

B S R & Associates LLP

Chartered Accountants

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Bangalore 560 071 India

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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 2014, 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 2014;
- (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 30 September 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 December 2014, from being appointed as a director in terms of sub-section (2) of Section 164 of the Companies Act, 2013 (as applicable).

for **B S R & Associates LLP**

Chartered Accountants

Firm's registration number: 116231W/W-100024


Rushank Muthreja

Partner

Membership No. 211386

Bangalore

17 April 2015

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 2014. 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) The Company did not dispose any of its fixed assets during the year. Thus, paragraph 4(i)(c) of the Order is not applicable to the Company.
- (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) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956/ Section 189 of the Companies Act, 2013 (as applicable). Thus, paragraphs 4(iii) (a) to (d) of the Order are not applicable.
- (b) The Company has not taken any other loan, secured or unsecured, from any other company, firm or party covered in the register maintained under Section 301 of the Companies Act, 1956/ Section 189 of the Companies Act, 2013 (as 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. We have not observed any major weakness in the internal control system during the course of the audit.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956/ Section 189 of the Companies Act, 2013 (as applicable), have been entered in the register required to be maintained under that Section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in v (a) above and exceeding the value of Rs 5 lakhs pertain to sale of services for the specialised requirements of the buyer and for which suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.
- (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.



Annexure to the Auditors' report (continued)

(viii) The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 / Section 128 of the Companies Act, 2013 (as applicable).

(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 though there has been slight delay in few cases. 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, Employees' State Insurance, Service tax and other material statutory dues were in arrears as at 31 December 2014 for a period of more than six months from the date they became payable. *An amount of Rs 55 lakhs due in respect of advance tax, was in arrears as at 31 December 2014 for a period of more than six months from the date it 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 which 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
Income tax Act, 1961	Order passed u/s 143(3) for international transactions. Addition on account of determination of Arm's Length Price (ALP)	627	AY 2010-11	Appellate Tribunal, New Delhi

* net of amount paid under protest

Annexure to the Auditors' report (continued)

- (ix) (b) 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) The Company did not have any outstanding dues to any financial institution, banks or debentureholders 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 companies/ firms/ parties covered in the register maintained under section 301 of the Companies Act, 1956/ Section 189 of the Companies Act, 2013 (as applicable).
- (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 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's registration number: 116231W/W-100024


Rushank Muthreja

Partner

Membership No. 211386

Bangalore

17 April 2015

ISG Novasoft Technologies Limited
Balance Sheet

	Note	As at 31 December 2014	(Rs in lakhs) As at 31 December 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	3,623	3,623
Reserves and surplus	3	2,620	1,905
		<u>6,243</u>	<u>5,528</u>
Non-current liabilities			
Long-term borrowings	4	3	131
Long-term provisions	5	27	35
		<u>30</u>	<u>166</u>
Deferred tax liability (net)	10	64	-
Current liabilities			
Trade payables	6	60	5
Other current liabilities	7	1,157	806
Short-term provisions	8	394	307
		<u>1,611</u>	<u>1,118</u>
Total		<u><u>7,948</u></u>	<u><u>6,812</u></u>

ASSETS

Non-current assets			
Fixed assets	9		
- Tangible assets		110	225
- Intangible assets		1,302	224
		<u>1,412</u>	<u>449</u>
Deferred tax assets (net)	10	-	156
Long-term loans and advances	11	1,035	791
		<u>2,447</u>	<u>1,396</u>
Current assets			
Trade receivables	12	4,726	4,775
Cash and cash equivalents	13	268	71
Short-term loan and advances	14	383	459
Other current assets	15	124	112
		<u>5,501</u>	<u>5,416</u>
Total		<u><u>7,948</u></u>	<u><u>6,812</u></u>


