

ISG Novasoft Technologies Limited

Audit Report for the period ended

31 December 2015

B S R & Associates LLP

Chartered Accountants

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

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Independent Auditor's Report To the Members of ISG Novasoft Technologies Limited

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

The Company's Board of Directors are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the company has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report (continued)

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 December 2015 and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.
2. As required by section 143 (3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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, the statement of profit and loss and the cash flow statement dealt with by this Report are in agreement with the books of account;
 - d. In our opinion, the financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - e. On the basis of the written representations received from the directors as on 31 December 2015 taken on record by the Board of Directors, none of the directors are disqualified as on 31 December 2015 from being appointed as a director in terms of Section 164 (2) of the Act; and



B S R & Associates LLP

Independent Auditor's Report (continued)

- f. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- (i) The Company has disclosed the impact of pending litigations on its financial position in its financial statements- Refer note 20 to the financial statements;
 - (ii) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer note 20 to the financial statements; and
 - (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

for B S R & Associates LLP

Chartered Accountants

Firm Registration Number: 116231W/W-100024


Rushank Muthreja

Partner

Membership Number: 211386

Bangalore

10 May 2016

Independent Auditor's Report (continued)

Annexure to the Independent Auditors' Report

The Annexure referred to in paragraph 1 in our Report on Other Legal and Regulatory Requirements in the Independent Auditors' Report to the members of the Company on the financial statements for the year ended 31 December 2015, 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 all fixed assets are verified in a phased manner over a period of two years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. The management is of the opinion that the discrepancies noticed on such verification are not material.
- (ii) The Company is a service company, primarily rendering knowledge process outsourcing and software product support services. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable.
- (iii) According to the information and explanations given to us, we are of the opinion that there are no loans, secured or unsecured granted to companies, firms or other parties covered in the register maintained under section 189 of the Act. Accordingly, paragraph 3(iii) of the Order is not applicable.
- (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 as the company is operating in the service industry. We have not observed any major weakness in the internal control system during the course of the audit.
- (v) The Company has not accepted any deposits from the public.
- (vi) The Central Government of India has not prescribed the maintenance of cost records under section 148(1) of the Act for any of the services rendered by the Company. Accordingly, paragraph 3 (vi) of the Order is not applicable.
- (vii) (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 of provident fund, employees' state insurance, income-tax, service tax, cess and other material statutory dues have generally been deposited during the year by the Company with the appropriate authorities, though there have been a slight delay in case of provident fund. As explained to us, the Company did not have any dues on account of wealth tax, duty of customs, duty of excise, value added tax and sales-tax.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, service tax, and other material statutory dues were in arrears as at 31 December 2015 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no material dues of service tax and cess which have not been deposited with the appropriate authorities on account of any dispute. However, 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:



Independent Auditor's Report (continued)

Name of the statute	Nature of dues	Amount (Rs lakhs)	Period which the amount relates	to the	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)	605*	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

* Indicates the amounts paid by the Company against the respective dues under protest.

- (c) There were no amounts which were required to be transferred to the investor education and protection fund by the Company.
- (viii) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- (ix) 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.
- (x) 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.
- (xi) The Company did not have any the term loans outstanding during the year.
- (xii) 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 & Associates LLP

Chartered Accountants

Firm Registration Number: 116231W/W-100024

Rushank Muthreja

Partner

Membership Number: 211386

Bangalore

10 May 2016

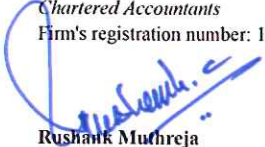
ISG Novasoft Technologies Limited
Balance Sheet

