanging PTY Limited, Australia ('XPL') Ins-sure Services Ltd. UK ('ISL') SBB Services Inc. USA ('SBB') Xchanging Procurement Services Europe SAS, France ('XPPLF')
--------------------------------	---

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

B. Summary of transactions with related parties is as follows:	Holding companies		Subsidiary companies		Fellow subsidiaries		Total	
	For the year ended		For the year ended		For the year ended		For the year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013

Expenses paid on behalf of the Company:

XSEL, UK	-	-	666	242	-	-	666	242
XSSPL, Singapore	-	-	54	58	-	-	54	58
XSUI, USA	-	-	129	59	-	-	129	59
XUKL, UK	-	-	-	-	306	298	306	298
XTSIPL, India	-	-	-	-	216	181	216	181
XBPL, India	-	-	-	-	48	16	48	16
XGISL, UK	-	-	-	-	130	83	130	83
FSAL, UK	-	-	-	-	25	3	25	3
XPL, Australia	-	-	-	-	-	66	-	66
Xchanging plc, UK	-	3	-	-	-	-	-	3
Total	-	3	849	359	725	647	1,574	1,009

Expenses paid on behalf of the related party:

XISAPL, Australia	-	-	-	-	-	12	-	12
XISVPL, Australia	-	-	-	-	18	4	18	4
XSEL, UK	-	-	-	54	-	-	-	54
XSSPL, Singapore	-	-	11	17	-	-	11	17
XSUI, USA	-	-	71	173	-	-	71	173
XGISL, UK	-	-	-	-	29	39	29	39
XTSIPL, India	-	-	-	-	95	167	95	167
XAPSB, Malaysia	-	-	-	-	17	36	17	36
XPSL, UK	-	-	-	-	-	8	-	8
XUKL, UK	-	-	-	-	89	73	89	73
XI, USA	-	-	-	-	3	3	3	3
XSSI, USA	-	-	-	-	6	7	6	7
ISL, UK	-	-	-	-	2	-	2	-
SBB, USA	-	-	-	-	4	-	4	-
Total	-	-	82	244	263	349	345	593

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

B. Summary of transactions with related parties is as follows:	Holding companies		Subsidiary companies		Fellow subsidiaries		Total	
	For the year ended		For the year ended		For the year ended		For the year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013

Interest income on loans:

XTSIPL, India	-	-	-	-	108	108	108	108
XBPL, India	-	-	-	-	126	125	126	125
Total	-	-	-	-	234	233	234	233

Revenue:

XISVPL, Australia	-	-	-	-	52	27	52	27
XSEL, UK	-	-	1,706	1,485	-	-	1,706	1,485
XSSPL, Singapore	-	-	8	36	-	-	8	36
XSUI, USA	-	-	2,498	2,336	-	-	2,498	2,336
XISAPL, Australia	-	-	-	-	228	215	228	215
XGISL, UK	-	-	-	-	1,626	734	1,626	734
XI, USA	-	-	-	-	4	4	4	4
XUKL, UK	-	-	-	-	312	201	312	201
XAPSB, Malaysia	-	-	-	-	13	-	13	-
XPSSL, UK	-	-	-	-	182	119	182	119
XSSI, USA	-	-	-	-	6	9	6	9
XTSIPL, India	-	-	-	-	31	111	31	111
SBB, USA	-	-	-	-	15	-	15	-
XPSTLF, France	-	-	-	-	2	-	2	-
Total	-	-	4,212	3,857	2,471	1,420	6,683	5,277

Loans given during the year:

XBPL, India	-	-	-	-	18	125	18	125
Total	-	-	-	-	18	125	18	125

Loans repaid during the year:

XBPL, India	-	-	-	-	100	-	100	-
Total	-	-	-	-	100	-	100	-

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

C. Summary of balances of related parties is as follows:	Holding companies		Subsidiary companies		Fellow subsidiaries		Total	
	As at		As at		As at		As at	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013

Trade Receivables:

XSEL, UK	-	-	1,390	1,147	-	-	1,390	1,147
XSSPL, Singapore	-	-	3	19	-	-	3	19
XSUI, USA	-	-	1,195	1,748	-	-	1,195	1,748
XUKL, UK	-	-	-	-	151	139	151	139
XPSL, UK	-	-	-	-	-	33	-	33
XISAPL, Australia	-	-	-	-	26	20	26	20
XGISL, UK	-	-	-	-	570	129	570	129
XI, USA	-	-	-	-	4	-	4	-
XSSI, USA	-	-	-	-	10	-	10	-
SBB, USA	-	-	-	-	7	-	7	-
Total	-	-	2,588	2,914	768	321	3,356	3,235

Provision for doubtful debts:

XSEL, UK	-	-	-	(224)	-	-	-	(224)
XSUI, USA	-	-	-	(140)	-	-	-	(140)
Total	-	-	-	(364)	-	-	-	(364)

Trade Payable:

XSEL, UK	-	-	296	86	-	-	296	86
XBPL, India	-	-	-	-	22	12	22	12
FSAL, UK	-	-	-	-	20	3	20	3
XSSPL, Singapore	-	-	22	68	-	-	22	68
NI IPL, India	-	-	85	85	-	-	85	85
XSUI, USA	-	-	76	98	-	-	76	98
XUKL, UK	-	-	-	-	159	272	159	272
XGISL, UK	-	-	-	-	41	24	41	24
XTSIPL, India	-	-	-	-	228	225	228	225
XAPSB, Malaysia	-	-	-	-	5	5	5	5
Xchanging plc, UK	9	9	-	-	-	-	9	9
XPL, Australia	-	-	-	-	-	1	-	1
Total	9	9	479	337	475	542	963	888

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

C. Summary of balances of related parties is as follows:	Holding companies		Subsidiary companies		Fellow subsidiaries		Total	
	As at		As at		As at		As at	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013

Expenses Recoverable:

XISVPL, Australia	-	-	-	-	19	-	19	-
XSEL, UK	-	-	69	32	-	-	69	32
XSSPL, Singapore	-	-	26	12	-	-	26	12
XSUI, USA	-	-	94	186	-	-	94	186
XGISL, UK	-	-	-	-	24	8	24	8
XI, USA	-	-	-	-	4	2	4	2
XUKL, UK	-	-	-	-	125	41	125	41
XSSI, USA	-	-	-	-	12	9	12	9
XPL, Australia	-	-	-	-	-	1	-	1
XTSIPL, India	-	-	-	-	122	174	122	174
XISAPL, Australia	-	-	-	-	8	8	8	8
XAPSB, Malaysia	-	-	-	-	24	16	24	16
ISL, UK	-	-	-	-	2	-	2	-
SBB, USA	-	-	-	-	5	-	5	-
Total	-	-	189	230	345	259	534	489

Loans and Advances:

XTSIPL, India	-	-	-	-	997	900	997	900
XSUI, USA	-	-	17,283	17,283	-	-	17,283	17,283
XBPL, India	-	-	-	-	1,213	1,214	1,213	1,214
XGISL, UK	-	-	-	-	67	-	67	-
XPSL, UK	-	-	-	-	4	-	4	-
SBB, USA	-	-	-	-	2	-	2	-
Total	-	-	17,283	17,283	2,283	2,114	19,566	19,397

Security Deposit Given:

XBPL, India	-	-	-	-	33	33	33	33
Total	-	-	-	-	33	33	33	33

Provision for doubtful advances:

XSUI, USA	-	-	(17,283)	(17,283)	-	-	(17,283)	(17,283)
Total	-	-	(17,283)	(17,283)	-	-	(17,283)	(17,283)

D. Remuneration paid to the key managerial personnel

Particulars	For the Year ended	
	December 31, 2014	December 31, 2013
Salaries, bonus, etc.	5	-
Total	5	-

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

39 Leases**Operating lease**

As lessee:

In case of assets taken on lease:

The Company has operating lease arrangements for its office premises, guest houses and certain equipments. The lease arrangements for premises and guest houses have been entered up to a maximum of six years from the respective dates of inception. Some of these lease arrangements have price escalation clauses. Rent and hire charges for such operating leases recognised in the Statement of Profit and Loss for the year ended December 31, 2014 amounts to Rs. 393 (2013: Rs. 332).

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

Particulars	Dec 31, 2014	Dec 31, 2013
Not later than one year	240	249
Later than one year and not later than five years	624	156
Later than five years	541	-
Total	1,405	405

40 Provisions

In accordance with AS 29 'Provisions, Contingent Liabilities and Contingent Assets', the particulars of provisions as at December 31, 2014 are as follows:

Particulars	January 1, 2014	Created during the year	Utilised/ reversed during the year	December 31, 2014
Onerous lease contracts	173	-	(173)	-
	(173)	-	-	(173)
Litigation	32	-	(32)	-
	(32)	-	-	(32)

Notes:

(i) Prior year numbers are disclosed within brackets.

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

41 Taxation**a) Deferred Tax Assets:**

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

Details of deferred tax assets and liabilities as at December 31, 2014 is as per below:

Particulars	As at December 31, 2013	Credit/ (Charged) to Statement of Profit and Loss	As at December 31, 2014
Deferred Tax Assets			
Depreciation	285	6	291
Provision for gratuity	120	-	120
Provision for compensated absences	7	9	16
Provision for other employee benefits	77	75	152
Others	132	286	418
Total (A)	621	376	997
Deferred Tax Liabilities (B)	-	-	-
Deferred Tax Assets (Net) (A)-(B)	621	376	997
Previous year	-	621	621

b) 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.