Significant accounting policies

1

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

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

As per our report of even date attached


Bhumika Chandan
Company Secretary

for **B S R & Associates LLP**

Chartered Accountants

Firm's registration number: 11623FW/W-100024


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

Place : Bangalore
Date : 17 APR 2015


Rushank Muthreja

Partner

Membership number: 211386


Amit Kothiyal
Managing Director


Sundararajan Sampath
Director & CFO

Place: Bangalore

Date: 17 APR 2015

Place: Bangalore

Date: 17 APR 2015

Place: Bangalore

Date: 17 APR 2015

ISG Novasoft Technologies Limited
Statement of Profit and Loss

		(Rs in lakhs)	
	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Revenue from operations			
Income from business process outsourcing services		8,093	10,895
Other income	16	332	343
Total Revenue		8,425	11,238
Expenses			
Employee benefits	17	5,166	6,728
Finance cost	18	73	139
Depreciation and amortisation	9	397	281
Other expenses	19	1,797	2,549
Total expenses		7,433	9,697
Profit before tax		992	1,542
Tax expense			
Current tax		397	590
Current tax for earlier years		-	52
Deferred tax charge		220	9
Profit for the year		375	891
Earning per ordinary share [nominal value of share Rs 10 (previous year: Rs 10)]			
Basic and diluted	26	1.03	2.46
Number of ordinary shares used in computing earnings per share			
Basic and 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 & Associates LLP**

Chartered Accountants

Firm's registration number: 116231W/W-100024

Rushank Muthreja

Partner

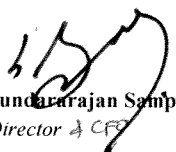
Membership number: 211386

Place: Bangalore

Date: 17 APR 2015

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


Amit Kothiyal
 Managing Director



Sundararajan Sampath
 Director & CFO

Place: Bangalore

Date: 17 APR 2015

Place: Bangalore

Date: 17 APR 2015

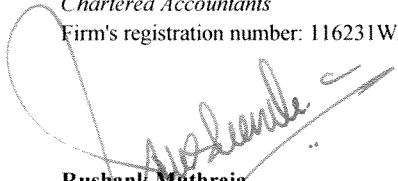

Bhumika Chandan
 Company Secretary

Place : Bangalore
 Date : 17 APR 2015

ISG Novasoft Technologies Limited
Cash Flow Statement

	For the year ended 31 December 2014	(Rs in lakhs) For the year ended 31 December 2013
Cash flow from operating activities :		
Profit before tax	992	1,542
Adjustment for :		
Depreciation and amortization expense	397	281
Advances written off	-	(1)
Stock compensation expense	340	221
(Profit) / loss on sale of tangible assets	-	(2)
Unrealized foreign exchange gain	(181)	(37)
Interest expense	16	31
Interest income	-	-
Operating profit before working capital changes	1,564	2,035
<i>Changes in working capital</i>		
Trade and other receivables	51	(241)
Liabilities and provisions	332	101
Cash provided by operations	1,947	1,895
Income taxes paid	(246)	(1,298)
Net cash from operating activities	1,701	596
 Cash flow from investing activities		
Purchase of fixed assets	(1,359)	(252)
Proceeds from sale of fixed assets	-	3
Interest received	-	-
Net cash used in investing activities	(1,359)	(249)
 Cash flow from financing activities		
Repayment of finance lease obligations	(128)	(546)
Interest paid	(16)	(31)
Net cash flow used in financing activities	(144)	(577)
 Net increase / (decrease) in cash and cash equivalents	198	(229)
Cash and cash equivalents at beginning of the year	71	300
 Cash and cash equivalents at the end of the year	269	71

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


Rushank Muthreja
Partner
Membership number: 211386

Place: Bangalore
Date: 17 APR 2015


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


Amit Kothiyal
Managing Director

Place: Bangalore
Date: 17 APR 2015


Sundararajan Sampath
Director & CFO

Place: Bangalore
Date: 17 APR 2015


Bhumika Chandan
Company Secretary
Place : Bangalore
Date : 17 APR 2015

2. Share capital

Particulars	(Rs in lakhs)	
	As at 31 December 2014	As at 31 December 2013
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 2014		31 December 2013	
	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	36,230,700	3,623	36,230,700	3,623
Add: Shares issued during the year	-	-	-	-
Shares at the end	36,230,700	3,623	36,230,700	3,623

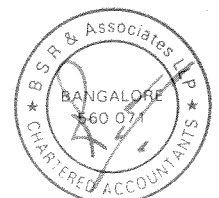
Rights, preference and restrictions attached to ordinary shares

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 ordinary 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 2014		As at 31 December 2013	
	Number of shares	% of share holding	Number of shares	% of share holding
CFCL Ventures Limited, Holding Company	36,230,000	99.99%	36,230,000	99.99%

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 2014.



