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Transforming the borrower experience™

DIRECTORS' REPORT

Dear Shareholders,

The Board of Directors are pleased to present the Tenth Annual Report and the Audited Statement of Accounts of the Company for the year ended December 31, 2013.

Financial Results

The performance of the Company for the Year ended December 31, 2013 is summarized below:

Particulars	**Year ended December 31, 2013 (Rs.'000)**	**Year ended December 31, 2012 (Rs.'000)**
Turnover	1,089,533	1,019,000
Other Income	34,286	32,214
Total Income	**1,123,819**	**1,051,214**
Total Expenditure (excluding depreciation)	941,578	888,559
Depreciation	28,072	26,387
Total Expenditure	969,650	914,946
Profit/(Loss) Before Tax	**154,169**	**136,268**
Less: Tax expenses	65,021	53,504
Profit/(Loss) for the year (period)	**89,148**	**82,764**
Add: Esop expenses for the year	22,141	21,062
Add: Balance B/f from previous year	79,230	(24,596)
Balance carried to Balance sheet	190,517	79,230

Business Operations

The Company is engaged in the business of providing knowledge process outsourcing ("KPO") services and software products support services catering mainly to the mortgage lending industry in the USA. ISGN operates as the off-shore hub and along with its affiliates in the USA delivers solutions and services to the customer base consisting primarily of mortgage banks and financial institutions.

The company's revenue from Operations stood at Rs.108.95 Crores for the year ended 31st December, 2013 as against Rs. 101.90 Crores in the previous year registering an increase of 6.92% from the previous year. The net profit for the year stood at Rs. 8.91 crores as against Rs. 8.28 crores in the previous year.

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Subsidiary Company

Inuva Info management private Limited, the company's subsidiary has no business operation during the year.

General Reserves

As on December 31, 2013, the Reserves and Surplus account balance stood at Rs. 19.05 Crores.

Directors

Mr. Amit Kothiyal, Mr. Paul Imura and Mr. Erik Anderson are the members of the Board of Directors.

During the year, Mr. Amit Kothiyal, Chief executive Officer was appointed as the Managing Director with effective August 07, 2013 in order to comply with Section 269 of the Companies Act, 1956. As per the Special resolution passed by the Shareholders on September 02, 2013 he holds the office of Managing Director for the period of 3 years until August 06, 2016.

Mr. Erik Anderson was inducted as an additional director on August 07, 2013. The Board has received notices with regards to the appointment of Mr. Erik Anderson as the Director of the Company and it is proposed to appoint him at the ensuing Annual general meeting of the Company.

Mr. Paul Imura will retire in the ensuing AGM and being eligible he offers himself for re-appointment. The Board of Directors recommends his re-appointment.

Mr. Ritesh Idnani and Mr. Harinder S Kohli effective August 07, 2013 were resigned from the Board. The Directors placed on record their sincere appreciation and gratitude for the services rendered by Mr. Ritesh Idnani and Mr. Harinder S Kohli during their tenure in office.

Dividend

Directors are not proposing to declare any dividend for this year.

Share Capital

There was no change in the share capital during the reporting year

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, the Directors hereby confirm that:

1. in the preparation of the annual accounts, the accounting standards have been followed and that there are no material departures;

2. they have, in selection of accounting policies consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at December 31, 2013 and of the profit of the Company for the year ended on that date;

3. they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;

4. they have prepared the annual accounts of the Company on a going concern basis;

Committees:

Audit Committee:

The Company is having Audit Committee pursuant to Section 292A of the Companies Act, 1956. Mr. Amit Kothiyal, Mr. Paul Imura and Mr. Erik Anderson are the members of the Audit Committee formed under section 292A of the Companies Act, 1956.

The major role of the Committee inter alia includes review of Internal Audit report and that of Statutory Audit Report, Re-appointment of Statutory and Internal Auditors and fixation of their remuneration thereon, Review of Financial Results, audit findings and related party transactions.

Remuneration Committee:

Mr. Paul Imura and Mr. Erik Anderson as the members of the Remuneration Committee.

The major role of the Committee inter alia includes appointment and remuneration of Managing Directors/Whole Time Directors, compensation package, annual increments, incentives, etc.

Auditors

M/s. B S R R & Co, Chartered Accountants, who are the statutory auditors of the Company, hold office till the conclusion of the forthcoming AGM and are eligible for re-appointment. Pursuant to the provisions of section 139 of the Companies Act, 2013 and the Rules framed there under, it is proposed to appoint M/s. B S R R & Co, as statutory auditors of the Company from the conclusion of the forthcoming AGM till the conclusion of the Thirteenth AGM to be held in the year 2017, subject to ratification of their appointment at every AGM.

Information required to be furnished under Section 217 (1)(e) of the Companies Act

A. Conservation of Energy

The operations of the Company are not energy intensive. However, adequate measures have been taken to conserve and preserve energy by using efficient energy equipments.

B. Technology Absorption

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

C. Foreign Exchange Earnings and Outgo

Total Foreign Exchange Earnings and Outgo		in Rupees (000's)	
		December 2013	December 2012
(i)	Total Foreign currency Earnings	1,089,533	1,019,000
(ii)	Total Foreign currency outgo	7,090	20,785

Particulars of employees

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, are as follows:.

Sl.No.	Name	Designation	Qualification	Age (years)	Experience (years)	Date of commencement of employment	Remuneration Received(Rs.)	Last employment	
								Employer's Name	Post Held
A.Employees who were employed throughout the year and were in receipt of remuneration in aggregate of not less than Rs.60,00,000 for 12 Months									
1	Amit Kothiyal	Chief Executive Officer	MBA	39	16	18-Sep-12	10,601,336.00	Infosys	SBU Head
2	Shailendra Gupta	Chief Financial Officer	CA,ICWA	40	18	18-Aug-11	8,650,184.00	Ocwen Financial Services	Chief Financial Officer
B. Employees who were employed for a part of the Year and were in receipt of remuneration in aggregate of not less than Rs.5,00,000 Per month:									
3	Vishwajit Singh Negi	Chief Operating Officer	ITC Management Training Program	47	23	9-Dec-13	453,437.00	Firstsource Solutions	EVP - Operatio

Notes:

1 These persons were employed on contractual basis on various dates during the year

2 In accordance with the clarification given by Ministry of Corporate Affairs, the remuneration has been computed on the basis of the actual expenditure incurred by the Company

3 None of the above employees is a relative of any Director of the Company

4 None of the above employees himself or alongwith his spouse and dependent Children hold 2% or more equity shares of the Company

Fixed Deposits

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

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Acknowledgements

The Directors thank the Company's clients, vendors, investors and banks and Government Departments for their support during the year. The Directors place on record their appreciation of the contribution made by employees at all levels.

