





## SQS acquires majority stakes in Thinksoft

From Left to Right - Mr. Mohan Parvatikar, Mr. René Gawron, Mr. Ralph Gillissen, Mr. Asvini Kumar, Mr. Riccardo Brizzi, Mr. Diederik Vos & Ms. Vanaja Arvind.

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## Corporate Information

### BOARD OF DIRECTORS

David Bellin  
Chairman & Independent Director

Dr. Martin Müller  
Executive Director

Gireendra Kasmalkar  
Non-Executive Director

K. Kumar  
Independent Director

Dr. S. Rajagopalan  
Independent Director

Rajiv Kuchhal  
Independent Director

Ralph Gillessen  
Non-Executive Director

René Gawron  
Non-Executive Director

Riccardo Brizzi  
Non-Executive Director

Ulrich Bäumer  
Independent Director

### COMPANY SECRETARY

S. Akila

### AUDITORS

PKF Sridhar and Santhanam,  
Chartered Accountants,  
91-92, Dr RK Salai, Mylapore, Chennai-600004

### INTERNAL AUDITORS

A. Murali & Associates  
Chartered Accountants,  
New No 2, T4 3<sup>rd</sup> Floor, Majestic Sqaure,  
Sherfudeen Street, Choolaimedu, Chennai-600094

### BANKERS

The Lakshmi Vilas Bank Ltd.  
Cathedral Road, Chennai-600086

ICICI Bank Ltd  
Bazullah Road, T. Nagar, Chennai-600017

HSBC  
Cathedral Road, Chennai-600004

### LEGAL ADVISORS

S. Ramasubramaniam & Associates  
New No. 13/1, Bishop Wallers Avenue West, Mylapore, Chennai-600004

### REGISTRAR AND SHARE TRANSFER AGENTS

Karvy Computershare Private Limited  
Cyber Villa, Plot No. 17-24, Vittalrao Nagar,  
Madhapur, Hyderabad-500081

### REGISTERED OFFICE

6A, Sixth Floor, Prince Infocity II, No. 283/3 & 283/4, Rajiv Gandhi Salai  
(OMR), Kandanchavadi, Chennai-600096

### WEBSITE

[www.thinksoftglobal.com](http://www.thinksoftglobal.com)

## Letter to Shareholders

Dear Shareholders,

Please allow me to introduce myself as the new Chairman of your Board following the acquisition of a majority stake in the company by SQS Software Quality Systems AG.

SQS, headquartered in Germany and listed in London, serves its clients from offices and test centres across Europe, the US, India and Egypt. Thinksoft, as you will know, is a successful testing business based in Chennai and Mumbai but operating globally and specializing in BFSI. The logic of putting these two businesses, with complementary strengths, together to increase sales, reduce costs and increase shareholder value was obvious to both Boards and an amicable transaction was completed in April this year. I pay tribute to the Founders of the company, Mr. A. V. Asvini Kumar, Ms. Vanaja Arvind and Mr. Mohan Parvatikar for building Thinksoft into a successful international business and thank them for their help and support during and since the acquisition.

I am pleased to report that the integration of the two businesses is going extremely well. We can already see:

- New business opportunities working with existing clients and reaching new ones
- The first 'joint' project wins from existing SQS and Thinksoft clients and a promising project pipeline utilizing our combined strengths
- European, US and Indian colleagues working effectively together on-site and in test centers
- A sales decline in the US being reversed;
- A willingness to learn from each other in adopting best practice to meet client objectives

We can now tell global customers we have a greater combined competence, strength and scale. To simplify this message we are seeking approval to rename the business as SQS India BFSI Limited so all services can be marketed under one SQS umbrella. The interests of SQS AG will continue to be aligned with all other Thinksoft shareholders. SQS India BFSI will continue to be listed in Mumbai with the National Stock Exchange and Bombay Stock Exchange. The company will continue to be a good corporate citizen of India generating increased FOREX for the country, returns for shareholders and we expect further investment to grow the workforce in India.

To support these objectives at Board level I am delighted that my three independent director colleagues on the Board will continue to serve you. We are proposing in the AGM the re-election of Prof Kothandaraman Kumar, Dr. S. Rajagopalan, and Mr. Rajiv Kuchhal. We are also proposing the re-election of Mr. Ulrich Bäumer, a senior lawyer at Osborne Clark Solicitors with extensive corporate experience in India, who joined the Board as an independent director in December 2013.

From SQS we welcome Dr. Martin Müller who has re-located to Chennai following his appointment as Executive Director and Managing Director of Thinksoft. Dr. Müller was previously responsible for SQS operations in Germany and brings with him a detailed knowledge of the business and the global testing market. René Gawron (Chief Financial Officer, SQS AG), and Gireendra Kasmalkar (Managing Director and CEO at SQS India Infosystems Pvt. Ltd.) have joined the Board as non-executive directors and we value their commitment to a successful integration and growth strategy. We thank Ralph Gillissen (Chief Market Officer, SQS) and Riccardo Brizzi (Chief Operating Officer, SQS) for their valued contribution as non-executive directors from January to June this year. Both felt they can contribute more to our success operationally than as Board members and we welcome their continued involvement.

Your Board is a centre for constructive debate and will continue to act in the best interests of all shareholders, staff and clients. The results for 2013-14 have allowed us to increase the dividend by 50% and we will aim to maintain a distribution of 30% of net profits going forward.

Our performance during the year was very satisfactory. Our operating Revenue increased from Rs. 1,614 Mns to Rs. 1,944 Mns, an increase of 20% compared to the previous year. Our Net profits after Tax were Rs. 300 Mns, an increase of 55% on the previous year. Europe continues to be our strongest market territory contributing 49% of the total Revenue during this year. Banking services accounted for 46% of total Revenues while services to the Cards and Payments sector registered encouraging growth of 12% to contribute 37% of total Revenues.

Your Board recognizes the input of our employees, a core asset, in achieving these results. Their energy, dedication and hard work are the DNA that helps us retain a unique position in BFSI testing. We added another 270 employees during this year, a net addition of 123 employees. Total employee strength at March 31, 2014 was 905 for Thinksoft and its subsidiaries. We thank them all for our success.

The software industry, particularly the Testing segment is never static and clients globally are always looking for operational and cost efficiencies. The BFSI sector has to be risk averse in reviewing testing spend and values, perhaps more than other sectors, the benefit of independent end-to-end testing. The company will continue to focus on its client's objectives in building its expertise and proven strengths. Now under the umbrella of SQS, a leader in the independent testing sector, we see enormous synergies and opportunities to provide more services to existing clients, to access new geographies and to leverage bigger offshore assignments.

I take this opportunity to convey our gratitude to our clients for their trust and business support, to all my colleagues for their dedication and hard work and to you, our shareholders for your confidence, continued support and encouragement.

Thank you,  
Your Sincerely,

**David Bellin**  
Chairman of the Board

## Decade at a Glance

Rs. in Millions

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Gross Revenue	1944.4	1614.4	1214.4	829.3	828.6	922.6	749.2	588.6	366.9	217.4
EBIDTA	499.0	326.2	224.2	60.9	105.1	178.7	122.2	122.4	48.6	27.0
Profit Before Tax	422.3	264.8	185.0	32.0	90.6	160.6	108.2	103.6	40.1	18.9
Profit After Tax	300.4	194.4	113.8	18.7	82.3	144.9	99.7	94.6	36.2	15.6
Fixed Assets: Gross Block	472.6	457.0	224.8	194.2	101.2	90.2	88.5	69.9	63.8	44.2
Fixed Assets: Net Block	274.1	312.1	108.7	111.5	42.4	33.5	28.2	22.1	27.7	11.4
Share Capital	102.7	101.2	100.5	100.5	100.5	87.0	76.6	72.5	70.7	70.7
Reserves and surplus	979.7	780.7	654.6	599.2	592.2	381.9	246.6	160.0	82.1	53.9
Networth	1082.4	881.9	755.1	699.7	692.7	469.0	329.0	232.5	152.7	124.6
Sundry Debtors	557.8	413.2	235.8	229.0	159.3	238.6	203.7	186.4	98.5	59.8
Cash and Bank Balances	502.5	393.9	404.5	400.3	514.0	265.6	147.3	76.6	47.4	58.4
Current Assets*	1157.0	951.6	899.0	762.2	789.2	600.3	420.0	291.0	184.1	139.3
Current Liabilities	289.9	288.7	263.1	183.3	149.3	171.1	122.6	82.0	59.8	25.1
Working Capital	867.0	663.0	635.8	578.9	639.9	429.2	297.4	209.0	124.2	113.3
Employee Strength (Nos.)	905	782	742	661	499	538	580	494	465	285
No of Equity Shares ('000)	10267.7	10123.7	10052.0	10052.0	10052.0	8702.0	7663.0	7245.0	7068.0	7068.0
Earnings Per Share (Diluted) (Rs.)	28.7	19.0	11.3	1.9	8.8	17.6	13.4	13.2	5.1	2.2
Book Value per Share (Rs.)	105.4	87.1	75.1	69.6	68.9	53.9	42.9	32.1	21.6	17.6

EBIDTA: Earnings before Interest, Depreciation &amp; Taxes + Other Income

\*Current Assets.- Figures are as per new schedule VI format from the year 2011-12 onwards.

One Million (Mn) is equal to Ten Lakhs

One Billion (Bn) is equal to One Hundred Crores

# Board of Directors



David Bellin



Dr. Martin Müller



Gireendra Kasmalkar



K. Kumar



Dr. S. Rajagopalan



Rajiv Kuchhal



Ralph Gillessen



René Gawron



Riccardo Brizzi



Ulrich Bäumer

## Directors' report

To the Members,

### SQS Software Quality Systems AG Acquires Majority Stakes in Thinksoft:

SQS Software Quality Systems AG, entered into an agreement, on November 8, 2013, with the promoters of Thinksoft Global Services Limited, to acquire majority stakes in Thinksoft Global Services Limited and made an Open Offer to the public shareholders according to SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. As a result, SQS Software Quality Systems AG, had acquired majority stakes in the Company by acquiring up to 53.35% of the shares in Thinksoft Global Services Limited and the Company has become a subsidiary of SQS Software Quality Systems AG.

This acquisition will create a platform for accelerated growth with the potential to increase sales and shareholder returns.

We are presenting herewith, the report on our business and operations for the year ended March 31, 2014.

#### 1) Financial Highlights for the year ended March 31, 2014.

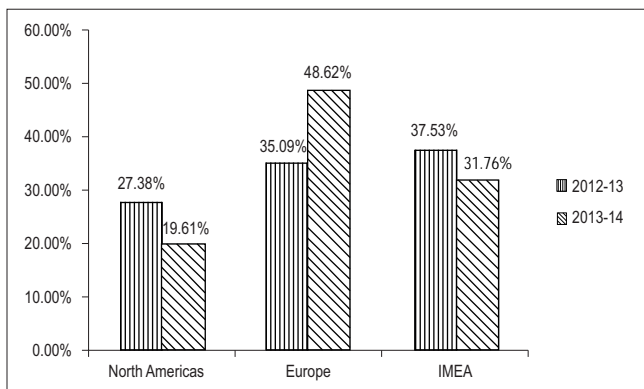
Rs. Millions (Mns)	Consolidated		Standalone	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
<b>Total Revenue</b>	<b>2,046</b>	<b>1,639</b>	<b>2,031</b>	<b>1,601</b>
Employee benefits expense	1,182	946	786	607
Depreciation and amortization expense	57	46	56	46
General, administrative and other expenses	365	367	799	704
Finance cost	20	15	20	14
<b>Total expenses</b>	<b>1,624</b>	<b>1,374</b>	<b>1,661</b>	<b>1,371</b>
<b>Profits Before Taxes</b>	<b>422</b>	<b>265</b>	<b>370</b>	<b>230</b>
Taxes	122	70	116	67
<b>Profit for the year</b>	<b>300</b>	<b>194</b>	<b>254</b>	<b>163</b>
<b>Earnings per Equity share (Par value of Rs.10 each)</b>				
Basic	29.53	19.32	25.01	16.20
Diluted	28.66	19.03	24.27	15.95

#### 2) Business and Operations Review:

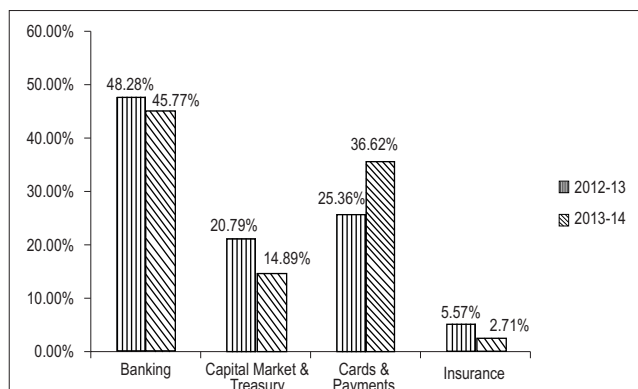
Total Operating Revenues increased, in Rupee terms by 20 %, to Rs. 1944.44 Mns this year, from Rs. 1614.43 Mns in the previous year (In US dollar terms this amounts to an increase in revenues of 8% ).

- While the existing customers continue to support us, Revenues from new business increased from 7% in the previous year to 19% in the current year.

Revenue By Geography



Revenue By Practice





- Profit after tax at Rs. 300 Mns constituted 15.4% of revenues as against Rs. 194 Mns (12.0 %) for the previous year. Exchange Gain contributed Rs. 77 Mns during this year compared to Rs. 10 Mns in the previous year.
- Geographically, 48.62% of the revenues came from Europe (previous year 35.09 %), 31.76% from India, Middle East, Asia and Australia Regions (Previous year 37.53%), 19.61% from America (Previous year 27.38%) and the proportion of onsite to offshore revenues stood at 53.49 % /46.51 % compared to 47.54%/52.46% in the previous year. This is reflected in an increase of 35 % in onsite Revenue from Rs. 767.57 Mns to Rs. 1040.04 Mns during the current year.
- Employee expenses increased due to increase in the number of employees from 782 from March 31, 2013 to 905 by end of March 31, 2014. Onsite revenue increase from 47% in the previous year to 53% increase in the current year and consequent increase in salary cost. There was a one-time payment of Rs. 50 Mns (previous year - nil), towards severance pay to two of the Whole Time Directors during the current year.
- The general administrative and other overheads marginally decreased due to consolidation of facility centers to owned facilities resulting in savings in rent and other associated costs.
- Employee strength was 905 (women 27.8%) at the end of the year compared to 782 (women 26.0%) previous fiscal. The attrition rate increased to 17.4% for the year ended March 2014, compared to 15.9% during the previous year.

### 3) Capital Expenditure:

During the year, we spent an amount of Rs. 19.25 Mns adding to our gross block comprising of Rs. 9.03 Mns on technology infrastructure, Rs. 1.95 Mns on physical infrastructure, Rs. 8.27 Mns addition on intangible assets.

### 4) Liquidity:

The company continues to maintain sufficient cash to meet its strategic objectives. The liquid assets at the end of the year stood at Rs. 1060.27 Mns (as against Rs. 800.53 Mns previous year). Year-end Account Receivables stood at Rs. 557.78 Mns (104 days sales) as against Rs. 413.23 Mns previous year (96 days sales). The increase in Accounts Receivables is mainly attributed to increase in volume of Revenue.

### 5) Share Capital:

As at the end of the financial year the Company's Equity Share Capital stands at Rs. 102.68 Mns, consisting of 10,267,681 fully paid up Equity Shares of Rs. 10 each. In pursuance of exercise of options granted under Thinksoft ESOP Scheme 2011 by the employees, the company has allotted 144,000 equity shares during the Financial Year 2013-14 to the employees, as a result of which the paid-up capital of the company increased from 101.24 Mns to 102.68 Mns. The disclosure in compliance with the Clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, as amended is attached to this report as ANNEXURE 1.

### 6) Net Worth:

The net worth of the Company rose to Rs. 1082.36 Mns as at March 31, 2014 from Rs. 881.89 Mns at the end of the previous fiscal. This works out to a per share net worth of Rs. 105.41.

### 7) Dividend:

Based on the Company's performance, the Directors are pleased to recommend a final Dividend of Rs. 4/- per share (40% on face value of Rs.10/- each) for the financial year 2013-14. The Board has also declared an interim dividend of Rs. 5/- per equity share (50% on face value of Rs.10/- each) on October 17, 2013.

The Final Dividend, if approved by the Shareholders in the General Meeting would result in a total dividend of Rs. 9/- per equity share (90 % on face value of Rs.10/- each) for the financial year ended March 31, 2014. (Previous year 60% on face value of Rs. 10/- each, i.e. Rs.6 /- per equity share).

### 8) Transfer to Reserves:

During the financial year, the Company has transferred Rs. 25.44 Mns, (previous year Rs. 16.40 Mns) which represents 10% of the net profits of the Company. As a result, the total amount of General Reserve as on March 31, 2014 is Rs.81.01 Mns (As at March 31, 2013 - Rs. 55.57 Mns).

### 9) Subsidiaries:

The company is having its global presence through its subsidiaries, branches and places of business.

The company has the following five wholly owned subsidiaries

- Thinksoft Global Services Pte. Ltd., Singapore
- Thinksoft Global Services Inc., USA

- c) Thinksoft Global Services (Europe) GmbH, Germany
- d) Thinksoft Global Services UK Limited, UK
- e) Thinksoft Global Services FZE, UAE

In view of meager/no direct Revenues flowing out of the German subsidiary and also since SQS Software Quality Systems AG has its headquarters located in Germany, it was felt there was no need to maintain a subsidiary and incur administrative expenses. Therefore action has been initiated for a voluntary winding up of the German subsidiary.

**10) Financial Statement of Subsidiaries:**

As per Section 212 of the Companies Act, 1956, we are required to attach the Directors' Report, Balance Sheet and Profit and Loss account of our subsidiaries. Ministry of Corporate Affairs vide its General Circular no. 02/2011 dated February 8, 2011, exempted Companies from attaching the Financial Statements of Subsidiary Companies. However, as per said circular the Companies are required to provide only the consolidated financial statement in the annual report, accordingly, the Annual Report contains the consolidated financial statements. Further the Ministry of Corporate Affairs vide General Circular 08/2014 dated April 4, 2014 has clarified that the financial statements, auditors report and Boards report in respect of financial year that commenced earlier than April 1, 2014 shall be governed by the relevant provisions/Schedules/Rules of the Companies Act, 1956. The Audited Annual Accounts and related information of subsidiaries, wherever applicable, will be made available to shareholders upon request and will also be available for inspection during normal business hours at the registered office of the company. A Statement of Subsidiaries under Sec 212 of the Companies Act 1956 is attached to the report as ANNEXURE 2.

**11) Directors:**

During the year, Mr. Mohan Parvatikar, whole time Director resigned from the Board effective Dec 27, 2013. The Board places on record the special appreciation to Mr. Mohan Parvatikar for the valuable contribution he made during his tenure as Director of the Company.

With effect from March 01, 2014, Mr. A. V. Asvini Kumar and Ms. Vanaja Arvind stepped down as Managing Director and Executive Director of the Company respectively. The Board places on record its deep sense of appreciation to Mr. A. V. Asvini Kumar and Ms. Vanaja Arvind for promoting the Company and tremendous contribution made by them for the growth and success of the Company.

During the year Mr. David Bellin and Mr. Ulrich Bäumer were appointed as Independent Directors of the Company. Pursuant to execution of shareholders agreements with the existing promoters for acquisition of shares, SQS has nominated Mr. Gireendra Kasmalkar, Mr. René Gawron, Mr. Ralph Gillessen and Mr. Riccardo Brizzi as the Non - Executive Directors of the Company and Dr. Martin Müller as the Executive Director of the Company. The Members have approved the aforesaid appointments through Postal Ballot on March 17, 2014.

In accordance with Articles 142 and 143 of the Articles of Association of the Company and the provisions of the Companies Act, 2013, Mr. Gireendra Kasmalkar, Non-Executive Director is liable to retire by rotation in the ensuing Annual General Meeting and is eligible for re-appointment. Mr. K. Kumar, Dr. S. Rajagopalan, Mr. Rajiv Kuchhal and Mr. Ulrich Bäumer, Directors of the Company, are being appointed as Independent Directors for a term of 5 consecutive years up to March 31, 2019 as per the provisions of Section 149 and other applicable provisions of the Companies Act, 2013.

**12) Auditors:**

M/s. PKF Sridhar & Santhanam, Chartered Accountants, Chennai retire as the Auditors of the Company at conclusion of the ensuing Annual General Meeting and being eligible offers themselves for re-appointment to hold office from the conclusion of this Annual General Meeting, until the conclusion of third consecutive Annual General Meeting, subject to ratification by the shareholders annually. The Auditors have also confirmed that the appointment, if made, shall be in accordance with the provisions of Companies Act, 2013. The Audit Committee and the Board of Directors in their meeting held on April 23, 2014 has recommended the reappointment of M/s. PKF Sridhar & Santhanam, Chartered Accountants, Chennai.

**13) Conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo:**

The Company has taken initiatives on automating its testing methodologies and also taken initiatives towards building products. During the year 2013-14, the company has spent an amount of Rs. 6.60 Mns and the same has been capitalized in the books of the company. The company also has taken initiatives to build an automated framework for its offering.

The particulars as prescribed under Sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988, are provided in the ANNEXURE 3 of this report.

**14) Particulars of employees:**

In accordance with the provisions of Section 217(2A) of the Companies Act 1956 and the rules framed there under, the required information is annexed and forms part of this Report. (Please refer ANNEXURE 4)

**15) STPI status:**

During the current year, the company has exited from the STPI, by filing necessary documents with them. We have received official communication from STPI Chennai Directorate confirming our exit from STPI. Similar letter is yet to be received from STPI Bangalore.