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 Managements 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 340 lakhs (previous year: Rs 221 lakhs). The weighted average remaining useful life of the stock options is 8.59 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 2014			For the year ended 31 December 2013		
	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	2,194,092	1.09	67.46	565,042	3.50	216.62
Options granted during the year	604,933	1.24	78.53	1,775,084	1.09	67.46
Option forfeited during the year	568,599	1.09	69.03	146,034	1.09	67.46
Options exercised during the year	-	-	-	-	-	-
Options outstanding at the end of the year	2,230,426	1.12	70.93	2,194,092	1.09	67.46
Options exercisable at the end of the year	679,208	1.10	69.66	462,061	1.09	67.46

*Converted using the 31 December closing rate

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

Particulars	For the year ended 31 December 2014	For the year ended 31 December 2013*
Fair value per share (USD)	USD 1.09 to USD 1.26	USD 1.09
Exercise price (USD)	USD 1.09 to USD 1.26	USD 1.09
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)	6	53.38 to 5.64
Expected dividend yield	Nil	Nil
Fair value of the options	USD 0.64 to USD 0.75	USD 0.64

* 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 2014.

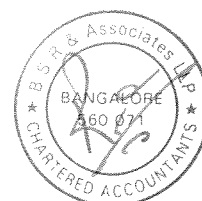
Range of exercise price	Shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price (USD)
USD 1.09 to USD 1.26	2,230,426	8.59 Years	1.12

* includes 2,028,667 options granted to directors and non-executive 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 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 years	1.09

* includes 1,621,734 options granted to director

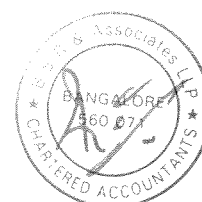


ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 December 2014

3. Reserves and surplus

(Rs in lakhs)

Particulars	As at 31 December 2014	As at 31 Dec 2013
Employee stock options outstanding account		
At the commencement of the year	432	211
Add: Stock compensation expense	340	221
At the end of the year	<u>772</u>	<u>432</u>
Surplus		
Opening balance	1,473	582
Add: Net profit for the year	375	891
Closing balance	<u>1,848</u>	<u>1,473</u>
	<u>2,620</u>	<u>1,905</u>



4. Long-term borrowings

Particulars	(Rs in lakhs)	
	As at 31 December 2014	As at 31 December 2013
Finance lease obligations (secured)	3	131
	<u>3</u>	<u>131</u>

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 2014	As at 31 December 2013
Provision for employee benefits Gratuity (refer Note 24)	27	35
	<u>27</u>	<u>35</u>

6. Trade payables

Particulars	(Rs in lakhs)	
	As at 31 December 2014	As at 31 December 2013
Trade payables due to micro and small enterprises (refer Note 25)	-	-
other creditors	60	5
	<u>60</u>	<u>5</u>

7. Other current liabilities

Particulars	(Rs in lakhs)	
	As at 31 December 2014	As at 31 December 2013
Capital creditors	712	-
Current maturities of finance lease obligations	31	34
Accrued expenses	230	536
Other liabilities	71	110
Deferred rent	65	59
Mark-to-market loss on forward contracts	48	67
	<u>1,157</u>	<u>806</u>

8. Short-term provisions

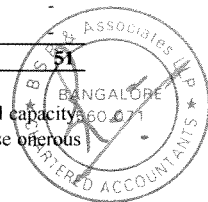
Particulars	(Rs in lakhs)	
	As at 31 December 2014	As at 31 December 2013
Provision for employee benefits Compensated absences	29	42
Others Provision for taxation (net of advance tax and tax deducted at source)	365	214
Provision for onerous contracts	-	51
	<u>394</u>	<u>307</u>