42 Derivative instruments and unhedged foreign currency exposure**a. Derivatives outstanding as at the reporting date**

Particulars	Purpose	As at	
		Dec 31, 2014	Dec 31, 2013
Forward contracts to sell USD	Hedge of foreign exchange trade receivables	2,436	1,050
Forward contracts to sell GBP		-	416
Total		2,436	1,466

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

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

Particulars	As at			
	December 31, 2014		December 31, 2013	
Trade payables	AUD: 5,508*	3	EUR: 3,809*	3
	EUR: 5,588*	4	GBP: 383,980*	391
	GBP: 524,459*	518	MYR: 27,800*	5
	MYR: 29,551*	5	SGD: 144,948*	71
	SGD: 45,066*	22	USD: 875,325*	541
	USD: 149,156*	95		
	647		1,011	
Trade Receivables	AUD: 496,047*	257	AUD: 499,158*	274
	EUR: 72,960*	56	EUR: 156,988*	134
	GBP: 2,607,805*	2,576	GBP: 725,927*	739
	MYR: 28,921*	5	MYR: 26,151*	5
	SGD: 6,395*	3	SGD: 49,133*	24
	USD: 969,276*	616	USD: 2,085,478*	1,288
	3,513		2,464	

* Amounts are in absolute figures

43. 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
(Formerly Price Waterhouse, FRN 012754N)**Suchita Sharma**
PartnerMembership Number: 073897
Place : Bengaluru
Date : February 27, 2015For and on behalf of the Board of Directors
Xchanging Solutions Limited**David Bauernfeind**
**Non Executive Director &
Chairman**Place : London
Date : February 27, 2015**Alok K Sinha**
**Executive Director &
Chief Executive Officer**Place : Bangalore
Date : February 27, 2015**Vinod Goel**
Chief Financial OfficerPlace : Bangalore
Date : February 27, 2015**Divya Pant**
Company SecretaryPlace : Bangalore
Date : February 27, 2015

STATEMENT PURSUANT TO SECTION 212 (1)(e) OF THE COMPANIES ACT, 1956
Relating to the subsidiary companies for the period ended December 31, 2014

1	Name of the Subsidiary Company	Xchanging Solutions (USA) Inc	Xchanging Solutions (Europe) Limited	Xchanging Solutions (Singapore) Pte. Limited	Xchanging Solutions (Malaysia) Sdn. Bhd.	Nexplicit Infotech India Private Limited
2	Financial Year of the subsidiary company	31st December 2014	31st December 2014	31st December 2014	31st December 2014	31st December 2014
3	No. of shares held in Subsidiary Company as on above date	9,930,062	2,664,278	2,300,000	250,000	10,000
4	% of holding (Equity)	100%	100%	100%	100%	100%
5	The net aggregate of Profit / (Losses) of the subsidiary companies so far as they concern the members of the company	-	-	-	-	-
a.	Dealt with in the Account of the company for the year ended December 31, 2014	Nil	Nil	Nil	Nil	Nil
b.	Not Dealt with in the Account of the company for the year ended December 31, 2014	USD 2,385,711	GBP (191,640)	SGD (506,049)	MYR (12,689)	INR 10,310
6	The net aggregate of Profit / (Losses) of the subsidiary companies for the previous financial years since it became a subsidiary company so far as they concern the members of the company	-	-	-	-	-
a.	Dealt with in the Account of the company for the year ended December 31, 2014	Nil	Nil	Nil	Nil	Nil
b.	Not Dealt with in the Account of the company for the year ended December 31, 2014	USD (69,191,874)	GBP (2,094,485)	SGD (255,242)	MYR 3,975,874	INR 8,798,842

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

(All Amounts in INR Millions)

Sr No	Name of the Subsidiary Company	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Investment other than investment in subsidiary	Turnover	Profit/ (Loss) before taxation	Provision for taxation	Profit/ (Loss) after taxation	Proposed dividend	Country
1	Xchanging Solutions (USA) Inc	63.59	631.45	(3,005.54)	347.15	2,721.24	-	1,122.44	155.35	3.64	151.71	-	U.S.A
2	Xchanging Solutions (Europe) Limited	98.77	263.15	(225.80)	176.75	139.40	-	269.47	(24.05)	(5.12)	(18.93)	-	U.K.
3	Xchanging Solutions (Singapore) Pte Limited	48.06	110.55	(30.63)	324.99	245.07	-	588.50	(22.42)	1.90	(24.32)	-	SINGAPORE
4	Xchanging Solutions (Malaysia) Sdn. Bhd.	18.18	4.54	72.05	77.73	1.14	-	-	(0.23)	-	(0.23)	-	MALAYSIA
5	Nexplicit Infotech India Private Limited	1.00	0.10	9.74	9.87	0.03	-	0.01	0.01	-	0.01	-	INDIA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Xchanging Solutions Limited

1. We have audited the accompanying consolidated financial statements (the "Consolidated Financial Statements") of Xchanging Solutions Limited ("the Company") and its subsidiaries; hereinafter referred to as the "Group" (refer Note 2.1B to the attached consolidated financial statements) which comprise the consolidated Balance Sheet as at December 31, 2014, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information which we have signed under reference to this report.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements notified under the Companies Act, 1956 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

7. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to in paragraph 9 below, and to the best of our information and according to the explanations given to us, in our opinion, the accompanying consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at December 31, 2014;
 - (b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

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

Other Matter

9. We did not audit the financial statements of two subsidiaries included in the consolidated financial statements, which constitute total assets of Rs 88,274,118 and net assets of Rs. 86,431,052 as at December 31, 2014, total revenue of Rs. Nil, net loss of Rs 223,924 and net cash amounting to (Rs. 32,683) for the year then ended. These financial statements and other financial information have been audited by other auditors whose report have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.

For Price Waterhouse Chartered Accountants LLP

Firm Registration Number: 012754N/N500016
(Formerly Price Waterhouse FRN: 012754N)

Suchita Sharma

Partner

Membership Number: 073897

Place : Bengaluru

Date : February 27, 2015

CONSOLIDATED BALANCE SHEET

XCHANGING SOLUTIONS LIMITED Consolidated Balance Sheet

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

	Note	As at	
		Dec 31, 2014	Dec 31, 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	11,140	11,140
Reserves and surplus	4	19,286	16,735
		<u>30,426</u>	<u>27,875</u>
Non-current liabilities			
Long-term borrowings	5	158	126
Other long-term liabilities	6	32	17
Long-term provisions	7	567	560
		<u>757</u>	<u>703</u>
Current liabilities			
Trade payables	8	3,550	4,194
Other current liabilities	9	3,368	3,562
Short-term provisions	10	2,810	2,266
		<u>9,728</u>	<u>10,022</u>
TOTAL		<u>40,911</u>	<u>38,600</u>
ASSETS			
Non-Current Assets			
Fixed assets			
(i) Tangible assets	11	746	686
(ii) Intangible assets	12	15,863	15,886
(iii) Capital work-in-progress		-	17
Deferred tax assets (net)	36	997	621
Long-term loans and advances	13	4,116	3,354
Other non-current assets	14	134	105
		<u>21,856</u>	<u>20,669</u>
Current Assets			
Trade receivables	15	6,656	4,668
Cash and bank balances	16	7,541	7,514
Short-term loans and advances	17	862	1,911
Other current assets	18	3,996	3,838
		<u>19,055</u>	<u>17,931</u>
TOTAL		<u>40,911</u>	<u>38,600</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
(Formerly Price Waterhouse, FRN 012754N)

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

Suchita Sharma
Partner
Membership Number: 073897
Place : Bengaluru
Date : February 27, 2015

David Bauernfeind
Non Executive Director & Chairman
Place : London
Date : February 27, 2015

Alok K Sinha
Executive Director & Chief Executive Officer
Place : Bangalore
Date : February 27, 2015

Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : February 27, 2015

Divya Pant
Company Secretary
Place : Bangalore
Date : February 27, 2015

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, 2014	Dec 31, 2013
Revenue			
Revenue from operations	21	28,695	24,309
Other income	22	2,367	2,306
Total Revenue		<u>31,062</u>	<u>26,615</u>
Expenses			
Employee benefits expense	23	16,942	15,512
Other operating costs	24	11,718	7,120
Finance costs	25	20	17
Depreciation and amortisation	26	477	499
Total Expenses		<u>29,157</u>	<u>23,148</u>
Profit before exceptional items and tax		1,905	3,467
Exceptional items - Gain / (loss)	28	1,268	438
Profit before tax		<u>3,173</u>	<u>3,905</u>
Tax Expense			
Current tax- for the year		1,038	1,495
Current tax- for the earlier years		-	150
Less: MAT credit entitlement		-	(150)
Net Current tax		1,038	1,495
Deferred tax charge/ (credit)	36	(376)	(621)
Total Tax Expense		<u>662</u>	<u>874</u>
Profit for the year		<u>2,511</u>	<u>3,031</u>
Earnings per Equity Share [Nominal value per share Rs.10 (2013: Rs. 10)]	31		
Basic		2.25	2.72
Diluted		2.25	2.72
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
(Formerly Price Waterhouse, FRN 012754N)

Suchita Sharma
Partner
Membership Number: 073897
Place : Bengaluru
Date : February 27, 2015

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

David Bauernfeind
Non Executive Director & Chairman
Place : London
Date : February 27, 2015

Alok K Sinha
Executive Director & Chief Executive Officer
Place : Bangalore
Date : February 27, 2015

Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : February 27, 2015

Divya Pant
Company Secretary
Place : Bangalore
Date : February 27, 2015

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, 2014	Dec 31, 2013
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	3,173	3,905
Adjustments for:		
Depreciation and amortisation	477	499
(Profit) / Loss on sale of fixed assets	(12)	1
Foreign exchange (gain) / loss - unrealised	(506)	(631)
Interest income	(498)	(455)
Provision for doubtful advances/security deposits	580	(238)
Provisions for doubtful debts no longer required written back	(1,111)	(58)
Liabilities no longer required written back	(105)	(766)
Other provisions no longer required written back	(500)	-
Bad debts written off	1,318	155
Advances written off	-	73
Interest expense	20	17
Operating profit before working capital changes	2,836	2,502
Changes in working capital:		
(Increase) / Decrease in trade receivables	(1,559)	848
(Increase) / Decrease in other current assets	(15)	(248)
(Increase) / Decrease in current loans and advances	1,077	(527)
(Increase) / Decrease in non current loans and advances	(1,424)	456
Increase / (Decrease) in trade payables	(793)	465
Increase / (Decrease) in other current liabilities	415	639
Increase / (Decrease) in other long-term liabilities	15	(90)
Increase / (Decrease) in provisions	(208)	(193)
Cash generated from operations	344	3,851
Taxes paid (net of refunds)	(285)	(401)
Net cash generated from operating activities (A)	59	3,450
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible / intangible assets	(521)	(495)
Proceeds from sale of tangible assets	36	32
Loans and advances to fellow subsidiaries	82	(125)
Long term deposits with banks with maturity period more than 3 months but less than 12 months	431	(435)
Long term deposits with banks with maturity period more than 12 months	(29)	(42)
Interest received	351	302
Net cash (used in)/ generated from investing activities (B)	350	(763)

Contd.....