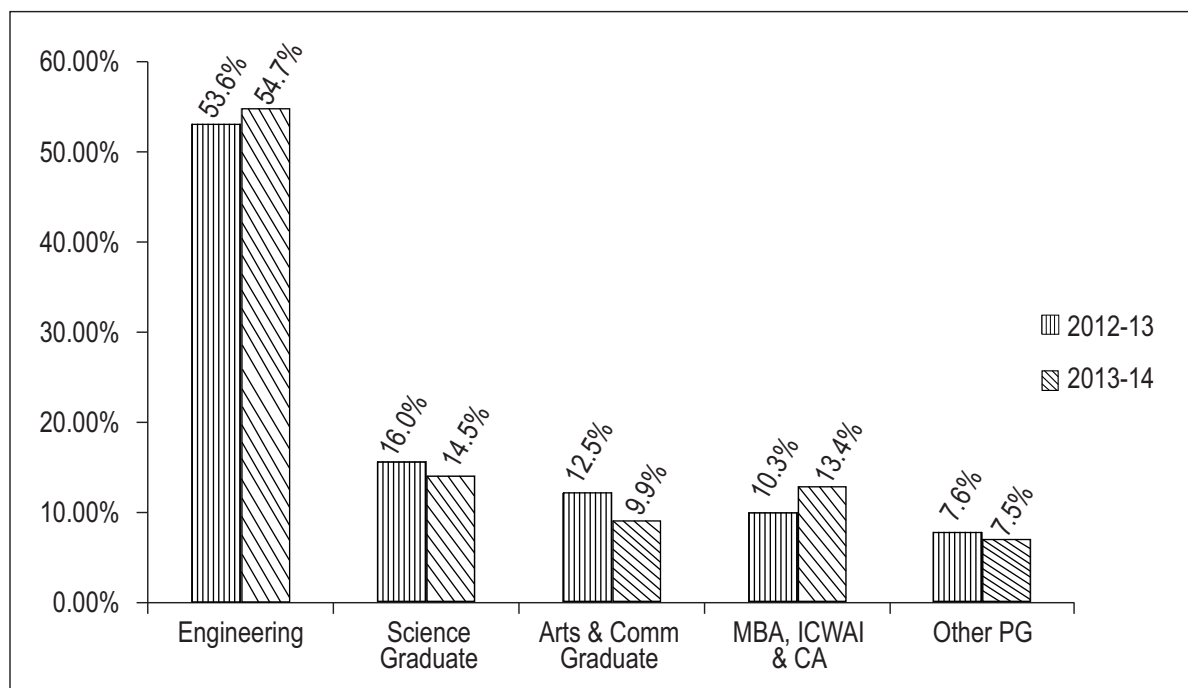
**16) Human Potential:**

The Company strongly believes that the organizational effectiveness can be significantly enhanced by focusing on the human side of the enterprise.

As part of its ongoing regular training programs, during the year, about 140 training programs were conducted for the employees, clocking an average of 37 hours training per employee per year.

New programs on Technical skills, Business analysis, Leadership and Managerial skills were launched to align the employee competencies with the business growth avenues.

The overall employee strength increased from 782 to 905 during the end of the year.

**Education profile of the employees****17) Quality, Technology and Systems:****Enterprises Resource Planning (ERP):**

The plan of an Enterprise platform implementation at Thinksoft was initiated in November, 2011 and is successfully deployed. During the year the working in the ERP package was stabilized and is working fine.

**PCI DSS (Payment Card Industry Data Security Standard):**

Business requires information that is suitably protected and it is critical for the company in maintaining the credibility of such stored information. Considering this Thinksoft's offshore TCoE (Testing Centre of Excellence) in Prince Infocity II, Chennai is compliant with ISAE 3402 (International Standard on Assurance Engagements) / SSAE 16 (Statement on Standards for Attestation Engagements), this compliance goes to demonstrate third-party assurance, providing coverage to users of outsourced services.

PCI DSS, (worldwide data security standard defined by the Payment Card Industry Security Standards Council). This implies Complete Secured Physical/Logical Work Environments, Multilayer Encryption for data at Receipt, Processing and Storage, Comprehensive Privacy Framework, Detailed Risk and Governance Framework, Wireless Intrusion and Prevention System, Enhanced HR Security Controls, Intensive Vulnerability Management Program by Authorized Scan Vendors (ASV), Business Continuity Program meeting ISO 22301 standards.

Thinksoft also is certified compliant of ISO 27001 and ISO 9001.

**18) Environmental awareness:**

The Company continues its drive on 'going green' and has initiated steps to conserve resources and also reduce its carbon footprint and create sustainable alternatives wherever feasible.

The conservation steps include;

- Continuing to deploy less power consuming desktops reducing total power consumption.
- Deployment of Human detector sensors across the facility to auto power off lights when no human presence is detected. Video conferencing (VC) usage has increased steadily during the last couple of years, which in turn has reduced the travel cost and improved energy savings.
- Continuing to dispose the e-waste generated in-house through vendors who adopt 'Safe disposal practices', recycle and re-manufacture the used e-waste like printers, toners and cartridges.

All these initiatives are taken forward at a sustained pace.

**19) Corporate Governance and Management Discussion Analysis Statement:**

A separate section on Corporate Governance forming part of the Directors' Report and the certificate from the Company's auditors confirming compliance of Corporate Governance norms as stipulated in Clause 49 of the Listing Agreement with National Stock Exchange of India (NSE) and Bombay Stock Exchange (BSE) is included in the Annual Report. The Company has taken adequate steps for strict compliance with the Corporate Governance guidelines, as amended from time to time.

A separate Management Discussion and Analysis Report are also attached and forms part of this report.

**20) Risk Management:**

Risk Management at Thinksoft includes identification, assessment, monitoring and mitigation of various risks that the company may face in its business. The Company's enterprise Risk Management approach consists of identifying major risk categories - Operations, Industry, Resources and Regulatory environment to effectively manage its Operational, Financial, Clients and Market risks with a view to achieve a balance between acceptable levels of risk and reward.

As part of Risk Management approach, during the year the company had undertaken various activities, including the following, to identify, monitor and mitigate the risks:

- Quarterly Internal Audits by an independent firm;
- Regular Process Compliance audits for ISO 9001 and ISO 27001 Standard;
- Periodic audits of compliance to other regulatory frameworks;
- Annual Capital and Revenue Budget Planning followed by monthly reviews;
- Annual Sales Planning with Monthly / Periodic Monitoring;
- Annual Perspective and Strategic Planning exercise with yearly update;
- Conservative approach to funds planning.

**21) Status of Application money refund:**

As on date an amount of Rs.72,000/- is lying unpaid in the account. The members who had not availed the refund may please write to "The Registrar and Transfer Agent" of the Company.

**22) Fixed deposits:**

The Company has not accepted any fixed deposits and as such, no amount of principal or interest was outstanding as of the Balance Sheet date.

**23) Corporate Social Responsibility:**

For Thinksoft, Corporate Social Responsibility ('CSR') is about how we manage our impact on society and the environment. The activities under the Corporate Social Responsibility are given below:

**Involvement:**

- Thinksoft works closely with Vidya Sagar (formerly known as the Spastic Society of India), an NGO dedicated to the welfare and development of differently abled Children.
- Of particular importance is our association with the Toda tribe in Nilgris and our endeavor to make a difference in their general well-being by promoting their crafts and thus making an impact in the preservation of their Tribal heritage.

**Contributions:**

As a part of Corporate Social Responsibility during the year the company contributed

- Rs. 1.12 Mns Vidhya Sagar's Spastics society, an NGO dedicated to the welfare and development of differently abled Children.
- Rs. 0.20 Mn to Ability Foundation, Chennai NGO working for the betterment of people with disabilities, sponsoring part of the costs for the India International Disability Film Festival.
- Rs. 0.03 Mn to Nathan Academy of Dance, Bangalore, aiding Navchetana Trust to support mentally challenged children.
- Rs. 0.18 Mn towards Uttarakhand Flood Relief.

**24) Directors' responsibility statement as required under Section 217 (2AA) of the Companies Act, 1956:**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- they accept responsibility for the integrity and objectivity of these accounting statements.
- the financial statements are prepared in accordance with the guidelines and standards of the ICAI and the Companies Act 1956, to the extent applicable. There are no material departures from the above mentioned standards.
- such standard accounting policies have been applied consistently, except as otherwise stated.
- the judgments and estimates have been made on a reasonable and prudent basis so that the financial statements provide a true and fair view of the state of affairs of the Company at the end of the financial year.
- the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the Annual Accounts are prepared on a going concern basis and on an accrual basis.

**25) Acknowledgments:**

We thank our customers, vendors, investors and bankers for their continued support during the year. We place on record our appreciation of the contribution made by our employees at all levels. Our consistent growth was made possible by their hard work, solidarity, cooperation and support.

We thank the governments of various countries where we have operations. We also thank the Government of India, particularly the Ministry of Communication and Information Technology, the Customs and Excise Departments, the Income Tax Department, the Ministry of Corporate Affairs, the Ministry of Commerce, the Ministry of Finance, the Reserve Bank of India, the State Governments, the Madras Export Processing Zone (MEPZ), the Software Technology Parks (STPs) and other Government Agencies for their support and look forward to their continued support in the future.

**For and on behalf of Board of Directors of  
Thinksoft Global Services Limited**

Place : Chennai  
Date : April 23, 2014

**David Bellin**  
Chairman & Director

**ANNEXURE 1**

DISCLOSURE IN COMPLIANCE WITH THE CLAUSE 12 OF THE SEBI (EMPLOYEE STOCK OPTION SCHEME AND EMPLOYEE STOCK PURCHASE SCHEME) GUIDELINES 1999, AS AMENDED

Sl No.	Description	Thinksoft - Employee Stock Option Scheme 2011
1	Total Number of options under the Plan	1,005,100
2	Options approved during the year	Nil
3	Pricing formula	Market price on the date of grant or such price as the Board of Directors may determine in accordance with the regulations and guidelines prescribed by SEBI or other relevant authority from time to time
4	Options Vested during the year	174,800
5	Options Exercised during the year	144,000
6	Total number of shares arising as a result of exercise of options (as of March 31, 2014)	144,000
7	Options lapsed/forfeited / Cancelled during the year	24,700
8	Variation of terms of options up to March 31, 2014	Nil
9	Money realised by exercise of options during the year (in Rs.)	Rs.7,901,340/- (Rupees Seven Million nine hundred one thousand three hundred and forty only)
10	Total number of options in force at the end of the year (granted, vested and unexercised/unvested and unexercised)	508,700
11	Employee wise details of options granted to :	
	(a) Senior Management during the year	Nil
	(b) Employees who receives a grant in any one year of option amounting to 5% or more of option granted during that year	Nil
	(c) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil
12	Diluted Earnings per Share pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS ) 20	24.27
13	A description of method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information:	The fair value has been calculated using the Black Scholes Option Pricing model
	(a) risk free interest rate (b) expected life (c) expected volatility (d) expected dividend (e) the price of the underlying share in market at the time of option grant	No options has been granted during the year 2013-14
14	(i) Weighted average Fair Value of Options granted during the year whose	
	(a) Exercise price equals market price (b) Exercise price is greater than market price (c) Exercise price is less than market price	No options has been granted during the year 2013-14
	(ii) Weighted average Exercise price of options granted during the year whose	
	(a) Exercise price equals market price (b) Exercise price is greater than market price (c) Exercise price is less than market price	No options has been granted during the year 2013-14
15	The stock-based compensation cost calculated as per the intrinsic value method for the period April 1, 2013 to March 31, 2014 is NIL. If the stock-based compensation cost was calculated as per the fair value method prescribed by SEBI, the total cost to be recognized in the financial statements for the period April 1, 2013 to March 31, 2014 would be Rs.11,180,879/-. The effect of adopting the fair value method on the net income and earnings per share is presented below:	

Pro Forma Adjusted Net Income and Earnings Per Share	
Particulars	Rs..
Net Income as reported	254,352,581
Add: Intrinsic Value Compensation Cost	Nil
Less: Fair Value Compensation Cost	11,180,879
<b>Adjusted Pro Forma Net Income</b>	<b>243,171,702</b>
<b>Earnings Per Share: Basic</b>	
As Reported	25.01
Adjusted Pro Forma	23.91
<b>Earnings Per Share: Diluted</b>	
As Reported	24.27
Adjusted Pro Forma	23.20

For and on behalf of Board of Directors of  
Thinksoft Global Services Limited

**David Bellin**  
Chairman & Director

Place : Chennai  
Date : April 23, 2014

## ANNEXURE 2

Statement of Subsidiaries under Sec 212 of Companies Act 1956					
Name of the Subsidiary	Thinksoft Global Services Pte Ltd, Singapore	Thinksoft Global Services Inc, USA	Thinksoft Global Services (Europe) GmbH, Germany	Thinksoft Global Services (UK) Limited, UK	Thinksoft Global Services FZE, Sharjah, UAE
Date of Incorporation	November 21, 2001	April 29, 2002	November 03, 2005	April 01, 2010	June 15, 2010
The Financial year of the subsidiary company ended on	March 31, 2014	March 31, 2014	March 31, 2014	March 31, 2014	March 31, 2014
Holding Company	Thinksoft Global Services Limited	Thinksoft Global Services Limited	Thinksoft Global Services Limited	Thinksoft Global Services Limited	Thinksoft Global Services Limited
Holding Company Interest	100%	100%	100%	100%	100%
Shares held by the Holding company in the subsidiary	100,000 equity shares of SGD 1/- each fully paid up	3,000 equity shares of USD 0.01/- each fully paid up	EUR 50,000/-	350,000 equity shares of GBP 1/- each fully paid up	24 equity shares of AED 25,000/- each fully paid up
Net aggregate amounts of the profits or (losses) of the subsidiary so far it concerns the members of the holding company and is dealt with in the accounts of holding company					
for the financial year ended March 31, 2014 (Rs.Mns)	7.94	8.35	1.60	18.56	9.58
for the previous financial years of the subsidiary since it became its subsidiary (Rs.Mns)	32.30	18.25	5.67	23.37	10.42
Net aggregate amounts of the profits or (losses) of the subsidiary so far it concerns the members of the holding company and is dealt with in the accounts of holding company					
for the financial year ended March 31, 2014 (Rs.Mns)	Nil	Nil	Nil	Nil	Nil
for the previous financial years of the subsidiary since it became its subsidiary (Rs.Mns)	Nil	Nil	Nil	Nil	Nil

For and on behalf of Board of Directors of  
Thinksoft Global Services Limited

Place : Chennai  
Date : April 23, 2014

David Bellin  
Chairman & Director



## ANNEXURE 3

## PARTICULARS PURSUANT TO COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES, 1988

A. Details of conservation of energy	The Company's current operations do not require high energy consumption and the company continues its drive in taking up various measures to optimize energy usage, for example, a) Consolidation of operations through reduction in the number of Data centers. b) Reduced number of network devices for multiple clients, c) Human detector sensors have been deployed across the facility to auto power off lights when no human presence d) Replacement of flat monitors in the place of CRT monitors e) Optimization of storage devices and switching over to CFL lightings, f) Switching off the air conditioners on a budgeted hours basis.
<b>B. Technology absorption</b>	
1) Special Areas in which R & D carried out by the Company	The company continues its efforts in the areas of enhancing its existing repositories, test automation frameworks and methodologies through constant innovations and enhancing its offerings to the customers. The company also is practicing consistent internal process automation to improve internal methodologies and productivity.
2) Benefits derived as a result of the above R & D	<ul style="list-style-type: none"> <li>• Improved throughput</li> <li>• Enhanced productivity</li> <li>• Greater accuracy</li> <li>• Increased Customer satisfaction</li> <li>• Higher Functional coverage</li> <li>• Effective resource utilization</li> <li>• More reliable planning and tracking</li> <li>• Sharpened competitive advantage in the market</li> </ul>
3) Future plan of action	We will continue to focus on creation of more automated test framework and use of tools for such testing environment, which would enhance our intellectual asset base and also improve our offering on client specific requirements.
4) Expenditure on R & D	The Company has taken initiatives on automating its testing methodologies and has also building up product initiatives towards this. The amounts spent Rs. 6.60 Mns are being capitalized in the books and other part of the spend is treated as regular expenses.
<b>C. Foreign Exchange earnings and outgo</b>	
1) Activities relating to export initiatives taken to increase exports developments of new markets for product and services and export plans.	The most essential requirement in the Testing industry to retain the existing customers is to continuously give improvements in costing and also keep up to date with the right technology. To acquire knowledge, deeper understanding of the client needs, their strategic events and market trends, Thinksoft participated in a series of events /exhibitions world over.  Thinksoft participated in the exhibitions at 18 <sup>th</sup> Handelsblatt Annual Banks at the edge of Change, Frankfurt; The Dutch Testing Conference, UK; Abtec 2014, Bahrain; Plug & Play at Cards & Payments Australia / Retail World 2013, Australia; ABI Biennial Conference 2013, UK; Banking and Insurance Tech Outlook 2013, US; Accord LOMA 2013, US; International Banking Expo, Mumbai. Thinksoft was a welcome sponsor at The European Software Testing Awards 2013,UK. By participating in all these exhibitions, Thinksoft could very well understand the current trends in the market, was offered valuable learning from other's experience and also bench mark the offerings and existing capabilities of the Thinksoft vis-à-vis market expectations.
2) Total Foreign exchange used and earned FOB	(a) Total Foreign Exchange Earned Rs. 1,829.45 Mns. (b) Total Foreign Exchange used Rs. 647.07 Mns.

**For and on behalf of Board of Directors of  
Thinksoft Global Services Limited**

Place : Chennai  
Date : April 23, 2014

**David Bellin**  
Chairman & Director

**ANNEXURE 4**

Particulars of Employees pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2014.

A. Employed throughout the year and were in receipt of remuneration for the year which, in the aggregate, was not less than Rs. 6,000,000.

Sl. No.	Name	Designation	Remuneration (Rs.)	Qualification	Date of Commencement of Employment	Experience (Yrs)	Age (Yrs)	Last Employment held
1	Aarti Arvind	Executive Vice President	6,003,720	B.Sc, MBA	1-Dec-04	16	39	Manager - Vanaraj & Company
2	Judson Daniel JM	Test Manager	6,105,205	B.Com, MCA	20-Feb-03	11	35	First employment in Thinksoft
3	Murali P	Vice President Finance	6,025,878*	B.A, FCA	13-Feb-06	27	52	Sr. Manager (Finance) - Telesis Global Solutions Limited
4	Nandkishore	Executive Vice President	9,098,512*	MBA	14-Feb-02	22	42	Manager - Marketing Planning, Caltex
5	Srinivasan R	Asia Business Head	10,685,567*	B.Sc, MFM	14-Jul-10	23	45	Sr. Vice President - IBEXI Global Solutions Pvt. Limited
6	Vaidyanathan N	Chief Financial Officer	9,612,410*	B.Sc, FCA	1-Sep-05	38	61	Sr.Vice President & CFO - Polaris Software Lab Limited

\* Includes ESOP perquisite value

B. Employed for a part of the year and were in receipt of remuneration which, in the aggregate, was not less than Rs.500,000 per month.

Sl. No.	Name	Designation	Remuneration (Rs.)	Qualification	Date of Commencement of Employment	Experience (Yrs)	Age (Yrs)	Last Employment held
1	Asvini Kumar A V	Managing Director	45,770,800	B.Sc, PGDM (IIMB)	17-Dec-99	34	61	Managing Consultant - Thinksoft
2	Mohan Parvatikar	Whole Time Director	6,479,100	B.Tech , PGDM	1-Aug-09	34	58	Entrepreneur
3	Vanaja Arvind	Executive Director	45,770,800	MS (Info.Sc.), Pittsburg	1-Oct-01	30	66	Whole Time Director- Thinksoft (India) Services Private Limited

For and on behalf of Board of Directors of  
Thinksoft Global Services Limited

Place : Chennai  
Date : April 23, 2014

David Bellin  
Chairman & Director

## Management Discussion and Analysis

### Global Scenario:

The global IT industry is shifting from traditional process-automation to strategic investments, collaborations and customer facing technologies. While the industry is witnessing changes in outsourcing models driven by newer technologies, newer buyer segments and newer solutions for emerging markets, the future lies, not just in 'pure services' but, in a blend of services, products, solutions and platforms. On the technology side cloud computing, mobility, virtual currencies, big data and social media are increasingly impacting the business landscape and throwing up significant opportunities,

Under the mixed economic conditions, the IT industry as a whole grew by only 4.5% during 2013. At the same time, according to the 2013 'Nelson Hall' market report, the 'testing market' in USA, Europe and Other geographies grew by 9%, 5% and 7% respectively. Buoyed by strong momentum in independent testing services 'Nelson Hall' predicts that this growth is set to accelerate in 2014 and beyond.

### Software Testing Market:

As per the Nasscom research report the testing industry is expected to grow nearly four times from USD 10 billion in 2010 to USD 50 billion by 2020. The report predicts that existing companies in India are likely to garner close to 55% of the market share and that the market will slowly move towards independent software testing service providers. Software testing would then emerge as one of the core activities in the Software Development Life Cycle (SDLC) and would be one of the key factors to reckon with for production releases. Increasingly, independent testing services would then be able to address production risks at the early stages of the SDLC, thus ensuring more reliable roll outs.

The shift will challenge pure play testing vendors to deliver over shorter time cycles employing more efficient cost models. Not being restricted to testing assignments alone, they would be involved right from requirement analysis, requirement planning and feasibility studies through scoping the product purchase. This would enable such service providers to offer comprehensive value propositions that go beyond generic testing to address specific and unique requirements of the clients and end-users.

Going by present trends the market is tending towards greater automation. Service providers will offer innovative services with patented tools and automated software, which will propel more QA initiatives. Independent software testing vendors will be called into play more pivotal roles in areas involving large applications & integrations particularly in banking, financial services and insurance.

### Business Overview:

Thinksoft, being India's only listed entity in the pure play independent software testing space, provides software validation and verification services to the Banking and Financial Services Industry (BFSI) worldwide. The company continues to focus and build its expertise on its proven offshore delivery model and through dedicated offshore delivery centers, in India, for its customers in the banking and financial services segment. The demand for such offshore delivery models as Managed Services is growing. Thinksoft is present in USA, Europe, Middle East, Malaysia, Singapore, Hongkong and Australia and delivers projects under a hybrid model, working closely with the clients at their site.

### Business Outlook, risks and concerns:

With the Euro 225 million 'Software Quality Systems' AG (SQS) acquiring a majority stakes in Thinksoft, the company is poised for a quantum leap in its market positioning. SQS is the world's leading specialist in providing software quality testing services with its unique and proven blend of standalone Managed Services (MS) coupled with Specialist Consulting Services (SCS) in bundled offerings. With SQS present in 18 geographies across the world, Thinksoft foresees enormous synergies in accessing more markets & clients and in leveraging larger offshore assignments. Amongst the six verticals identified by SQS as high growth areas; Manufacturing, Financial Services, Energy, Insurance, Retail and Telecommunications, financial services and insurance are right up Thinksoft's alley. Thinksoft and SQS are working closely to drive new growth initiatives, in these areas with higher value propositions, accelerating business growth in the coming years.

Thinksoft never extends any forward looking statements to the markets; however the business have certain risks and concerns; Revenues and expenses are difficult to predict; more so the economic environment in India and in other geographies pose a challenge; the competition in the market is intense always keeps the pricing pressure on, which has a cascading effect in our profits; employee utilization is another factor that impacts the profitability. Increasingly we find US and other countries in Europe are coming up with more restrictions on immigration formalities, which is likely to affect our competitiveness in these markets; Again currency fluctuations plays a major role impacting our price realization and profits, while the previous year this fluctuation was in our favor, it is again difficult to predict for the next year, as the market is highly volatile;

### Opportunities & Threats:

Fuelled by the Government's thrust towards financial inclusion coupled with the growth in ATMs, White Label ATMs (WLAs), Cards of all kinds, mobile banking and mobile wallets the retail banking segment in India is set for a colossal leap forward. Poor healthcare being cited as one of the main reasons for India being rated low on the Human Development Index, health insurance segment is emerging as a major area of growth. These growth areas present huge opportunities for pure play testing Service providers like Thinksoft.