	Note	As at 31 December 2015	(Rs in lakhs) As at 31 December 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	3,623	3,623
Reserves and surplus	3	3,616	2,620
		<u>7,239</u>	<u>6,243</u>
Non-current liabilities			
Long-term borrowings	4	-	3
Long-term provisions	5	73	27
		<u>73</u>	<u>30</u>
Deferred tax liabilities (net)	10	-	64
Current liabilities			
Trade payables	6	271	60
Other current liabilities	7	597	1,157
Short-term provisions	8	733	394
		<u>1,602</u>	<u>1,611</u>
Total		<u><u>8,913</u></u>	<u><u>7,948</u></u>
ASSETS			
Non-current assets			
Fixed assets	9		
- Tangible assets		42	110
- Intangible assets		779	1,302
- Capital work-in-progress		12	-
		<u>833</u>	<u>1,412</u>
Deferred tax assets (net)	10	39	-
Long-term loans and advances	11	1,636	1,035
		<u>1,675</u>	<u>1,035</u>
Current assets			
Trade receivables	12	739	4,726
Cash and cash equivalents	13	280	268
Short-term loan and advances	14	431	383
Other current assets	15	4,955	124
		<u>6,405</u>	<u>5,501</u>
Total		<u><u>8,913</u></u>	<u><u>7,948</u></u>
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 BSR & Associates LLP
Chartered Accountants
Firm's registration number: 116231W/W-100024


Rushank Muthreja
Partner
Membership number: 211386

Place: Bangalore
Date: 10 MAY 2016

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


Amit Kothiyal
Managing Director


Sundararajan Sampath
Director

Place: Bangalore
Date: 10 MAY 2016

Place: Bangalore
Date: 10 MAY 2016

ISG Novasoft Technologies Limited
Statement of Profit and Loss

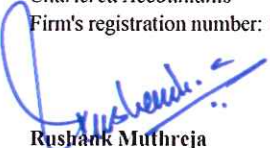
		(Rs in lakhs)	
	Note	For the year ended 31 December 2015	For the year ended 31 December 2014
Revenue from operations			
Income from knowledge process outsourcing services		8,027	8,093
Other income	16	347	332
Total revenue		8,374	8,425
Expenses			
Employee benefits	17	4,778	5,166
Finance costs	18	14	73
Depreciation and amortisation	9	616	397
Other expenses	19	1,900	1,797
Total expenses		7,308	7,433
Profit before tax		1,066	992
Income tax expense			
Current tax		487	397
Deferred tax charge / (credit)		(103)	220
Profit for the year		682	375
Earning per ordinary share [nominal value of share Rs 10 (previous year: Rs 10)]			
Basic and diluted		1.88	1.03
Number of shares used in computing earnings per share			
Basic and diluted		3,62,30,700	3,62,30,700

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 **BSR & Associates LLP**
Chartered Accountants
Firm's registration number: 116231W/W-100024


Rushrank Muthreja
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Place: Bangalore
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for and on behalf of the Board of Directors of
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Amit Kothiyal
Managing Director


Sundararajan Sampath
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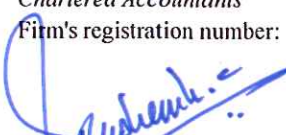
Place: Bangalore
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ISG Novasoft Technologies Limited
Cash Flow Statement

	(Rs in lakhs)	
	For the year ended 31 December 2015	For the year ended 31 December 2014
Cash flow from operating activities :		
Profit before tax	1,066	992
Adjustment for :		
Depreciation and amortization expense	616	397
Stock compensation expense	314	340
(Profit) / loss on sale of tangible assets	(3)	-
Unrealised foreign exchange gain, net	(122)	(181)
Interest expense	14	16
Operating profit before working capital changes	1,885	1,564
<i>Changes in working capital</i>		
Increase in assets and receivables	(1,129)	51
Increase in liabilities and provisions	402	332
Cash provided by operations	1,159	1,947
Income taxes paid	(1,066)	(246)
Net cash from operating activities	93	1,701
Cash flow from investing activities		
Purchase of fixed assets	(43)	(1,359)
Proceeds from sale of fixed assets	8	-
Net cash used in investing activities	(35)	(1,359)
Cash flow from financing activities		
Proceeds from long term borrowings	-	-
Repayment of finance lease obligations	(31)	(128)
Interest paid	(14)	(16)
Net cash flow used in financing activities	(45)	(144)
Net increase / (decrease) in cash and cash equivalents	12	198
Cash and cash equivalents at beginning of the year	268	70
Cash and cash equivalents at the end of the year	280	268

for **BSR & Associates LLP**
Chartered Accountants
Firm's registration number: 116231W/W-100024