For and on behalf of the Board of Directors

Amit Kothiyal
Chairman

Date: May 08, 2014
Place: Bangalore

B S R R & Co
(Registered)
Chartered Accountants

Maruthi Info-Tech Centre
11-12/1 Inner Ring Road
Koramangala
Bangalore 560 071 India

Telephone +91 80 3980 6000
Fax +91 80 3980 6999

Independent Auditor's Report

To the Members of ISG Novasoft Technologies Limited

We have audited the accompanying financial statements of ISG Novasoft Technologies Limited ("the Company") which comprise the balance sheet as at 31 December 2013, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and 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 13 September 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.

Auditor's responsibility

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 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the balance sheet, of the state of affairs of the Company as at 31 December 2013;

(ii) in the case of the statement of profit and loss account, of the profit of the Company for the year ended on that date; and

(iii) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

(i) 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;

(ii) 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;

(iii) 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;

(iv) in our opinion, the balance sheet, statement of profit and loss and cash flow statement comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act 2013; and

(v) on the basis of written representations received from the directors as on 31 December 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 December 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

for **B S R R & Co**
Chartered Accountants
Firm's registration number: 130791W

Sampad Guha Thakurta

Sampad Guha Thakurta
Partner

Membership No.: 060573
Bangalore
08 May 2014

Annexure to the Auditors' report

The Annexure referred to in our report to the members of ISG Novasoft Technologies Limited ('the Company') for the year ended 31 December 2013. We report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets verified in a phased manner over a period of two years. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.

(c) Fixed assets disposed of during the year were not substantial, and therefore, do not affect the going concern assumption.

(ii) The Company is a service company, primarily rendering information technology services. Accordingly, it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.

(iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

(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 with regard to purchase of fixed assets and sale of services. The activities of the Company do not involve purchase of inventory and the sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.

(v) According to the information and explanations given to us, the Company has not entered into any contract or arrangement with parties, which needs to be entered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, clause (v)(a) and (v)(b) of paragraph 4 of the Order are not applicable.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.

(viii) The Central Government of India has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act for any of the services rendered by the Company.

(ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income-tax, Employees' State Insurance, Service tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Customs duty, Investor Education and Protection Fund, Sales-tax, Wealth Tax and Excise duty.

According to the information and explanations given to us, no undisputed amounts payable in respect Provident Fund, Income-tax, Employees' State Insurance, Service tax and other material statutory dues were in arrears as at 31 December 2013 for a period of more than six months from the date they became payable.

(b) According to information and explanations given to us, the following dues of Income tax, have not been deposited by the Company on account of disputes:

Name of the statute	Nature of dues	Amount (Rs lakhs)	Period to which the amount relates	Forum where dispute is pending
Income tax Act, 1961	Order passed u/s 143(3) for international transactions. Addition on account of determination of Arm's Length Price (ALP)	905	AY 2007-08	Appellate Tribunal, New Delhi
Income tax Act, 1961	Order passed u/s 143(3) for international transactions. Addition on account of determination of Arm's Length Price (ALP)	266	AY 2008-09	Appellate Tribunal, New Delhi
Income tax Act, 1961	Order passed u/s 143(3) for international transactions. Addition on account of determination of Arm's Length Price (ALP)	290	AY 2009-10	Appellate Tribunal, New Delhi

According to the information and explanations given to us, there are no dues of Service-tax which have not been deposited with the appropriate authorities on account of any dispute. As explained to us, the Company did not have any dues on account of Wealth tax, Custom duty, Sales tax, Excise duty and Cess.

(x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debentures during the year.

(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.

(xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund/ nidhi/ mutual benefit fund/ society.

(xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xv) 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.

(xvi) The Company did not have any term loans outstanding during the year.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not 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.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money by public issues during the year.

(xxi) According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

for **B S R R & Co**
Chartered Accountants
Firm's registration number: 130791W

Sampad Guha Thakurta

Sampad Guha Thakurta
Partner

Membership No.: 060573
Bangalore
08 May 2014

ISG Novasoft Technologies Limited
Balance Sheet

	Note	As at 31 December 2013	(Rs in lakhs) As at 31 December 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	3,623	3,623
Reserves and surplus	3	1,905	792
		5,528	4,415
Non-current liabilities			
Long-term borrowings	4	131	48
Long-term provisions	5	35	76
		166	124
Current liabilities			
Short-term borrowings	6	-	402
Trade payables	7	5	172
Other current liabilities	8	806	577
Short-term provisions	9	307	616
		1,118	1,767
Total		6,812	6,306
ASSETS			
Non-current assets			
Fixed assets	10		
- Tangible assets		225	141
- Intangible assets		224	65
Intangible assets under development		-	77
Deferred tax assets (net)	11	156	165
Long-term loans and advances	12	791	617
Other non-current assets	13	0	-
		1,396	1,066
Current assets			
Trade receivables	14	4,775	4,792
Cash and cash equivalents	15	71	300
Short-term loan and advances	16	459	129
Other current assets	17	112	19
		5,416	5,240
Total		6,812	6,306
Significant accounting policies	1		