On the flip side fragmentation of these markets, unfair trade practices amongst Insurance service providers and consequent regulations, at times over regulation, pose many challenges in the testing space.

The global outlook is bright yet challenging:

- Increasing regulation of the banking industry in the developed markets -USA and Europe, tedious compliance requirements on many fronts including AML measures.
- Seeking to normalize financial transactions across borders, in a fast integrating world, testing for 'payments and settlements' systems is a major business opportunity. Added to that, the potential disruptions posed by virtual currencies such as Bitcoins.
- ATMs across the world are undergoing a major technology upgrade in being forced to move from Windows XP to Windows 7. Banks are living on borrowed time and soon or later all such upgrades would have to be UA tested and certified.
- Credit Cards are moving from magnetic stripes to chip and pin EMV technology, soon to have fingerprint authentication.
- In the highly litigatory culture of USA, weighed down by poor public health insurance, the already large insurance sector is set for further growth.
- Due to publicity of IT breakdowns resulting from software errors reported in the mass media, potential customer could invest more in quality assurance to avoid further damages and costs.
- The Markets are looking for reduced prices, more particularly for standardized services, which can be well leveraged by Thinksoft as it can provide blended onsite and offshore solutions in a price range that is more competitive.

In terms of domain expertise and practical exposure, Thinksoft is well placed to seize a good share of these opportunities. Given the strategic acquisition by SQS, the Company is confident that with SQS, it can reach newer geographies and new clients and would be in a far better position to pitch larger assignments in the Banking, Payments and Insurance markets.

**Internal Controls Systems and their adequacy:**

The CEO and CFO of the company have provided a certificate, which forms part of this annual report, which confirms the adequacy of the internal control systems and procedures.

## Report on Corporate Governance

### 1. Company's Philosophy on Code of Corporate Governance:

Thinksoft is committed to maintaining high standards of Corporate Governance, protecting Customers', Shareholders' and other Stakeholders' interests. In line with this philosophy, Thinksoft Global Services Limited endeavors to maintain transparency at all levels through adoption of best Corporate Governance Practices. The following is a report on the status and progress on major aspects of Corporate Governance.

### 2. Board of Directors:

The Directors of the Company possess highest professional ethics, integrity and values and are committed to representing the long-term interests of the stakeholders. The basic responsibility of the Board is to provide effective governance over the Company's affairs exercising its reasonable business judgment on behalf of the Company.

#### Composition

The Board has an optimum combination of Executive, Non-Executive and Independent Directors, which ensures proper governance and management.

As on March 31, 2014, the Board of Directors ("Board") comprises of ten members of which one is an Executive Director, four are Non-Executive Directors and five are Non-Executive Independent Directors. The Chairman of the Board is an Independent Director. The optimum combination of Executive, Non-executive and Independent Directors ensure independence of the Board and separation of Board function from governance and management.

During the year, Mr. Mohan Parvatikar, Whole time Director of the Company resigned from the Board with effect from December 27, 2013 and Mr. Asvini Kumar, Managing Director of the Company and Ms. Vanaja Arvind, Executive Director of the Company stepped down from the Board with effect from March 01, 2014.

During the year Mr. René Gawron, Mr. Ralph Gillessen, Mr. Riccardo Brizzi and Mr. Gireendra Kasmalkar were appointed as Non-Executive Directors. Mr. Ulrich Bäumer was appointed as an Independent Director and Dr. Martin Müller was appointed as an Executive Director. All the aforesaid Directors were appointed as Additional Directors in the Board Meeting held on December 27, 2013 and appointed by the Shareholders through Postal Ballot on March 17, 2014.

Mr. David Bellin was appointed as Chairman and Independent Director in the Board Meeting held on January 23, 2014 and appointed by the Shareholders through Postal Ballot on March 17, 2014.

Mr. Diederik Vos who was appointed as an Additional Director in the Board Meeting held on December 27, 2013 resigned from the Board with effect from January 23, 2014.

As mandated under Clause 49 of the Listing Agreement with the Stock Exchanges, none of the Directors are a member of more than ten Board Level Committees nor any of them are Chairman of more than five Board level Committees, in which they are members.

#### Board Meetings

Six Board Meetings were held during the year and the gap between any two meetings did not exceed four months. The dates on which the said meetings were held are as follows: April 25, 2013, July 25, 2013, October 17, 2013, November 08, 2013, December 27, 2013 and January 23, 2014.

Attendance of each Director at the Board Meetings and last AGM and the number of companies and committees where he/ she is a Director/ Member are as under:

Name of the Director	Category of Director	Number of Board Meetings during the year 2013-14			Whether attended last AGM held on July 25, 2013
		Held	Held after appointment	Attended	
Mr. A V Asvini Kumar	Managing Director	6	6	6	Yes
Ms. Vanaja Arvind	Executive Director	6	6	6	Yes
Mr. Mohan Parvatikar	Whole Time Director	6	5	5	Yes
Mr. David Bellin <sup>@</sup>	Chairman & Independent Director	6	1	1	NA
Dr. Martin Müller <sup>#</sup>	Executive Director	6	2	1	NA
Mr. Gireendra Kasmalkar <sup>#</sup>	Non-Executive Director	6	2	1	NA
Mr. K. Kumar	Independent & Non-Executive Director	6	6	6	Yes
Dr. S. Rajagopalan	Independent & Non-Executive Director	6	6	6	Yes
Mr. Rajiv Kuchhal	Independent & Non-Executive Director	6	6	6	Yes
Mr. Ralph Gillessen <sup>#</sup>	Non-Executive Director	6	2	-	NA
Mr. René Gawron <sup>#</sup>	Non-Executive Director	6	2	1	NA
Mr. Riccardo Brizzi <sup>#</sup>	Non-Executive Director	6	2	-	NA
Mr. Ulrich Bäumer <sup>#</sup>	Independent & Non-Executive Director	6	2	1	NA
Mr. Diederik Vos <sup>#</sup>	Additional Director	6	1	1	NA

<sup>@</sup> appointed as Director with effect from January 23, 2014

<sup>#</sup> appointed as Director with effect from December 27, 2013

Notes:

- None of the Directors holds directorships in any other Indian Public Limited Companies and does not hold Membership/Chairpersonship of any Committee(s) in other Indian Public Limited Companies (listed and unlisted).
- None of the Non-Executive Directors have any material pecuniary relationship or transactions with the Company.
- During the year, information as mentioned in Annexure 1A to Clause 49 of the Listing Agreements has been placed before the Board for its consideration.

### Post meeting follow-up mechanism

Important decisions taken at the Board/Committee Meetings are promptly communicated to the concerned departments. Action Taken Report on decisions/minutes of previous meetings is placed at the succeeding meetings of the Board/Committee for noting.

### 3. Audit Committee:

#### Composition, name of the members and Chairman

The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

The Statutory Auditors and Internal Auditors are invited to attend the Audit Committee meetings as and when necessary and the Company Secretary acts as the Secretary of the Committee.

The minutes of the meetings of the Audit Committee are circulated to all the members of the Board along with the Board Agenda.

Pursuant to the resignation of Mr. Mohan Parvatikar as the Whole time Director of the Company, the Board of Directors have, in their meeting held on January 23, 2014 re-constituted the Audit Committee.

The members of the re-constituted Audit Committee are as follows:

- 1) Mr.K. Kumar, Chairman
- 2) Dr.S. Rajagopalan, Member
- 3) Mr. Rajiv Kuchhal, Member
- 4) Mr. David Bellin, Member
- 5) Mr. René Gawron, Member

#### Meetings and attendance during the year

Four Audit Committee Meetings were held during the year. The dates on which the said meetings were held are as follows:

April 25, 2013, July 25, 2013, October 17, 2013 and January 23, 2014

The composition of the Audit Committee and the details of meetings attended by its members are given below:

Name of the Director	Status	Number of meetings during the year 2013-14	
		Held	Attended
Mr. K. Kumar	Chairman	4	4
Dr. S. Rajagopalan	Member	4	4
Mr. Mohan Parvatikar	Member	4	3
Mr. Rajiv Kuchhal	Member	4	4
Mr. David Bellin	Member	4	Nil
Mr. René Gawron	Member	4	Nil

#### I. The terms of reference of the Audit Committee are broadly as under:

- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information are disclosed.
- Recommending the appointment and removal of external auditors, fixation of audit fees and also approval for payment of any other services.
- Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any areas of concern.
- Review with management of the annual financial statements before submission to the Board, focusing primarily on
  - Any changes in accounting policies and practices;
  - Major accounting entries based on exercise of judgment by management;
  - Qualifications in draft audit report;
  - Significant adjustments arising out of audit;
  - The going concern assumption;
  - Compliance with accounting standards;
  - Any related party transactions as per Accounting Standard 18;
  - Compliance with stock exchange and legal requirements concerning financial statements (upon listing of shares);
- Reviewing with the management, external and internal auditors and the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the audit charter, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.

- Discussion with internal auditors of any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Looking into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/ notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in the matter.

Mr. K. Kumar, Chairman of the Audit Committee attended the previous Annual General Meeting of the Company held on July 25, 2013.

#### **4. Remuneration Committee:**

Remuneration Committee was constituted to discharge the Board's responsibilities related to appointment and compensation of the Company's executive directors. The committee has the overall responsibility of approving and evaluating the compensation plans, policies and programs for executive directors.

The Committee is a non-mandatory Committee as per Clause 49 of the Listing Agreement.

##### **I. Brief description of terms of reference**

The terms of reference of the Remuneration Committee are broadly as under:

- To review the Company's remuneration policy on specific remuneration packages to Executive Directors including pension rights and any compensation payment while striking a balance with the interest of the Company and the shareholders.
- To approve the Annual Remuneration Plan of the Company.
- To formulate the Employees Stock Option Scheme in accordance with the relevant regulations/guidelines for the time being in force and recommend the same to the Board for its consideration.
- Administration of ESOP Scheme as stipulated under SEBI (ESOS & ESOP) Guidelines, 1999.

##### **II. Composition, name of the Members and Chairman**

The Committee consists of three Independent Directors. No Remuneration Committee meeting was held during the Year.

The Remuneration Committee was re-constituted on January 23, 2014 to include Mr. David Bellin, Chairman and Independent Director. The re-constituted Committee is as follows:

- 1) Mr. K. Kumar, Chairman
- 2) Dr. S. Rajagopalan, Member
- 3) Mr. Rajiv Kuchhal, Member
- 4) Mr. David Bellin, Member

##### **III. Remuneration policy:**

The Company's remuneration policy is to reward the Performance and Achievements of the employees by review at periodic intervals and is in consonance with the industry practice.



**IV. Details of Remuneration for the year ended March 31, 2014:****a. Non-Executive Directors**

Name of the Director	Commission (Rs.)	Sitting Fees (Rs.)	Total (Rs.)
Mr. David Bellin	210,000	20,000	230,000
Mr. Gireendra Kasmalkar	-	-	-
Mr. K. Kumar	850,000	240,000	1,090,000
Dr. S. Rajagopalan	850,000	240,000	1,090,000
Mr. Rajiv Kuchhal	850,000	220,000	1,090,000
Mr. Ralph Gillessen	-	-	-
Mr. Riccardo Brizzi	-	-	-
Mr. René Gawron	-	-	-
Mr. Ulrich Bäumer	210,000	20,000	230,000

**b. Executive Directors**

Compensation to the Managing Director, Executive Director and Whole Time Director are paid as per the Service Agreements entered with them subject to the limits specified as per the provisions of the Companies Act, 1956.

Name of the Director	Salary & Perquisites (Rs.)	Commission (Rs.)	Total (Rs.)
Mr. A. V. Asvini Kumar	5,528,800	10,232,000	15,760,800
Ms. Vanaja Arvind	5,528,800	10,232,000	15,760,800
Mr. Mohan Parvatikar	1,134,100	3,845,000	4,979,100
Dr. Martin Müller	Nil	Nil	Nil

The company also paid Rs. 25 Million towards severance pay as per the service agreement to Mr.A.V. Asvini Kumar and Ms. Vanaja Arvind each. The same has been accounted under Employee benefit expense.

**5. Shareholders'/ Investors Grievance Committee:**

The Committee has been formed to look into the redressal of shareholders' / Investors complaints relating to transfer or credit of shares, non-receipt of dividend/notices/annual reports, etc.

Further to the resignation of Mr. Mohan Parvatikar, the Shareholders'/ Investors Grievance Committee was re-constituted on January 23, 2014. The composition of the Shareholders'/Investor Grievance Committee are:

Name of the Director	Status
Dr. S. Rajagopalan	Chairman
Dr. Martin Müller	Member
Mr. K. Kumar	Member

Ms. S. Akila, Company Secretary has been designated as the Compliance Officer of the Company in compliance with the Listing Agreement with the Stock Exchanges.

The status of investor complaints received during the year is as follows:

Number of Complaints received during the year	7
Number of Complaints resolved during the year	7
Number of Complaints pending as on March 31, 2014	Nil

Complaints pertain to non-receipt of Dividend Warrants and non-receipt of Annual Report.

**6. General Body Meetings:****I. Location, date and time of the last three Annual General Meetings held:**

Details	Date	Time	Venue
Annual General Meeting 2010-11	July 29, 2011	3.30 p.m.	Esthell Continental Hotels and Resorts No.1, Royal enclave, Besant Avenue, Adyar, Chennai-600020.
Annual General Meeting 2011-12	July 25, 2012	3.30 p.m	The Music Academy, Kasturi Srinivasan Hall (Mini Hall), No. 168, TTK Road, Royapettah, Chennai-600014.
Annual General Meeting 2012-13	July 25, 2013	3.30 p.m	Rani Seethai Hall, No.603, Anna Salai, Chennai-600006.

**II. Extraordinary General Meeting**

No Extraordinary General Meeting of the members was held during the year.

**III. Postal Ballot**

Resolutions passed through Postal Ballot on March 17, 2014.

One Special Resolution and 7 Ordinary Resolutions were passed on March 17, 2014 through Postal Ballot under the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011 and other applicable provisions, if any of the Companies Act, 1956 and the Companies Act, 2013.

- 1) Special Resolution under Section 31 of the Companies Act, 1956 towards amendment of the Articles of Association of the Company.
- 2) Ordinary Resolution towards appointment of Mr. David Bellin as a Non-Executive and Independent Director of the Company.
- 3) Ordinary Resolution towards appointment of Mr. René Gawron as a Non-Executive Director of the Company.
- 4) Ordinary Resolution towards appointment of Mr. Ralph Gillessen as a Non-Executive Director of the Company.
- 5) Ordinary Resolution towards appointment of Mr. Riccardo Brizzi as a Non-Executive Director of the Company.
- 6) Ordinary Resolution towards appointment of Mr. Gireendra Kasmalkar as a Non-Executive Director of the Company.
- 7) Ordinary Resolution towards appointment of Mr. Ulrich Bäumer as a Non-Executive and Independent Director of the Company.
- 8) Ordinary Resolution towards appointment of Dr. Martin Müller as an Executive Director of the Company.

The Board of Directors at its meeting held on January 23, 2014 had appointed Mr. M. Alagar, Company Secretary in Practice as Scrutinizer to receive and scrutinize the completed ballot forms received from the Members and for conducting Postal Ballot process in a fair and transparent manner.

The Notice of Postal Ballot dated January 23, 2014 along with the explanatory statement under Sec 102(1) of the Companies Act, 2013, Postal Ballot Form and Pre-paid Business Reply envelope addressed to the scrutinizer to facilitate the response from the shareholders of the Company were sent to the share holders. The last date for the receipt of filled in Postal Ballot form was March 08, 2014.

The Company received 213 Postal Ballot Forms. According to the Scrutinizer's report, the Resolutions were passed by the requisite majority. The result of the postal ballot was declared on March 17, 2014 and published on March 18, 2014 in one English daily and one Tamil daily for the information of the members.

Resolution, if any, to be passed through Postal Ballot during the current financial year will be taken up as and when necessary.

**IV. Special Resolutions in the last three Annual General Meetings:****13th Annual General Meeting for the year 2010-11 held on July 29, 2011**

Special Resolution was passed approving the Thinksoft – Employees Stock Option Scheme 2011.

**14th Annual General Meeting for the year 2011-12 held on July 25, 2012**

1. Special Resolution was passed approving the re-appointment of Mr. A V Asvini Kumar as Chairman and Managing Director of the company for a period of five years from April 01, 2013.
2. Special Resolution was passed approving the re-appointment of Ms. Vanaja Arvind as Executive Director of the company for a period of five years from April 01, 2013.

3. Special Resolution was passed approving the re-appointment of Ms. Aarti Arvind as Executive Vice President for a period of five years from April 01, 2013.
4. Special Resolution was passed approving the amendment of Thinksoft Employee Stock Option Scheme-2011 in order to extend the scope and cover employees of subsidiaries.
5. Special Resolution was passed approving the issue of securities under Thinksoft Employees Stock Option Scheme 2011.

#### **15<sup>th</sup> Annual General Meeting for the year 2012-13 held on July 25, 2013**

No Special Resolution was passed in the Meeting.

#### **7. Disclosures:**

##### **I. Related Party Transactions:**

Transactions with related parties are disclosed in detail in Note no 29 of Schedule annexed to the standalone financial statements for the year. These transactions were not in conflict with the interest of the Company.

##### **II. Details of non-compliance by the Company, penalties and strictures imposed on the Company by the Stock Exchanges or Securities and Exchange Board of India (SEBI) or any other statutory authority on any matter related to the Capital markets during the last three years:**

There were no instances of material non-compliance and no strictures or penalties were imposed on the Company either by Securities Exchange Board of India (SEBI), Stock Exchanges or any statutory authorities on any matter related to capital markets during the last three years.

##### **III. Whistle Blower Policy**

Your company has formulated and adopted a Whistle Blower policy.

##### **IV. Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause**

The Company has complied with all mandatory requirements laid down in Clause 49, as applicable. Compliance with non-mandatory requirements was disclosed at appropriate places.

#### **8. Means of Communication to Shareholders:**

##### **I. Quarterly results and news paper wherein results published**

- During the year, quarterly, half yearly and Annual Financial Results of the Company on the Standalone and Consolidated basis were submitted to the Stock Exchanges soon after they were approved by the Board of Directors.
- The Financial Results are also published in 2 leading newspapers Financial Express (English) and Makkal Kural (Tamil).
- Results are displayed in the Company's Website [www.thinksoftglobal.com](http://www.thinksoftglobal.com).
- All material information about the Company is promptly sent through facsimile and E-mail to the Stock Exchanges where the Company's shares are listed.
- All official news releases of relevance to the investors are also made available on the Company's website for a reasonable period of time.

#### **9. General Shareholder Information:**

##### **I. Annual General Meeting Date, Time and Venue**

16<sup>th</sup> Annual General Meeting

Date and Time: July 24, 2014 at 3.30 pm

Venue: Sri Thyaga Brahma Gana Sabha, P. Obul Reddy Hall, Vani Mahal, 103, G.N. Chetty Road, T.Nagar, Chennai - 600017.

**II. Financial calendar**

Tentative Financial Calendar for the year 2014-15

Financial Year	April 1, 2014 to March 31, 2015
First Quarter Results	On or before August 15, 2014
Half Yearly Results	On or before November 15, 2014
Third Quarter Results	On or before February 15, 2015
Fourth Quarter and Annual Results	On or before May 31, 2015

**III. Date of book closure**

Saturday, July 19, 2014 to Thursday, July 24, 2014 (both days inclusive)

**IV. Dividend payment date**

The Final Dividend proposed to be declared for the year 2013-14 will be paid on or before August 22, 2014

**V. Listing of Stock Exchanges and Stock Code**

10,267,681 equity shares of Rs. 10/- each is listed at

Name of the Stock Exchange	Stock Symbol
National Stock Exchange of India Limited	THINKSOFT
Bombay Stock Exchange Limited	533121

The Company has paid the annual listing fees for the year 2013-14 on both the above Stock Exchanges.