Rushank Muthreja
Partner
Membership number: 211386

Place: Bangalore
Date: 10 MAY 2016

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


Amit Kothiyal
Managing Director


Sundararajan Sampath
Director

Place: Bangalore
Date: 10 MAY 2016

Place: Bangalore
Date: 10 MAY 2016

ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 December 2015

1. Significant accounting policies

1.1 Background

ISG Novasoft Technologies Limited ("ISGN" / the "Company"), a company incorporated under the Companies Act, 1956 is a majority-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, which is an Indian company 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 mandatory Accounting Standards (AS) as prescribed under Section 133 of the Companies Act, 2013 ('Act') read with Rule 7 of Companies (Accounts) Rules, 2014, the provisions of the Act (to the extent notified). 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 each financial statements are presented in Indian Rupee.

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.

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



ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 December 2015

1.5 Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition or construction less accumulated depreciation up to the date of the balance sheet. Direct costs related to acquisition/ installation are capitalised until assets are ready for use.

Depreciation on fixed assets is provided on the written down value method. Based on internal assessment and technical evaluation carried out, the management believes that the useful lives as given below best represent the period over which management expects to use these assets. The useful lives for these assets is similar to useful lives as prescribed under Part C of Schedule II of the Act.

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 remainder of the primary lease period, whichever is shorter.

Depreciation is charged on a proportionate basis from / upto the date the assets are purchased / sold during the year.

Advances paid towards the acquisition of fixed assets, outstanding at each balance sheet date are classified as capital advances under Long-term loans and advances. The cost of the fixed asset not ready for its intended use on such date is classified as capital work-in-progress.

1.6 Intangible assets

Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

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 in the asset. The estimated useful life for computer software is considered as 3 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.

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.



ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 December 2015

1.8 Foreign currency transactions (continued)

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 Company designates certain foreign exchange forward and options contracts as cash flow hedges to mitigate the risk of foreign exchange exposure on highly probable forecast transactions. The Company records the gain or loss on effective hedges, if any, in the hedging reserve until the transactions are complete. On completion, the gain or loss is transferred to the statement 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 and subsequently whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. Changes in the fair value relating to the ineffective portion of the hedges and derivative instruments that do not qualify or have not been designated for hedge accounting are recognized in the statement of profit and loss.

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.



ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 December 2015

1.10 Employee stock compensation costs

The Company has not issued any shares/ stock options on its shares. A group company has, however, issued stock options on its own shares to certain employees of the Company. The cost of such stock options has not been cross charged by the group company to the Company. In accordance with Guidance Note on Employee Share Based Payments issued by the Institute of Chartered Accountant of India ("ICAI"), the Company accounts for such stock options based on based on the grant date fair value of the options granted to employees and makes appropriate disclosures in its financial statements.

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 valuation performed by the management 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.

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.



ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 December 2015

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.

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.



2. Share capital

Particulars	(Rs in lakhs)	
	As at 31 December 2015	As at 31 December 2014
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 2015		31 December 2014	
	Number of shares	(Rs in lakhs)	Number of shares	(Rs in lakhs)
Ordinary shares				
Shares at the beginning and at the end of the year	3,623,700	3,623	3,623,700	3,623
Add: Shares issued during the year	-	-	-	-
Shares at the end of the year	3,623,700	3,623	3,623,700	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. However, no such preferential amounts exist currently.

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

Particulars	As at 31 December 2015		As at 31 December 2014	
	Number of shares	% of share holding	Number of shares	% of share holding
CFCL Ventures Limited, Holding Company	3,623,000	99.998%	3,623,000	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 2015.

Employee stock options

The Board of Directors of CFCL Technologies Limited, approved the 2007 Share Option Plan ('Plan') administered by the compensation committee 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 is 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 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 314 lakhs (previous year: Rs 340 lakhs). The weighted average remaining useful life of the stock options is 8.15 years (previous year: 8.82 years).

The Directors of CFCL Technologies Limited, in its Board Meeting held on 19 July 2013, had 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 were re-priced at USD 1.09. The Company had 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 in the previous year ended 31 December 2013.