Consolidated Cash Flow Statement

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

	For the year ended	
	Dec 31, 2014	Dec 31, 2013
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	118	138
Repayment from long-term borrowings	(86)	(111)
Interest paid	(20)	(17)
Net cash generated from financing activities (C)	12	10
Net increase in cash and cash equivalents (A + B + C)	421	2,697
Cash and cash equivalents at the beginning of the year	7,076	4,219
Effect of exchange differences on balances with banks in foreign currency	37	160
Cash and cash equivalents at the end of the year	7,534	7,076
Components of cash and cash equivalents:		
Cash on hand	1	1
Balances with banks:		
In current accounts	2,691	3,991
Demand deposits (less than 3 months maturity)	4,850	3,105
Effect of exchange differences on balances with banks in foreign currency	(8)	(21)
	7,534	7,076

Notes:

- (1) The above Consolidated Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard - 3 on Cash Flow Statements as notified under Section 211(3C) of the Companies Act, 1956.
- (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
(Formerly Price Waterhouse, FRN 012754N)

Suchita Sharma Partner

Membership Number: 073897
Place : Bengaluru
Date : February 27, 2015

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

David Bauernfeind
Non Executive Director &
Chairman
Place : London
Date : February 27, 2015

Alok K Sinha
Executive Director &
Chief Executive Officer
Place : Bangalore
Date : February 27, 2015

Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : February 27, 2015

Divya Pant
Company Secretary
Place : Bangalore
Date : February 27, 2015

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 erstwhile principal shareholders of the Company and Xchanging (Mauritius) Limited (XML), a wholly owned subsidiary of Xchanging Plc, a listed company incorporated in UK, and consequent open offer to public, XML now owns 75.00% (2013: 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.

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

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

Name of the shareholder	2014	2013
Xchanging (Mauritius) Limited	75.00%	75.00%
Scandent Holding Mauritius Limited	11.82%	11.82%
AON Minet Pension Scheme	3.77%	3.77%
Katra Finance Limited	2.70%	2.70%
Others	6.71%	6.71%
	100.00%	100.00%

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 circular 15/2013 dated September 13, 2013 read with circular 08/2014 dated April 4, 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, 1956.

The consolidated financial statements of the Group have been prepared based on a line-by-line consolidation of the balance sheet, statement of profit and loss and cash flow statement of the Company and its subsidiaries as at and for the year ended December 31, 2014. All material inter-company transactions and balances between the entities included in the consolidated financial statements have been eliminated.

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

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

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

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

Name of the subsidiary	Country of incorporation	Ownership interest	
		2014	2013
Direct subsidiaries:			
Xchanging Solutions (Singapore) Pte Limited	Singapore	100%	100%
Xchanging Solutions (Europe) Limited	United Kingdom	100%	100%
Xchanging Solutions (USA) Inc	USA	100%	100%
Step-down subsidiaries:			
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 higher than the rates prescribed under Schedule XIV to the Companies Act, 1956) as follows:

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

(iv) Leasehold improvements are amortised over the period of lease or five years, whichever is lower.

(v) Assets individually costing up to Rupees five thousand are fully depreciated in the year of purchase.

2.4 Intangible Assets and Amortisation

Intangible assets are 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 Borrowing Costs

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

2.7 Lease accounting

As a lessee:

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

2.8 Impairment of assets

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

2.9 Revenue recognition

Revenue is recognised 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.

2.10 Other Income

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

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 Project work expenses

Project work expenses represents amounts charged by sub-contractors. These expenses are recognised on an accrual basis.

2.18 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, 2014	Dec 31, 2013
3 SHARE CAPITAL		
Authorised capital:		
125,000,000 (2013: 125,000,000) Equity shares of Rs.10 each	12,500	12,500
Issued, subscribed and paid up capital:		
111,403,716 (2013: 111,403,716) Equity shares of Rs.10 each fully paid up	11,140	11,140
	11,140	11,140

a) Reconciliation of number of shares:

Equity shares	As at Dec 31, 2014		As at Dec 31, 2013	
	Number of shares	Amount	Number of shares	Amount
Shares outstanding at the beginning of the year	111,403,716	11,140	111,403,716	11,140
Add / (Less): Movement during the year	-	-	-	-
Shares outstanding at the end of the year	111,403,716	11,140	111,403,716	11,140

b) Rights, preferences and restrictions attached to shares

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

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

Name of shareholder	As at Dec 31, 2014		As at Dec 31, 2013	
	Number of shares	Amount	Number of shares	Amount
Xchanging (Mauritius) Limited, the holding company	83,552,787	8,355	83,552,787	8,355

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

Name of shareholder	As at Dec 31, 2014		As at Dec 31, 2013	
	Number of shares held	Percentage	Number of shares held	Percentage
Xchanging (Mauritius) Limited	83,552,787	75.00	83,552,787	75.00
Scandent Holding Mauritius Limited (Refer note f)	13,167,551	11.82	13,167,551	11.82

e) Shares reserved for issue under options:

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

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

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

- f) Pursuant to SSI Limited (Information Technology division) merger scheme, the share capital of the erstwhile Scandent Holding Mauritius Limited as at March 31, 2004 was reduced from Rs. 3,284 (2013: Rs. 3,284) to Rs. 1,316 (2013: Rs. 1,316) and the capital reduction of Rs.1,968 (2013: 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) Reduction of Share Capital

The Board of Directors in their meeting held on February 27, 2015 had approved the proposed reduction of Share Capital so as to reduce the fully paid-up face value of equity shares from Rs 10/- per share to Rs 5/- per share, subject to the approval of the Members and the Hon'ble Karnataka High Court. Pursuant to the scheme of reduction of share capital u/s 100 to 104 of the Companies Act, 1956 and after obtaining required approvals, the proposed Capital Reduction would result in the paid-up share capital of the Company being reduced from Rs.1,114,037,160 (Rupees one hundred and eleven crores forty lakhs thirty seven thousand one hundred and sixty only) comprising of 111,403,716 (eleven crores fourteen lakhs three thousand seven hundred and sixteen) equity shares of Rs. 10/- (Rupees Ten) each fully paid up to Rs.557,018,580 (Rupees Fifty Five Crore Seventy Lakhs Eighteen Thousand Five Hundred and Eighty Only) comprising of 111,403,716 (eleven crores fourteen lakhs three thousand seven hundred and sixteen) equity shares of Rs. 5/- (Rupees Five) each fully paid up. The proposed capital reduction is to compensate the shareholders by return of cash on their investment.

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

	As at	
	Dec 31, 2014	Dec 31, 2013
4 RESERVES AND SURPLUS		
Capital reserve (Refer Note below)	361	361
Securities premium:		
Balance as at the beginning of the year	8,417	8,417
Balance as at the end of the year	8,417	8,417
Stock compensation adjustment:		
Balance as at the beginning of the year	7	7
Less: Transfer to securities premium on exercise of stock options during the year	-	-
Balance as at the end of the year	7	7
Foreign currency translation reserve:		
Balance as at the beginning of the year	(739)	(559)
Add / (Less): Movement during the year	40	(180)
Balance as at the end of the year	(699)	(739)
Surplus in Statement of Profit and Loss:		
Balance as at the beginning of the year	8,689	5,658
Profit for the year	2,511	3,031
Balance as at end of the year	11,200	8,689
	19,286	16,735

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

5 LONG-TERM BORROWINGS

(Refer note 2.6)

Secured

From Bank:

 Loan for purchase of Tangible assets

158	126
158	126

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

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

	As at	
	Dec 31, 2014	Dec 31, 2013
6 OTHER LONG-TERM LIABILITIES		
Due to:		
Micro small and medium enterprises [Refer note 8(i)]	-	-
Trade Payables	15	-
Payable to landlord	17	17
	<u>32</u>	<u>17</u>
7 LONG-TERM PROVISIONS		
(Refer note 2.12, 2.15, 23 and 35)		
Provision for employee benefits:		
Provision for compensated absences	265	14
Provision for gratuity	269	293
Provision for long service award	33	48
	<u>567</u>	<u>355</u>
Other provision:		
Provision for litigation	-	32
Provision for onerous lease contracts	-	173
	<u>-</u>	<u>205</u>
	<u>567</u>	<u>560</u>
8 TRADE PAYABLE		
Due to:		
Micro small and medium enterprises [Refer note(i)]	-	-
Fellow subsidiaries	1,421	1,027
Others	2,129	3,167
	<u>3,550</u>	<u>4,194</u>
Notes:		
(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').		
9 OTHER CURRENT LIABILITIES		
(Refer note 2.6, 2.9 and 2.11)		
Current maturities of long-term borrowings	54	54
Unamortised premium on forward contracts	35	24
Deferred Revenue	258	633
Advances from customers	140	-
Employee benefits payable	1,136	1,140
Creditors for capital goods	7	6
Statutory dues	339	309
Foreign currency payable under forward contracts	1,399	1,396
	<u>3,368</u>	<u>3,562</u>