**VI. Market Price data:**

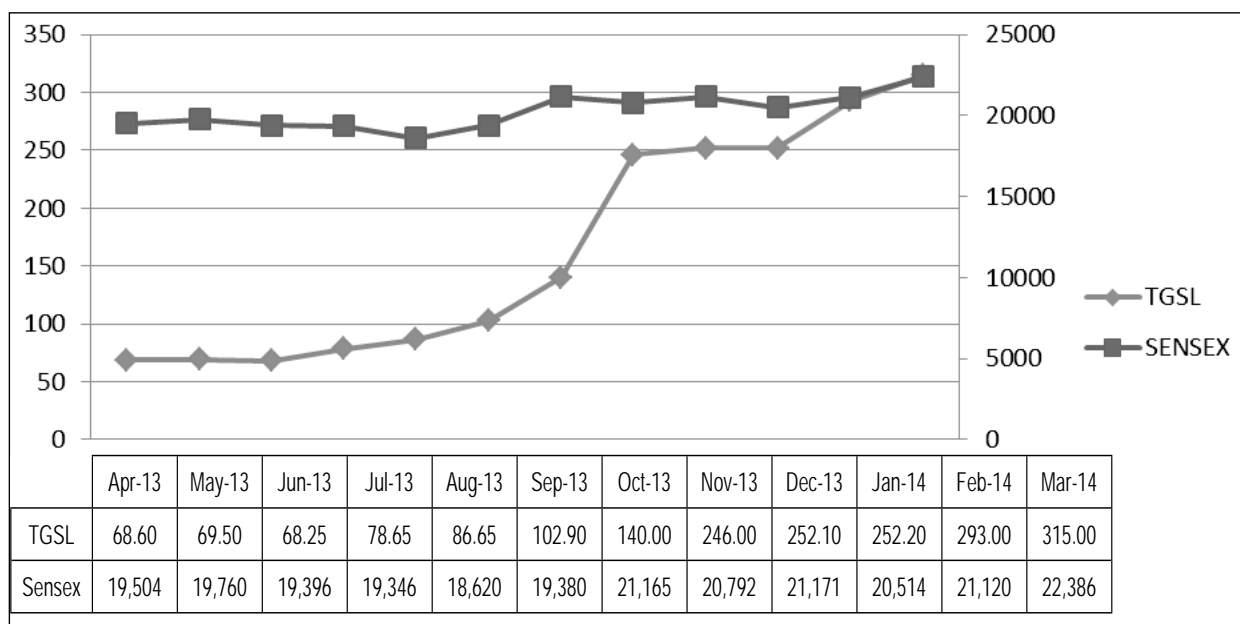
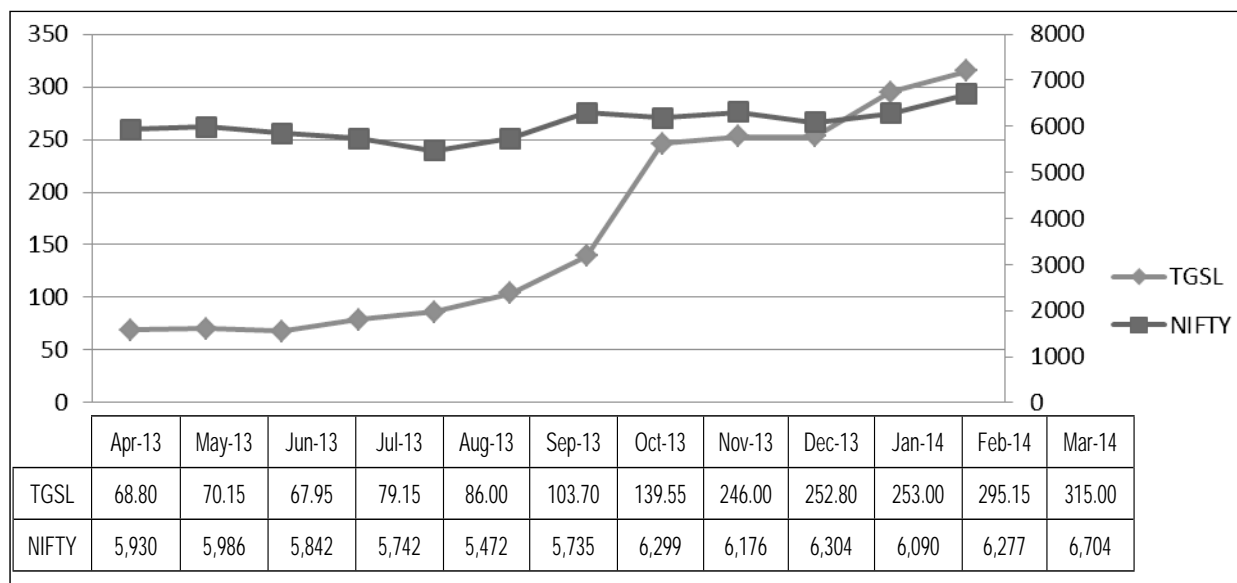
The closing market price of equity shares on March 31, 2014 (last trading day of the year) was Rs. 315.00 on NSE and Rs. 315.00 on BSE.

**VII. Monthly share price movement during 2013-14 at NSE & BSE:**

The monthly movement of equity share prices during the year at NSE and BSE are summarized herein below:

MONTH	NSE			BSE		
	HIGH	LOW	VOLUME	HIGH	LOW	VOLUME
April, 2013	76.00	59.55	825,449	76.05	60.30	293,599
May, 2013	74.60	66.60	379,213	77.00	67.00	156,445
June, 2013	74.85	65.35	248,531	74.75	66.15	72,827
July, 2013	94.50	68.00	1,022,699	94.35	67.75	324,083
August 2013,	92.00	76.30	353,348	89.20	76.00	80,152
September, 2013	119.90	85.80	1,169,637	119.70	85.00	330,525
October, 2013	159.95	101.70	2,791,952	159.40	98.70	1,068,034
November, 2013	248.90	136.00	3,015,994	248.70	133.65	804,711
December, 2013	255.00	242.00	652,171	260.00	240.25	157,325
January, 2014	258.00	247.05	780,232	258.00	249.10	183,727
February, 2014	313.10	250.60	1,437,343	312.75	252.00	485,524
March, 2014	341.00	280.40	1,639,405	340.40	281.00	698,356
		<b>TOTAL</b>	<b>14,315,974</b>			<b>4,655,308</b>

The performance of the equity share price of the Company vis-à-vis the NIFTY at NSE and SENSEX at BSE is as under:



### VIII. Registrar and Share transfer agents

The Registrar & Share Transfer Agent deals with all shareholders communications regarding change of address, transfer of shares, change of mandate, demat of shares, non-receipt of dividend etc. The address of the Registrar & Share Transfer Agent is as under:-

Name and Address of Registrar and Share Transfer Agent	Karvy Computershare Private Limited Cyber Villa, Plot No. 17-24, Vittalrao Nagar, Madhapur, Hyderabad-500081.
Tel	+91 40 2342 0818
Fax	+91 40 2342 0814
E-mail ID	einward.ris@karvy.com
Website	www.karvycomputershare.com

**IX. Share transfer system**

The shares of the company are compulsorily traded in dematerialized form. Shares received in physical form are transferred within a period of 30 days from the date of lodgment, subject to documents being correct, valid and complete in all respects.

**X. Distribution of shareholding as at March 31, 2014**

Category (Amount)	No. of Shareholders	% of Shareholders	No. of Shares held	Amount (Rs.)	% of Amount
1-5000	10,674	93.68	772,677	7,726,770	7.53
5001-10000	293	2.57	231,540	2,315,400	2.26
10001-20000	129	1.13	205,884	2,058,840	2.01
20001-30000	81	0.71	209,751	2,097,510	2.04
30001-40000	38	0.33	131,944	1,319,440	1.29
40001-50000	36	0.32	170,228	1,702,280	1.66
50001-100000	57	0.50	443,274	4,432,740	4.32
100001& Above	86	0.75	8,102,383	81,023,830	78.91
<b>Total</b>	<b>11,394</b>	<b>100.00</b>	<b>10,267,681</b>	<b>102,676,810</b>	<b>100.00</b>

**Shareholding Pattern as on March 31, 2014**

S.No.	Category	Number of Shares	% of holding
1	Promoters	2,673,697	26.04
2	Mutual Funds	397,000	3.87
3	Foreign Institutional Investors	25,500	0.25
4	Bodies Corporate	776,867	7.57
5	Non-Resident Indians	117,516	1.14
6	Public and Others	6,277,101	61.13
	<b>Total</b>	<b>10,267,681</b>	<b>100.00</b>

**XI. Dematerialization of securities and liquidity**

As on March 31, 2014, 10,265,666 shares of the Company were held in dematerialized form and 2,015 shares were held in physical form. The demat security (ISIN) code for the equity share is INE201K01015.

**XII. Outstanding GDRs/ADRs/warrants/any other convertible instruments**

The Company has not issued instruments of the captioned type.

**XIII. Locations**

The Company has two Delivery Centers at Chennai and Sales office cum Delivery Centre in Mumbai. The Company has branch offices in Belgium, Cyprus, Malaysia and UK. The Company has Place of Establishments in Hong Kong and Australia. The addresses of these offices are available on your Company's website.

**Address for Correspondence:****Thinksoft Global Services Limited**

6A, Sixth Floor, Prince Infocity-II,  
283/3, 283/4, Rajiv Gandhi Salai(OMR),  
Kandanchavadi, Chennai-600096  
Telephone: +91 44 4392 3200  
Fax: +91 44 4392 3258  
Website: www.thinksoftglobal.com  
e-mail: investor@thinksoftglobal.com

**Other disclosures as per Clause 49 of the Listing Agreement:****(i) Clause 49(I) (D): Code of Conduct**

The Company has adopted a Code of Conduct as required under Clause 49(I)(D) of the Listing Agreement with Stock Exchanges, which applies to all the Board Members and Senior Management of the Company. The Board Members and Senior Management personnel have affirmed their compliance on an annual basis and their confirmations have been received in this regard. The Code of Conduct is available on the Company's website: [www.thinksoftglobal.com](http://www.thinksoftglobal.com)

A declaration to this effect signed by the Executive Director is attached.

**(ii) Clause 49(IV) (B): Disclosure of Accounting Treatment**

The Company has complied with the appropriate accounting policies and has ensured that they have been applied consistently. There have been no deviations from the treatment prescribed in the Accounting Standards notified under Section 211 (3C) of the Companies Act, 1956.

Significant Accounting Policies is provided elsewhere in the Annual Report.

**(iii) Clause 49(IV) (E) (iv)**

- (a) None of the Independent / Non-Executive Directors has any pecuniary relationship or transactions with the Company which in the judgment of the Board may affect the independence of the director except receiving sitting fee for attending meetings.

Details of Shares and convertible instruments held by Non-Executive Directors as on March 31, 2014:

S.No	Name	Shares	Stock Option
1	Mr. David Bellin	-	-
2	Mr. Gireendra Kasmalkar	-	-
3	Mr. K. Kumar	1,000	10,000
4	Dr. S. Rajagopalan	1,000	10,000
5	Mr. Rajiv Kuchhal	117,692	10,000
6	Mr. Ralph Gillessen	-	-
7	Mr. René Gawron	-	-
8	Mr. Riccardo Brizzi	-	-
9	Mr. Ulrich Bäumer	-	-
	<b>TOTAL</b>	<b>119,692</b>	<b>30,000</b>

**(iv) Management Discussion and Analysis Report**

The Management Discussion and Analysis Report is provided elsewhere and form part of this Annual Report.

**(v) Clause 49(IV) (G): Shareholders Information**

- a. Appointment / Re-appointment of Directors: The brief resume of Director retiring by rotation, including nature of their experience in specific functional areas, names of companies in which they hold directorship and membership of committees of the Board is appended to the Notice calling Annual General Meeting.
- b. None of the Directors are related to each other.

**(vi) Clause 49(V): CEO/CFO certification**

The CEO and CFO certification of the financial statements for the year 2013-14 is provided elsewhere in this Annual Report.

**(vii) Prevention of Insider Trading: [Regulation 12 of the SEBI (Prohibition of Insider Trading) Regulations, 1992]**

In pursuance of the SEBI (Prohibition of Insider Trading) Regulations, 1992, the Board had approved the "Code of Conduct for prevention of insider trading". The Board has designated Company Secretary as the Compliance Officer.

## Compliance Certificate

### TO THE MEMBERS OF THINKSOFT GLOBAL SERVICES LIMITED

We have examined the compliance of the conditions of Corporate Governance by Thinksoft Global Services Limited, for the year ended March 31, 2014 as stipulated in clause 49 of Listing Agreement of the said company with the stock exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures & implementations thereof adopted by the company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the directors and the management and we certify that the company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned listing agreement.

As required by the Guidance note issued by the Institute of Chartered Accountants of India, we have to state that based on the report given by the Registrars and Share Transfer Agents of the company to the Shareholder / Investor Grievance Committee, as on March 31, 2014, there were no investor grievance matters against the company remaining unattended/pending for more than 30 days.

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

#### For PKF Sridhar & Santhanam

Chartered Accountants  
Firm Registration No. 003990S

#### T V Balasubramanian

Partner  
Membership No. 27251

Place : Chennai

Date : April 23, 2014



## Declaration by the CEO under Clause 49(I) (D) (II) of the Listing Agreement

As provided under Clause- 49 of the Listing Agreement entered with the Stock Exchanges, the Board of Directors and the Senior Management Personnel have confirmed compliance with the code of conduct and Ethics for the financial year ended March 31, 2014.

**For Thinksoft Global Services Limited**

**Place :** Chennai  
**Date :** April 23, 2014

**Dr. Martin Müller**  
Executive Director

## CEO & CFO Certification under clause 49(V) of the Listing Agreement

We, Dr. Martin Müller, Executive Director and N. Vaidyanathan, Chief Financial Officer, responsible for the finance function certify that:

- a) We have reviewed the financial statements and the cash flow statement for the year ended March 31, 2014 and that to the best of our knowledge and belief :
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year ended March 31, 2014 which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware of have been disclosed to the Auditors and the Audit Committee and steps have taken to take to rectify these deficiencies.
- d)
  - i. There has not been any significant change in internal control over financial reporting during the year under reference;
  - ii. There has not been significant change in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii. We are not aware of any instance during the year of significant fraud with involvement therein of the management or an employee having a significant role in the company's internal control system over financial reporting.

Place : Chennai  
Date : April 23, 2014

**Dr. Martin Müller**  
Executive Director

**N. Vaidyanathan**  
Chief Financial Officer

## **Auditors' Certificate as required under Clause 14 of the SEBI (Employees Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999**

We have examined the books of accounts and other relevant records of Thinksoft Global Services Limited having Registered and Corporate Office at 6A, Sixth floor, Prince Infocity II, 283/3 & 283/4, Rajiv Gandhi Salai (OMR), Kandanchavadi, Chennai-600096 and based on the information and explanation given to us, we certify that in our opinion, the company has implemented the Employee Stock Option Scheme in accordance with SEBI (Employees Stock Option Scheme & Employee Stock Purchase Scheme) guidelines, 1999 and in accordance with the Special Resolution passed by the Company in the Annual General Meeting held on July 29, 2011 and July 25, 2012.

**For PKF Sridhar & Santhanam**

Chartered Accountants

Firm Registration No. 003990S

**T V Balasubramanian**

Partner

Membership No. 027251

**Place :** Chennai

**Date :** April 23, 2014

## Independent Auditor's Report

To the Members of Thinksoft Global Services Limited

### Report on the Financial Statements

We have audited the accompanying financial statements of **Thinksoft Global Services Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2014 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### 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, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 (which continues to be applicable in respect of Section 133 of the Companies Act 2013 in terms of General Circular 15/2013 dated September 13, 2013) of the Companies Act, 1956 ("the Act"). 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. 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 the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") 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:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956 (which continues to be applicable in respect of Section 133 of the Companies Act 2013 in terms of General Circular 15/2013 dated September 13, 2013);
  - (e) On the basis of written representations received from the directors as on March 31, 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

### For PKF Sridhar & Santhanam

Chartered Accountants  
Firm's Registration Number 003990S

### T V Balasubramanian

Partner  
Membership Number: 27251

Place : Chennai

Date : April 23, 2014

**ANNEXURE REFERRED TO IN THE INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THINKSOFT GLOBAL SERVICES LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2014**

- (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 program of verifying fixed assets every year which, in our opinion, is reasonable having regard to the size of the company and nature of its assets. All Fixed assets have been physically verified by the management along with Internal Auditors during the year. As informed, discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) Having regard to the nature of the company's business, clause (ii) of this order is not applicable
- (iii) (a) The company has not granted any loan to the parties covered under Sec 301 register.
- (b) In the case of fully owned subsidiaries, expenses reimbursable accounts do not have any stipulation with regard to payment or other terms.
- (c) According to the information and explanations given to us, the Company has, during the year, not taken any loans, secured or unsecured from companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to the purchase of fixed assets and sale of services. On the basis of our examination and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in the aforesaid internal control system.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under Section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, transactions made in pursuance of such contracts or arrangements exceeding the value of five lakh rupees have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public within the meaning of section 58A and 58AA of the Act and the rules made there under.
- (vii) In our opinion, the company has an internal audit system commensurate with its size and the nature of its business
- (viii) The Company is not required to maintain cost records prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act.
- (ix) (a) According to the information and explanations given to us and the records of the Company examined by us, the Company has generally been regular in depositing undisputed statutory dues including provident fund, income-tax, customs duty, service tax, cess and other material statutory dues applicable to it with the appropriate authorities. Statutory dues in respect of sales tax, excise duty and investor education and protection fund are not applicable to the company.
- (b) According to the information and explanation given to us and the records of the Company examined by us, no undisputed amounts payable in respect of Provident Fund, Income Tax, Service Tax, Customs Duty and cess were in arrears, as at March 31, 2014 for a period of more than six months from the date they became payable.
- (c) Dues relating to sales tax / excise duty / cess / Income tax / service tax, which have not been deposited on account of disputes with the related authorities, are stated in the table below:

Name of the statute	Period	Amount (in Rs. Lacs)	Forum where the dispute is pending
Service tax	FY 2004 to FY 2006	72.18	Customs, Excise and Service Tax Appellate Tribunal (South Zone bench)
Income tax	FY 2007 & FY 2009	522.02	CIT Appeals

- (x) The Company has no accumulated losses at the end of the year and has not incurred cash losses in the current year and the immediately preceding financial year.
- (xi) Based on our audit procedure and as per the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.

- (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, accordingly paragraph 4 (xii) of the Order is not applicable.
- (xiii) The Company is not a chit fund / nidhi / mutual benefit fund / society to which the provisions of special statute relating to chit fund etc., are applicable, accordingly paragraph 4 (xiii) of the Order is not applicable.
- (xiv) As the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4 (xiv) of the Order is not applicable.
- (xv) According to the information and explanations given to us, the company has not given any guarantee during the year for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, the company has not taken any term loan 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 report that, during the year, short-term funds have not been used to finance long-term investments.
- (xviii) The Company has not made any preferential allotment of shares to parties covered under Sec 301 register during the year.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company does not have any public money raised pending to be utilized and hence clause (xx) of this order is not applicable.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year ended March 31, 2014.

**For PKF Sridhar & Santhanam**

Chartered Accountants

Firm Registration No 003990S

**T V Balasubramanian**

Partner

Membership No.: 027251

**Place :** Chennai

**Date :** April 23, 2014

## Balance Sheet as at March 31, 2014

Particulars	Note	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>EQUITY and LIABILITIES</b>			
<b>Shareholder's Funds</b>			
Share capital	3	102,676,810	101,236,810
Reserves and Surplus	4	843,640,283	690,629,725
		<b>946,317,093</b>	<b>791,866,535</b>
Share application money pending allotment		-	<b>182,640</b>
<b>Non-Current liabilities</b>			
Long term Borrowings	5	96,329,252	114,258,118
<b>Current Liabilities</b>			
Trade payables	6	10,581,504	8,926,351
Other current liabilities	7	169,228,291	161,480,206
Short-term provisions	8	90,051,003	111,245,000
		<b>269,860,798</b>	<b>281,651,557</b>
<b>TOTAL</b>		<b>1,312,507,143</b>	<b>1,187,958,850</b>
<b>ASSETS</b>			
<b>Non-Current assets</b>			
<b>Fixed assets</b>			
Tangible assets	9	257,468,523	292,173,005
Intangible assets	10	16,369,018	19,253,891
Capital work in progress		-	594,864
Intangible Assets under Development		6,641,025	-
		<b>280,478,566</b>	<b>312,021,760</b>
Non current Investments	11	42,862,197	42,862,197
Deferred tax asset (Net)	12	5,753,860	9,472,949
Long term loans and advances	13	4,979,516	5,208,116
Other Non-current assets	14	19,952,678	6,630,000
		<b>73,548,251</b>	<b>64,173,262</b>
<b>Current Assets</b>			
Trade receivables	15	517,868,538	387,481,785
Cash and bank balances	16	360,827,130	284,319,661
Short term loans and advances	13	70,086,338	95,029,598
Other current assets	14	9,698,320	44,932,784
		<b>958,480,326</b>	<b>811,763,828</b>
<b>TOTAL</b>		<b>1,312,507,143</b>	<b>1,187,958,850</b>

## Summary of significant accounting policies

2

The accompanying notes are an integral part of this Balance Sheet

As per our report of even date

**PKF Sridhar & Santhanam**  
Chartered Accountants  
Firm Registration No. 003990S

For and on behalf of the Board of Directors

**T V Balasubramanian**  
Partner (Membership No. 027251)

**David Bellin**  
Chairman & Director

**Dr. Martin Müller**  
Executive Director

**S.Akila**  
Company Secretary

Place : Chennai  
Date : April 23, 2014

Place : Chennai  
Date : April 23, 2014

## Statement of Profit and Loss for the year ended March 31, 2014

Particulars	Note	March 31, 2014 Rs.	March 31, 2013 Rs.
Revenue from Operations	17	1,944,439,625	1,578,319,060
Other income	18	86,435,173	22,473,435
<b>Total Revenue</b>		<b>2,030,874,798</b>	<b>1,600,792,495</b>
Employee benefits expense	19	785,944,335	607,036,791
Depreciation and amortization expense	20	56,406,707	46,204,610
General, administrative and other expenses	21	798,580,731	703,541,672
Finance cost	22	19,550,151	14,183,804
<b>Total expenses</b>		<b>1,660,481,924</b>	<b>1,370,966,877</b>
Profit before exceptional and extraordinary items and tax		<b>370,392,874</b>	<b>229,825,618</b>
Exceptional items		-	-
<b>Profit before extraordinary items and tax</b>		<b>370,392,874</b>	<b>229,825,618</b>
Extraordinary items		-	-
Profit before tax		<b>370,392,874</b>	<b>229,825,618</b>
<b>Tax expense:</b>			
Current Tax			
Current year		112,321,204	72,313,042
Deferred Tax (Credit)		3,719,089	(5,502,694)
<b>Profit for the year</b>		<b>254,352,581</b>	<b>163,015,270</b>
Earnings per Equity share (Par value of Rs.10 each)	23		
Basic		25.01	16.20
Diluted		24.27	15.95

## Summary of significant accounting policies

2

The accompanying notes are an integral part of this Statement of Profit and Loss

As per our report of even date

**PKF Sridhar & Santhanam**  
Chartered Accountants  
Firm Registration No. 003990S

For and on behalf of the Board of Directors

**T V Balasubramanian**  
Partner (Membership No. 027251)

**David Bellin**  
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**Dr. Martin Müller**  
Executive Director

**S.Akila**  
Company Secretary

Place : Chennai  
Date : April 23, 2014

Place : Chennai  
Date : April 23, 2014



## Statement of Cash flow for the year ended March 31, 2014

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>Cash flow from operating activities</b>		
<b>Net profit/(loss) before taxation</b>	<b>370,392,874</b>	<b>229,825,618</b>
<b>Adjustments for:</b>		
Depreciation/amortization	56,406,707	46,204,610
Loss/(profit) on sale of fixed assets	(364,945)	(2,140,071)
Unrealized forex exchange loss/(gain), net	(9,704,414)	38,954,130
Interest income	(11,411,456)	(9,727,451)
Interest expense	18,013,328	12,027,161
Provision for bad and doubtful debts	(13,019,231)	12,611,803
<b>Operating profit before working capital changes</b>	<b>410,312,864</b>	<b>327,755,800</b>
(Increase)/Decrease in Trade Receivables	(124,388,221)	(205,786,827)
(Increase)/Decrease in loans and advances and other current assets	33,027,775	104,646,077
Increase/(Decrease) in current liabilities & provisions	12,316,002	(27,806,168)
<b>Cash generated from operations</b>	<b>331,268,420</b>	<b>198,808,882</b>
Direct taxes paid (net of refunds)	(133,126,477)	(50,694,514)
<b>Net cash from/(used in) operating activities</b>	<b>198,141,943</b>	<b>148,114,368</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(24,877,699)	(250,603,352)
Proceeds from sale of fixed assets	379,131	3,032,753
Interest received	10,792,531	8,598,324
Fixed deposits matured/(invested) during the year	(13,363,807)	32,320,338
<b>Net cash from/(used in) investing activities</b>	<b>(27,069,844)</b>	<b>(206,651,937)</b>
<b>Cash flows from financing activities</b>		
Proceeds from Issue of Shares/Share Application money	7,718,700	2,926,045
Term Loan availed	-	143,795,085
Repayment of Borrowings	(23,699,020)	(690,813)
Interest paid	(18,013,328)	(12,027,161)
Dividends paid	(81,243,348)	(60,309,486)
Tax on dividend paid	(13,790,056)	(9,783,708)
<b>Net cash from/(used in) financing activities</b>	<b>(129,027,052)</b>	<b>63,909,962</b>
<b>Net increase in cash and cash equivalents</b>	<b>42,045,046</b>	<b>5,372,393</b>
Cash and cash equivalents at the beginning of the year	190,489,492	201,316,398
Effect of changes in exchange rate on cash and cash equivalents	21,133,435	(16,199,299)
<b>Cash and cash equivalents at the end of the year (Ref Note 16)</b>	<b>253,667,973</b>	<b>190,489,492</b>

## Summary of significant accounting policies (Note 2)

As per our report of even date

**PKF Sridhar & Santhanam**  
Chartered Accountants  
Firm Registration No. 003990S

For and on behalf of the Board of Directors

**T V Balasubramanian**  
Partner (Membership No. 027251)

**David Bellin**  
Chairman & Director

**Dr. Martin Müller**  
Executive Director

**S.Akila**  
Company Secretary

Place : Chennai  
Date : April 23, 2014

Place : Chennai  
Date : April 23, 2014

## Notes to Financial Statements for the year ended March 31, 2014

### Note 1

#### i Background:

Thinksoft Global Services Limited ("Thinksoft" or "the Company"), incorporated on June 8, 1998 as a private limited company was converted into a public limited company with effect from 19<sup>th</sup> August 2008. The Company made its Initial Public Offering (IPO) of its Equity Shares on September 24, 2009 (issue open date) and shares under IPO were allotted on October 14, 2009. The Company's shares are listed in National Stock Exchange and Bombay Stock Exchange with effect from October 26, 2009.