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

Particulars	For the year ended 31 December 2015			For the year ended 31 December 2014		
	Number	Weighted average exercise price (in USD)	Weighted average exercise price (in INR)*	Number	Weighted average exercise price (in USD)	Weighted average exercise price (in INR)**
Options outstanding at the beginning of the year	36,27,643	1.12	74.29	21,94,692	1.09	67.46
Options granted during the year	71,500	1.09	72.30	17,82,692	1.24	78.53
Option forfeited during the year	12,71,976	1.09	72.30	3,49,141	1.09	69.03
Options exercised during the year	-	1.12	74.29	-	-	-
Options outstanding at the end of the year	24,27,167	1.12	74.29	36,27,643	1.12	70.93
Options exercisable at the end of the year	12,64,520	1.11	73.62	3,87,056	1.10	69.663

* converted using the closing rate as at 31 December closing rate



ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 December 2015

The estimated weighted average fair value of options granted during the year was USD 0.64 (previous year: USD 0.64 to USD 0.75). This was calculated by applying the Black-Scholes option pricing model with the following inputs:

Particulars	For the year ended 31 December 2015*	For the year ended 31 December 2014
Fair value per share (USD)	USD 1.09 to USD 1.26	USD 1.09 to USD 1.26
Exercise price (USD)	USD 1.09 to USD 1.26	USD 1.09 to USD 1.26
Average risk-free interest rate	1.25% - 1.47%	0.36 - 0.46%
Expected volatility of share price	0.6585	0.6585
Expected life of options granted (in years)	6	6
Expected dividend yield	Nil	Nil
Fair value of the options (USD)	USD 0.65 to USD 0.75	USD 0.64 to USD 0.75

* 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 2015

Range of exercise price	Shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price (USD)
USD 1.09	24,27,167	8.15 years	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 2014

Range of exercise price	Shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price (USD)
USD 1.09 to USD 1.26	36,27,643	8.59 years	1.12

3. Reserves and surplus

Particulars	(Rs in lakhs)	
	As at 31 December 2015	As at 31 December 2014
Employee stock options outstanding account		
At the commencement of the year	772	432
Add: Stock compensation expense	314	340
At the end of the year	<u>1,086</u>	<u>772</u>
Surplus		
Opening balance	1,848	1,473
Add: Profit for the year	682	375
Closing balance	<u>2,530</u>	<u>1,848</u>
	<u>3,616</u>	<u>2,620</u>



ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 December 2015

4. Long-term borrowings

Particulars	(Rs in lakhs)	
	As at 31 December 2015	As at 31 December 2014
Finance lease obligations (secured)	-	3
	-	3

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 instalments payable within next 12 months has been classified as 'current maturities of finance lease obligations' under other current liabilities (refer Note 7).

5. Long-term provisions

Particulars	(Rs in lakhs)	
	As at 31 December 2015	As at 31 December 2014
Provision for employee benefits		
Gratuity (refer Note 24)	73	27
	73	27

6. Trade payables

Particulars	(Rs in lakhs)	
	As at 31 December 2015	As at 31 December 2014
Trade payables		
due to micro and small enterprises (refer Note 25)	-	-
other creditors	271	60
	271	60

7. Other current liabilities

Particulars	(Rs in lakhs)	
	As at 31 December 2015	As at 31 December 2014
Capital creditors	5	712
Current maturities of finance lease obligations	3	31
Accrued expenses	429	230
Payable to related parties (refer Note 22)	26	-
Deferred rent	68	65
Mark-to-market loss on forward contracts (refer Note 20)	-	48
Other liabilities	66	71
	597	1,157



ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 December 2015

8. Short-term provisions

Particulars	(Rs in lakhs)	
	As at 31 December 2015	As at 31 December 2014
Provision for employee benefits		
Compensated absences	33	29
Others		
Provision for taxation (net of advance tax and tax deducted at source)	700	365
	<u>733</u>	<u>394</u>

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

Onerous contracts

Particulars	(Rs in lakhs)	
	As at 31 December 2015	As at 31 December 2014
Balance at the commencement of the year	-	51
Add: Provision made during the year	-	-
Less: Provision utilised during the year	-	(51)
Unutilised provision reversed back during the year	-	-
Balance at the end of the year	-	-

Provisions for onerous contracts: The Company had vacated some of its leased premises as it was unable to utilise the premises to their 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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Notes to the financial statements for the year ended 31 December 2015