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

	As at	
	Dec 31, 2014	Dec 31, 2013
10 SHORT-TERM PROVISIONS		
(Refer note 2.12, 2.13 and 23)		
Provision for employee benefits:		
Provision for compensated absences	133	366
Provision for gratuity	83	60
Provision for long service award	16	17
Other provisions:		
Provision for taxation [Net of advance tax Rs. 2,481 (2013: Rs. 2,274)]	2,578	3,233
(Less): Adjustment of MAT Credit Entitlement pertaining to previous year	-	(1,410)
	<u>2,810</u>	<u>2,266</u>

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

11 TANGIBLE ASSETS

(Refer note 2.2, 2.3 and 2.8)

	Gross Block			Depreciation			Net Block	
	As at January 1, 2014	Additions	Deletions/ Adjustments/ Translation	As at December 31, 2014	For the year	Deletions/ Adjustments/ Translation	As at December 31, 2014	As at December 31, 2013
Leasehold Improvements	1,088	7	- (7)	1,088	112	- (7)	1,040	153
Computers	2,800	278	192	2,898	183	192	2,570	233
Vehicles	366	140	105	401	88	81	165	208
Office Equipment	393	46	- (1)	438	21	- (1)	341	72
Furniture and Fittings	382	24	- 3	409	7	- 3	372	20
Total	5,029	495	297	5,234	411	273	4,488	686
2013	4,659	376	203	5,029	409	170	4,343	686

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

12 INTANGIBLE ASSETS

(Refer note 2.2, 2.4 and 2.5)

	Gross Block			Amortisation			Net Block	
	As at January 1, 2014	Additions	Deletions/ Adjustments/ Translation	As at December 31, 2014	For the year	Deletions/ Adjustments/ Translation	As at December 31, 2014	As at December 31, 2013
Goodwill arising on consolidation	16,123	-	-	16,123	-	-	282	15,841
Goodwill acquired	777	-	-	777	-	-	777	-
Computer software	5,242	43	- 155	5,440	66	- 155	5,418	45
Total	22,142	43	- 155	22,340	66	- 155	6,477	15,886
2013	21,330	95	- 717	22,142	90	- 717	6,256	15,886
Grand Total	27,171	538	297	27,574	477	273	10,965	16,572
2013	25,989	471	203	27,171	499	170	10,599	16,572

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

	As at	
	Dec 31, 2014	Dec 31, 2013
13 LONG-TERM LOANS AND ADVANCES		
(Refer note 2.2)		
Unsecured, considered good (unless otherwise stated)		
Loans and advances to fellow subsidiaries	1,868	1,950
Security deposits		
- Considered good	468	260
- Considered doubtful	146	146
(Less): Provision for doubtful security deposits	(146)	(146)
Advances recoverable in cash or kind		
- Considered good	1,230	1,130
- Considered doubtful	38	454
(Less): Provision for doubtful advances	(38)	(454)
Balances with Government Authorities		
- Considered good	549	-
- Considered doubtful	1,002	-
(Less): Allowance for doubtful advances	(1,002)	-
Other loans and advances		
- Prepaid expenses	1	14
	<u>4,116</u>	<u>3,354</u>
14 OTHER NON-CURRENT ASSETS		
Long term deposits with banks with maturity period more than 12 months	134	105
	<u>134</u>	<u>105</u>
Fixed Deposits with Banks include: Rs. 126 (Previous Year Rs. 105) which are under lien for issue of bank guarantees		
15 TRADE RECEIVABLE		
Unsecured, considered good:		
Outstanding for a period exceeding 6 months from the date they are due for payment	539	476
Others	6,117	4,192
Unsecured, considered doubtful:		
Outstanding for a period exceeding 6 months from the date they are due for payment	354	1,813
(Less): Provision for doubtful debts	(354)	(1,813)
	<u>6,656</u>	<u>4,668</u>

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

	As at	
	Dec 31, 2014	Dec 31, 2013
16 CASH AND BANK BALANCES		
(Refer note 2.18)		
Cash and Cash equivalents		
Cash on hand	1	1
Balances with banks		
In current accounts	2,683	3,970
Demand deposits (less than 3 months maturity)	4,850	3,105
	<u>7,534</u>	<u>7,076</u>
Other bank balances		
Long Term Deposit with maturity more than 3 months but less than 12 months	7	438
	<u>7,541</u>	<u>7,514</u>
Fixed Deposits with Banks include:		
Rs. 7 (Previous Year Rs. 36) which are under lien for issue of bank guarantees		
17 SHORT-TERM LOANS AND ADVANCES		
(Refer note 2.2)		
Unsecured considered good, unless otherwise stated:		
Loans and advances to fellow subsidiaries	345	259
Security deposits	70	397
Balances with Government Authorities		
- Considered good	17	46
- Considered doubtful	10	25
Less: Allowance for doubtful advances	(10)	(25)
Other Loans and Advances		
- Prepaid Expenses	146	186
Others:		
- Considered good	284	1,023
- Considered doubtful	-	407
(Less): Provision for doubtful advances	-	(407)
	<u>862</u>	<u>1,911</u>
18 OTHER CURRENT ASSETS (Refer note 2.11)		
Unsecured considered good unless otherwise stated		
Foreign currency receivable under forward contracts	1,439	1,466
Unbilled revenue	2,184	2,146
Interest accrued on loans to fellow subsidiaries	342	164
Interest accrued on bank deposits	31	62
	<u>3,996</u>	<u>3,838</u>

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

	As at	
	Dec 31, 2014	Dec 31, 2013
19 CONTINGENT LIABILITIES		
(Refer note 2.15)		
(i) Bank guarantees	254	150
(ii) Claims against the Company not acknowledged as debts:		
Income tax matters [Note (b)]	2,128	2,060
Service tax matters [Note (c)]	2,359	2,359
	<u>4,741</u>	<u>4,569</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 or result in a material impact on the financial statements. Therefore, no provision is required to be made at this stage.

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 Group to estimate the timings of cash outflows, if any, in respect of the above pending resolution of the respective proceedings.
- (e) The Group does not expect any reimbursements in respect of the above contingent liabilities.

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

	For the year ended	
	Dec 31, 2014	Dec 31, 2013
23 EMPLOYEE BENEFITS EXPENSE		
(Refer note 2.12)		
Salaries, allowances and bonus	14,802	13,848
Contribution to provident and other funds	749	638
Gratuity and Leave Encashment	336	69
Staff welfare	1,055	957
	16,942	15,512

(a) Defined Contribution Plan

Provident Fund and Other Funds: During the year, the Group has recognised Rs. 749 (2013: Rs. 638) 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, 2014	Dec 31, 2013
(i) Present Value of Defined Benefit Obligation		
Balance at the beginning of the year	353	342
Current Service Cost	62	64
Interest Cost	31	30
Actuarial (Gains) / Losses	(23)	(19)
Benefits paid	(71)	(64)
Balance at the end of the year	352	353
(ii) Assets and Liabilities recognised in the Balance Sheet		
Present Value of Defined Benefit Obligation	352	353
(Less): Fair Value of Plan Assets	-	-
Amounts recognised as liability	352	353
Recognised under:		
Long-term provisions (Refer Note 7)	269	293
Short-term provisions (Refer Note 10)	83	60
	352	353

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

	As at	
	Dec 31, 2014	Dec 31, 2013
(iii) Expense recognised in the Statement of Profit and Loss		
Current Service Cost	62	64
Interest Cost	31	30
Actuarial (Gains) / Losses	(23)	(19)
Total Expense	70	75

(iv) Actuarial Assumptions

Discount Rate	8.09%	8.75%
Expected Return on Plan Assets	N/A	N/A
Attrition Rate	25%	20%
Increase in Compensation Cost	9%	10%
Retirement Age	65	65

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

	As on December 31, 2014	As on December 31, 2013	As on December 31, 2012	As on December 31, 2011	As on December 31, 2010
Defined Benefit Obligation	352	353	342	326	434
Fair Value of Plan Assets at the end of the year	-	-	-	-	160
Amount recognised in Balance Sheet (Liability)	(352)	(353)	(342)	(326)	(274)
Experience adjustments in Plan Assets gains / (losses)	-	-	-	-	4
Experience adjustments in Plan Liabilities gains / (losses)	23	19	13	12	(14)
(Gains) / losses due to change in assumptions	-	-	4	1	4

Notes:

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

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

	For the year ended	
	Dec 31, 2014	Dec 31, 2013
24 OTHER OPERATING COSTS		
(Refer note 2.7, 2.11 and 2.17)		
Project work expenses	4,461	1,970
Travelling and conveyance	949	930
Rent	802	709
Recruitment and relocation	94	242
Communication	396	411
Power and fuel	221	219
Insurance	126	159
Rates and taxes	7	10
Repairs and maintenance:		
Computer equipments	203	155
Building	24	-
Others	207	200
Legal and professional	964	572
Training and development	171	37
Printing and Stationery	55	63
Business promotion	805	887
Bank charges	36	44
Customer claims/ warranties	67	171
Directors' fees (includes sitting fees)	15	8
Loss on sale of fixed assets	-	1
Foreign exchange loss (net)	50	-
Bad debts written off	1,318	155
Advances written off	-	73
Provision for doubtful advances	580	-
Miscellaneous	167	104
	11,718	7,120
25 FINANCE COST		
(Refer note 2.6)		
Interest on long-term borrowings	20	17
	20	17
26 DEPRECIATION AND AMORTISATION		
(Refer note 2.2, 2.3 and 2.4)		
Depreciation on Tangible assets	411	409
Amortisation on Intangible assets	66	90
	477	499

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

27 a) EMPLOYEE STOCK OPTIONS PLAN (Refer note 2.12 and 31)

	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 - 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.	