The Company is an India based software service provider primarily delivering software validation and verification services to the banking and financial services industry worldwide. The Company has invested in five wholly owned subsidiaries in Singapore, USA, Germany, UK and UAE for market development and service delivery in the respective regions.

In terms of the Share Purchase Agreement dated November 8, 2013 (the "SPA") executed amongst SQS Software Quality Systems AG and Mr. A. V. Asvini Kumar, Ms. Vanaja Arvind, Mr. Mohan Parvatikar, Ms. A.K. Latha, Mr. A.K. Krishna, Ms. Aarti Arvind and Mr. Rajan C.V. (the "Sellers"), the Sellers had sold 2,644,612 equity shares (the "Acquisition Shares") of the Company constituting 25.76% of the paid up equity share capital of the Company to SQS Software Quality Systems AG at a per share price of Rs. 260/- (the "Acquisition").

In February 2014, SQS Software Quality Systems AG, launched a tender offer for equity shares of the Company constituting at least 26% of the paid up equity share capital of the Company, held by the public shareholders of the Company in accordance with the terms of the SEBI (SAST) Regulations (the "Open Offer"). The aggregate shareholding of SQS after the completion of the Open Offer and the Acquisition was less than 51% of the paid equity Share Capital of the Company. In accordance with the SPA, the Sellers (other than Mr. Rajan C.V.) have sold their balance equity shares in the Company to make up for the shortfall, resulting in SQS acquiring a 53.35% controlling interest in the company by April 2014.

The Company has become a subsidiary Company of SQS Software Quality Systems AG

#### ii Basis of preparation of financial statements:

The financial statements of the company have been prepared and presented under historical cost convention on the accrual basis of accounting as a going concern and materially comply with the Companies (Accounting Standards) Rules, 2006 issued by the Central Government and the relevant provisions of the Companies Act to the extent applicable. The accounting policies applied by the Company are consistent with those used in the previous year.

#### iii The Financial Statements include figures pertaining to Head office and Branches/Places of Business located at Madras Export Processing Zone - Chennai, United Kingdom, Australia, Belgium, Hong Kong, Cyprus and Malaysia.

The management has decided to wind up the operations of German Subsidiary and also the place of business in Cyprus. The management expects to realize at least the book values for the net assets carried in respect of these businesses.

### Note 2: Summary of significant accounting policies:

#### i Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles in India requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement and notes thereto and the reported amounts of revenues and expenses during the accounting period. Any revision to the accounting estimates is recognized prospectively in the current and future periods. Examples of such estimates include provision for doubtful debts, economic useful lives of fixed assets, etc. Actual results could differ from those estimates.

#### Fixed Assets and Depreciation

#### ii Tangible Assets:

Tangible assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of qualifying fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management or at the rates prescribed under the Companies Act whichever is higher. The rates currently applied are as follows:

Asset description	Percentage
Building	5%
Plant and equipment	33.33%
Computer equipment	33.33%
Furniture and fittings	33.33%
Office equipment	33.33%
Vehicles	25%
Temporary partitions	100%
Leasehold Rights & Improvements	Tenure of lease period or 10 years whichever is less

Assets individually costing Rs. 5,000 or less are depreciated in full in the year of acquisition

Capital work-in-progress includes the cost of fixed assets that are not ready for their intended use

#### iii Intangible assets:

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. These assets are amortized on straight line basis over the estimated useful economic life. The amortization period and amortization method are reviewed at each financial year end. If the expected

## Notes to Financial Statements for the year ended March 31, 2014

useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of Profit and loss, when the asset is derecognized.

Amortization rates currently applied are as follows:

Asset description	Percentage
Intangible assets - Computer software	33.33%
Intangible assets - Software tools	20%

Intangible assets not ready for the intended use on the date of the Balance Sheet are disclosed as "Intangible assets under development".

### iv Impairment:

The carrying amounts of assets are reviewed at each balance sheet date to see if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

### v Investment:

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, any decline, other than temporary, in the value of the investments is charged to the Statement of Profit and Loss.

### vi Revenue recognition:

#### Software service income

- Revenue from software validation and allied services comprises revenue from time and material contracts and fixed price contracts.
- Revenue in respect of time-and-material contracts is recognized based on time/efforts spent and / or billed to clients as per the terms of specific contracts.
- Revenue in respect of fixed-price contracts is recognized on proportionate completion method on the basis of the work completed.
- Revenue includes reimbursement of expenses wherever billed as per the terms of contracts.

#### Interest income

Interest on deployment of surplus funds is recognized using the time-proportion method.

### vii Employee benefits:

- Employee benefits in the form of Provident Fund / Social Security payments are defined contribution schemes and the contributions made are charged to the Statement of Profit and Loss for the year. The Company has no further obligations under these plans beyond its periodic contributions.
- Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of each financial year under the projected unit credit method. Actuarial gains/losses comprise experience adjustments and the effect of changes in actuarial assumptions and are recognized immediately in the Statement of Profit & Loss as Income/Expense.
- The Company does not allow leave encashment on retirement. However, appropriate provision is made at the end of each financial year based on estimates for the accrued and unavailed leave entitlement which are short term in nature.

### viii Taxation:

Tax expense comprises current tax, deferred tax charge or credit and Minimum Alternate Tax credit. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the relevant tax laws of each country. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realized against future taxable profits.

The company had two 100% Export Oriented Unit ("EOU") registered with the Software Technology Parks of India ("STPI") one in Chennai and another in Bengaluru. The company has surrendered the STPI registration for unit in Chennai & surrender process has been initiated for Bengaluru unit. The Company has operations in Special Economic Zone (SEZ) - MEPZ Tambaram, from the financial year 2009-10. Income from MEPZ is fully tax exempt for the first five years, 50% exempt for the next five years and 50% exempt for another five years subject to fulfilling certain conditions.

MAT Credit is measured at the amounts of Minimum Alternative Tax payable for the year, which is adjustable against regular tax payable in subsequent years and is recognized to the extent considered probable of such adjustment.

### ix Earnings per share:

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders

## Notes to Financial Statements for the year ended March 31, 2014

by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### x Foreign currency transactions and translations:

#### a Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Income and expenditure transactions of the foreign operations are recorded by applying the monthly weighted average exchange rate of the respective currencies.

#### b Conversion

Monetary items denominated in foreign currency are reported using the closing rate. Non-monetary items are carried at historical cost.

#### c Exchange differences

Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expense in the year in which they arise. Exchange differences on account of conversion of foreign operations are also recognized as income or as expense in the year in which they arise.

#### d Forward contracts in foreign currency

The Company uses, to a limited extent, foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. The company does not use the foreign currency forward contracts for trading or speculative purposes. Realized/unrealized gains and losses on forward contracts are accounted in the profit and loss account for the period. Premium/Discount on forward contracts are accounted over the contract period.

#### e Classification of foreign operations as integral / non-integral :

The company classifies all its foreign operations as integral foreign operations. Transactions of integral foreign operations are translated as if the transactions of the foreign operations are those of the Indian operation itself.

#### xi Provisions:

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the

balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

#### xii Leases:

*Where the company is lessee*

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating lease. Operating lease payments are recognized as an expense in the Profit and Loss account as per the terms of the agreements over the lease term.

*Where the company is lessor*

Operating lease receipts are recognized as Other Income in the Profit and Loss account as per the terms of the agreements over the sub lease period.

#### xiii Employee stock compensation cost:

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortized over the vesting period of the option on a straight line basis.

#### xiv Segment information:

The group's operations predominantly relate to software validation and verification services relating to banking and financial services industry and accordingly, this is the only primary reportable business segment. The segmental sales information is provided on geographical basis classified as India and rest of the world.

#### xv Cash flows:

Cash flows are reported using indirect method, whereby net profit 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 revenue generating, investing and financing activities are segregated.

Cash and cash equivalents: Cash and cash equivalents, in the statement of cash flow, comprise cash at bank and in hand and fixed deposits with original maturity of maximum 90 days.

#### xvi Contingent liabilities:

A contingent liability is a possible obligation that arises due to past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

## Notes to Financial Statements for the year ended March 31, 2014

### Note 3: Share capital

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>Authorized</b>		
12,000,000 equity shares (March 31, 2013 12,000,000) of Rs.10 each	120,000,000	120,000,000
<b>Issued, subscribed and fully paid up</b>		
10,267,681 equity shares (March 31, 2013 10,123,681) of Rs.10 each	102,676,810	101,236,810

#### a Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

##### Equity shares

Particulars	March 31, 2014		March 31, 2013	
	Number	Rs.	Number	Rs.
<b>At the beginning of the year</b>	10,123,681	101,236,810	10,051,581	100,515,810
Issued during the year	144,000	1,440,000	72,100	721,000
<b>Outstanding at the end of the year</b>	<b>10,267,681</b>	<b>102,676,810</b>	<b>10,123,681</b>	<b>101,236,810</b>

#### b Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of Rs.10 per share. Each holder of equity share is entitled to one vote per share. The company declares and pays dividend in Indian rupees. The dividend proposed by Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting

#### c Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:

Particulars	March 31, 2014	March 31, 2013
Equity shares allotted as fully paid bonus shares by capitalization of securities premium during the financial year 2008-09	870,156	870,156

#### d Details of shareholders holding more than 5% shares in the company

Particulars	March 31, 2014		March 31, 2013	
	Number	% Holding	Number	% Holding
SQS Software Quality Systems AG	2,673,697	26.04%	-	-
A V Asvini Kumar	1,759,554	17.14%	3,654,166	36.10%
Vanaja Arvind	-	-	1,109,762	10.96%

As per records of the company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

#### e Shares reserved for issue under options

For details of shares reserved for issue under the employee stock option (ESOP) plan of the company, please refer Note 25

#### f For the year 2013-14, the Board of Directors have recommended final dividend of Rs.4 per share (in addition to interim dividend of Rs. 5 per share already distributed), which is subject to the approval of the share holders. During the previous year 2012-13, the company had declared final dividend of Rs.3 per share (in addition to interim dividend of Rs.3 per share)

## Notes to Financial Statements for the year ended March 31, 2014

### Note 4: Reserves and surplus

Particulars		March 31, 2014 Rs.	March 31, 2013 Rs.
<b>Securities premium account</b>			
Balance at the beginning of the year		150,782,010	148,759,605
Add: Additions during the year		6,461,340	2,022,405
Balance at the end of the year	A	<b>157,243,350</b>	<b>150,782,010</b>
<b>General Reserve</b>			
Balance at the beginning of the year		55,571,695	39,171,695
Add: Additions during the year		25,436,000	16,400,000
Balance at the end of the year	B	<b>81,007,695</b>	<b>55,571,695</b>
<b>Surplus/(Deficit) in the statement of profit and Loss</b>			
Balance as per last financial statements		484,276,020	408,005,332
Profit for the year		254,352,581	163,015,270
Less: Appropriations			
Interim dividend paid on equity shares		(50,857,905)	(30,154,743)
Proposed final equity dividend *		(41,085,124)	(30,371,043)
Tax on Interim equity dividend		(8,643,301)	(4,891,854)
Tax on proposed final equity dividend **		(7,217,033)	(4,926,942)
Transfer to general reserve		(25,436,000)	(16,400,000)
Total appropriations		(133,239,363)	(86,744,582)
<b>Net surplus in statement of Profit and Loss</b>	C	<b>605,389,238</b>	<b>484,276,020</b>
<b>Total Reserves and Surplus</b>	(A+B+C)	<b>843,640,283</b>	<b>690,629,725</b>

\*includes Rs.14,400 pertaining to previous year

\*\* includes Rs.237,063 pertaining to previous year

### Note 5: Long term borrowings - Secured

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Term Loan from Bank	119,405,252	143,104,272
(Secured against the property including moveable fixed assets, furniture & fixtures, Interiors, equipments and other assets purchased out of the above loan)		
Less: Current maturities classified under other current liabilities (Refer note 7)	(23,076,000)	(28,846,154)
<b>Total</b>	<b>96,329,252</b>	<b>114,258,118</b>

The company also has a cash credit facility with bank which is secured by hypothecation of fixed assets and book debts of the company both present and future. There is no outstanding amount due on this account, as at the end of the year.

The interest rate on Term Loan ranges from 13.50% to 13.75% during the year and repayment term is about 6.5 Years

## Notes to Financial Statements for the year ended March 31, 2014

### Note 6: Trade payables

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Due to Micro and small enterprises*	-	195,797
Due to others	10,581,504	8,730,554
<b>Total</b>	<b>10,581,504</b>	<b>8,926,351</b>

\* Refer note 34

### Note 7: Other current liabilities

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Advance received from customers	1,318,019	1,058,103
Dues to subsidiaries	28,023,929	35,495,818
Unearned Revenue	2,491,432	-
Employee benefits payable	44,652,377	50,883,662
Liabilities for other expenses	28,959,300	27,450,694
Unpaid application money due for refund	72,000	72,000
Unpaid dividend*	1,285,257	1,320,076
Statutory liabilities	39,349,977	16,353,699
Current maturities of long term borrowings ( Refer note 5)	23,076,000	28,846,154
<b>Total</b>	<b>169,228,291</b>	<b>161,480,206</b>

\* There are no amounts due for payment to the Investor Education and Protection Fund as at the year end

### Note 8: Short-term provisions

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Provision for Employee Benefits:		
for Leave salary	11,207,368	10,320,409
for Gratuity	837,366	3,354,603
Provision for tax on Interim equity dividend	17,250	
Proposed equity dividend	41,070,724	30,371,043
Provision for tax on proposed equity dividend	6,979,970	4,926,942
Provision for taxation (Net of pre paid taxes)	29,938,325	62,272,003
<b>Total</b>	<b>90,051,003</b>	<b>111,245,000</b>

## Notes to Financial Statements for the year ended March 31, 2014

## Note 9: Tangible assets

in Rs.

	Leasehold rights & Improvement	Building	Plant and equipment	Computer equipment	Furniture and fittings	Office equipment	Vehicles	Temporary partitions	Total
<b>Cost or valuation</b>									
At April 1, 2012	9,504,000	34,456,333	18,429,500	75,147,472	14,571,385	8,369,202	6,363,460	505,784	167,347,136
Additions	-	197,688,136	21,467,453	17,548,002	9,087,066	3,958,184	-	112,805	249,861,646
Disposals	-	-	(2,537,307)	(8,926,184)	(6,763,680)	(288,629)	-	(21,399)	(18,537,199)
<b>At March 31, 2013</b>	<b>9,504,000</b>	<b>232,144,469</b>	<b>37,359,646</b>	<b>83,769,290</b>	<b>16,894,771</b>	<b>12,038,757</b>	<b>6,363,460</b>	<b>597,190</b>	<b>398,671,583</b>
Additions	-	102,430	1,170,942	8,697,615	190,920	395,610	-	-	10,557,517
Disposals	-	-	(559,672)	(1,424,937)	(369,677)	(338,409)	(868,160)	-	(3,560,855)
<b>At March 31, 2014</b>	<b>9,504,000</b>	<b>232,246,899</b>	<b>37,970,916</b>	<b>91,041,968</b>	<b>16,716,014</b>	<b>12,095,958</b>	<b>5,495,300</b>	<b>597,190</b>	<b>405,668,245</b>
	Leasehold rights & Improvement	Building	Plant and equipment	Computer equipment	Furniture and fittings	Office equipment	Vehicles	Temporary partitions	Total
<b>Depreciation</b>									
At April 1, 2012	3,326,400	2,537,549	9,502,892	55,334,151	7,946,842	5,256,634	3,254,210	505,784	87,664,462
Additions	960,960	4,672,084	6,829,748	13,538,533	6,582,886	2,582,875	1,198,738	112,805	36,478,629
Disposals	-	-	(2,498,855)	(8,577,994)	(6,257,636)	(288,629)	-	(21,399)	(17,644,513)
<b>At March 31, 2013</b>	<b>4,287,360</b>	<b>7,209,633</b>	<b>13,833,785</b>	<b>60,294,690</b>	<b>8,272,092</b>	<b>7,550,880</b>	<b>4,452,948</b>	<b>597,190</b>	<b>106,498,578</b>
Additions	950,400	11,608,051	11,693,123	13,314,788	4,172,558	2,419,380	1,089,513	-	45,247,813
Disposals	-	-	(559,672)	(1,424,936)	(369,668)	(324,233)	(868,160)	-	(3,546,669)
<b>At March 31, 2014</b>	<b>5,237,760</b>	<b>18,817,684</b>	<b>24,967,236</b>	<b>72,184,542</b>	<b>12,074,982</b>	<b>9,646,027</b>	<b>4,674,301</b>	<b>597,190</b>	<b>148,199,722</b>
<b>Net Block</b>									
At March 31, 2013	5,216,640	224,934,836	23,525,861	23,474,600	8,622,679	4,487,877	1,910,512	-	292,173,005
At March 31, 2014	4,266,240	213,429,215	13,003,680	18,857,426	4,641,032	2,449,931	820,999	-	257,468,523

## Note 10: Intangible assets - Computer Software

in Rs.

	Gross Block	Amortization	Net Block
At April 1, 2012	56,706,767	28,508,537	-
Additions	781,642	9,725,981	-
Disposals	-	-	-
<b>At March 31, 2013</b>	<b>57,488,409</b>	<b>38,234,518</b>	<b>19,253,891</b>
Additions	8,274,021	11,158,894	-
Disposals	-	-	-
<b>At March 31, 2014</b>	<b>65,762,430</b>	<b>49,393,412</b>	<b>16,369,018</b>



## Notes to Financial Statements for the year ended March 31, 2014

### Note 11: Non current Investments

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Trade investments (at cost)		
Unquoted equity instruments (in subsidiaries)		
100,000 equity shares (Previous year -100,000 equity shares) of SGD 1/- each in Thinksoft Global Services Pte. Ltd., Singapore	2,658,023	2,658,023
3,000 equity shares (Previous year -3,000 equity shares) of USD 0.01/- each in Thinksoft Global Services Inc., USA	4,625,400	4,625,400
EUR 50,000/- (Previous year - EUR 50,000) in Thinksoft Global (Europe) GmbH, Germany	2,714,774	2,714,774
350,000 equity shares (Previous year -350,000 equity shares) of GBP 1/- each in Thinksoft Global Services UK Ltd., UK	24,168,000	24,168,000
24 equity shares ( Previous year - 24 equity shares) of AED 25,000/- each in Thinksoft Global Services FZE., UAE	8,696,000	8,696,000
<b>Total</b>	<b>42,862,197</b>	<b>42,862,197</b>

### Note 12: Deferred tax asset

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>Opening balance</b>	<b>9,472,949</b>	<b>3,970,255</b>
Deferred tax credit ( provision) for the year	(3,719,089)	5,502,694
<b>Closing balance</b>	<b>5,753,860</b>	<b>9,472,949</b>
Break up of closing balance		
on account of timing difference in claiming depreciation allowance	5,469,238	3,966,265
on account of timing difference in claiming provision for gratuity and doubtful debts	284,622	5,506,684
<b>Total</b>	<b>5,753,860</b>	<b>9,472,949</b>

### Note 13: Loans and advances (Unsecured considered good)

Particulars	Non-Current		Current	
	March 31, 2014 Rs.	March 31, 2013 Rs.	March 31, 2014 Rs.	March 31, 2013 Rs.
Security deposit	4,979,516	5,208,116	12,545,489	24,950,941
Advances to Key Management Personnel *	-	-	-	6,256
Trade and Staff advances	-	-	10,643,189	11,705,607
<b>Other Advances</b>				
Due from subsidiaries	-	-	-	1,381,881
Prepaid expenses	-	-	10,156,856	4,415,186
MAT credit entitlement	-	-	16,869,630	28,398,035
Income tax refund due / deposits	-	-	5,339,067	5,339,067
Input tax credit	-	-	14,532,107	18,832,625
	-	-	<b>46,897,660</b>	<b>58,366,794</b>
<b>Total</b>	<b>4,979,516</b>	<b>5,208,116</b>	<b>70,086,338</b>	<b>95,029,598</b>

\* Loans and advances due by Directors or Other officers etc.