9. Fixed assets

Particulars	Gross block				Accumulated depreciation and amortisation				Net block	
	As at 1 January 2015	Additions during the year	Deletions during the year	As at 31 December 2015	As at 1 January 2015	Depreciation charge for the year	Deletions during the year	As at 31 December 2015	As at 31 December 2015	As at 31 December 2014
Tangible assets, owned										
Leasehold improvements	60	-	-	60	59	1	-	-	-	1
Computers and accessories	456	19	-	475	444	31	-	-	-	-
Office equipment	108	2	-	110	99	5	-	6	6	10
Furniture and fixtures	26	-	-	26	23	-	-	3	3	3
Tangible assets, leased										
Computers and accessories	377	-	13	364	293	46	8	33	33	96
Office equipment	11	-	-	11	11	-	-	-	-	-
Total tangible assets	1,038	21	13	1,046	929	83	8	1,005	42	110
<i>Previous year</i>	<i>1,028</i>	<i>10</i>	<i>-</i>	<i>1,038</i>	<i>803</i>	<i>126</i>	<i>-</i>	<i>929</i>	<i>110</i>	
Intangible assets, owned										
Computer software	2,021	10	-	2,031	719	533	-	1,252	779	1,302
Intangible assets, leased										
Computer software	72	-	-	72	72	-	-	72	-	-
Total intangible assets	2,093	10	-	2,103	791	533	-	1,324	779	1,302
<i>Previous year</i>	<i>745</i>	<i>1,349</i>	<i>-</i>	<i>2,093</i>	<i>521</i>	<i>271</i>	<i>-</i>	<i>791</i>	<i>1,302</i>	



ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 December 2015

10. Deferred tax assets / (liabilities), net

Particulars	(Rs in lakhs)	
	As at 31 December 2015	As at 31 December 2014
Deferred tax assets		
Provision for gratuity	25	9
Provision for leave encashment	11	10
Provision for bonus	44	44
Others	23	22
Deferred tax asset	103	85
Deferred tax liabilities		
Fixed assets	(64)	(149)
	(64)	(149)
Deferred tax assets / (liabilities), net	39	(64)

11. Long-term loans and advances

Particulars	(Rs in lakhs)	
	As at 31 December 2015	As at 31 December 2014
To parties other than related parties		
Unsecured, considered good		
- Advance income tax and tax deducted at source (net of provision for tax)	260	16
- Taxes paid under protest	300	300
- Service tax receivable	831	637
- Security deposits	245	82
	1,636	1,035

12. Trade receivables

Particulars	(Rs in lakhs)	
	As at 31 December 2015	As at 31 December 2014
Receivables outstanding for period exceeding six months from the date they become due for payment		
Unsecured, considered doubtful	-	14
Less: Provision for doubtful debts	-	(14)
	-	-
Other debts		
Unsecured, considered good (refer Note 22)	739	4,726
	739	4,726



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Notes to the financial statements for the year ended 31 December 2015

13. Cash and cash equivalents

Particulars	(Rs in lakhs)	
	As at 31 December 2015	As at 31 December 2014
Cash in hand	-	-
Balances with banks		
In current accounts	280	268
	<u>280</u>	<u>268</u>

14. Short-term loan and advances

Particulars	(Rs in lakhs)	
	As at 31 December 2015	As at 31 December 2014
To related parties (unsecured, considered good)		
-Other advances (refer Note 22)	211	135
To parties other than related parties (unsecured)		
Considered good		
-Other advances	7	12
-Prepaid expenses	207	43
-Advances to suppliers	6	1
- Other deposits	-	192
	<u>431</u>	<u>383</u>
Considered doubtful		
-Other deposits	4	4
Less: Provision for doubtful advances	(4)	(4)
	<u>-</u>	<u>-</u>
	<u>431</u>	<u>383</u>

15. Other current assets

Particulars	(Rs in lakhs)	
	As at 31 December 2015	As at 31 December 2014
Mark-to-market gain on forward contracts	7	-
Unbilled revenue (refer Note 22)	4,948	124
	<u>4,955</u>	<u>124</u>