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

Onerous contracts

Particulars	(Rs in lakhs)	
	As at 31 December 2014	As at 31 December 2013
Balance at the commencement of the year	51	-
Add: Provision made during the year	-	51
Less: Provision utilised during the year	(51)	-
Unutilised provision reversed back during the year	-	-
Balance at the end of the year	<u>-</u>	<u>51</u>

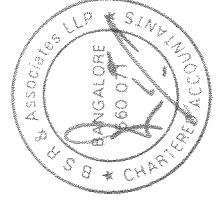
Provisions for onerous contracts: The Company had vacated some of its leased premises as it was unable to utilise the premises to their full capacity. These premises had been taken under non-cancellable lease arrangements till a future date. The Company has recognised a provision for these onerous lease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



ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 December 2014

9. Fixed assets

Particulars	(Rs in lakhs)								
	Gross block			Accumulated depreciation and amortisation			Net block		
	As at 1 January 2014	Additions	Disposals	As at 31 December 2014	As at 1 January 2014	Depreciation charge for the year	Disposals/ other adjustments	As at 31 December 2014	As at 1 January 2014
Tangible assets, owned									
Leasehold improvements	60	-	-	60	58	1	-	59	1
Computers and accessories	448	8	-	456	429	27	-	456	19
Office equipment	106	2	-	108	90	9	-	99	16
Furniture and fixtures	26	-	-	26	21	2	-	23	5
Tangible assets, leased									
Computers and accessories	377	-	-	377	194	87	-	281	183
Office equipment	11	-	-	11	11	-	-	11	-
Total tangible assets	1,028	10	-	1,038	803	126	-	929	110
<i>Previous Year</i>	780	259	11	1,028	637	177	10	803	225
Intangible assets, owned									
Computer software	673	1,349	-	2,021	448	271	-	719	1,302
Intangible assets, leased									
Computer software	72	-	-	72	72	-	-	72	-
Total intangible assets	745	1,349	-	2,093	520	271	-	791	1,302
<i>Previous year</i>	482	263	-	745	416	104	-	521	224



ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 December 2014

10. Deferred tax assets (net)

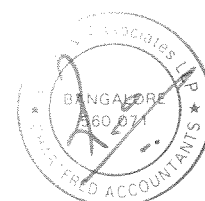
Particulars	(Rs in lakhs)	
	As at 31 December 2014	As at 31 December 2013
Deferred tax assets		
Provision for gratuity	9	12
Provision for leave encashment	10	14
Provision for bonus	44	102
Fixed assets	-	8
Others	22	20
	<u>85</u>	<u>156</u>
Deferred tax liabilities		
Fixed assets	(149)	-
	<u>(149)</u>	<u>-</u>
Deferred tax assets (net)	<u>(64)</u>	<u>156</u>

11. Long-term loans and advances

Particulars	(Rs in lakhs)	
	As at 31 December 2014	As at 31 December 2013
To parties other than related parties		
Unsecured, considered good		
- Advance income tax (net of provision for tax)	16	16
- Taxes paid under protest	300	300
- Service tax receivable	637	393
- Security deposits	82	82
	<u>1,035</u>	<u>791</u>

12. Trade receivables

Particulars	(Rs in lakhs)	
	As at 31 December 2014	As at 31 December 2013
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)
	<u>-</u>	<u>-</u>
Other debts		
Unsecured, considered good (refer Note 22 (g))	4,726	4,775
	<u>4,726</u>	<u>4,775</u>



ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 December 2014

13. Cash and cash equivalents

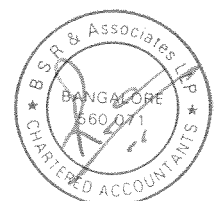
Particulars	(Rs in lakhs)	
	As at 31 December 2014	As at 31 December 2013
Cash in hand	-	-
Balances with banks		
In current accounts	268	71
	<u>268</u>	<u>71</u>