December 31, 2014		
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	-

December 31, 2013		
Options outstanding at the beginning of the year	425,946	87.33
Options granted during the year	-	-
Options forfeited during the year	-	-
Options exercised during the year	-	-
Options expired during the year	15,946	113.15
Options outstanding at the end of the year	410,000	86.33
Options exercisable at the end of the year	410,000	86.33
Weighted average remaining contractual life (in years)	0.86	-

	December 31, 2014	December 31, 2013
Net profit as reported	2,511	3,031
Net profit available for equity shareholders	2,511	3,031
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	2,511	3,031
Earnings per share		
Basic	2.25	2.72
Diluted	2.25	2.72

- b) During the year, the Group has recognised employee benefits expense amounting to Rs. 54 (2013: Rs. 9) 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, 2014	Dec 31, 2013
28 EXCEPTIONAL ITEMS		
(Refer note 2.16 and 35)		
The Group has recorded exceptional items aggregating to income of Rs. 1268 (2013: income of Rs. 438) as detailed below:		
(i) Recovery of loans and advances written off in earlier year	-	273
In prior years, the Group had fully written off loan provided to Cambridge Integrated Services Group Inc ('CISGI') by Xchanging Solutions (USA) Inc which was included as exceptional item. During the year, the Group has received part of this amount from the liquidator of CISGI as part of the liquidation process.		
(ii) Provision for doubtful security deposit made / (written back)	-	165
The Company, owing to the protracted discussions between the parties had estimated a portion of the security deposit to be doubtful of recovery and had made a provision towards security deposit to the extent considered doubtful of recovery in the previous year and disclosed as exceptional item. During the year, the Company has written back the provision made in the previous year in view of the settlement agreement reached with the party subsequent to the year end.		
(iii) Provision for onerous lease	173	-
In prior years, the Company held a lease which has become onerous and accordingly a provision has been made under the exceptional items. During the current period, the Company has reassessed this provision and decided that this provision is no longer required and the same is reversed under the exceptional items		
(iv) Writeback of payables	1,095	-
During the year, the Group has 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 has already written off its receivable from CISGI, hence there is no receivables in the books which can be offset and accordingly this liability was written back and has been recognized as an exceptional income during the year. Further the liquidator of CISGI has claimed the over payment of USD 3 (INR 198) made to XSUI as liquidation proceeds in previous year. As this receipt was treated as an exceptional income in previous year, the same has been recognised as exceptional cost in the current year. XUK a fellow subsidiary has paid this amount on behalf of XSUI and claimed this from XSUI.		
	1,268	438

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

- 29** On August 1, 2002, the Company issued 1,500,000, 11% debentures of face value of Rs. 100 each. The debentures were repayable at par at the end of five years from the date of issuance. Based on the orders of the Debt Recovery Tribunal, the Company had issued duplicate debenture certificates for 625,000 debentures (which form a part of the said 1,500,000 debentures) in favour of a Bank in June 2007. These debentures were redeemed in June 2007 and the same was disclosed in the annual report for the year ending March 2007. In August 2007, a civil suit was filed against the Company before the Hon'ble Madras High Court by another company ("Third Party"), claiming rights over the said 625,000 debentures. Decision on this suit is still pending before Hon'ble Madras High Court. On the basis of an interim application filed by the Third Party, the Hon'ble High Court passed an Interim Order in September 2007 restraining the Company from reflecting the redemption of debentures and directing the Company to continue to show it as due and payable. The said Order was made absolute in December 2010. The Company, in consultation with a senior legal counsel, has filed an appeal 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 .
- 30** Goodwill arising on consolidation is carried at the value determined at the date of acquisition of the subsidiary. Goodwill relating to BPO businesses have been 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 13.00% p.a. (2013: 14.00% 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.

	Dec 31, 2014	Dec 31, 2013
31 Basic and Diluted Earnings Per Share (Refer note 2.14)		
Net profit/ (loss) for the year after tax	2,511	3,031
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
Earnings/ (loss) per share – Basic (Rs.)	2.25	2.72
Add: Weighted average number of potential equity shares under employee stock options during the year – (B)	-	-
Weighted average number of equity shares considered for calculating diluted earnings/ (loss) per share – (A + B)	111,403,716	111,403,716
Earnings/ (loss) per share – Diluted (Rs.)	2.25	2.72

Note: Exercise price Rs. 56.90 per share is higher than Fair Value Rs. 33.64 per share, hence it is antidilutive and not considered for the above.

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

32 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	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Europe	9,408	6,299	2,922	2,273	-	2
USA	11,188	10,404	3,972	3,474	2	-
India	1,466	808	13,390	12,602	519	433
Rest of the World	6,633	6,798	19,630	19,630	16	36
	28,695	24,309	39,914	37,979	537	471

33 Related Party Disclosures

A. Names of related parties and nature of relationship:

1) Parties where control exists:

Nature of relationship	Names of related parties
(i) Holding companies:	
Ultimate Holding Company	Xchanging plc, UK
Intermediate holding companies	Xchanging Holdings Limited, UK
	Xchanging BV, The Netherlands
Immediate holding company	Xchanging (Mauritius) Limited, Mauritius ('XML')
(ii) Key Managerial Personnel (KMP)	
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)

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

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

(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	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013

Expenses paid on behalf of the Group:

XAPSB, Malaysia	-	-	48	39	48	39
XGISL, UK	-	-	-	105	-	105
XPL, Australia	-	-	-	66	-	66
XG, Germany	-	-	96	138	96	138
XUKL, UK	-	-	286	343	286	343
FSAL, UK	-	-	77	33	77	33
XBSL, UK	-	-	-	*	-	*
XHRSL, UK	-	-	-	16	-	16
XPSL, UK	-	-	153	54	153	54
XSSI, USA	-	-	434	176	434	176
XTSIPL, India	-	-	534	209	534	209
Xchanging plc, UK	-	9	-	-	-	9
XBPL, India	-	-	48	16	48	16
Total	-	9	1,676	1,195	1,676	1,204

Expenses paid on behalf of related party:

XAPSB, Malaysia	-	-	19	45	19	45
XGISL, UK	-	-	177	218	177	218
ISSL, UK	-	-	-	12	-	12
XI, USA	-	-	3	3	3	3
XPSL, UK	-	-	-	8	-	8
XSSI, USA	-	-	-	3	-	3
XTSIPL, India	-	-	1,735	1,904	1,735	1,904
XUKL, UK	-	-	203	117	203	117
XISAPL, Australia	-	-	-	12	-	12
XISVPL, Australia	-	-	18	4	18	4
SBB, USA	-	-	4	-	4	-
ISL, UK	-	-	6	-	6	-
XFS, France	-	-	-	4	-	4
Total	-	-	2,165	2,330	2,165	2,330

Interest Income on loans:

XTSIPL, India	-	-	108	108	108	108
XBPL, India	-	-	126	125	126	125
Total	-	-	234	233	234	233

(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	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013

Revenue:

XGISL, UK	-	-	1,674	741	1,674	741
XUKL, UK	-	-	312	230	312	230
XAPSB, Malaysia	-	-	490	126	490	126
XHRSL, UK	-	-	-	70	-	70
XTSIPL, India	-	-	31	111	31	111
XISAPL, Australia	-	-	228	215	228	215
XISVPL, Australia	-	-	52	27	52	27
XI, USA	-	-	4	4	4	4
XPSL, UK	-	-	182	119	182	119
SBB, USA	-	-	15	-	15	-
XPSLF, France	-	-	2	-	2	-
XSSI, USA	-	-	6	9	6	9
Total	-	-	2,996	1,652	2,996	1,652

Loans given during the year:

XBPL, India	-	-	18	125	18	125
Total	-	-	18	125	18	125

Loans repaid during the year:

XBPL, India	-	-	100	-	100	-
Total	-	-	100	-	100	-

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

C. Summary of balances of related parties is as follows:	Holding companies		Fellow subsidiaries		Total	
	As at		As at		As at	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013

Trade Receivables:

XGISL, UK	-	-	706	259	706	259
XUKL, UK	-	-	233	153	233	153
ISSL, UK	-	-	0	9	0	9
XAPSB, Malaysia	-	-	762	260	762	260
XHRSL, UK	-	-	-	74	-	74
XPSL, UK	-	-	3	33	3	33
XTSIPL, India	-	-	371	215	371	215
XISAPL, Australia	-	-	26	20	26	20
XFS, France	-	-	-	4	-	4
FSAL, UK	-	-	2	-	2	-
XI, USA	-	-	4	-	4	-
SBB, USA	-	-	7	-	7	-
XIL, UK	-	-	47	-	47	-
XSSI, USA	-	-	12	3	12	3
Total	-	-	2,173	1,030	2,173	1,030

Trade Payable:

FSAL, UK	-	-	27	10	27	10
XAPSB, Malaysia	-	-	240	104	240	104
XGISL, UK	-	-	47	47	47	47
XSSI, USA	-	-	187	56	187	56
XG, Germany	-	-	4	55	4	55
XUKL, UK	-	-	374	321	374	321
XHRSL, UK	-	-	1	28	1	28
XTSIPL, India	-	-	474	290	474	290
XPL, Australia	-	-	-	1	-	1
XPSL, UK	-	-	36	94	36	94
Xchanging plc, UK	9	9	-	-	9	9
XBPL, India	-	-	22	12	22	12
XPSLF, France	-	-	*	-	-	-
XISAPL, Australia	-	-	*	-	-	-
Total	9	9	1,412	1,018	1,421	1,027

* Balance is rounded off to zero where ever it is less than Rs 1 Lakh

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

C. Summary of balances of related parties is as follows:	Holding companies		Fellow subsidiaries		Total	
	As at		As at		As at	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013

Expenses Recoverable:

XAPSB, Malaysia	-	-	24	16	24	16
XGISL, UK	-	-	24	8	24	8
XI, USA	-	-	4	2	4	2
XISVPL, Australia	-	-	19	-	19	-
XSSI, USA	-	-	12	9	12	9
XTSIPL, India	-	-	122	174	122	174
XUKL, UK	-	-	125	41	125	41
XISAPL, Australia	-	-	8	8	8	8
ISL, UK	-	-	2	-	2	-
SBB, USA	-	-	5	-	5	-
XPL, Australia	-	-	-	1	-	1
Total	-	-	345	259	345	259

Loans and Advances:

XTSIPL, India	-	-	997	900	997	900
XGISL, UK	-	-	67	-	67	-
SBB, USA	-	-	2	-	2	-
XAPSB, Malaysia	-	-	34	-	34	-
XPSL, UK	-	-	4	-	4	-
XBPL, India	-	-	1,213	1,214	1,213	1,214
Total	-	-	2,317	2,114	2,317	2,114

Security Deposit Given

XBPL, India	-	-	33	33	33	33
Total	-	-	33	33	33	33

D. Remuneration paid to the key managerial personnel

Particulars	For the year ended	
	December 31, 2014	December 31, 2013
Salaries, bonus, etc.	5	-
Total	5	-

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

34 Leases**Operating lease**

As lessee:

In case of assets taken on lease:

The Group has operating lease arrangements for its office premises, guest houses and certain equipments. The lease arrangements for premises and guest houses have been entered up to a maximum of six years from the respective dates of inception. Some of these lease arrangements have price escalation clauses. Rent and hire charges for such operating leases recognised in the Statement of Profit and Loss for the year ended December 31, 2014 amounts to Rs. 802 (2013: Rs. 709).