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

for B S R R & Co
Chartered Accountants
Firm's registration number: 130791W

Sampad Guha Thakurta
Partner
Membership number: 060573

Place: Bangalore
Date: 8 May 2014

for and on behalf of the Board of Directors of
ISG Novasoft Technologies Limited

Amit Kothiyal
Managing Director

Paul Imura
Director

Vivekanandan B
Company Secretary

Shailendra Gupta
Chief Financial Officer

Place: Bangalore
Date: 8 May 2014

Place: Bangalore
Date: 8 May 2014

ISG Novasoft Technologies Limited
Statement of Profit and Loss

(Rs in lakhs)

	Note	For the year ended 31 December 2013	For the year ended 31 December 2012
Revenue from operations			
Income from software services	18	10,895	10,190
Other income	19	343	322
Total Revenue		**11,238**	**10,512**
Expenses			
Employee benefits	20	6,728	6,164
Finance costs	21	139	78
Depreciation and amortisation	10	281	264
Other expenses	22	2,549	2,643
Total expenses		**9,697**	**9,149**
Profit before tax		**1,542**	**1,363**
Tax expense			
Current tax		590	570
Current tax for earlier years		52	24
Deferred tax charge / (credit)		9	(59)
Profit for the year		**891**	**828**
Earnings per ordinary share (par value Rs.10)	27		
Basic		2.46	2.28
Diluted		2.46	2.28
Number of shares used in computing earnings per share			
Basic		36,230,700	36,230,700
Diluted		36,230,700	36,230,700
Significant accounting policies	1		

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

for B S R R & Co
Chartered Accountants
Firm's registration number: 130791W

Sampad Guha Thakurta
Partner
Membership number: 060573

Place: Bangalore
Date: 8 May 2014

for and on behalf of the Board of Directors of
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Managing Director

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Company Secretary

Shailendra Gupta
Chief Financial Officer

Place: Bangalore
Date: 8 May 2014

Place: Bangalore
Date: 8 May 2014

ISG Novasoft Technologies Limited
Cash Flow Statement

	For the year ended 31 December 2013	(Rs in lakhs) For the year ended 31 December 2012
Cash flow from operating activities :		
Profit before tax	1,542	1,363
Adjustment for :		
Depreciation and amortization expense	281	264
Assets written off	-	3
Advances written off	(1)	-
(Profit) / loss on sale of tangible assets	(2)	-
Unrealized foreign exchange loss/ (gain)	(37)	(35)
Stock compensation expense	221	211
Interest expense	31	78
Interest income	-	(0)
Operating profit before working capital changes	**2,035**	**1,883**
Changes in working capital		
Trade and other receivables	(241)	(1,009)
Current liabilities and provisions	101	(309)
Cash provided by operations	**1,895**	**566**
Income taxes paid	(1,246)	(564)
Net cash from operating activities	**648**	**2**
Cash flow from investing activities		
Purchase of fixed assets	(252)	(148)
Proceeds from sale of fixed assets	3	5
Interest received	0	3
Net cash used in investing activities	**(249)**	**(140)**
Cash flow from financing activities		
Repayment of borrowings	(546)	(61)
Proceeds from short-term borrowings	-	402
Receipt of intercorporate loan	-	1,000
Repayment of intercorporate loan	-	(1,000)
Interest paid	(31)	(78)
Net cash flow from in financing activities	**(577)**	**263**
Net increase in cash and cash equivalents	(177)	123
Cash and cash equivalents at beginning of the year	300	177
Cash and cash equivalents at the end of the year	**123**	**300**

This is the cash flow statement referred to in our audit report of even date.

for **B S R R & Co**
Chartered Accountants
Firm's registration number: 130791W

Sampad Guha Thakurta

Sampad Guha Thakurta
Partner
Membership number: 060573

Place: Bangalore
Date: 8 May 2014

for and on behalf of the Board of Directors of
ISG Novasoft Technologies Limited

Amit Kothiyal
Managing Director

Paul Imura

Paul Imura
Director

B. V.

Vivekanandan B
Company Secretary

Shailendra Gupta
Chief Financial Officer

Place: Bangalore
Date: 8 May 2014

Place: Bangalore
Date: 8 May 2014

1. Significant accounting policies

1.1 Background

ISG Novasoft Technologies Limited ("ISGN" / the "Company"), a company incorporated under the Indian Companies Act, 1956 is a wholly owned subsidiary of CFCL Ventures Limited, Cayman Islands ("CVL"). CVL in turn is a wholly owned subsidiary of CFCL Technologies Limited, Cayman Islands ("CFCLT"). CFCLT is a subsidiary of Chambal Fertilizers and Chemicals Limited, a company incorporated and listed in the stock exchanges of India.

ISGN is engaged in the business of providing Knowledge Process Outsourcing ("KPO") services and software products support services catering mainly to the mortgage lending industry in the United States of America ("USA"). ISGN operates as the off-shore hub and along with its affiliates in the USA delivers solutions and services to the customer base consisting primarily of mortgage banks and financial institutions.

1.2 Basis of preparation

These financial statements are prepared under the historical cost convention, in accordance with Generally Accepted Accounting Principles in India ("IGAAP") on accrual basis. GAAP comprises accounting standards as prescribed by the Companies (Accounting Standards) Rules 2006, and the relevant provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable). Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3 Use of estimates

The preparation of financial statements in conformity with IGAAP requires the use of management estimates and assumptions that affect the amounts reported. These estimates are based on historical experience and information that is available to management about current events and actions that the Company may take in the future. Significant items subject to estimates and assumptions include the useful lives of fixed assets, evaluation of impairment of fixed assets, identifiable intangible assets and goodwill, provision for income tax and deferred tax, and valuation of the assets and liabilities acquired in business combinations, contingencies and the allowance for doubtful accounts receivable and advances. The estimates also includes the business plan and future projections of the operations of the Company based on which the enterprise value and value of common stock as at year end has been arrived at and used to analyse indicators of impairment, if any. Due to the inherent uncertainty involved in making estimates, and if the future projection fails to materialize, the actual results including analysis of probable impairment could differ from these estimates.

1.4 Revenue recognition

Revenue from services is recognised on a cost-plus basis and billed in accordance with the terms of the service agreements with its group companies.

'Unbilled revenue' represents value of services rendered in excess of amounts billed to the customer as at the balance sheet date.