14. Short-term loan and advances

Particulars	(Rs in lakhs)	
	As at 31 December 2014	As at 31 December 2013
To related parties (unsecured, considered good)		
-Other advances (refer Note 22 (g))	135	79
To parties other than related parties (unsecured)		
Considered good		
-Other advances	12	34
-Prepaid expenses	43	86
-Advances to suppliers	1	18
-Other deposits	192	242
	<u>248</u>	<u>380</u>
Considered doubtful		
-Other deposits	4	4
Less: Provision for doubtful advances	(4)	(4)
	<u>-</u>	<u>-</u>
	<u>383</u>	<u>459</u>

15. Other current assets

Particulars	(Rs in lakhs)	
	As at 31 December 2014	As at 31 December 2013
Unbilled revenue (refer Note 22 (g))	124	112
	<u>124</u>	<u>112</u>



ISG Novasoft Technologies Limited
Notes to financial statements for the year ended 31 December 2014

16. Other income

Particulars	(Rs in lakhs)	
	For the year ended 31 December 2014	For the year ended 31 March 2013
Foreign exchange fluctuations gain, net	331	341
Miscellaneous income	1	2
	<u>332</u>	<u>343</u>



ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 December 2014

17. Employee benefits

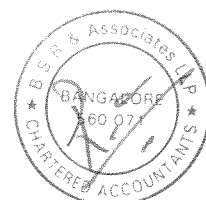
Particulars	(Rs in lakhs)	
	For the year ended 31 December 2014	For the year ended 31 December 2013
Salaries and bonus	4,440	5,982
Contribution to provident fund and other funds	233	292
Gratuity	34	62
Stock compensation expense	340	221
Staff welfare expenses	119	171
	<u>5,166</u>	<u>6,728</u>

18. Finance costs

Particulars	(Rs in lakhs)	
	For the year ended 31 December 2014	For the year ended 31 December 2013
Interest expense		
- On delayed payment of income tax	57	108
- Others	16	31
	<u>73</u>	<u>139</u>

19. Other expenses

Particulars	(Rs in lakhs)	
	For the year ended 31 December 2014	For the year ended 31 December 2013
Sub-contracting expenses	169	135
Power and fuel	153	242
Rent	577	819
Repairs and maintenance:		
- plant and machinery	60	61
- others	167	220
Rates and taxes	1	58
Traveling and conveyance	356	636
Communication	147	137
Consultancy, legal and professional charges	94	151
Security expenses	50	57
Advances written off	-	1
Printing and stationery	4	11
Miscellaneous expenses	19	21
	<u>1,797</u>	<u>2,549</u>



ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 December 2014

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 and also listed in the stock exchanges of India.

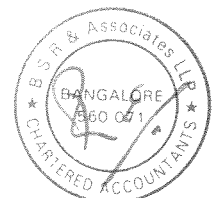
ISGN is engaged in the business of providing Knowledge Process Outsourcing ("KPO") services and software products support services catering mainly to the mortgage lending industry in the United States of America ("USA"). ISGN operates as the off-shore hub and along with its affiliates in the USA, delivers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



ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 December 2014

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.

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.

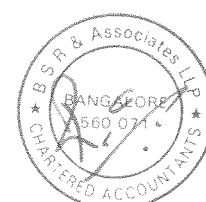
Depreciation is provided on fixed assets on straight line method over their estimated useful lives. The depreciation rates used are higher than the minimum rates specified in Schedule XIV to the Companies Act, 1956.

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 remainder 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.

Advances paid towards the acquisition of fixed assets, outstanding at each Balance Sheet date are classified as capital advances. The cost of the fixed asset not ready for its intended use on such date is classified as capital work-in-progress.



ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 December 2014

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.

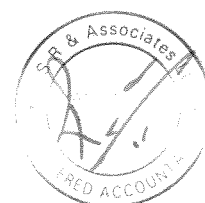
Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in the Statement of Profit and Loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for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



ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 December 2014

1.7 Retirement and other employee benefits (Continued)

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.

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 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 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.



ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 December 2014

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.

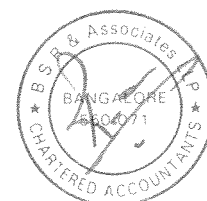
Deferred tax

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

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 an 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.



ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 December 2014

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.

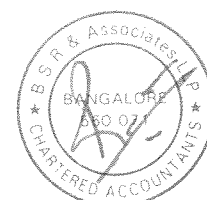
1.14 Leases

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.



ISG Novasoft Technologies Limited
Notes to the financial statements for the year ended 31 December 2014

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.



ISG Novasoft Technologies Limited
Notes to financial statements for the year ended 31 December 2014

20. Contingent liabilities and commitments

Contingent liabilities:

Adjustments to taxable income made for Rs 627 lakhs for the Assessment Year 2010-11 (Financial Year 2009-10) 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 are contested before the Income-tax Appellate Tribunal, New Delhi and Bangalore, 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):

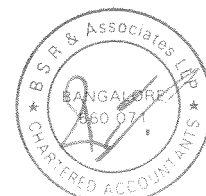
As at	31 December 2014		31 December 2013		
	Currency	USD	(Rs in lakhs)	USD	(Rs in lakhs)
Forward contracts outstanding		9,435,000	6,104	7,100,000	4,395

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 4,726 lakhs (previous year: Rs 4,775 lakhs).

The Company recognised a loss of Rs 48 lakhs in the Statement of Profit and Loss during the year ended 31 December 2014 (previous year: Rs 67 lakhs loss) on account of mark to market of outstanding forward contracts.

The foreign exchange forward contracts mature between 1 to 13 months. The table below analyzes the derivative financial instrument into relevant maturity groupings based on the remaining as of the Balance Sheet date:

Year ended 31 December	(Rs in lakhs)	
	2014	2013
Not later than one month	912	557
Later than one month but not later than 3 months	963	1,176
Later than 3 months and not later than 12 months	4,025	2,662
Later than 12 months	204	-
Total	6,104	4,395



ISG Novasoft Technologies Limited
Notes to financial statements for the year ended 31 December 2014

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 2014 are as follows:

	(Rs in lakhs)	
Year ended 31 December	2014	2013
Not later than one year	525	543
Later than one year but not later than 5 years	1,073	1,345
Later than five years	118	352
Total	1,716	2,240

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 577 lakhs (previous year Rs 819 lakhs).

(b) Finance lease

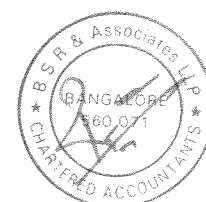
The Company has entered into an arrangement for lease of office equipments, computers and software packages. The lease arrangements are for a period between two and three years. Under the terms of the lease, the Company is required to pay fixed quarterly installments over the lease term.

Future minimum lease payments:

	(Rs in lakhs)		
Year ended 31 December 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	-	-	-

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

Finance lease charges recognized in the Statement of Profit and Loss amounts to Rs 15 lakhs (previous year: Rs 28 lakhs).



ISG Novasoft Technologies Limited
Notes to financial statements for the year ended 31 December 2014

22. 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

b) Subsidiary

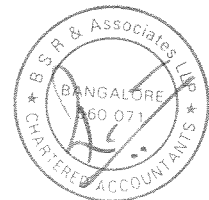
Inuva Info Management Private Limited, India

c) Companies which are under common control through intermediaries

ISGN Solutions, Inc., USA
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



ISG Novasoft Technologies Limited
Notes to financial statements for the year ended 31 December 2014

e) Related party transactions:

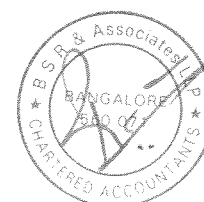
Particulars	(Rs in lakhs)	
	For the year ended 31 December 2014	For the year ended 31 December 2013
Companies which are under common control through intermediaries		
Income from business process outsourcing services, ISGN Corporation	8,093	10,895

f) Related party balances:

Particulars	(Rs in lakhs)	
	As at 31 December 2014	As at 31 December 2013
Fellow subsidiary		
Trade receivables, ISGN Corporation	4,726	4,775
Short-term loans and advances, ISGN Corporation	130	76
Other current assets, ISGN Corporation	125	112
Subsidiary		
Short-term loans and advances	5	3
Key management personnel		
Salaries and bonus	368	100

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.