- 6,256

## Notes to Financial Statements for the year ended March 31, 2014

## Note 14: Other assets (Unsecured, considered good)

Particulars		Non-Current		Current	
		March 31, 2014 Rs.	March 31, 2013 Rs.	March 31, 2014 Rs.	March 31, 2013 Rs.
Non-current bank balances (Note 16)	(A)	19,952,678	6,630,000	-	-
		19,952,678	6,630,000	-	-
Unbilled revenue	(B)	-	-	4,391,855	38,641,719
		-	-	4,391,855	38,641,719
<b>Others</b>					
Forward cover premium	(C)	-	-	-	1,603,525
Interest accrued on fixed deposits		-	-	5,306,465	4,687,540
		-	-	5,306,465	6,291,065
<b>Total</b>	<b>(A+B+C)</b>	<b>19,952,678</b>	<b>6,630,000</b>	<b>9,698,320</b>	<b>44,932,784</b>

## Note 15: Trade receivables (Unsecured)

Particulars		Non-Current		Current	
		March 31, 2014 Rs.	March 31, 2013 Rs.	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>					
Considered good	(A)	-	-	7,901,654	1,306,448
Considered doubtful		-	-	-	13,019,231
		-	-	7,901,654	14,325,679
Provision for doubtful receivables		-	-	-	(13,019,231)
		-	-	<b>7,901,654</b>	<b>1,306,448</b>
<b>Others</b>					
Considered good	(B)	-	-	509,966,884	386,175,337
		-	-	509,966,884	386,175,337
<b>Total</b>	<b>(A+B)</b>	<b>-</b>	<b>-</b>	<b>517,868,538</b>	<b>387,481,785</b>

## Note 16: Cash and Bank balances

Particulars	Non-Current		Current	
	March 31, 2014 Rs.	March 31, 2013 Rs.	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>Cash and cash equivalents</b>				
Balance with bank in current accounts	-	-	213,655,027	190,468,149
Deposits with original maturity of less than three months	-	-	40,000,000	-
Cash in hand	-	-	12,946	21,343
	-	-	<b>253,667,973</b>	<b>190,489,492</b>
<b>Other bank balances</b>				
Deposits with original maturity for more than 3 months	-	-	105,801,900	92,438,093
Margin money deposits*	19,952,678	6,630,000	-	-
Unpaid application money due for refund	-	-	72,000	72,000
Unpaid dividend account	-	-	1,285,257	1,320,076
	<b>19,952,678</b>	<b>6,630,000</b>	<b>107,159,157</b>	<b>93,830,169</b>
Amount disclosed under non-current Other assets (Note 14)	(19,952,678)	(6,630,000)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>360,827,130</b>	<b>284,319,661</b>

\* Margin money deposits given as performance/financial security

## Notes to Financial Statements for the year ended March 31, 2014

### Note 17: Revenue from operations

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Software Services	1,944,439,625	1,578,319,060

### Note 18: Other income

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Interest income on bank deposits	11,411,456	9,721,767
Interest income - others	672	5,684
Profit on sale of fixed assets	364,945	2,140,071
Net foreign exchange gain	61,637,583	8,924,046
Write back of provision no longer required (Doubtful debts)	13,019,231	-
Rental Income (Sub lease)	-	1,681,867
Other income	1,286	-
<b>Total</b>	<b>86,435,173</b>	<b>22,473,435</b>

### Note 19: Employee benefits expense

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Salaries, wages and Bonus	721,797,279	559,944,488
Contribution to provident and other funds	39,269,211	30,566,087
Gratuity expense	15,242,581	6,689,630
Staff welfare expense	9,635,264	9,836,586
<b>Total</b>	<b>785,944,335</b>	<b>607,036,791</b>

### Note 20: Depreciation and amortization expense

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Depreciation on tangible assets	45,247,813	36,478,629
Amortization of intangible assets	11,158,894	9,725,981
<b>Total</b>	<b>56,406,707</b>	<b>46,204,610</b>

### Note 21: General, administrative and other expenses

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Travel and conveyance	117,423,287	104,036,629
Rent	10,504,772	39,276,211
Professional fees	38,429,170	23,968,719
Marketing and selling expenses	7,440,926	8,019,205
Consultancy charges	10,204,003	9,561,955
Onsite service expenses	528,460,567	430,278,814
Software expenses	20,615,867	17,022,904
Power and fuel	14,198,552	20,151,187
Repairs & Maintenance -Buildings	9,732,224	7,426,451
-Plant and machinery	2,630,620	2,861,695
-Others	3,015,835	2,416,820

## Notes to Financial Statements for the year ended March 31, 2014

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Communication expenses	10,069,354	9,229,952
Sales commission	4,030,124	-
Training and recruitment	2,629,108	698,267
Insurance	6,130,519	5,143,203
Audit fees *	1,415,000	1,295,000
Directors sitting fees	658,566	700,000
Rates and taxes	4,287,972	1,137,354
Donation	1,534,791	800,175
Provision for Doubtful Debts	-	12,611,803
Miscellaneous expenses	5,169,474	6,905,328
<b>Total</b>	<b>798,580,731</b>	<b>703,541,672</b>

\*Consists of Audit fee Rs.500,000 (PY 500,000)

Tax audit Rs.300,000 ( PY 300,000)

Certification Rs.335,000 (PY 350,000)

Other services Rs.280,000 (PY 145,000)

**Note 22: Finance cost**

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Interest	18,013,328	12,027,161
Bank charges	1,536,823	2,156,643
<b>Total</b>	<b>19,550,151</b>	<b>14,183,804</b>

**Note 23: Earnings per share**

The following represents profit and share data used in the basic and diluted EPS computations:

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>Profit for computation of basic EPS</b>	254,352,581	163,015,270
Add/ (Less) adjustment	-	-
<b>Profit for computation of Diluted EPS</b>	<b>254,352,581</b>	<b>163,015,270</b>
	<b>Number</b>	<b>Number</b>
Number of Shares at the Beginning of the year	10,123,681	10,051,581
Add: Weighted average of shares issued during the year	47,237	13,235
<b>Total weighted average number of equity shares for calculating basic EPS</b>	<b>10,170,918</b>	<b>10,064,816</b>
Effect of Dilutive stock option	309,758	152,479
<b>Weighted average number of equity shares for calculating diluted EPS</b>	<b>10,480,675</b>	<b>10,217,295</b>
<b>Earnings per share - Basic (Rs.)</b>	<b>25.01</b>	<b>16.20</b>
<b>Earnings per share - Diluted (Rs.)</b>	<b>24.27</b>	<b>15.95</b>

**Note 24: Disclosure pursuant to Accounting Standard - 15****i Short term plan - Compensated Absence**

There is no leave encashment facility. Provision towards leave availment in subsequent periods have been estimated and accounted as under:

Particulars	Current year Rs.	Previous year Rs.
<b>Liability at the beginning of the year</b>	<b>10,320,409</b>	<b>8,820,409</b>
Leave salary cost accounted for the year (Net)	886,959	1,500,000
<b>Total liability as at year end</b>	<b>11,207,368</b>	<b>10,320,409</b>

## Notes to Financial Statements for the year ended March 31, 2014

### ii Defined contribution plan - Provident fund & Social Security Schemes

Particulars	Current year Rs.	Previous year Rs.
Employers contribution accounted for the year	36,146,976	27,208,835

### iii Defined Benefit Plan - Gratuity

Particulars	Current year Rs.	Previous year Rs.
<b>Change in Benefit obligation</b>		
<b>Liability at the beginning of the year</b>	<b>30,956,486</b>	<b>26,964,973</b>
Interest cost	2,358,861	2,039,435
Current service cost	6,675,516	5,951,616
Past service cost (Vested benefit)	-	-
Past service cost (Non Vested benefit)	-	-
Benefit paid	(2,941,453)	(2,944,070)
Actuarial (Gain)/Loss on obligations	7,905,237	(1,055,468)
<b>Liability at the end of the year</b>	<b>44,954,647</b>	<b>30,956,486</b>
<b>Fair value of Plan Assets</b>		
<b>Fair value of plan assets at the beginning of the year</b>	<b>27,601,883</b>	<b>18,100,000</b>
Expected return on plan assets	2,975,941	1,931,877
Contributions	17,759,818	12,200,000
Benefit paid	(2,941,453)	(2,944,070)
Actuarial Gain/(Loss) on plan assets	(1,278,908)	(1,685,924)
<b>Fair value of plan assets at the end of the year</b>	<b>44,117,281</b>	<b>27,601,883</b>
<b>Actual return on Plan Assets</b>		
Expected return on plan assets	2,975,941	1,931,877
Actuarial Gain/(Loss) on plan assets	(1,278,908)	(1,685,924)
<b>Actual return on Plan Assets</b>	<b>1,697,033</b>	<b>245,953</b>
<b>Amount recognized in the balance sheet</b>		
Present value of the obligation	44,954,647	30,956,486
Fair value of plan assets	44,117,281	27,601,883
Difference (Funded status)	837,366	3,354,603
Expected return on plan assets and actuarial gains thereon not recognized pending confirmation from LIC	-	-
<b>Amount recognized in the balance sheet</b>	<b>837,366</b>	<b>3,354,603</b>
<b>Expenses recognized in the income statement</b>		
Current service cost	6,675,516	5,951,616
Interest cost	2,358,861	2,039,435
Expected return on plan assets	(2,975,941)	(1,931,877)
Net Actuarial (Gain)/Loss to be recognized	9,184,145	630,456
Transitional Liability recognized	-	-
Past service cost - non Vested benefits	-	-
Past service cost - vested benefits	-	-
<b>Expense recognized in P&amp;L</b>	<b>15,242,581</b>	<b>6,689,630</b>

## Notes to Financial Statements for the year ended March 31, 2014

## iii Defined Benefit Plan - Gratuity (Contd.)

Particulars	Current year Rs.	Previous year Rs.
<b>Balance sheet reconciliation</b>		
Opening net liability as per Books	3,354,603	8,864,973
Transitional liability adjusted to opening reserves and deferred taxes	-	-
Expense as above	15,242,581	6,689,630
Expected return on plan assets and actuarial gains thereon not recognized pending confirmation from LIC	-	-
Contribution paid	(17,759,818)	(12,200,000)
<b>Amount recognized in the balance sheet</b>	<b>837,366</b>	<b>3,354,603</b>
<b>Actuarial assumptions</b>		
Discount rate - Current	9.00%	8.00%
Expected rate of return on plan assets	8.50%	8.50%
Salary Escalation - Current	7.00%	7.00%
Attrition rate	10.00%	1.50%
<b>Investment details</b>		
Funds managed by the Insurer	100%	100%

## Actuarial valuation

## a. Experience adjustment

Rs.

Particulars	2013-14	2012-13	2011-12	2010-11
Defined benefit obligation	44,954,647	30,956,486	26,964,973	26,491,000
Plan assets	44,117,281	27,601,883	18,100,000	1,916,000
Surplus/(Deficit)	(837,366)	(3,354,603)	(8,864,973)	(24,575,000)
Exp. adj. on plan liabilities	1,009,942	(122,951)	(5,039,000)	(1,325,000)
Exp. adj. on assets	(1,278,908)	(1,685,924)	(689,000)	2,942,000

Estimated contribution towards gratuity for next year - Rs. 100 Lakhs

## Note 25: Employee stock option plans

The company provides share based payment schemes to its employees. During the year ended March 31, 2014 an employee stock option plan (ESOP) was in existence. The relevant details of the scheme and the grant are as below.

On April 29, 2011 the Board of Directors approved the equity settled ESOP scheme 2011 (Scheme 2011) for issue of stock options to the key employees and directors of the company setting aside 10,05,100 options under this scheme. According to the scheme 2011, the employees selected by the remuneration committee from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions, viz., continuing employment of 3 years. The contractual life (comprising vesting period and exercise period) of options granted is 8 years. The other relevant terms of the grant are as below:

Particulars	Options granted on October 25, 2012	Options granted on October 24, 2011
Vesting period	3 years	3 years
Exercise period	5 years	5 years
Exercise price	Rs.114.70	Rs.38.05
Market price on the date of grant	Rs.114.70	Rs.38.05

## Notes to Financial Statements for the year ended March 31, 2014

The details of activity under the scheme 2011 are summarized below:

Particulars	March 31, 2014		March 31, 2013	
	No. of options	WAEP (Rs.)	No. of options	WAEP (Rs.)
Outstanding at the beginning of the year	677,400	84.05	339,000	38.05
Granted during the year	Nil	Nil	410,500	114.7
Forfeited during the year	27,400	92.36	Nil	Nil
Exercised during the year	144,000	54.87	72,100	38.05
Outstanding at the end of the year	508,700	92.51	677,400	84.50
Exercisable at the end of the year	174,800	93.13	63,500	38.05

The weighted average remaining contractual life for the stock options outstanding as at March 31, 2014 is 5.46 Years (March 31, 2013: 3.67 Years). The range of exercise price for options outstanding at the end of the year was Rs.38.05 to Rs. 114.70 (March 31, 2013 Rs. 38.05 to 114.70)

The weighted average fair value of stock options granted during the year - No Options has been granted during the year (March 31,2013: Rs.55.08). The black scholes valuation model has been used for computing weighted average fair value considering the following inputs:

Particulars	March 31, 2014	March 31, 2013
Dividend yield (%)		4.36%
Expected volatility		71.84%
Risk-free interest rate	No Options granted during the year	8.17%
Weighted average share price		114.70
Exercise price		114.70
Expected life of options granted in years		4.4 years

The expected life of the stock is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of options is indicative of future trends, which may also not necessarily be the actual outcome.

The company measures the cost of ESOP using intrinsic value method. Had the company used fair value model to determine compensation, its profit after tax and earning per share would have changed to the amounts indicated below:

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>Profit after tax as reported</b>	254,352,581	163,015,270
Add: ESOP cost using intrinsic value method	NIL	NIL
Less: ESOP cost using fair value method	11,180,879	9,597,370
<b>Proforma profit after tax</b>	<b>243,171,702</b>	<b>153,417,900</b>
<b>Earnings per share</b>		
<b>Basic</b>		
As reported	25.01	16.20
Proforma	23.91	15.24
<b>Diluted</b>		
As reported	24.27	15.95
Proforma	23.20	15.02

## Notes to Financial Statements for the year ended March 31, 2014

### Note 26: Operating lease: Company as lessee

The company has entered into commercial leases on certain buildings. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the company by entering into these leases.

Future minimum rentals payable under non-cancellable operating lease are as follows:

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Within one year	10,521,206	6,500,768
After one year but not more than five years	16,595,160	5,434,940
More than five years	-	-
<b>Total</b>	<b>27,116,366</b>	<b>11,935,708</b>
Lease payments recognized in the Statement of Profit and Loss account	10,504,772	39,276,211

### Note 27: Segment reporting

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>Sales revenue by geographical market</b>		
Within India	114,989,703	101,399,902
Outside India	1,829,449,922	1,476,919,158
<b>Total</b>	<b>1,944,439,625</b>	<b>1,578,319,060</b>

### Note 28: Commitments and contingencies

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advance)	626,186	-
Service tax related matters	7,218,676	7,218,676
Income tax related matters	57,202,781	51,238,609
Counter guarantees issued to the bank for the bank guarantee obtained	31,800,731	27,772,053

The Service Tax Authorities had made a demand for Rs. 3,609,338 along with interest and penalty for an equivalent amount, towards tax leviable for certain services rendered by the Company during the period July 2003 to Dec 2005. Management contends that the Company has sufficient grounds to defend its position and is filing an appeal before Customs, Excise and Service tax appellate Tribunal, furnishing the necessary explanations / responses to support its position. Consequently, no provision has been made for the same in these financial statements.

Contingent liabilities include demand from the Indian tax authorities for payment of additional tax of Rs.57,202,781/- for the fiscal year 2006-07 & 2008-09. The tax demand is mainly on account of disallowance of a portion of the deduction claimed by the company under Section 10A of the Income tax Act. The matter for fiscal year 2006-07 & 2008-09 is pending before CIT (Appeals). Management believes that its position will likely be upheld in the CIT (Appeals) process.

### Note 29: Disclosure as per Accounting Standard - 18 on 'Related Party Disclosures'

#### a Related Parties

##### i) Holding Company

SQS Software Quality Systems AG

##### ii) Subsidiaries

Thinksoft Global Services Pte Ltd, Singapore

Thinksoft Global Services Inc, USA

Thinksoft Global Services (Europe) GmbH, Germany

Thinksoft Global Services UK Ltd, UK

Thinksoft Global Services FZE, UAE



## Notes to Financial Statements for the year ended March 31, 2014

### iii) Key Management Personnel (KMP)

Mr. A V Asvini Kumar - Managing Director \*  
 Ms. Vanaja Arvind - Executive Director \*  
 Mr. Mohan Parvatikar - Whole time Director \*\*

### iv) Relatives of Key Management Personnel (Relatives of KMP)

Ms. Aarti Arvind  
 Ms. A K Latha  
 Mr. A K Krishna  
 Mr. Chalapathi Rao Peddineni  
 Mr. C V Rajan

## b Transactions with Related Parties

Particulars	Nature of relationship	Name of the related Party	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>INCOME FROM THE SERVICE RENDERED</b>	Subsidiary	Thinksoft Global Services (Europe) GmbH, Germany	-	-
	Subsidiary	Thinksoft Global Services Inc, USA	918,456	40,746,750
	Subsidiary	Thinksoft Global Services Pte Ltd, Singapore	56,389,677	55,486,522
	Subsidiary	Thinksoft Global Services UK Ltd, UK	59,095,727	30,213,190
<b>Expenses Managerial remuneration ***</b>	KMP	Mr. A V Asvini Kumar	40,760,800	12,028,800
	KMP	Ms. Vanaja Arvind	40,760,800	12,028,800
	KMP	Mr. Mohan Parvatikar	4,979,100	3,028,800
<b>Rent</b>	Relatives of KMP	Ms. A K Latha	464,400	464,400
<b>Salary</b>	Relatives of KMP	Ms. Aarti Arvind	6,003,720	5,498,270
<b>Expenses for services rendered</b>	Subsidiary	Thinksoft Global Services Pte Ltd, Singapore	69,736,515	46,735,858
	Subsidiary	Thinksoft Global Services Inc, USA	170,726,082	152,058,328
	Subsidiary	Thinksoft Global Services (Europe) GmbH, Germany	619,998	699,580
	Subsidiary	Thinksoft Global Services UK Ltd, UK	167,077,141	97,264,115
	Subsidiary	Thinksoft Global Services FZE, UAE	120,300,830	133,501,092
<b>OTHER TRANSACTIONS Proposed final dividend</b>	Holding Company	SQS Software Quality Systems AG ****	10,694,788	-
	KMP	Mr. A V Asvini Kumar	-	10,962,498
	KMP	Ms. Vanaja Arvind	-	3,329,286
	KMP	Mr. Mohan Parvatikar	-	416,559
	Relatives of KMP	Ms. Aarti Arvind	-	215,940
	Relatives of KMP	Mr. A K Krishna	-	683,334
	Relatives of KMP	Ms. A K Latha	-	731,166
	Relatives of KMP	Mr. Chalapathi Rao Peddineni	-	18,333
	Relatives of KMP	Mr. C V Rajan	80,972	6,666
	<b>Interim dividend</b>	KMP	Mr. A V Asvini Kumar	18,270,830
KMP		Ms. Vanaja Arvind	5,548,810	3,293,286
KMP		Mr. Mohan Parvatikar	694,265	416,559
Relatives of KMP		Ms. Aarti Arvind	359,900	215,940
Relatives of KMP		Mr. A K Krishna	1,138,890	683,334
Relatives of KMP		Ms. A K Latha	1,218,610	731,166
Relatives of KMP		Mr. Chalapathi Rao Peddineni	-	18,333
Relatives of KMP		Mr. C V Rajan	11,110	6,666

## Notes to Financial Statements for the year ended March 31, 2014

Particulars	Nature of relationship	Name of the related Party	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>OUTSTANDING BALANCES</b>				
<b>Net Receivable from</b>				
	Subsidiary	Thinksoft Global Services (Europe) GmbH, Germany	-	-
	Subsidiary	Thinksoft Global Services Inc, USA	-	-
	Subsidiary	Thinksoft Global Services UK Ltd, UK	-	-
	Subsidiary	Thinksoft Global Services Pte Ltd, Singapore	-	1,381,881
<b>Net Payable to</b>				
	Subsidiary	Thinksoft Global Services Pte Ltd., Singapore	3,981,954	-
	Subsidiary	Thinksoft Global Services UK Ltd, UK	4,185,747	11,901,923
	Subsidiary	Thinksoft Global Services Inc, USA	12,293,668	9,467,536
	Subsidiary	Thinksoft Global Services FZE, UAE	6,722,556	13,948,406
	Subsidiary	Thinksoft Global Services (Europe) GmbH, Germany	840,004	177,953
<b>Trade Payables</b>	KMP	Mr. A V Asvini Kumar	-	37,081
<b>Other Payables</b>	KMP	Mr. A V Asvini Kumar	21,890	-
	KMP	Ms. Vanaja Arvind	160	-
<b>Loans and advances (Travel advance)</b>	KMP	Ms. Vanaja Arvind	-	6,256
<b>Provision for expenses</b>	KMP	Mr. A V Asvini Kumar	990,000	6,000,000
	KMP	Ms. Vanaja Arvind	990,000	6,000,000
	KMP	Mr.Mohan Parvatikar	-	1,500,000
<b>Final dividend payable</b>	Holding Company	SQS Software Quality Systems AG ****	10,694,788	-
	KMP	Mr. A V Asvini Kumar	-	10,962,498
	KMP	Ms. Vanaja Arvind	-	3,329,286
	KMP	Mr.Mohan Parvatikar	-	416,559
	Relatives of KMP	Ms. Aarti Arvind	-	215,940
	Relatives of KMP	Mr. A K Krishna	-	683,334
	Relatives of KMP	Ms. A K Latha	-	731,166
	Relatives of KMP	Mr. Chalapathi Rao Peddineni	-	18,333
	Relatives of KMP	Mr. C V Rajan	80,972	6,666
<b>Investments</b>	Subsidiary	Thinksoft Global Services Pte Ltd, Singapore	2,658,023	2,658,023
	Subsidiary	Thinksoft Global Services Inc, USA	4,625,400	4,625,400
	Subsidiary	Thinksoft Global Services (Europe) GmbH, Germany	2,714,774	2,714,774
	Subsidiary	Thinksoft Global Services FZE, UAE	8,696,000	8,696,000
	Subsidiary	Thinksoft Global Services UK Ltd, UK	24,168,000	24,168,000

\* until March 1, 2014

\*\* until December 27, 2013

\*\*\* includes perquisite value of motor car provided by the company and severance pay in accordance with the service contract

\*\*\*\* as per shareholding pattern on March 31,2014

## Notes to Financial Statements for the year ended March 31, 2014

### Note 30: Exposure in foreign currency

- a The Company, in accordance with its risk management policies and procedures enters into foreign currency forward contracts to manage its exposure in foreign exchange rates. The counter party is generally a Bank. Forward contracts pending as at the Balance Sheet date are as follows:

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
No. of Contracts (sell)	-	1
Value of Foreign currency (USD)	-	1,500,000
Value in Rs.	-	81,585,000

The company has not entered into any other derivative instruments during the year.