'Unearned revenue' represents the amounts billed to the customer in excess of value of services rendered as at the balance sheet date.

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Interest on the deployment of funds is recognized using the time-proportion method, based on underlying interest rates.

1.5 Fixed assets and depreciation

Fixed assets are stated at historical cost less accumulated depreciation. The cost of an asset comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.
Depreciation is provided on fixed assets on straight line method over their estimated useful lives. The depreciation rates used are higher than the minimum rates specified in Schedule XIV to the Companies Act, 1956.

Asset description	Useful life
Computers and accessories	5 years
Furniture and fixtures	5 to 7 years
Office equipment	5 years
Vehicles	5 years

Leasehold improvements are depreciated over their estimated useful life or the reminder of the primary lease period whichever is shorter.

Assets individually costing Rs. 5,000 or less are fully depreciated in the year of purchase. Depreciation charge in respect of additions / deletions is restricted to the period of use.

1.6 Intangible assets

Intangible assets comprise of computer software and internally generated software platforms.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of profit and loss as incurred. Development activities involve a plan or design for the production of new or substantially improved software products or processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and is classified as internally generated software platforms. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of profit and loss as incurred.

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in the statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied

B S R R & Co. BANGALORE 560 071 CHARTERED ACCOUNTANTS

in the asset. The estimated useful life for computer software is considered as 5 years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

1.7 Retirement and other employee benefits

a) Gratuity

The Company provides for gratuity, a defined benefit retirement plan covering eligible employees. The gratuity plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment with the Company.

Liabilities with regard to gratuity are determined by actuarial valuation at each balance sheet date using the projected unit credit method. The Company fully contributes all ascertained liabilities to the fund administered by Kotak Mahindra Old Mutual Life Insurance Limited. The Company recognizes the net obligation of the gratuity plan in the balance sheet as an asset or liability, respectively in accordance with Accounting Standard (AS) 15, 'Employee Benefits'. The Company's overall expected long-term rate-of-return on assets has been determined based on consideration of available market information, current provisions of Indian law specifying the instruments in which investments can be made, and historical returns. The discount rate is based on the Government securities yield. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the statement of profit and loss in the period in which they arise.

b) Provident fund

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the Company make monthly contributions to a recognised provident fund equal to a specified percentage of the covered employee's salary. The Company has no further obligations for future Provident Fund benefits other than its monthly contributions.

c) Compensated absences

Compensated absence, which is a short-term defined benefit plan, is recognized as an expense as per the Company's scheme based on expected obligations, as at the balance sheet date on an undiscounted basis.

1.8 Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

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The Company uses foreign exchange forward and options contracts to hedge its exposure to movements in foreign exchange rates. The use of these foreign exchange forward and options contracts reduce the risk or cost to the Company and the Company does not use those for trading or speculation purposes.

The Company adopted AS 30, 'Financial Instruments: Recognition and Measurement', to the extent that the adoption did not conflict with existing accounting standards and other authoritative pronouncements of the Company Law and other regulatory requirements.

Forward and options contracts are fair valued at each reporting date. The resultant gains or losses from these transactions are recognized in the statement of profit and loss. The Company records the gain or loss on effective hedges, if any, in the foreign currency fluctuation reserve until the transactions are complete. On completion, the gain or loss is transferred to the settlement of profit and loss of that period. To designate a forward or options contract as an effective hedge, the Management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. In the absence of a designation as effective hedge, a gain or loss is recognized in the statement of profit and loss. Currently hedges undertaken by the Company are all ineffective in nature and the resultant gain or loss consequent to fair valuation is recognized in the statement of profit and loss at each reporting date.

1.9 Income taxes

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

Provision for current tax is made based on the liability computed in accordance with the relevant tax rates and the tax laws. The Company offsets, on a year on year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future Income tax liability, is considered as an asset, if there is convincing evidence that the company will pay normal Income tax. Accordingly, MAT is recognized as an asset in the balance sheet, when it is probable that future economic benefits associated with it will flow to the Company.

Deferred tax

Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are reviewed at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain to be realized.

1.10 Employee stock compensation costs

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Employee stock compensation costs for stock options are recognized as employee benefit expenses in accordance with the guidance note on "Accounting for Employee Share-based Payments" issued by the Institute of Chartered Accountants of India, based on the grant date fair value of the options granted to employees. The fair value of the options is estimated on the date of grant using the Black-Scholes-Merton valuation model on the basis of an independent valuation performed and recognized in a graded manner on the basis of weighted period of services over the vesting period. The expected term of an option is estimated based on the vesting term and contractual term of the option, as well as expected exercise behavior of the employee who receives the option. Expected volatility during the expected term of the option is based on historical volatility, during a period equivalent to the expected term of the option, of the observed market prices of the publicly traded equity shares of comparable listed entities. Expected dividends during the expected term of the option are based on recent dividend activity. Risk-free interest rates are based on the government securities yield in effect at the time of the grant over the expected term.

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1.11 Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares considered for deriving base earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value which is the average market value of the outstanding shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

1.12 Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise cash in hand and balance in bank in current accounts. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.13 Cash flow statement

Cash flows are reported using the indirect method, whereby net profit/ (loss) before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular operating, investing and financing activities of the Company are segregated.

1.14 Leases

Where the Company is the lessee

Operating leases – Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Finance leases – Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term on a straight line basis.

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1.15 Provision and contingencies

Provision is recognised when, as a result of obligating events, there is a present obligation that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation.

The disclosure of contingent liability is made when, as a result of obligating events, there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

No provision or disclosure is made when, as a result of obligating events, there is a possible obligation or a present obligation where the likelihood of an outflow of resources is remote.