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

Particulars	Dec 31, 2014	Dec 31, 2013
Not later than one year	601	249
Later than one year and not later than five years	755	156
Later than five years	541	-
Total	1,897	405

35 Provisions

In accordance with AS 29 'Provisions, Contingent Liabilities and Contingent Assets', the particulars of provisions as at December 31, 2014 are as follows:

Particulars	January 1, 2014	Created during the year	Utilised/ reversed during the year	December 31, 2014
Onerous lease contracts	173	-	(173)	-
	(173)	-	-	(173)
Litigation	32	-	(32)	-
	(32)	-	-	(32)

Notes:

(i) Prior year numbers are disclosed within brackets.

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

36 Taxation**a) Deferred Tax Assets:**

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

Details of deferred tax assets and liabilities as at December 31, 2014 is as per below:

Particulars	As at December 31, 2013	Credit/ (Charged) to Statement of Profit and Loss	As at December 31, 2014
Deferred Tax Assets			
Depreciation	285	6	291
Provision for gratuity	120	-	120
Provision for compensated absences	7	9	16
Provision for other employee benefits	77	75	152
Others	132	286	418
Total (A)	621	376	997
Deferred Tax Liabilities (B)	-	-	-
Deferred Tax Assets (Net) (A)-(B)	621	376	997
Previous year	-	621	621

b) 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 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.

37 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

(Formerly Price Waterhouse, FRN 012754N)

Suchita Sharma

Partner

Membership Number: 073897

Place : Bengaluru

Date : February 27, 2015

For and on behalf of the Board of Directors

Xchanging Solutions Limited

David Bauernfeind

**Non Executive Director &
Chairman**

Place : London

Date : February 27, 2015

Alok K Sinha

**Executive Director &
Chief Executive Officer**

Place : Bangalore

Date : February 27, 2015

Vinod Goel

Chief Financial Officer

Place : Bangalore

Date : February 27, 2015

Divya Pant

Company Secretary

Place : Bangalore

Date : February 27, 2015

NOTICE

Notice is hereby given that the Fourteenth Annual General Meeting ("AGM") of the members of **Xchanging Solutions Limited** ("the Company") will be held on **Monday, 25th day of May, 2015 at 10:00 A.M. at SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore 560 066, India** to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Financial Statements as at 31st December 2014 along with the Directors' and Auditors' Report thereon.
2. To ratify appointment of M/s Price Waterhouse Chartered Accountants LLP (Firm Registration No. 012754N/N500016) as Statutory Auditors of the Company on such remuneration as may be mutually agreed upon between the Board of Directors and the Statutory Auditors.

SPECIAL BUSINESS

3. To consider and if thought fit to pass with or without modification(s) the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT Mr. Alok Kumar Sinha (DIN: 02147416) who in terms of Section 161 of the Companies Act, 2013 and Article 93 of the Articles of Association of the Company, holds office till the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT pursuant to the provisions of Sections 196, 197, 198, 203, Schedule V and all other applicable provisions of the Companies Act, 2013, if any, read with rules made thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the relevant clauses

of Articles of Association of the Company, and subject to such statutory approvals, if any, as may be necessary, being obtained from the appropriate authorities to the extent applicable or necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, the approval of the Members be and is hereby accorded to the appointment of Mr. Alok Kumar Sinha (DIN: 02147416) as Whole Time Director and Chief Executive Officer of the Company for a period of 3 years with effect from November 07, 2014 on the following terms & conditions:

(i) Tenure:

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 November 07, 2014 and he shall be liable to retire by rotation.

(ii) Duties:

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

(iii) Salary & Commission:

Since Mr. Alok Kumar Sinha is rendering his services to M/s Xchanging Solutions Limited and also some other group companies and thus he shall be paid the remuneration including the perquisites, not exceeding INR 40 lakhs per annum during the term of his tenure as Whole Time Director. He shall not to be entitled to commission during his tenure as Whole Time Director.

(iv) Reimbursement of Travel and out of pocket expenses:

Mr. Alok Kumar Sinha shall be entitled for actual reimbursement of travel and out of pocket expenses incurred for business purpose of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to alter and/or vary the terms and conditions of the said appointment and/ or enhance, enlarge, alter or vary the scope and quantum of remuneration, perquisites, benefits and amenities payable to Mr. Alok Kumar Sinha in the light of further progress of the Company which shall be in accordance with the prescribed provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force).

RESOLVED FURTHER THAT pursuant to the ceiling limit specified under Section II of Part II of Schedule V and other applicable provisions, if any, of the Companies Act, 2013, and subject to such approvals as may be necessary, the consent of the members be and is hereby authorized to pay minimum remuneration to Mr. Alok Kumar Sinha, Whole Time Director and Chief Executive Officer for that financial year, in which there is inadequacy or absence of profits during the period of three years from the effective date of his appointment.

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

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

“**RESOLVED THAT** pursuant to the provisions of Section 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Companies Act, 2013 and revised Clause 49 of the Listing Agreement, Mr. Ashok Kumar Ramanathan (DIN: 02055559), Director of the Company, who was appointed as a director liable to retire by rotation and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 (five) years from the date of this Annual General Meeting”.

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

“**RESOLVED THAT** pursuant to the provisions of Section 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Companies Act, 2013 and revised Clause 49 of the Listing Agreement, Mr. Henry D Souza (DIN: 00276157), Director of the Company, who was appointed as a director liable to retire by rotation and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 (five) years from the date of this Annual General Meeting.”

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

“**RESOLVED THAT** pursuant to the provisions of Section 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Companies Act, 2013 and revised Clause 49 of the Listing Agreement, Ms. Gopika Pant (DIN: 00388675), who in terms of Section 161 of the Companies Act, 2013 and Article 93 of the Articles of Association of the Company, holds office till the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing her candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 (five) years from the date of this Annual General Meeting.”

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

Place : Gurgaon
Date : 22 April, 2015

Vinod Goel
Chief Financial Officer

NOTES

1. An explanatory statement as required pursuant to Section 102(1) of the Companies Act, 2013 is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF 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.
3. 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.
4. 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.
5. The Register of Members and Share Transfer Books of the Company will remain closed from 12 May 2015 to 25 May 2015 (both days inclusive) for the purpose of Annual General Meeting.
6. 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.
7. 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.
8. 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.
9. All documents, including those required to be kept for inspection, referred to in the accompanying Notice and Explanatory Statement 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.
10. Pursuant to the requirements under Clause 49 of the Listing Agreements entered into with the stock exchanges, the information about the directors proposed to be appointed/ reappointed is given in the Annexure to the Notice.
11. 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.
12. 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 Computer Share 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.

13. 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.
14. The Annual Report of the Company for the financial year ended 31 December 2014 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>
15. 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.
16. Electronic copy of the Notice of the 14th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participant(s) for

communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 14th 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.

17. In compliance with the provisions of Clause 35B of the Listing Agreement and Section 108 of Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014, 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.
18. 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 22nd May 2015 and will end at 05:00 PM on 24th May 2015. The facility for remote e-voting shall forthwith be blocked at the end of the period of remote e-voting.
19. The cut-off date i.e. date not earlier than seven days before the date of general meeting for determining the eligibility to vote by electronic means or in the general meeting shall be 18th May 2015.
20. A member whose name is recorded in the register of members or in the register of beneficial owners maintained by the deposit 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.
21. The facility for voting, either through electronic voting system or ballot or polling 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.
22. The facility of voting through electronic means shall be available during the meeting in the same manner as available for remote e-voting. The facility

Notice

shall remain in operation till all the resolutions are considered and voted upon in the meeting be used for voting only by members attending the meeting and who have not exercised their right to vote through remote e-voting.

23. 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.
24. The Company has appointed Mr. Kumar Bhavesh Kishore, Practicing Company Secretary, who in the opinion of the Company is a duly qualified person, as a Scrutinizer who will collate the electronic voting process in a fair and transparent manner. The Scrutinizer shall, 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.
25. In terms of provisions of Section 107 of the Companies Act, 2013 since the Company is providing the facility of e-voting to the shareholders, there shall be no voting by show of hands at the Annual General Meeting. The shareholders who will be physically present at the Annual General Meeting shall be provided with polling papers to cast their votes at the meeting.
26. The complete details of the instructions for e-voting are annexed to this Notice.

INSTRUCTION FOR E-VOTING

- i. To use the URL for e-voting: <http://evoting.karvy.com>
- ii. Shareholders of the Company holding shares either in physical form or in dematerialized form, as on the cut off date, may cast their vote electronically.

- iii. Enter the login credentials [i.e., user id and password].