- b The details of foreign currency balances, which are not hedged as at the balance sheet date are as below:

Particulars	FCY	March 31, 2014		March 31, 2013	
		Amt in FCY	Amt in Rs.	Amt in FCY	Amt in Rs.
Trade receivables	GBP	1,627,357	162,491,606	741,649	61,052,543
Trade receivables	USD	2,935,449	176,420,465	2,686,367	146,111,479
Trade receivables	EUR	1,008,761	83,303,489	918,914	63,901,273
Trade receivables	AUD	181,340	10,042,609	241,602	13,764,066
Trade receivables	MYR	1,603,103	29,432,975	422,096	7,504,862
Trade receivables	SGD	269,977	12,850,905	-	-
Loans and advances	USD	87,885	5,281,902	52,340	2,846,779
Loans and advances	SGD	5,919	281,744	31,357	1,381,881
Loans and advances	GBP	34,496	3,444,423	11,100	913,803
Loans and advances	AUD	35,770	1,980,932	8,900	507,033
Loans and advances	AED	109,711	1,788,289	392,068	5,833,971
Loans and advances	BHD	716	116,730	716	105,242
Loans and advances	SAR	17,000	271,320	17,000	248,030
Loans and advances	EUR	3,889	321,135	27,881	1,938,873
Loans and advances	MYR	3,811	69,975	-	-
Other current liabilities	EUR	10,172	840,004	2,559	177,953
Other current liabilities	SGD	83,654	3,981,954	-	-
Other current liabilities	USD	204,554	12,293,668	174,068	9,467,536
Other current liabilities	GBP	41,920	4,185,747	144,581	11,901,923
Other current liabilities	AED	412,427	6,722,556	937,393	13,948,406
Trade payables	HKD	14,920	115,182	-	-
Trade payables	USD	5,691	910,283	-	-
Trade payables	SGD	430	8,714	-	-
Trade payables	AED	33,175	777,254	-	-
Trade payables	EUR	-	-	665	46,244
Trade payables	MYR	-	-	151,666	2,696,621

### Note 31: CIF value of imports

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Capital goods/software	472,241	212,044

## Notes to Financial Statements for the year ended March 31, 2014

### Note 32: Earnings in foreign exchange (on accrual basis)

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Income from software services	1,829,449,922	1,476,919,158
Interest income	-	8,499
<b>Total</b>	<b>1,829,449,922</b>	<b>1,476,927,657</b>

### Note 33: Expenditure in foreign currency (on cash basis)

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Travel expenses	75,361,420	72,638,096
Marketing and selling expenses	175,357	6,372,645
Professional fees/ consultancy fee	9,531,120	8,835,028
Salary	147,966,265	82,628,054
Sales commission	503,160	-
Rent	1,136,398	357,796
Others	9,273,780	3,523,011
Onsite service expenses	403,124,571	280,960,802
<b>Total</b>	<b>647,072,071</b>	<b>455,315,432</b>

### Note 34: Dues to Micro, Small and Medium enterprises

On the basis of the information and records available with the management, there are no outstanding dues to the Micro and Small enterprises. Other disclosures required under the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED') are as follows:

Particulars	Year ended March 31, 2014 Rs.	Year ended March 31, 2013 Rs.
Principal amount remaining unpaid to any supplier as at the period end	-	195,797
Interest due thereon	-	-
Amount of interest paid by the Company in terms of section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the accounting period.	-	-
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 period) but without adding the interest specified under the MSMED	-	-
Amount of interest accrued and remaining unpaid at the end of the accounting period	-	-

### Note 35: Disclosure made in terms of clause 32 of the listing agreement with stock exchange

Particulars	Name of the company	Amount outstanding as on March 31, 2014	Maximum amount due at any one time during the year
<b>a) Loans and advances</b>			
i) Loans and advances in nature of loans made to subsidiary company	Nil	Nil	Nil
ii) Loans and advances in nature of loans made to Associate company	Nil	Nil	Nil
iii) Loans and advances in nature of loans where there is	Nil	Nil	Nil
1. No repayment schedule or repayment beyond seven years	Nil	Nil	Nil
2. No interest or interest below section 372 A of the Companies Act	Nil	Nil	Nil
iv) Loans and advances in the nature of loans made to firms/companies in which directors of the company are interested	Nil	Nil	Nil

<b>b) Investment by the company</b>	<b>Name of the company</b>	<b>Amount (Rs.)</b>	<b>Maximum amount of investment during the year (Rs.)</b>
i) in Subsidiary company	Thinksoft Global Service Pte Ltd, Singapore	2,658,023	2,658,023
ii) in Subsidiary company	Thinksoft Global Service Inc. USA	4,625,400	4,625,400
iii) in Subsidiary company	Thinksoft Global Service (Europe), GmbH, Germany	2,714,774	2,714,774
iv) in Subsidiary company	Thinksoft Global Service UK Limited, UK	24,168,000	24,168,000
v) in Subsidiary company	Thinksoft Global Service FZE, UAE	8,696,000	8,696,000
a) Investment by the loanee in the shares of the parent company and subsidiary company when the company has made a loan or advance in the nature of Loan		Nil	Nil

**Note 36: Previous year figures**

Previous year figures have been regrouped / reclassified so as to conform to the current year's groupings.

As per our report of even date

**PKF Sridhar & Santhanam**  
Chartered Accountants  
Firm Registration No. 003990S

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

**T V Balasubramanian**  
Partner (Membership No. 027251)

**David Bellin**  
Chairman & Director

**Dr. Martin Müller**  
Executive Director

**S. Akila**  
Company Secretary

**Place :** Chennai  
**Date :** April 23, 2014

**Place :** Chennai  
**Date :** April 23, 2014

## Independent Auditor's Report

To the Board of Directors of Thinksoft Global Services Limited

### Report on the Financial Statements

We have audited the accompanying **consolidated financial statements** of **Thinksoft Global Services Limited** ("the Company") and its subsidiaries (collectively called "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2014 and the Consolidated Statement of Profit and Loss and Consolidated 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 consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India; this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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 and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

### Other Matter

We did not audit the financial statements of certain subsidiaries, whose financial statements (net of intercompany transactions) reflect total assets (net) of Rs. 1561 lacs as at March 31, 2014, total revenues of Rs. Nil lacs and net cash inflows amounting to Rs.387 lacs for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.

### For PKF Sridhar & Santhanam

Chartered Accountants  
Firm's Registration Number 003990S

### T V Balasubramanian

Partner  
Membership Number 027251

Place : Chennai

Date : April 23, 2014

## Consolidated Balance Sheet as at March 31, 2014

Particulars	Note	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>EQUITY and LIABILITIES</b>			
<b>Shareholder's Funds</b>			
Share capital	3	102,676,810	101,236,810
Reserves and Surplus	4	979,685,665	780,654,770
		<b>1,082,362,475</b>	<b>881,891,580</b>
Share application money pending allotment		-	182,640
<b>Non-Current liabilities</b>			
Long term Borrowings	5	96,329,252	114,258,118
<b>Current Liabilities</b>			
Trade payables	6	15,869,583	12,939,963
Other current liabilities	7	179,239,632	156,671,579
Short-term provisions	8	94,839,676	119,063,787
		<b>289,948,891</b>	<b>288,675,329</b>
<b>TOTAL</b>		<b>1,468,640,618</b>	<b>1,285,007,667</b>
<b>ASSETS</b>			
<b>Non-Current assets</b>			
<b>Fixed assets</b>			
Tangible assets	9	257,791,112	292,240,266
Intangible assets	10	16,350,083	19,234,956
Capital work in progress		-	594,864
Intangible Assets under Development		6,641,025	-
		<b>280,782,220</b>	<b>312,070,086</b>
Deferred tax asset (Net)	11	5,753,860	9,472,949
Long term loans and advances	12	5,181,162	5,208,116
Other Non-current assets	13	19,952,678	6,630,000
		<b>30,887,700</b>	<b>21,311,065</b>
<b>Current Assets</b>			
Trade receivable	14	557,778,311	413,228,959
Cash and bank balances	15	502,496,111	387,305,925
Short term loans and advances	12	86,997,956	106,158,848
Other current assets	13	9,698,320	44,932,784
		<b>1,156,970,698</b>	<b>951,626,516</b>
<b>TOTAL</b>		<b>1,468,640,618</b>	<b>1,285,007,667</b>

## Summary of significant accounting policies

2

The accompanying notes are an integral part of this Balance Sheet

## As per our report of even date

PKF Sridhar & Santhanam  
Chartered Accountants  
Firm Registration No. 003990S

For and on behalf of the Board of Directors

T V Balasubramanian  
Partner  
Membership No. 027251

David Bellin  
Chairman & Director

Dr. Martin Müller  
Executive Director

S.Akila  
Company Secretary

Place : Chennai  
Date : April 23, 2014

Place : Chennai  
Date : April 23, 2014

## Consolidated Statement of Profit and Loss for the year ended March 31, 2014

Particulars	Note	March 31, 2014 Rs.	March 31, 2013 Rs.
Revenue from Operations	16	1,944,439,625	1,614,434,968
Other income	17	101,890,886	24,262,386
<b>Total Revenue</b>		<b>2,046,330,511</b>	<b>1,638,697,354</b>
Employee benefits expense	18	1,182,208,126	945,481,714
Depreciation and amortization expense	19	56,568,429	46,423,743
General, administrative and other expenses	20	365,109,755	367,049,243
Finance cost	21	20,121,331	14,940,910
<b>Total expenses</b>		<b>1,624,007,641</b>	<b>1,373,895,610</b>
<b>Profit before exceptional and extraordinary items and tax</b>		<b>422,322,870</b>	<b>264,801,744</b>
Exceptional items		-	-
<b>Profit before extraordinary items and tax</b>		<b>422,322,870</b>	<b>264,801,744</b>
Extraordinary items		-	-
<b>Profit before tax</b>		<b>422,322,870</b>	<b>264,801,744</b>
<b>Tax expense:</b>			
Current Tax			
Current year		118,230,864	75,896,332
Deferred Tax (Credit)		3,719,088	(5,502,694)
<b>Profit for the year</b>		<b>300,372,918</b>	<b>194,408,106</b>
Earnings per Equity share (Par value of Rs.10 each)	22		
Basic		29.53	19.32
Diluted		28.66	19.03

### Summary of significant accounting policies

2

The accompanying notes are an integral part of this Statement of Profit and Loss

### As per our report of even date

**PKF Sridhar & Santhanam**  
Chartered Accountants  
Firm Registration No. 003990S

For and on behalf of the Board of Directors

**T V Balasubramanian**  
Partner  
Membership No. 027251

**David Bellin**  
Chairman & Director

**Dr. Martin Müller**  
Executive Director

**S.Akila**  
Company Secretary

Place : Chennai  
Date : April 23, 2014

Place : Chennai  
Date : April 23, 2014



## Statement of Consolidated Cash flow for the year ended March 31, 2014

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>Cash flow from operating activities</b>		
<b>Net profit/(loss) before taxation</b>	<b>422,322,870</b>	<b>264,801,744</b>
<b>Adjustments for:</b>		
Depreciation/amortisation	56,568,429	46,423,743
Loss/(profit) on sale of fixed assets	(364,945)	(2,140,071)
Unrealised forex exchange loss/(gain), net	(9,704,433)	41,850,439
Interest income	(11,411,456)	(9,730,341)
Interest expense	18,013,328	12,027,161
Provision for bad and doubtful debts	(13,019,231)	12,611,803
<b>Operating profit before working capital changes</b>	<b>462,404,562</b>	<b>365,844,478</b>
(Increase)/Decrease in Trade Receivables	(139,088,553)	(212,956,974)
(Increase)/Decrease in loans and advances and other current assets	27,303,384	104,783,836
Increase/(Decrease) in current liabilities and provisions	28,688,567	(18,783,791)
<b>Cash generated from operations</b>	<b>379,307,960</b>	<b>238,887,549</b>
Direct taxes paid (net of refunds)	(142,066,251)	(54,773,095)
<b>Net cash from/(used in) operating activities</b>	<b>237,241,709</b>	<b>184,114,454</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(25,294,750)	(250,649,972)
Proceeds from sale of fixed assets	379,131	3,032,754
Interest received	10,792,531	8,601,214
Fixed deposits matured/(invested) during the year	(13,363,807)	32,320,338
<b>Net cash from/(used in) investing activities</b>	<b>(27,486,895)</b>	<b>(206,695,666)</b>
<b>Cash flows from financing activities</b>		
Proceeds from Issue of Shares/Share Application money Received	7,718,700	2,926,045
Term loan availed	-	143,795,085
Repayment of Borrowings	(23,699,020)	(690,813)
Interest paid	(18,013,328)	(12,027,161)
Dividends paid	(81,243,348)	(60,309,486)
Tax on dividend paid	(13,790,056)	(9,783,708)
<b>Net cash from/(used in) financing activities</b>	<b>(129,027,052)</b>	<b>63,909,962</b>
<b>Net increase in cash and cash equivalents</b>	<b>80,727,762</b>	<b>41,328,750</b>
Cash and cash equivalents at the beginning of the year	293,475,756	271,866,055
Effect of changes in exchange rate on cash and cash equivalents	21,133,436	(19,719,049)
<b>Cash and cash equivalents at the end of the year (Ref Note 15)</b>	<b>395,336,954</b>	<b>293,475,756</b>

## Summary of significant accounting policies (Note 2)

## As per our report of even date

PKF Sridhar & Santhanam  
Chartered Accountants  
Firm Registration No. 003990S

For and on behalf of the Board of Directors

T V Balasubramanian  
Partner  
Membership No. 027251

David Bellin  
Chairman & Director

Dr. Martin Müller  
Executive Director

S.Akila  
Company Secretary

Place : Chennai  
Date : April 23, 2014

Place : Chennai  
Date : April 23, 2014

## Notes to Consolidated Financial Statements for the year ended March 31, 2014

### Note 1

#### i Background:

Thinksoft Global Services Limited ("Thinksoft" or "the Company"), incorporated on June 8, 1998 as a private limited company was converted into a public limited company with effect from 19th August 2008. The Company made its Initial Public Offering (IPO) of its Equity Shares on September 24, 2009 (issue open date) and shares under IPO were allotted on October 14, 2009. The Company's shares are listed in National Stock exchange and Bombay Stock exchange with effect from October 26, 2009.

The Company is an India based software service provider primarily delivering software validation and verification services to the banking and financial services industry worldwide. The Company has invested in five wholly owned subsidiaries in Singapore, USA, Germany, UK and UAE for market development and service delivery in the respective regions.

Name of subsidiary	Country of Incorporation	Percentage of ownership
Thinksoft Global Services Pte Ltd	Singapore	100%
Thinksoft Global Services, Inc	USA	100%
Thinksoft Global Services GmbH	Germany	100%
Thinksoft Global Services UK Ltd	UK	100%
Thinksoft Global Services FZE	UAE	100%

In terms of the Share Purchase Agreement dated November 8, 2013 (the "SPA") executed amongst SQS Software Quality Systems AG and Mr. A. V. Asvini Kumar, Ms. Vanaja Arvind, Mr. Mohan Parvatikar, Ms. A.K. Latha, Mr. A.K. Krishna, Ms. Aarti Arvind and Mr. Rajan C.V. (the "Sellers"), the Sellers had sold 2,644,612 equity shares (the "Acquisition Shares") of the Company constituting 25.76% of the paid up equity share capital of the Company to SQS Software Quality Systems AG at a per share price of Rs. 260/- (the "Acquisition").

In February 2014, SQS Software Quality Systems AG, launched a tender offer for equity shares of the Company constituting at least 26% of the paid up equity share capital of the Company, held by the public shareholders of the Company in accordance with the terms of the SEBI (SAST) Regulations (the "Open Offer"). The aggregate shareholding of SQS after the completion of the Open Offer and the Acquisition was less than 51% of the paid equity Share Capital of the Company. In accordance with the SPA, the Sellers (other than Mr. Rajan C.V.) have sold their balance equity shares in the Company to make up for the shortfall, resulting in SQS acquiring a 53.35% controlling interest in the company by April 2014.

The Company has become a subsidiary Company of SQS Software Quality Systems AG

The management has decided to wind up the operations of German Subsidiary and also the place of business in Cyprus. The management expects to realize at least the book values for the net assets carried in respect of these businesses.

#### ii Basis of preparation of financial statements:

The financial statements of the company have been prepared and presented under historical cost convention on the accrual basis of accounting as a going concern and materially comply with the Companies (Accounting Standards) Rules, 2006 issued by the Central Government and the relevant provisions

of the Companies Act to the extent applicable. The accounting policies applied by the Company are consistent with those used in the previous year.

#### iii Principles of consolidation:

The consolidated financial statements of the group are prepared in accordance with the principles and procedures for the preparation and presentation of the consolidated financial statements as laid down under AS 21- Consolidated Financial Statements. All inter group transactions and accounts are eliminated in consolidation.

The financial statements of the company and its subsidiaries have been combined on a line by line basis by adding together the book values of like items of costs, liabilities, income and expenses after eliminating intra-group balances/transactions and resulting unrealized profits/losses in full.

Consolidated financial statements are prepared using uniform accounting policies for transactions and other events in similar circumstances and where subsidiary company uses accounting policies different from those adopted by the holding company, appropriate adjustments, wherever required, have been made.

### Note 2: Summary of significant accounting policies:

#### i Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles in India requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement and notes thereto and the reported amounts of revenues and expenses during the accounting period. Any revision to the accounting estimates is recognized prospectively in the current and future periods. Examples of such estimates include provision for doubtful debts, economic useful lives of fixed assets, etc. Actual results could differ from those estimates.

#### ii Fixed Assets and Depreciation:

##### Tangible Assets

Tangible assets are stated at cost less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of qualifying fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management or at the rates prescribed under the Companies Act whichever is higher. The rates currently applied are as follows:

Asset description	Percentage
Building	5%
Plant and equipment	33.33%
Computer equipment	33.33%
Furniture and fittings	33.33%
Office equipment	33.33%
Vehicles	25%
Temporary partitions	100%
Leasehold Rights & Improvements	Tenure of lease period or 10 years whichever is less

## Notes to Consolidated Financial Statements for the year ended March 31, 2014

Assets individually costing Rs. 5,000 or less are depreciated in full in the year of acquisition

Capital work-in-progress includes the cost of fixed assets that are not ready for their intended use

### iii Intangible assets:

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. These assets are amortized on straight line basis over the estimated useful economic life. The amortization period and amortization method are reviewed at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of Profit and loss, when the asset is derecognized.

Amortization rates currently applied are as follows:

Asset description	Percentage
Intangible assets - Computer software	33.33%
Intangible assets - Software tools	20%

### iv Impairment:

The carrying amount of assets are reviewed at each balance sheet date to see if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

### v Investment:

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, any decline, other than temporary, in the value of the investments is charged to the Statement of profit and loss account.

### vi Revenue recognition:

#### Software service income

- Revenue from software validation and allied services comprises revenue from time and material contracts and fixed price contracts.
- Revenue in respect of time-and-materials contracts is recognized based on time/efforts spent on and / or billed to clients as per the terms of specific contracts.
- Revenue in respect of fixed-price contracts is recognized on proportionate completion method on the basis of the work completed.

- Revenue includes reimbursement of expenses wherever billed as per the terms of contracts.

#### Interest income

Interest on deployment of surplus funds is recognized using the time-proportion method.

#### Government grant

Government grant is recognized upon confirmation of the entitlement of the grant.

### vii Employee benefits:

- Employee benefits in the form of Provident Fund / Social Security payments are defined contribution schemes and the contributions made are charged to the Statement of Profit and Loss for the year. The Company has no further obligations under these plans beyond its periodic contributions.
- Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of each financial year under the projected unit credit method. Actuarial gains/losses comprise experience adjustments and the effect of changes in actuarial assumptions and are recognized immediately in the Statement of Profit & Loss as Income/Expense.
- The Company does not allow leave encashment on retirement. However, appropriate provision is made at the end of each financial year based on estimates for the accrued and unavailed leave entitlement which are short term in nature.

### viii Taxation:

Tax expense comprises current tax, deferred tax charge or credit and Minimum Alternate Tax credit. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the relevant tax laws of each country. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

MAT Credit is measured at the amounts of Minimum Alternative Tax payable for the year, which is adjustable against regular tax payable in subsequent years and is recognized to the extent considered probable of such adjustment.

### ix Earnings per share:

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

## Notes to Consolidated Financial Statements for the year ended March 31, 2014

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### x Foreign currency transactions and translations:

#### a Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Income and expenditure transactions of the foreign operations are recorded by applying the monthly weighted average exchange rate of the respective currencies.

#### b Conversion

Monetary items denominated in foreign currency are reported using the closing rate. Non-monetary items are carried at historical cost.

#### c Exchange differences

Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise. Exchange differences on account of conversion of foreign operations are also recognized as income or as expenses in the year in which they arise.

#### d Forward contracts in foreign currency

The Company uses, to a limited extent, foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. The company does not use the foreign currency forward contracts for trading or speculation purposes. Realized/unrealized gains and losses on forward contracts are accounted in the profit and loss account for the period. Premium/Discount on forward contracts are accounted over the contract period.

#### e Classification of foreign operations as integral / non-integral :

The company classifies all its foreign operations as integral foreign operations. Transaction of integral foreign operations are translated as if the transactions of the foreign operation are those of the Indian Operations itself.

#### xi Provisions:

A provision is recognised when an enterprise has a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

#### xii Leases:

##### Where the company is lessee

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 Profit and Loss account as per the terms of the agreements over the lease term.

##### Where the company is lessor

Operating lease receipts are recognized as Other Income in the Profit and Loss account as per the terms of the agreements over the sub lease period.

#### xiii Employee stock compensation cost:

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortized over the vesting period of the option on a straight line basis.

#### xiv Segment information:

The group's operations predominantly relate to software validation and verification services relating to banking and financial services industry and accordingly, this is the only primary reportable business segment.

The segmental sales information is provided on geographical basis classified as India and Rest of the World.

#### xv Cash flows:

Cash flows are reported using indirect method, whereby net profit 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 revenue generating, investing and financing activities are segregated.

Cash and cash equivalents: Cash and cash equivalents, in the statement of cash flow, comprise cash at bank and in hand and fixed deposits with original maturity of maximum 90 days.