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2. Share capital

(Rs in lakhs)

Particulars	As at 31 December 2013	As at 31 December 2012
Authorised		
Ordinary shares		
50,000,000 (previous year: 50,000,000), equity shares of par value Rs 10 each	5,000	5,000
Issued, subscribed and paid up:		
Ordinary shares		
36,230,700 (previous year: 36,230,700) equity shares of par value Rs 10 each fully paid up	3,623	3,623
	3,623	**3,623**

Reconciliation of the shares outstanding as at the beginning and at the end of the reporting period

Particulars	31 December 2013		31 December 2012	
	Number of shares	Amount (Rs in lakhs)	Number of shares	Amount (Rs in lakhs)
Ordinary shares				
Shares at the beginning and end of the year	36,230,700	3,623	36,230,700	3,623

Rights, preference and restrictions attached to ordinary shares

The Company has a single class of ordinary shares having a par value of Rs 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. The Company has not proposed any dividend during the current year. In the event of liquidation, the ordinary shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

Shareholding by the Holding Company and equity shareholders holding more than 5 percent of equity shares along with the number of equity shares held at the beginning and at the end of the year is as given below:

Particulars	31 December 2013		As at 31 December 2012	
	Number of shares	% of share holding	Number of shares	% of share holding
CFCL Ventures Limited, Holding Company	36,230,000	99.998%	36,230,000	99.998%

There has been no issuance of bonus shares or issuance of shares for consideration other than cash or share buy back during the last five years ended 31 December 2013.

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2. Share capital (continued)

Employee stock options

The Board of Directors of CFCL Technologies Limited, an intermediate holding company, approved the 2007 Share Option Plan ('Plan') administered by compensation committee of the Board of Directors for granting stock options to certain employees of its subsidiaries companies as per Management's discretion. A committee has been constituted to administer the Plan along with the Board and to determine the grant date fair value which would be the exercise price for such options. A total of 6,081,498 ordinary shares were reserved for issuance under the Plan.

The fair value of the ordinary shares has been determined by the management on the date of the grant of the stock options to the employees pursuant to the Plan. The fair valuation has been done by an independent appraiser using the Black-Scholes-Merton valuation model. The stock options vest equally over the period of 4 years and the exercise period is 10 years from the date of grant. The stock compensation cost is a component of the fair value of the stock options and the number of options, which is recognised as employee compensation cost over the vesting period, provided that the stock option holders continue to be in employment of the Company. The employee compensation cost recognised in the statement of profit and loss is Rs 221 lakhs (previous year: Rs 211 lakhs). The weighted average remaining useful life of the stock options is 8.82 years (previous year: 7.07 years).

The intermediate holding company, in its Board Meeting held on 19 July 2013, has modified the exercise price of all the outstanding stock options to USD 1.09 to bring it in line with the fair value of the share as at that date. Accordingly, all the existing stock options have been re-priced at USD 1.09. The Company has accounted for this change in accordance with the Guidance Note on "Accounting for Employee Share-based Payments" issued by the Institute of Chartered Accountants of India.

The following table details the movement of options under the Plan mentioned above:

Particulars	For the year ended 31 December 2013		For the year ended 31 December 2012	
	Number	Weighted average exercise price (in USD)	Number	Weighted average exercise price (in USD)
Options outstanding at the beginning of the year	565,042	3.50	439,083	2.75
Options granted during the year	1,775,084	1.09	175,000	5.41
Option forfeited during the year	146,034	1.09	49,041	3.62
Options lapsed during the year	-	1.09	-	-
Options outstanding at the end of the year	2,194,092	1.09	565,042	3.50
Options exercisable at the end of the year	462,061	1.09	331,204	2.24

The estimated weighted average fair value of options granted during the year was USD 0.64 (previous year: USD 1.57). This was calculated by applying the Black-Scholes-Merton option pricing model with the following inputs:

Particulars	For the year ended 31 December 2013*	For the year ended 31 December 2012
Fair value per share (USD)	1.09	5.44
Exercise price (USD)	1.09	4.99 to 5.44
Average risk-free interest rate	0.36 – 0.46 %	0.36 – 0.46 %
Expected volatility of share price	0.6585	0.6585
Expected life of options granted (in years)	5.38 to 5.64	3.38 to 3.64
Expected dividend yield	Nil	Nil
Fair value of the options	USD 0.64	USD 2.512 to 2.626

* the numbers in the table have been presented post modification of the ESOP scheme.

The following table provides details in respect of range of exercise price and weighted average remaining contractual life for the options outstanding as at 31 December 2013.

Range of exercise price	Shares arising out of options*	Weighted average remaining contractual life	Weighted average exercise price (USD)
USD 1.09	2,194,092	8.82	1.09

* includes 1,621,734 options granted to director

The following table provides details in respect of range of exercise price and weighted average remaining contractual life for the options outstanding as at 31 December 2012.

Range of exercise price	Shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price (USD)
USD 1.58 to USD 5.44	565,042	7.07 years	3.50

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3. Reserve and surplus

(Rs in lakhs)

Particulars	As at 31 December 2013	As at 31 December 2012
Employee stock options outstanding account		
At the commencement of the year	211	-
Add: Employee compensation expenses for the year	221	211
At the end of the year	432	211
Surplus (balance in statement of profit and loss)		
Opening balance	582	(246)
Add: Net profit for the year	891	828
	1,473	582
	1,905	**792**

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4. Long-term borrowings

(Rs in lakhs)

Particulars	As at 31 December 2013	As at 31 December 2012
Finance lease obligations (secured)	131	48
	131	48

Finance lease obligations are repayable in 12 quarterly installments. Interest is payable quarterly in the range of 3.18% to 3.83%. The loan is secured by way of hypothecation on assets acquired. The principal amounts payable within next 12 months has been classified as other current liabilities (refer note 8).

5. Long-term provisions

(Rs in lakhs)

Particulars	As at 31 December 2013	As at 31 December 2012
Provision for employee benefits		
Gratuity (refer Note 24)	35	76
	35	76

6. Short-term borrowings

(Rs in lakhs)

Particulars	As at 31 December 2013	As at 31 December 2012
Loans repayable on demand (unsecured)		
Bank overdraft	-	402
	-	402

Bank temporary overdraft was obtained from HDFC Bank Ltd. carrying a floating interest of 18.2 % per annum.