User-ID	For Members holding shares in Demat form:
	a) For NSDL: 8 character DP ID followed by 8 digit Client ID
	b) For CDSL: 16 digit Beneficiary ID/Client ID
	For Members holding shares in Physical form:
	Event No.(EVENT) followed by Folio No. registered with the Company.
Password	Your Unique password is provided on the Attendance / Proxy form annexed to this Notice.

- iv. If you are already registered with Karvy for e-voting then you can use your existing user ID and password for casting your vote.
- v. After entering the details appropriately, click on LOGIN.
- vi. Shareholders who are already not registered with Karvy for e-voting, will reach the Password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (e-z), one numeric value (0-9) and a special character. The system will prompt you to change your password and update any contact details like mobile, email etc. on first login. You may also enter the secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- vii. You need to login again with the new credentials.
- viii. On successful login, the system will prompt you to select the EVENT i.e., Xchanging Solutions Limited.
- ix. On the voting page, enter the number of shares as from the cut-off date under FOR/AGAINST or alternately you may enter partially any number in FOR and partially in AGAINST but the total number in FOR/AGAINST taken together should not exceed the total shareholding. You may also choose the option ABSTAIN.

- x. Shareholders holding multiple folios / demat account shall choose the voting process separately for each folios / demat account.
- xi. Cast your vote by selecting an appropriate option and click on SUBMIT. A confirmation box will be displayed. Click OK to confirm else CANCEL to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, shareholders can login any number of times till they have voted on the resolution.
- xii. Once the vote on the resolution is cast by the shareholder, shareholder shall not be allowed to change it subsequently.
- xiii. The portal will be open for remote e-voting from: 9 A.M. on 22 May 2015 to 5 P.M. on 24 May 2015 and also the facility of e-voting shall be available during the meeting. No e-voting shall be allowed beyond the time fixed for e-voting.
- xiv. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for shareholders and e-voting User Manual for shareholders available at the download section of <http://evoting.karvy.com> or contact Karvy Computershare Pvt Ltd at Tel No. 1800 345 4001 (toll free).
- xv. Members are requested to address all correspondence to the Registrar and Share

Transfer Agents – Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot 31 – 32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032, India, Phone +91 040-67162222, Fax +91 040-23001153, Email: einward.ris@karvy.com (Name, designation, address, email and phone no. of a person who would be contacted in the event of any grievance of any member relating to e-voting.)

- 27. Members may please note that no gifts/ gift coupons shall be distributed at the venue of the Annual General Meeting.
- 28. 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**

Place : Gurgoan
Date : 22 April, 2015

Vinod Goel
Chief Financial Officer

EXPLANATORY STATEMENT

Pursuant to Section 102(1) of the Companies Act, 2013

Item No. 3 & 4

The Board of Directors in its meeting held on November 7, 2014 appointed Mr. Alok Kumar Sinha as Additional Director under Section 161 of the Companies Act, 2013 to hold office up to the date of this AGM as per Article 93 of the Articles of Association of the Company. The Board has further appointed Mr. Alok Kumar Sinha as whole time director and Chief Executive Officer of the Company for a period of 3 years with effect from November 07, 2014 and his appointment is subject to the approval of the shareholders. The terms of appointment referred in Item No.4 may also be treated as an abstract of the terms of the Agreement between the Company and Mr. Alok Kumar Sinha pursuant to Section 190 of Companies Act, 2013.

Mr. Alok Kumar Sinha is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as Director.

Schedule V of the Companies Act, 2013 provides that where in any financial year during the currency of tenure of the Executive Director, a company has no profits or its profits are inadequate, it may pay remuneration up to the limit prescribed therein, which is based on the effective capital of the Company, provided the minimum remuneration payable to such Directors is approved by the members by way of a special resolution. The special resolution so passed shall be valid for a period of three years.

Although the Company has shown growth and profit from operations in the current financial years, it is proposed to approve the above in order to enable the Company to pay the remuneration to its Directors in the eventuality of loss/ inadequacy of profits.

The payment of minimum remuneration to Mr. Alok Kumar Sinha as stated above is subject to the approval of the members.

The information as required under Schedule V Section II to be provided in the explanatory statement of the notice of AGM is given below:

I.	GENERAL INFORMATION	
1.	Nature of Industry	Information Technology Services
2.	Date or expected date of commencement of commercial production	Not Applicable (The Company is an existing Company)
3.	In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	Not Applicable
4.	Financial performance based on given indicators	Particulars Period 1-1-2014 to 31-12-2014 Total Revenue: Rs. 16,372 Lakhs Profit after tax: Rs. 722 Lakhs
5.	Export performance and net foreign exchange collaborations	The Company had foreign exchange earnings of Rs. 13,492 Lakhs during the financial year ending December 31, 2014

	6. Foreign investments or collaborators, if any.	<p>The Company has investments in the following overseas direct subsidiaries:</p> <ol style="list-style-type: none"> 1. Xchanging Solutions (USA) Inc., USA 2. Xchanging Solutions (Europe) Limited, UK 3. Xchanging Solutions (Singapore) Pte. Ltd. Singapore <p>The total foreign holding in the share capital of the Company as on December 31st 2014 was 16,827,979 Equity Shares of Rs. 10/- each comprising 15.11% of the total paid up capital.</p>
II. INFORMATION ABOUT THE APPOINTEE DIRECTOR:		
	1. Background Details:	The background details of Mr. Alok Kumar Sinha are given elsewhere in the notice.
	2. Past remuneration	Nil
	3. Recognition or awards	As given in the profile
	4. Job profile and his suitability	He is Chief Executive Officer of the Company and considering his rich experience he is suitable for the job.
	5. Remuneration proposed	As per details given in resolution Item No. 4
	6. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)	The remuneration payable to the appointees has been benchmarked with the remuneration being drawn by similar positions in IT industry and has been considered by the Nomination & Remuneration Committee of the Company in its meeting held on 07 th November 2014.
	7. Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any	Promoter Director
III. OTHER INFORMATION		
	1. Reasons of loss or inadequate profits	Not Applicable
	2. Steps taken or proposed to be taken for improvement	Not Applicable
	3. Expected increase in productivity and profits in measurable terms	Not Applicable
IV. Disclosures		
	The requisite disclosures have been made in the Board of Directors Report under the heading "Corporate Governance" as attached to the financial statement.	

Additional Information pursuant to Clause 49 of the Listing Agreement

Name of the Director	Alok Kumar Sinha	
DIN	02147416	
Date of Birth	December 17, 1963	
Date of appointment	November 7, 2014	
Qualification	PGDBA from XLRI, Jamshedpur BE (Electrical Engg.) from Punjab Engineering College	
Relation with Promoters/ Directors	Promoter Director	
Expertise in Functional area	Alok Kumar Sinha has rich experience in Outsourced Product Development, Enterprise Applications and Engineering Services across various industries. Alok has joined Xchanging in August 2011 as President & Head - Global AES. Prior to joining Xchanging, Alok has served at senior positions in various companies including Symphony Services, MatrixOne India, Tata Motors, Reliance and ILFS. Presently he is designated as an Executive Director and CEO of Xchanging Solutions Limited.	
Directorships in other Public Companies (other than Xchanging Solutions Ltd.)	Nil	
Chairman/Member (Other than Xchanging Solutions Ltd.) of:	Chairman	Member
Audit Committee	Nil	Nil
Shareholders' Grievances Committee	Nil	Nil
Membership / Chairmanship in Committees of Xchanging Solutions Limited	1. Stakeholders Relationship Committee 2. Corporate Social Responsibility Committee	
Number of shares held in Xchanging Solutions Limited	Nil	
Percentage of shareholding	NA	

Notice is received in writing under Section 160 of the Companies Act, 2013 along with the deposit of Rs. 1,00,000/- has been received by the Company from a member signifying his intention to propose the appointment of Mr. Alok Kumar Sinha as Director of the Company.

The Resolutions under item No. 3 & 4 are recommended for the approval by the shareholders as Ordinary and Special Resolution respectively.

No Director (other than Mr. Alok Kumar Sinha himself), and key managerial personnel and their relatives, is in any way concerned or interested in this resolution.

Item No. 5

Mr. Ashok Kumar Ramanathan was appointed as an Independent Director of the Company on 29th February 2012 in compliance with the requirement of Clause 49 of the Listing Agreement. Pursuant to the provisions of Section 149 of the Companies Act, 2013 ('the Act'), an independent director shall hold office for a term up to 5 (five) consecutive years on the Board of a Company and shall not be liable to retire by rotation. Mr. Ashok Kumar Ramanathan was appointed as an Independent Director of the Company as per the erstwhile applicable provisions of the Companies Act, 1956, where they were liable to retire by rotation.

Notice

Mr. Ashok Kumar Ramanathan has given his consent for appointment as a Director of the Company and has confirmed that he is not disqualified from being appointed as a Director under Section 164 of the Act. The Company has also received a declaration to the effect that he meets the criteria of independence as provided under Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

The Nomination and Remuneration Committee of the Company has recommended the appointment of Mr. Ashok Kumar Ramanathan as Independent Director of the Company whose period of office will not be liable to determination by retirement of directors by rotation.

Notice is received in writing under Section 160 of the Companies Act, 2013 along with the deposit of Rs. 1,00,000/- has been received by the Company from a member signifying his intention to propose the appointment of Mr. Ashok Kumar Ramanathan as Director of the Company.

Accordingly, it is now proposed to appoint Mr. Ashok Kumar Ramanathan as Independent Director under Section 149 of the Act and revised Clause 49 of the Listing Agreement for a term of 5 (five) years from the date of this Annual General Meeting.

Copy of the draft letter of appointment of Mr. Ashok Kumar Ramanathan as Independent Director of the Company setting out the terms and conditions of his appointment would be available for inspection without any fee by the members at the Registered Office of the Company on all working days, except Saturdays, Sundays and public holidays, during normal business hours. It will be in the best interest of the Company if he is appointed as Independent Director of the Company.