ISG Novasoft Technologies Limited

Notes to the financial statements for the year ended 31 December 2015

16. Other income

Particulars	(Rs in lakhs)	
	For the year ended 31 December 2015	For the year ended 31 December 2014
Foreign exchange fluctuations gain, net	334	331
Miscellaneous income	13	1
	<u>347</u>	<u>332</u>

17. Employee benefits

Particulars	(Rs in lakhs)	
	For the year ended 31 December 2015	For the year ended 31 December 2014
Salaries and bonus	4,078	4,440
Contribution to provident and other funds	212	233
Gratuity expense (refer note 24)	44	34
Stock compensation expense	314	340
Staff welfare expenses	130	119
	<u>4,778</u>	<u>5,166</u>

18. Finance costs

Particulars	(Rs in lakhs)	
	For the year ended 31 December 2015	For the year ended 31 December 2014
Interest expense		
- On delayed payment of income tax	-	57
- Others	14	16
	<u>14</u>	<u>73</u>

19. Other expenses

Particulars	(Rs in lakhs)	
	For the year ended 31 December 2015	For the year ended 31 December 2014
Sub-contracting expenses	93	169
Power and fuel	152	153
Rent	592	577
Repairs and maintenance:		
- plant and machinery	133	60
- others	209	167
Rates and taxes	12	1
Traveling and conveyance	325	356
Communication	130	147
Consultancy, legal and professional charges	182	94
Security expenses	35	50
Sales promotion and advertisement	-	-
Printing and stationery	5	4
Miscellaneous expenses	32	19
	<u>1,900</u>	<u>1,797</u>



ISG Novasoft Technologies Limited

Notes to the financial statements for the year ended 31 December 2015

20. 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 905 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 and are contested before the Income-tax Appellate Tribunal

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):

Currency	As at 31 December 2015		As at 31 December 2014	
	USD	(Rs in lakhs)	USD	(Rs in lakhs)
Forward contracts outstanding	6,950,000	4,711	9,435,000	6,104

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 739 lakhs (previous year: Rs 4,726 lakhs).

The Company recognised a profit of Rs 7 lakhs in the Statement of Profit and Loss during the year ended 31 December 2015 (previous year: Rs 48 lakhs loss) 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:

Particulars	(Rs in lakhs)	
	Year ended 31 December	
	2015	2014
Not later than one month	-	912
Later than one month but not later than 3 months	3,451	963
Later than 3 months and not later than 12 months	1,260	4,025
Later than 12 months	-	204
Total	4,711	6,104



ISG Novasoft Technologies Limited
Notes to financial statements for the year ended 31 December 2015

21. 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 2015 are as follows:

	(Rs in lakhs)	
As at ended 31 December	2015	2014
Not later than one year	289	525
Later than one year but not later than 5 years	783	1073
Later than five years	118	118
Total	1,190	1,176

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 592 lakhs (previous year: Rs 577 lakhs).

b. Finance lease

The Company had entered into an arrangement for lease of office equipments, computers and software packages. The lease arrangements were 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 2015	Lease payment	Principal	Future interest
Not later than one year	3.12	3	0.12
Later than one year and not later than five years	-	-	-
Later than five years	-	-	-

	(Rs in lakhs)		
Year ended 31 December 2014	Lease payment	Principal	Future interest
Not later than one year	32	31	1
Later than one year and not later than five years	4	3	1
Later than five years	-	-	-

Finance lease charges recognized in the statement of profit and loss amounts to Rs 14 lakhs (previous year: Rs 16 lakhs).

22. Related party disclosures

a) List of related parties where control exists

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

Entity which exercises control through intermediaries:
 CFCL Technologies Limited, Cayman Islands



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Notes to financial statements for the year ended 31 December 2015

b) Subsidiary

Inuva Info Management Private Limited, India

c) Company which are under common control through intermediaries and with whom transactions have taken place

ISGN Corporation, USA

d) Key management personnel

Amit Kothiyal, CEO and Managing Director

Sundarrajan Sampath, CFO and Director (with effect from 31 March 2015)

Paul Imura, Director

Erik Anderson, Director

e) Related party transactions:

Particulars	(Rs in lakhs)	
	For the year ended 31 December 2015	For the year ended 31 December 2014
Companies which are under common control through intermediaries		
Income from business process outsourcing services, ISGN Corporation	8,027	8,093

f) Related party balances:

Particulars	(Rs in lakhs)	
	As at 31 December 2015	As at 31 December 2014
Fellow subsidiary		
Trade receivables, ISGN Corporation	739	4,726
Short-term loans and advances, ISGN Corporation	211	130
Other current assets, ISGN Corporation	4,948	125
Subsidiary		
Other current liabilities, Inuva Info Management Private Limited	26	-
Short-term loans and advances, Inuva Info Management Private Limited	-	5
Key management personnel		
Salaries and bonus	282	368



ISG Novasoft Technologies Limited
Notes to financial statements for the year ended 31 December 2015

23. 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.

24. Employee benefits

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

(Rs in lakhs)

As at 31 December	2015	2014	2013	2012	2011
Present value of obligation as at the beginning the year	132	141	122	66	47
Interest cost	10	11	10	6	4
Current service cost	30	30	38	31	23
Benefits paid	(35)	(57)	(47)	(22)	(1)
Actuarial (gain) / loss on obligation	9	7	18	41	(7)
Present value of obligation as at the end of the year	148	132	141	122	66
Fair value of plan assets at the beginning of the year	105	106	46	-	-
Expected return on plan assets	8	9	8	1	-
Contributions	-	42	102	67	1
Benefits paid	(35)	(57)	(47)	(22)	(1)
Actuarial gain/ (loss) on obligation	(3)	(5)	(3)	-	-
Fair value of plan assets at the end of the year	75	105	106	46	-
Present value of the obligation at the end of the year	148	132	141	122	66
Fair value of plan assets at the end of the year	75	105	106	46	-
Funded status of the plan- (asset)/ liability	72	27	35	76	66
Principal Actuarial assumptions					
Discount Rate	8%	8%	8.60%	8.01%	8.65%
Salary escalation	7%	7%	7%	8%	10%
Expected rate of return on plan asset	8.50%	8.50%	8.50%	8.50%	9%
Attrition rate	35%	35%	35%	40%	42%



ISG Novasoft Technologies Limited
Notes to financial statements for the year ended 31 December 2015

24. Employee benefits (continued)

(Rs in lakhs)

Gratuity cost for the year ended 31 December	2015	2014
Current service cost	30	30
Interest cost	10	11
Expected return on plan assets	(8)	(9)
Net actuarial (gain)/ loss recognized in year	12	2
Expense recognized in the statement of profit and loss	44	34

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.

25. 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'). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 December 2015 and 31 December 2014 has been made in the financial statements based on information received and available with the Company. Further in view of the Management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material. The Company has not received any claim for interest from any supplier as at the balance sheet date.

(Rs in lakhs)

	For the year ended 31 December 2015	For the year ended 31 December 2014
a. The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	-	-
b. The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year	-	-
c. 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 this Act	-	-
d. The amount of interest accrued and remaining unpaid at the end of the year	-	-
e. The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise	-	-



ISG Novasoft Technologies Limited
Notes to financial statements for the year ended 31 December 2015

26. Expenditure and earnings in foreign currency

Year ended	(Rs in lakhs)	
	31 December 2015	31 December 2014
<i>Expenditure in foreign currency</i>		
Travelling and conveyance	25	38
<i>Earnings in foreign currency</i>		
Income from business process outsourcing services	8,027	8,093

27. 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 has updated the documentation for the international transactions entered into with the associated enterprise during the financial year. 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.
28. Subsequent to the balance sheet date, the Group has entered into Slump Sale Agreement on 28 January 2016 with Firstsource Process Management Services Limited for the sale of its knowledge process outsourcing ('KPO') division INR 30,000,000 (USD 456,000). The Company intends to continue its technology services related business.

for **B S R & Associates LLP**
Chartered Accountants
 Firm's registration number: 116231W/W-100024

Rushank Muthreja
 Membership number: 211386

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

Amit Kothiyal
Managing Director

Sundararajan Sampath
Director

Place: Bangalore
 Date: 10 MAY 2016

Place: Bangalore
 Date: 10 MAY 2016

Place: Bangalore
 Date: 10 MAY 2016