7. Trade payables

(Rs in lakhs)

Particulars	As at 31 December 2013	As at 31 December 2012
Trade payables		
due to micro and small enterprises (refer Note 25)	-	-
other creditors	5	172
	5	172

8. Other current liabilities

(Rs in lakhs)

Particulars	As at 31 December 2013	As at 31 December 2012
Current maturities of finance lease obligations*	34	68
Accrued expenses	536	400
Other liabilities	177	82
Deferred rent	59	27
	806	577

* total current maturities of finance lease obligations is Rs 34 lakhs (previous year Rs 68 lakhs)

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9. Short-term provisions

(Rs in lakhs)

Particulars	As at 31 December 2013	As at 31 December 2012
Provision for employee benefits		
Gratuity (refer Note 24)	-	-
Compensated absences	42	46
Others		
Provision for taxation (net of advance tax and Tax Deducted at Source)	214	570
Provision for onerous contracts	51	-
	307	**616**

Movement for provisions recorded, as required under AS - 29 is as follows:

Onerous contracts

(Rs in lakhs)

Particulars	As at 31 December 2013	As at 31 December 2012
Balance at the commencement of the year	-	-
Provision made during the year	51	-
Provision utilised during the year	-	-
Unutilised provision reversed back during the year	-	-
Balance at the end of the year	**51**	**-**

Provisions for onerous contracts: The Company has vacated some of its leased premises as it was unable to utilise the premises to there full capacity. These premises had been taken under non-cancellable lease arrangements till a future date. The Company has recognised a provision for these onerous lease contracts.

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10. Fixed assets

(Rs in lakhs)

Fixed Assets	Gross block				Accumulated depreciation and amortisation				Net block	
	As at 1 January 2013	Additions	Disposals	As at 31 December 2013	As at 1 January 2013	Depreciation charge for the year	Deductions/ Other adjustments	As at 31 December 2013	As at 31 December 2013	As at 1 January 2013
Tangible assets, owned										
Leasehold improvements	60	-	-	60	55	3	-	58	2	5
Computers and accessories	386	62	-	448	322	107	-	429	19	42
Office equipment	105	1	-	106	75	15	-	90	16	29
Furniture and fixtures	24	3	1	26	18	3	0	21	5	6
Vehicles	10	-	10	-	8	2	10	-	-	2
Tangible assets, leased										
Computers and accessories	184	193	-	377	148	46	-	194	183	58
Office equipment	11	-	-	11	10	1	-	11	0	1
Total tangible assets	**780**	**259**	**11**	**1,028**	**637**	**177**	**10**	**803**	**225**	**143**
Previous year	*735*	*58*	*13*	*780*	*503*	*140*	*6*	*637*	*143*	
Intangible assets, owned										
Computer software	410	186	-	596	351	74	-	425	171	59
Internally developed software platforms	-	77	-	77	-	24	-	24	53	-
Intangible assets, leased										
Computer software	72	-	-	72	66	6	-	72	-	6
Total intangible assets	**482**	**263**	**-**	**745**	**416**	**104**	**-**	**521**	**224**	**65**
Previous year	*412*	*70*	-	*482*	*292*	*124*	-	*416*	*65*	

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11. Deferred tax assets

(Rs in lakhs)

Particulars	As at 31 December 2013	As at 31 December 2012
Provision for gratuity	12	25
Provision for leave encashment	14	15
Provision for bonus	102	59
Fixed assets	8	58
Others	20	9
	156	165

12. Long-term loans and advances

(Rs in lakhs)

Particulars	As at 31 December 2013	As at 31 December 2012
To parties other than related parties		
Unsecured, considered good		
-Advance income tax (net of provision for tax)	316	16
-Service tax receivable	393	271
-Security deposits	82	326
-Other deposits	-	5
	791	617
Considered doubtful		
-Service tax receivable	48	48
Less: Provision for doubtful advances	(48)	(48)
	-	-
	791	617

13. Other non-current assets

(Rs in lakhs)

Particulars	As at 31 December 2013	As at 31 December 2012
Bank deposits	0	-
	0	-

14. Trade receivables

(Rs in lakhs)

Particulars	As at 31 December 2013	As at 31 December 2012
Receivables outstanding for period exceeding six months from the date they become due for payment		
Unsecured, considered doubtful	14	14
Less: Provision for doubtful debts	(14)	(14)
	-	-
Other debts		
Unsecured, considered good	4,775	4,792
	4,775	4,792
	4,775	4,792

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15. Cash and cash equivalents

(Rs in lakhs)

Particulars	As at 31 December 2013	As at 31 December 2012
Cash in hand	-	0
Balances with banks		
In current accounts	71	300
	71	300

16. Short-term loan and advances

(Rs in lakhs)

Particulars	As at 31 December 2013	As at 31 December 2012
To related parties (unsecured)		
-Other advances (refer Note 22(g))	79	34
To parties other than related parties (unsecured)		
Considered good		
-Other advances	34	31
-Prepaid expenses	86	56
-Advances to suppliers	18	2
-Other deposits	242	6
	380	95
Considered doubtful		
-Other deposits	4	4
	384	99
Less: Provision for doubtful advances	(4)	(4)
	459	129

17. Other current assets

(Rs in lakhs)

Particulars	As at 31 December 2013	As at 31 December 2012
Mark-to-market gain on forward and options contracts	-	19
Interest accrued	-	0
Unbilled revenue (refer Note 22(g))	112	-
	112	19

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18. Income from software services

(Rs in lakhs)

Particulars	For the year ended 31 December 2013	For the year ended 31 December 2012
Income from software services	10,895	10,190
	10,895	**10,190**

19. Other income

(Rs in lakhs)

Particulars	For the year ended 31 December 2013	For the year ended 31 December 2012
Interest income from fixed deposits	-	0
Foreign exchange fluctuations gain, net	341	287
Miscellaneous income	2	35
	343	**322**

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20. Employee benefits

(Rs in lakhs)

Particulars	For the year ended 31 December 2013	For the year ended 31 December 2012
Salaries and bonus	5,982	5,469
Gratuity	62	77
Contribution to provident fund and other funds	292	265
Stock compensation expense	221	211
Staff welfare including insurance	171	142
	6,728	**6,164**