The Resolutions under item No. 5 are recommended for the approval by the shareholders as Ordinary Resolution.

No Director (other than Mr. Ashok Kumar Ramanathan himself), and key managerial personnel and their

relatives, is in any way concerned or interested in this resolution.

Item No. 6

Mr. Henry D Souza was appointed as an Independent Director of the Company on 29th February 2012 in compliance with the requirement of Clause 49 of the Listing Agreement. Pursuant to the provisions of Section 149 of the Companies Act, 2013 ('the Act'), an independent director shall hold office for a term up to 5 (five) consecutive years on the Board of a Company and shall not be liable to retire by rotation. Mr. Henry D Souza was appointed as an Independent Director of the Company as per the erstwhile applicable provisions of the Companies Act, 1956, where they were liable to retire by rotation.

Mr. Henry D Souza has given his consent for appointment as a Director of the Company and has confirmed that he is not disqualified from being appointed as a Director under Section 164 of the Act. The Company has also received a declaration to the effect that he meets the criteria of independence as provided under Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

The Nomination and Remuneration Committee of the Company has recommended the appointment of Mr. Henry D Souza as Independent Director of the Company whose period of office will not be liable to determination by retirement of directors by rotation.

Notice is received in writing under Section 160 of the Companies Act, 2013 along with the deposit of Rs. 1,00,000/- has been received by the Company from a member signifying his intention to propose the appointment of Mr. Henry D Souza as Director of the Company.

Accordingly, it is now proposed to appoint Mr. Henry D Souza as Independent Director under Section 149 of the Act and revised Clause 49 of the Listing Agreement for a term of 5 (five) years from the date of this Annual General Meeting.

Notice

Copy of the draft letter of appointment of Mr. Henry D Souza as Independent Director of the Company setting out the terms and conditions of his appointment would be available for inspection without any fee by the members at the Registered Office of the Company on all working days, except Saturdays, Sundays and public holidays, during normal business hours. It will be in the best interest of the Company if he is appointed as Independent Director of the Company.

The Resolutions under item No.6 are recommended for the approval by the shareholders as Ordinary Resolution.

No Director (other than Mr. Henry D Souza himself), and key managerial personnel and their relatives, is in any way concerned or interested in this resolution.

Item No. 7

The Board of Directors in its meeting held on February 27, 2015 appointed Ms. Gopika Pant as Additional Director w.e.f March 02, 2015, in compliance with the requirement of Clause 49 of the Listing Agreement and under Section 161 of the Companies Act, 2013 to hold office up to the date of this AGM as per Article 93 of the Articles of Association of the Company. Pursuant to the provisions of Section 149 of the Companies Act, 2013 ('the Act'), an independent director shall hold office for a term up to 5 (five) consecutive years on the Board of a Company and shall not be liable to retire by rotation.

Ms. Gopika Pant has given her consent for appointment as a Director of the Company and has confirmed that she is not disqualified from being appointed as a Director under Section 164 of the Act. The Company has also received a declaration to the effect that she meets the criteria of independence as provided under Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

The Nomination and Remuneration Committee of the Company has recommended the appointment of Ms. Gopika Pant as Independent Director of the Company whose period of office will not be liable to determination by retirement of directors by rotation.

Notice is received in writing under Section 160 of the Companies Act, 2013 along with the deposit of Rs. 1,00,000/- has been received by the Company from a member signifying his intention to propose the appointment of Ms. Gopika Pant as Director of the Company.

Accordingly, it is now proposed to appoint Ms. Gopika Pant as Independent Director under Section 149 of the Act and revised Clause 49 of the Listing Agreement for a term of 5 (five) years from the date of this Annual General Meeting. Further, appointment of Ms. Gopika Pant also complies with the provisions of Section 149 of the Companies Act, 2013 and Clause 49 of the Listing Agreement with respect to appointment of woman director.

Copy of the draft letter of appointment of Ms. Gopika Pant as Independent Director of the Company setting out the terms and conditions of her appointment would be available for inspection without any fee by the members at the Registered Office of the Company on all working days, except Saturdays, Sundays and public holidays, during normal business hours. It will be in the best interest of the Company if she is appointed as Independent Director of the Company.

The Resolutions under item No.7 are recommended for the approval by the shareholders as Ordinary Resolution.

No Director (other than Ms. Gopika Pant herself), and key managerial personnel and their relatives, is in any way concerned or interested in this resolution.

ADDITIONAL INFORMATION ON DIRECTORS

DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE- APPOINTMENT IN THE FORTHCOMING ANNUAL GENERAL MEETING (IN PURSUANCE OF CLAUSE 49 IV(G) OF THE LISTING AGREEMENT)

Name of the Director	Ashok Kumar Ramanathan	Henry D Souza	Gopika Pant
DIN	02055559	00276157	00388675
Date of Birth	February 19, 1953	April 24, 1964	14 August 1960
Date of appointment	February 29, 2012	February 29, 2012	March 02, 2015
Qualification	B.Com, FCA	MBA (Marketing)	LL.M. Columbia University, New York, USA LL.B. University of Delhi Diploma in Environmental Law B.A. (Hons), St. Stephens College, Delhi University
Relation with Promoters/ Directors	None	None	None
Expertise in Functional area	<p>Ashok Kumar Ramanathan has 36 years rich experience in practice as a Chartered Accountant. Presently he is Senior Partner of Ashok Kumar Prabhaskar & Co., specializing in foreign collaborations & Foreign Exchange Matters, tax and investment consultancy for non- residents, management consultancy for few MNCs and auditing of companies & Banking Institutions. He had been visiting faculty for Indian Institute of Management, Bangalore.</p> <p>He was on the Board of Directors of Vijaya Bank during 2002 – 05 and member of the local Board of State Bank of India from 2008 – 2011. Ashok joined Xchanging Solutions Ltd. in 2012 as an Independent Director.</p>	<p>Henry D Souza has over 25 years of good experience in the industry. He is currently Chief Executive Officer (CEO) of Expat Leisure & Resorts Limited since May 2009. He was instrumental in building and developing the Indoor Sports Complex (XLR8 Indoor Sports Arena) opened at Kothanur, Bangalore and expanding the operations of the sports center and clubhouse (Balance-theclub) across India and the Middle East.</p> <p>Prior to joining Expat, Henry served as Vice President with Expertus Infotech based in Chennai, wherein he was responsible for building the Software Testing practice out of India and overseeing the setting up of business development Operations of the UK office.</p> <p>He had also held various positions in different roles and responsibilities in many other companies like Panduit International, Turbocam India and Bradma of India Limited</p>	<p>Gopika Pant has significant experience in Indian corporate and commercial laws, including in the retail sector, joint ventures, cross border commercial transactions, private equity investments, acquisitions, media & entertainment, intellectual property, real property transactions and foreign investments. She was made Partner in a leading law firm, prior to setting up an independent legal practice in 1999, which merged with DSK Legal in 2004. Gopika moved out of DSK Legal in 2011 to form new law firm with name Indian Law Partners (ILP). Ashurst LLP, UK has best friend referral arrangement with ILP. She is a member of the British Business Group, New Delhi.</p> <p>Gopika holds membership of:</p> <ul style="list-style-type: none"> • Supreme Court Bar Association, India • Bar Council of Delhi, India • New York State Bar, New York, USA • International Bar Association • American Bar Association

Notice

Name of the Director	Ashok Kumar Ramanathan		Henry D Souza		Gopika Pant	
Directorships in other Public Companies (other than Xchanging Solutions Ltd.)	Nil		1. Universal Flora Limited		1. GKN Driveline (India) Limited	
Chairman/Member (Other than Xchanging Solutions Ltd.) of:	Chairman	Member	Chairman	Member	Chairman	Member
Audit Committee	Nil	Nil	Nil	Nil	Nil	Nil
Shareholders' Grievances Committee	Nil	Nil	Nil	Nil	Nil	Nil
Membership / Chairmanship in Committees of Xchanging Solutions Limited	<ol style="list-style-type: none"> 1. Audit Committee 2. Stakeholders Relationship Committee 3. Nomination and Remuneration Committee 4. Corporate Social Responsibility Committee 		<ol style="list-style-type: none"> 1. Audit Committee 2. Stakeholders Relationship Committee 3. Nomination and Remuneration Committee 4. Corporate Social Responsibility Committee 		<ol style="list-style-type: none"> 1. Audit Committee 2. Stakeholders Relationship Committee 3. Nomination and Remuneration Committee 4. Corporate Social Responsibility Committee 	
Number of shares held in Xchanging Solutions Limited	NIL		Nil		Nil	
Percentage of shareholding	NA		NA		NA	

Disclosure of Interse relationships of Directors:

None of the directors has nay relationship with other directors

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

Place : Gurgoan
Date : 22 April, 2015

Vinod Goel
Chief Financial Officer

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, Website: 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) ofshares 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 14th Annual General Meeting of the Company, to be held on Monday, the 25th day of May, 2015 at 10:00 A.M. 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. Adoption of Financial Statements and Reports of Board of Directors and Auditors			
2. Appointment of Statutory Auditors			
3. To appoint Mr. Alok Kumar Sinha as Director of the Company			
4. To appoint Mr. Alok Kumar Sinha as Whole-time Director and Chief Executive Officer of the Company			
5. Appointment of Mr. Ashok Kumar Ramanathan as Independent Director of the Company			
6. Appointment of Mr. Henry D Souza as Independent Director of the Company			
7. Appointment of Ms. Gopika Pant as Independent Director of the Company			

Signed this day of 2015

Affix Rs.
1/-Revenue
Stamp

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 560 066
Tel : + 91 80 30540000
Fax : + 91 80 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 80 3054 0000 Extn: 31264
Fax +91 80 4115 7394
E-mail: compliance@asia.xchanging.com

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

BSE (Bombay Stock Exchange)

NSE (National Stock Exchange)

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

Safe Harbor Statement

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