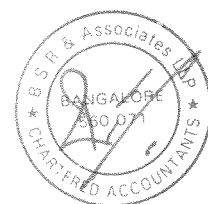
ISG Novasoft Technologies Limited
Notes to financial statements for the year ended 31 December 2014

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	2014	2013	2012	2011	2010
Present value of obligation as at the beginning the year	141	122	66	47	39
Interest cost	11	10	6	4	3
Current service cost	30	38	31	23	25
Benefits paid	(57)	(47)	(22)	(1)	(5)
Actuarial (gain) / loss on obligation	7	18	41	(7)	(15)
Present value of obligation as at the end of the year	132	141	122	66	47
Fair value of plan assets at the beginning of the year	106	46	-	-	-
Expected return on plan assets	9	8	1	-	-
Contributions	42	102	67	1	5
Benefits paid	(57)	(47)	(22)	(1)	(5)
Actuarial gain/ (loss) on obligation	5	(3)	-	-	-
Fair value of plan assets at the end of the year	105	106	46	-	-
Present value of the obligation at the end of the year	132	141	122	66	47
Fair value of plan assets at the end of the year	105	106	46	-	-
Funded status of the plan- (asset)/ liability	27	35	76	66	47
Principal Actuarial assumptions					
Discount Rate	8%	8.6%	8.01%	8.65%	8.00%
Salary escalation	7%	7%	8%	10%	7%
Expected rate of return on plan asset	8.5%	8.5%	8.5%	9%	N/A
Attrition rate	35%	35%	40%	42%	30%



ISG Novasoft Technologies Limited

Notes to financial statements for the year ended 31 December 2014

24. Employee benefits (continued)

(Rs in lakhs)

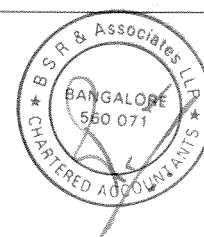
Gratuity cost for the year ended 31 December	2014	2013
Current service cost	30	38
Interest cost	11	10
Expected return on plan assets	(9)	(8)
Net actuarial (gain)/ loss recognized in year	2	22
Expense recognized in the statement of profit and loss	34	62

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 2014 and 31 December 2013 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 2014	For the year ended 31 December 2013
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	-	-
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	-	-
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	-	-
The amount of interest accrued and remaining unpaid at the end of the year	-	-
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 2014

26. Earnings per share

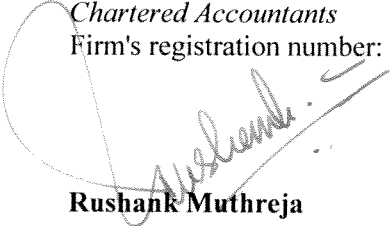
	For the year ended 31 December 2014	For the year ended 31 December 2013
Profit for the year (Rs in lakhs)	375	891
Weighted average number of ordinary shares considered in calculating basic and diluted Earnings Per Share ('EPS')	36,230,700	36,230,700
Basic and diluted EPS (Rs in lakhs)	1.03	2.46

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

Year ended	(Rs in lakhs)	
	31 December 2014	31 December 2013
<i>Expenditure in foreign currency</i>		
Travelling and conveyance	38	70
<i>Earnings in foreign currency</i>		
Income from business process outsourcing services	8,093	10,895

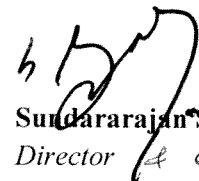
28. The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income-tax Act, 1961. Since the law required existence of such information and documentation to be contemporaneous in nature, 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.

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


Rushank Muthreja
Partner
Membership number: 211386

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



Amit Kothiyal
Managing Director


Sundararajan Sampath
Director & CFO

Place: Bangalore
Date: 17 APR 2015

Place: Bangalore
Date: 17 APR 2015

Place: Bangalore
Date: 17 APR 2015


Bhumika Chandan
Company Secretary
Place : Bangalore
Date : 17 APR 2015