21. Finance cost

(Rs in lakhs)

Particulars	For the year ended 31 December 2013	For the year ended 31 December 2012
Interest expense		
- On bank overdraft	0	2
- Intercorporate deposit	-	57
- On delayed payment of income tax	108	-
- Others	31	19
	139	**78**

22. Other expenses

(Rs in lakhs)

Particulars	For the year ended 31 December 2013	For the year ended 31 December 2012
Sub-contracting expenses	135	51
Power and fuel	242	238
Rent	819	812
Repairs and maintenance:		
- Plant & Machinery	61	55
- others	220	185
Rates and taxes	58	1
Insurance	-	0
Traveling and conveyance	636	894
Communication	137	163
Consultancy, legal and professional charges	151	149
Security expenses	57	44
Assets written off	-	3
Advances written off	1	-
Printing and stationery	11	8
Miscellaneous expenses	21	40
	2,549	**2,643**

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23. Contingent liabilities and commitments

Contingent liabilities:

Adjustments to taxable income made for Rs 290 lakhs for the Assessment Year 2009-10 (Financial Year 2008-09) Rs 266 lakhs for Assessment Year 2008-09 (Financial Year 2007-08) and Rs 575 lakhs for the Assessment Year 2007-2008 (Financial Year 2006-07) by the Deputy Commissioner of Income-tax on account of differential transfer pricing margin are contested before the Commissioner of Income-tax, New Delhi, India.

The Company's management considers these additions to gross margin as not tenable against the Company, and therefore no provision for this tax contingency has been established.

Commitments:

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances):

As at	31 December 2013		31 December 2012	
Currency	**USD**	**(Rs in lakhs)**	**USD**	**(Rs in lakhs)**
Forward contracts outstanding	7,100,000	4,395	5,800,000	3,177

As at balance sheet date, the Company's foreign currency exposures on account of trade receivables not hedged by derivative instrument or otherwise is Rs 4,775 lakhs (previous year: Rs 4,792 lakhs).

The Company recognised a loss of Rs 67 lakhs in the statement of profit and loss during the year ended 31 December 2013 (previous year: Rs 19 lakhs gain) on account of mark to market of outstanding forward contracts.

The foreign exchange forward contracts mature between 1 to 12 months. The table below analyzes the derivative financial instrument into relevant maturity groupings based on the remaining as of the balance sheet date:

(Rs in lakhs)

Year ended 31 December	2013	2012
Not later than one month	557	164
Later than one month but not later than 3 months	1,176	712
Later than 3 months and not later than 12 months	2,662	2,301
Total	**4,395**	**3,177**

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24. Leases

(a) Operating lease

The Company has taken certain office premises under non-cancellable operating leases.

Future minimum lease payments for such non-cancellable operating leases as of 31 December 2013 are as follows:

(Rs in lakhs)

Year ended 31 December	2013	2012
Not later than one year	543	601
Later than one year but not later than 5 years	1,345	1,254
Later than five years	352	662
Total	**2,240**	**2,517**

The lease expenditure under cancellable and non-cancellable operating lease arrangements recognized in the Statement of Profit and Loss during the year amounts to Rs 819 lakhs (previous year Rs 812 lakhs).

(b) Finance lease

The Company has entered into an arrangement for lease of office equipments, computers and software packages. The lease arrangements are for a period between two and three years. Under the terms of the lease, the Company is required to pay fixed quarterly installments over the lease term.

Future minimum lease payments:

(Rs in lakhs)

Year ended 31 December 2013	Lease payment	Principal	Future interest
Not later than one year	147	131	16
Later than one year and not later than five years	35	34	1
Later than five years	-	-	-

(Rs in lakhs)

Year ended 31 December 2012	Lease payment	Principal	Future interest
Not later than one year	80	67	13
Later than one year and not later than five years	52	48	44
Later than five years	-	-	-

Finance lease charges recognized in the statement of profit and loss amounts to Rs 28 lakhs (previous year: Rs 19 lakhs).

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25. Related party disclosures

a) List of related parties where control exists:

Ultimate holding company - Chambal Fertilizers and Chemicals Limited
Holding Company - CFCL Ventures Limited – Cayman Islands

Entities which exercises control through intermediaries:
CFCL Overseas Limited, Cayman Islands
CFCL Technologies Limited, Cayman Islands
ISGN Corporation, USA

b) Subsidiary
Inuva Info Management Private Limited, India

c) Companies which are under common control through intermediaries:
ISGN Solutions, Inc., USA.

d) Key management personnel
Krishna Srinivasan, Managing Director up to 21 February 2013
Amit Kothiyal, Managing Director with effective 07 August 2013
Paul Imura, Director
Erik Anderson, Director

e) Company in which key management personnel has substantial interest
Witmer Enterprises Private Limited

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f) **Related party transactions:**

(Rs in lakhs)

Particulars	For the year ended 31 December 2013	For the year ended 31 December 2012
Ultimate holding company		
Short-term loan received	-	1,000
Short-term loan repaid	-	1,000
Interest	-	57
Company which is under common control through intermediaries :		
Income from business process outsourcing services, ISGN Corporation	10,895	10,190
Company in which relative of KMP has substantial interest		
Rental expenses	-	72
Utility charges	-	15

g) **Related party balances:**

(Rs in lakhs)

Particulars	As at 31 December 2013	As at 31 December 2012
Company which is under common control through intermediaries :		
Trade receivables, ISGN Corporation	4,775	4,792
Short-term loans and advances, ISGN Corporation	76	32
Other current assets, ISGN Corporation	112	-
Subsidiary		
Short-term loans and advances	3	2
Key management personnel		
Salaries and bonus	100	-

26. Segment information

The Company's business activity falls within a single primary business segment (namely, knowledge processing services) and a single geographical segment (namely, the United States of America). Accordingly, disclosure requirements under Accounting Standard 17, 'Segment Reporting', notified by the Central Government, are not applicable.

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27. Employee benefits

The following table sets set out the status of the gratuity plan as required under Accounting Standard (AS) 15 "Employee Benefits":

(Rs in lakhs)

As at 31 December	**2013**	**2012**	**2011**	**2010**	**2009**
Present value of obligation as at the beginning the year	**122**	**65**	**48**	**39**	**31**
Interest cost	10	6	4	3	2
Current service cost	38	33	22	25	20
Benefits paid	(47)	(22)	(1)	(5)	-
Actuarial (gain) / loss on obligation	18	41	(7)	(15)	(14)
Present value of obligation as at the end of the year	**141**	**122**	**66**	**47**	**39**
Fair value of plan assets at the beginning of the year	**46**	-	-	-	
Expected return on plan assets	8	1	-	-	-
Contributions	102	66	1	5	-
Benefits paid	(47)	(22)	(1)	(5)	-
Actuarial gain/ (loss) on obligation	(3)	-	-	-	-
Fair value of plan assets at the end of the year	**106**	**46**	-	-	-
Present value of the obligation at the end of the year	141	122	66	47	39
Fair value of plan assets at the end of the year	106	46	-	-	-
Funded status of the plan- (asset)/ liability	**35**	**76**	**66**	**47**	**39**
Principal Actuarial assumptions					
Discount Rate	8.6%	8.01%	8.65%	8.00%	8.00%
Salary escalation	7%	8%	10%	7%	10%
Expected rate of return on plan asset	8.5%	8.5%	9%	N/A	N/A
Attrition rate	35%	40%	42%	30%	20%

B S R & Co. BANGALORE 560 071 CHARTERED ACCOUNTANTS

(Rs in lakhs)

Gratuity cost for the year ended 31 December	**2013**	**2012**
Current service cost	38	33
Interest cost	10	6
Expected return on plan assets	(8)	(1)
Net actuarial (gain)/ loss recognized in year	22	40
Expense recognized in the statement of profit and loss	**62**	**78**

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

28. The Ministry of Micro, Small and Medium Enterprises has issued an office memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum in accordance with the 'Micro, Small and Medium Enterprises Development Act, 2006' ('the Act').

(Rs in lakhs)

		As at 31 December 2013	**As at 31 December 2012**
a)	The amounts remaining unpaid to micro and small suppliers as at the end of the year		
	- Principal	-	-
	- Interest	-	-
b)	The amount of interest paid by the buyer as per the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006)	-	-
c)	The amounts of the payments made to micro and small suppliers beyond the appointed day during each accounting year	-	-
d)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006	-	-
e)	The amount of interest accrued and remaining unpaid at the end of each accounting year	-	-
f)	The amount of further interest remaining due and payable even in succeeding years, until such date when the interest dues as above are actually paid to small enterprise for the purpose of disallowance as a deductible expenditure under the MSMED Act, 2006	-	-

B S R R & Co. ★ BANGALORE 560 071 ★ CHARTERED ACCOUNTANTS

29. Earnings per share

	For the year ended 31 December 2013	For the year ended 31 December 2012
Profit for the year (Rs in lakhs)	891	828
Weighted average number of ordinary shares considered in calculating basic and diluted Earnings Per Share ('EPS')	36,230,700	36,230,700
Basic and diluted EPS (Rs in lakhs)	2.46	2.28

30. Additional Information pursuant to the provisions of Part II of Schedule VI to the Companies Act, 1956

(Rs in lakhs)

Year ended	31 December 2013	31 December 2012
Expenditure in foreign currency		
Travelling and conveyance	70	208
Earnings in foreign currency		
Income from business process outsourcing services	10,895	10,190

B S R R & Co. BANGALORE 560 071 CHARTERED ACCOUNTANTS

31. The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income-tax Act, 1961. Since the law required existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the international transactions entered into with the associated enterprise during the financial year and expects such records to be in existence latest by 30 November 2014 as required by law. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expenses and that of provision for tax.

for **B S R R & Co**
Chartered Accountants
Firm's registration number: 130791W

Sampad Guha Thakurta
Partner
Membership number: 060573

Place: Bangalore
Date: 8 May 2014

for and on behalf of the Board of Directors of
ISG Novasoft Technologies Limited

Amit Kothiyal
Managing Director

Paul Imura
Director

Vivekanandan B
Company Secretary

Shailendra Gupta
Chief Financial Officer

Place: Bangalore
Date: 8 May 2014

Place: Bangalore
Date: 8 May 2014

ISG Novasoft Technologies Limited

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies for the period ended December 2013

Name of the subsidiary	Inuva Info Management Private Limited
Financial Period ended	December 31, 2013
Holding Company's interest (in equity shares)	71%
Shares held by the holding company in subsidiary	16900 equity shares of Rs. 10/- each
	Rs.
The net aggregate profits or losses of the subsidiary for the current period so far as it concerns the members of the holding company	
a. dealt with or provided for the accounts of the holding company	-
b. not dealt with or provided for the accounts of the holding company	(21,856)
The net aggregate profits or losses for previous financial years of the subsidiary so far as it concerns the members of the holding company	
a. dealt with or provided for the accounts of the holding company	-
b. not dealt with or provided for the accounts of the holding company	(6,373,067)
Issued and subscribed share capital (Equity)	238,000
Issued and subscribed share capital (Preference)	-
Reserves	3,380,647
Loans	-
Total Assets	3,992,065
Total Liabilities	3,992,065
Investments	
Long Term	-
Current Term	-
Total	-
Turnover & Other Income	267,633
Profit/(Loss) before Taxation	(30,783)
Provision for Taxation	-
Profit/(Loss) after Taxation	
Proposed Dividend	-
Country	India

Note:

1.The company has acquired 71% shares during the year 2007-08 .

2.During the period ended 31-12-2009 the Company has made dimunition in the value of investments made in Inuva info Management Private Limited and written off the investments during the year ended 31-12-2010.

For and on behalf of the Board of Directors

Managing Director

Director

Date : May 08, 2014
Place:Bangalore

Company Secretary

ISG Novasoft Technologies Ltd * Bangalore *