#### xvi Contingent liabilities:

A contingent liability is a possible obligation that arises due to past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

## Notes to Consolidated Financial Statements for the year ended March 31, 2014

### Note 3: Share capital

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>Authorized</b>		
12,000,000 equity shares (March 31, 2013: 12,000,000) of Rs.10 each	120,000,000	120,000,000
<b>Issued, subscribed and fully paid up</b>		
10,267,681 equity shares (March 31, 2013 10,123,681) of Rs.10 each	102,676,810	101,236,810

#### a Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

##### Equity shares

Particulars	March 31, 2014		March 31, 2013	
	Number	Rs.	Number	Rs.
<b>At the beginning of the year</b>	10,123,681	101,236,810	10,051,581	100,515,810
Issued during the year	144,000	1,440,000	72,100	721,000
<b>Outstanding at the end of the year</b>	10,267,681	102,676,810	10,123,681	101,236,810

#### b Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of Rs.10 per share. Each holder of equity share is entitled to one vote per share. The company declares and pays dividend in Indian rupees. The dividend proposed by Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting.

#### c Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:

Particulars	March 31, 2014	March 31, 2013
Equity shares allotted as fully paid bonus shares by capitalization of securities premium during the financial year 2008-09	870,156	870,156

#### d Details of shareholders holding more than 5% shares in the company

Particulars	March 31, 2014		March 31, 2013	
	Number	% Holding	Number	% Holding
SQS Software Quality Systems AG	2,673,697	26.04%	-	-
A V Asvini Kumar	1,759,554	17.14%	3,654,166	36.10%
Vanaja Arvind	-	-	1,109,762	10.96%

As per records of the company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares

#### e Shares reserved for issue under options

For details of shares reserved for issue under the employee stock option (ESOP) plan of the company, please refer Note 24

#### f For the year 2013-14, the Board of Directors have recommended final dividend of Rs.4 per share (in addition to interim dividend of Rs. 5 per share already distributed), which is subject to the approval of the share holders. During the previous year 2012-13, the company had declared final dividend of Rs.3 per share (in addition to interim dividend of Rs.3 per share)

## Notes to Consolidated Financial Statements for the year ended March 31, 2014

### Note 4: Reserves and surplus

Particulars	Note	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>Securities premium account</b>			
Balance at the beginning of the year		150,782,010	148,759,605
Add: Additions during the year		6,461,340	2,022,405
Balance at the end of the year	<b>A</b>	<b>157,243,350</b>	<b>150,782,010</b>
<b>General Reserve</b>			
Balance at the beginning of the year		55,571,695	39,171,695
Add: Additions during the year		25,436,000	16,400,000
Balance at the end of the year	<b>B</b>	<b>81,007,695</b>	<b>55,571,695</b>
<b>Surplus/(Defecit) in the statement of profit and Loss</b>			
Balance as per last financial statements		574,301,065	466,637,541
Profit for the year		300,372,918	194,408,106
Less: Appropriations			
Interim dividend paid on equity shares		(50,857,905)	(30,154,743)
Proposed final equity dividend *		(41,085,124)	(30,371,043)
Tax on Interim equity dividend		(8,643,301)	(4,891,854)
Tax on proposed final equity dividend **		(7,217,033)	(4,926,942)
Transfer to general reserve		(25,436,000)	(16,400,000)
Total appropriations		(133,239,363)	(86,744,582)
<b>Net surplus in statement of Profit and Loss</b>	<b>C</b>	<b>741,434,620</b>	<b>574,301,065</b>
<b>Total Reserves and Surplus</b>	<b>(A+B+C)</b>	<b>979,685,665</b>	<b>780,654,770</b>

\* includes Rs.14,400 pertaining to previous year

\*\* includes Rs.237,063 pertaining to previous year

### Note 5:

#### Long term borrowings - Secured

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Term Loan from Bank	119,405,252	143,104,272
(Secured against the property including moveable fixed assets, furniture & fixtures, Interiors, equipments and other assets purchased out of the above loan)		
Less: Current maturities classified under other current liabilities (Refer note 7)	(23,076,000)	(28,846,154)
<b>Total</b>	<b>96,329,252</b>	<b>114,258,118</b>

The company also has a cash credit facility with bank which is secured by hypothecation of fixed assets and book debts of the company both present and future. There is no outstanding amount due on this account, as at the end of the year. The interest rate on Term Loan ranges from 13.50% to 13.75% during the year and repayment term is about 6.5 Years.

### Note 6: Trade payables

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Sundry Creditors	15,869,583	12,939,963
<b>Total</b>	<b>15,869,583</b>	<b>12,939,963</b>

## Notes to Consolidated Financial Statements for the year ended March 31, 2014

### Note 7: Other current liabilities

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Advance received from customers	1,318,019	1,058,103
Employee benefits payable	56,663,564	60,213,120
Liabilities for other expenses	44,751,308	43,640,301
Unearned Revenue	2,491,432	-
Unpaid application money due for refund	72,000	72,000
Unpaid dividend	1,285,257	1,320,076
Statutory Liabilities	49,582,052	21,521,825
Current maturities of long term borrowings ( Refer note 5)	23,076,000	28,846,154
<b>Total</b>	<b>179,239,632</b>	<b>156,671,579</b>

### Note 8: Short term Provisions

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Provision for Employee Benefits:		
for Leave salary	11,207,368	10,320,409
for gratuity	837,366	3,354,603
Provision for tax on proposed interim equity dividend	17,250	-
Proposed equity dividend	41,070,724	30,371,043
Provision for tax on proposed equity dividend	6,979,970	4,926,942
Provision for taxation (Net of prepaid taxes)	34,726,998	70,090,790
<b>Total</b>	<b>94,839,676</b>	<b>119,063,787</b>

## Notes to Consolidated Financial Statements for the year ended March 31, 2014

## Note 9: Tangible assets

	in Rs.									
	Leasehold rights & Improvement	Building	Plant and equipments	Computer equipment	Furniture and fittings	Office equipment	Vehicles	Temporary partitions	Total	
<b>Cost or valuation</b>										
At April 1, 2012	9,504,000	34,456,332	18,429,500	75,567,373	14,571,386	8,749,637	6,363,466	505,784	168,147,478	
Additions	-	197,688,137	21,467,453	17,575,846	9,087,066	3,976,943	-	112,805	249,908,249	
Disposals	-	-	(2,537,307)	(8,926,184)	(6,763,680)	(288,629)	-	(21,399)	(18,537,200)	
<b>At March 31, 2013</b>	<b>9,504,000</b>	<b>232,144,469</b>	<b>37,359,646</b>	<b>84,217,035</b>	<b>16,894,771</b>	<b>12,437,951</b>	<b>6,363,466</b>	<b>597,190</b>	<b>399,518,527</b>	
Additions	-	102,430	1,170,942	9,025,338	280,248	395,610	-	-	10,974,568	
Disposals	-	-	(559,672)	(1,482,981)	(369,677)	(338,409)	(868,160)	-	(3,618,899)	
<b>At March 31, 2014</b>	<b>9,504,000</b>	<b>232,246,899</b>	<b>37,970,916</b>	<b>91,759,392</b>	<b>16,805,342</b>	<b>12,495,152</b>	<b>5,495,306</b>	<b>597,190</b>	<b>406,874,196</b>	
	Leasehold rights & Improvement	Building	Plant and equipments	Computer equipment	Furniture and fittings	Office equipment	Vehicles	Temporary partitions	Total	
<b>Depreciation</b>										
At April 1, 2012	3,326,400	2,532,629	9,502,892	55,486,833	7,946,842	5,688,554	3,254,210	505,784	88,244,144	
Additions	960,960	4,672,085	6,829,748	13,723,976	6,582,886	2,597,436	1,198,738	112,805	36,678,632	
Disposals	-	-	(2,498,855)	(8,577,996)	(6,257,636)	(288,629)	-	(21,399)	(17,644,515)	
<b>At March 31, 2013</b>	<b>4,287,360</b>	<b>7,204,713</b>	<b>13,833,785</b>	<b>60,632,813</b>	<b>8,272,092</b>	<b>7,997,360</b>	<b>4,452,948</b>	<b>597,190</b>	<b>107,278,262</b>	
Additions	950,400	11,608,051	11,693,123	13,452,407	4,187,141	2,428,900	1,089,513	-	45,409,535	
Disposals	-	-	(559,672)	(1,482,980)	(369,668)	(324,233)	(868,160)	-	(3,604,713)	
<b>At March 31, 2014</b>	<b>5,237,760</b>	<b>18,812,764</b>	<b>24,967,236</b>	<b>72,602,240</b>	<b>12,089,565</b>	<b>10,102,027</b>	<b>4,674,301</b>	<b>597,190</b>	<b>149,083,084</b>	
<b>Net Block</b>										
At March 31, 2013	5,216,640	224,939,756	23,525,861	23,584,222	8,622,679	4,440,590	1,910,518	-	292,240,266	
At March 31, 2014	4,266,240	213,434,134	13,003,680	19,157,152	4,715,777	2,393,124	821,005	-	257,791,112	

## Note 10: Intangible assets - Computer Software

	in Rs.	
	Gross Block	Net Block
At April 1, 2012	56,687,638	28,489,213
Additions	781,642	9,745,111
Disposals	-	-
<b>At March 31, 2013</b>	<b>57,469,280</b>	<b>38,234,324</b>
Additions	8,274,021	11,158,894
Disposals	-	-
<b>At March 31, 2014</b>	<b>65,743,301</b>	<b>49,393,218</b>
		<b>16,350,083</b>



## Notes to Consolidated Financial Statements for the year ended March 31, 2014

## Note 11: Deferred tax asset

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>Opening Balance</b>	<b>9,472,949</b>	<b>3,970,255</b>
Deferred tax credit (provision) for the year	(3,719,089)	5,502,694
<b>Closing Balance</b>	<b>5,753,860</b>	<b>9,472,949</b>
<b>Break up of deferred tax asset</b>		
on account of timing difference in claiming depreciation allowance	5,469,238	3,966,265
on account of timing difference in claiming provision for gratuity and doubtful debts	284,622	5,506,684
<b>Total</b>	<b>5,753,860</b>	<b>9,472,949</b>

## Note 12: Loans and advances (Unsecured, considered good)

Particulars	Non-Current		Current	
	March 31, 2014 Rs.	March 31, 2013 Rs.	March 31, 2014 Rs.	March 31, 2013 Rs.
Security deposit	5,181,162	5,208,116	18,146,504	30,854,566
Advances to Key Management Personnel	-	-	-	6,256
Trade and Staff advances	-	-	20,056,801	16,788,860
Other Loans and advances				
Prepaid expenses	-	-	11,336,570	4,746,103
MAT credit entitlement	-	-	16,869,630	28,398,035
Income tax refund due / deposits	-	-	5,339,067	5,339,067
Input tax credit	-	-	15,249,384	20,025,961
	-	-	<b>48,794,651</b>	<b>58,509,166</b>
<b>Total</b>	<b>5,181,162</b>	<b>5,208,116</b>	<b>86,997,956</b>	<b>106,158,848</b>

## Note 13: Other assets (Unsecured, considered good)

Particulars	Non-Current		Current	
	March 31, 2014 Rs.	March 31, 2013 Rs.	March 31, 2014 Rs.	March 31, 2013 Rs.
Non-current bank balances (Note 15)	19,952,678	6,630,000	-	-
(A)	<b>19,952,678</b>	<b>6,630,000</b>	-	-
Unbilled revenue	-	-	4,391,855	38,641,719
(B)	-	-	<b>4,391,855</b>	<b>38,641,719</b>
<b>Others</b>				
Forward cover premium	-	-	-	1,603,525
Interest accrued on fixed deposits	-	-	5,306,465	4,687,540
(C)	-	-	<b>5,306,465</b>	<b>6,291,065</b>
<b>Total</b>	<b>19,952,678</b>	<b>6,630,000</b>	<b>9,698,320</b>	<b>44,932,784</b>
(A+B+C)				

## Notes to Consolidated Financial Statements for the year ended March 31, 2014

## Note 14: Trade receivable (Unsecured)

Particulars	Non-Current		Current	
	March 31, 2014 Rs.	March 31, 2013 Rs.	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>				
Considered good	-	-	7,901,654	1,306,448
Considered doubtful	-	-	-	13,019,231
Provision for doubtful receivables	-	-	7,901,654	14,325,679
	-	-	-	(13,019,231)
	-	-	<b>7,901,654</b>	<b>1,306,448</b>
<b>Others</b>				
Considered good	-	-	549,876,657	411,922,511
	-	-	<b>549,876,657</b>	<b>411,922,511</b>
<b>Total</b>	-	-	<b>557,778,311</b>	<b>413,228,959</b>

## Note 15: Cash and Bank balances

Particulars	Non-Current		Current	
	March 31, 2014 Rs.	March 31, 2013 Rs.	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>Cash and cash equivalents</b>				
Balance with bank on current accounts	-	-	355,324,008	293,454,413
Deposits with original maturity of less than three months	-	-	40,000,000	-
Cash in hand	-	-	12,946	21,343
	-	-	<b>395,336,954</b>	<b>293,475,756</b>
<b>Other bank balances</b>				
Deposits with original maturity for more than 3 months	-	-	105,801,900	92,438,093
Margin money deposits*	19,952,678	6,630,000	-	-
Unpaid application money due for refund	-	-	72,000	72,000
Unpaid dividend account	-	-	1,285,257	1,320,076
	<b>19,952,678</b>	<b>6,630,000</b>	<b>107,159,157</b>	<b>93,830,169</b>
Amount disclosed under non-current Other assets (Note 13)	(19,952,678)	(6,630,000)	-	-
<b>Total</b>	-	-	<b>502,496,111</b>	<b>387,305,925</b>

\* Margin money deposits given as performance/financial security

## Note 16: Revenue from operations

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Software services	1,944,439,625	1,614,434,968

## Notes to Consolidated Financial Statements for the year ended March 31, 2014

### Note 17: Other income

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Interest income on bank deposits	11,411,456	9,724,657
Interest income - others	672	5,684
Profit on sale of fixed assets	364,945	2,140,071
Net foreign exchange gain	77,086,654	10,488,819
Write back of provision no longer required (Doubtful debts)	13,019,231	-
Rental Income (Sub lease)	-	1,681,867
Government grant	-	221,288
Other income	7,928	-
<b>Total</b>	<b>101,890,886</b>	<b>24,262,386</b>

### Note 18: Employee benefit expense

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Salaries, wages and bonus	1,107,338,579	889,316,194
Contribution to provident and other fund	45,765,156	37,387,479
Gratuity expense	15,242,581	6,689,630
Staff welfare expense	13,861,810	12,088,411
<b>Total</b>	<b>1,182,208,126</b>	<b>945,481,714</b>

### Note 19: Depreciation and amortization expense

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Depreciation on tangible assets	45,409,535	36,678,632
Amortization of intangible assets	11,158,894	9,745,111
<b>Total</b>	<b>56,568,429</b>	<b>46,423,743</b>

### Note 20: General, administrative and other expenses

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Travel and conveyance	153,518,019	136,394,184
Rent	16,163,407	44,008,768
Professional fees (Including Audit Fees)	43,767,001	36,412,739
Marketing and selling expenses	36,559,112	21,587,215
Consultancy charges	10,204,003	9,642,678
Software expenses	20,615,867	17,614,184
Power and fuel	14,198,552	20,194,658
Repairs & Maintenance - Buildings	10,328,448	8,060,265
- Plant and machinery	2,631,873	2,899,297
- Others	3,572,947	3,230,535
Communication expenses	12,399,462	13,996,398
Sales commission	15,320,371	23,804,230
Training and recruitment	5,519,376	698,267
Insurance	6,409,091	5,495,645
Director sitting fees	658,566	700,000
Rates and taxes	4,768,217	1,622,059
Donation	1,534,791	800,175
Provision for Doubtful Debts	-	12,611,803
Miscellaneous expenses	6,940,652	7,276,143
<b>Total</b>	<b>365,109,755</b>	<b>367,049,243</b>

## Notes to Consolidated Financial Statements for the year ended March 31, 2014

## Note 21: Finance cost

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Interest	18,013,328	12,027,161
Bank charges	2,108,003	2,913,749
<b>Total</b>	<b>20,121,331</b>	<b>14,940,910</b>

## Note 22: Earnings per share

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>Profit for computation of basic EPS</b>	300,372,918	194,408,106
Add/ (Less) adjustment	-	-
<b>Profit for computation of Diluted EPS</b>	<b>300,372,918</b>	<b>194,408,106</b>
	<b>Number</b>	<b>Number</b>
Shares at the Beginning of the year	10,123,681	10,051,581
Add: Weighted average of shares issued during the year	47,237	13,235
<b>Total weighted average number of equity shares for calculating basic EPS</b>	<b>10,170,918</b>	<b>10,064,816</b>
Effect of Dilutive stock option	309,758	152,479
<b>Weighted average number of equity shares in calculating diluted EPS</b>	<b>10,480,675</b>	<b>10,217,295</b>
<b>Earnings per share - Basic (Rs.)</b>	<b>29.53</b>	<b>19.32</b>
<b>Earnings per share - Diluted (Rs.)</b>	<b>28.66</b>	<b>19.03</b>

## Note 23: Disclosure pursuant to Accounting Standard - 15

## i Short term plan - Compensated Absence

There is no leave encashment facility. Provision towards leave availed in subsequent periods have been estimated and accounted as under:

Particulars	Current year Rs.	Previous year Rs.
<b>Liability at the beginning of the year</b>	<b>10,320,409</b>	<b>8,820,409</b>
Leave salary cost accounted for the year	886,959	1,500,000
<b>Total liability as at year end</b>	<b>11,207,368</b>	<b>10,320,409</b>

## ii. Defined contribution plan - Provident fund &amp; other statutory contributions

Particulars	Current year Rs.	Previous year Rs.
Employers contribution	42,641,481	32,007,933

## iii Defined Benefit Plan - Gratuity

Particulars	Current year Rs.	Previous year Rs.
<b>Change in Benefit obligation</b>		
<b>Liability at the beginning of the year</b>	<b>30,956,486</b>	<b>26,964,973</b>
Interest cost	2,358,861	2,039,435
Current service cost	6,675,516	5,951,616
Past service cost (Vested benefit)	-	-
Past service cost (Non Vested benefit)	-	-
Benefit paid	(2,941,453)	(2,944,070)
Actuarial (Gain)/Loss on obligations	7,905,237	(1,055,468)
<b>Liability at the end of the year</b>	<b>44,954,647</b>	<b>30,956,486</b>

## Notes to Consolidated Financial Statements for the year ended March 31, 2014

## iii Defined Benefit Plan - Gratuity (Contd.)

Particulars	Current year Rs.	Previous year Rs.
<b>Fair value of Plan Assets</b>		
Fair value of plan assets at the beginning of the year	27,601,883	18,100,000
Expected return on plan assets	2,975,941	1,931,877
Contributions	17,759,818	12,200,000
Benefit paid	(2,941,453)	(2,944,070)
Actuarial Gain/(Loss) on plan assets	(1,278,908)	(1,685,924)
<b>Fair value of plan assets at the end of the year</b>	<b>44,117,281</b>	<b>27,601,883</b>
<b>Actual return on Plan Assets</b>		
Expected return on plan assets	2,975,941	1,931,877
Actuarial Gain/(Loss) on plan assets	(1,278,908)	(1,685,924)
<b>Actual return on Plan Assets</b>	<b>1,697,033</b>	<b>245,953</b>
<b>Amount recognized in the balance sheet</b>		
Present value of the obligation	44,954,647	30,956,486
Fair value of plan assets	44,117,281	27,601,883
Difference (Funded status)	837,366	3,354,603
Expected return on plan assets and actuarial gains thereon not recognized pending confirmation from LIC	-	-
<b>Amount recognized in the balance sheet</b>	<b>837,366</b>	<b>3,354,603</b>
<b>Expenses recognized in the income statement</b>		
Current service cost	6,675,516	5,951,616
Interest cost	2,358,861	2,039,435
Expected return on plan assets	(2,975,941)	(1,931,877)
Net Actuarial (Gain)/Loss to be recognized	9,184,145	630,456
Transitional Liability recognized		
Past service cost - non Vested benefits		
Past service cost - vested benefits		
<b>Expense recognized in P&amp;L</b>	<b>15,242,581</b>	<b>6,689,630</b>
<b>Balance sheet reconciliation</b>		
Opening net liability as per Books	3,354,603	8,864,973
Transitional liability adjusted to opening reserves and deferred taxes	-	-
Expense as above	15,242,581	6,689,630
Expected return on plan assets and actuarial gains thereon not recognized pending confirmation from LIC	-	-
Contribution paid	(17,759,818)	(12,200,000)
<b>Amount recognized in the balance sheet</b>	<b>837,366</b>	<b>3,354,603</b>
<b>Actuarial assumptions</b>		
Discount rate - Current	9.00%	8.00%
Expected rate of return on plan assets	8.50%	8.50%
Salary Escalation - Current	7.00%	7.00%
Attrition rate	10.00%	1.50%
<b>Investment details</b>		
Funds managed by the Insurer	100%	100%

## Notes to Consolidated Financial Statements for the year ended March 31, 2014

### Actuarial valuation

#### a. Experience adjustment

Rs.

Particulars	2013-14	2012-13	2011-12	2010-11
Defined benefit obligation	44,954,647	30,956,486	26,964,973	26,491,000
Plan assets	44,117,281	27,601,883	18,100,000	1,916,000
Surplus/(Deficit)	(837,366)	(3,354,603)	(8,864,973)	(24,575,000)
Exp. adj. on plan liabilities	1,009,942	(122,951)	(5,039,000)	(1,325,000)
Exp. adj. on assets	(1,278,908)	(1,685,924)	(689,000)	2,942,000

Estimated contribution towards gratuity for next year - Rs. 100 Lakhs

#### Note 24: Employee stock option plans

The company provides share based payment schemes to its employees. During the year ended March 31, 2014 an employee stock option plan (ESOP) was in existence. The relevant details of the scheme and the grant are as below.

On April 29, 2011 the Board of Directors approved the equity settled ESOP scheme 2011 (Scheme 2011) for issue of stock options to the key employees and directors of the company setting aside 10,05,100 options under this scheme. According to the scheme 2011, the employees selected by the remuneration committee from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions, viz., continuing employment of 3 years. The contractual life (comprising vesting period and exercise period) of options granted is 8 years. The other relevant terms of the grant are as below:

Particulars	Options granted on October 25, 2012	Options granted on October 24, 2011
Vesting period	3 years	3 years
Exercise period	5 years	5 years
Exercise price	Rs.114.70	Rs.38.05
Market price on the date of grant	Rs.114.70	Rs.38.05

The details of activity under the scheme 2011 are summarised below:

Particulars	March 31, 2014		March 31, 2013	
	No. of options	WAEP (Rs.)	No. of options	WAEP (Rs.)
Outstanding at the beginning of the year	677,400	84.05	339,000	38.05
Granted during the year	Nil	Nil	410,500	114.70
Forfeited during the year	27,400	92.36	Nil	Nil
Exercised during the year	144,000	54.87	72,100	38.05
Outstanding at the end of the year	508,700	92.51	677,400	84.50
Exercisable at the end of the year	174,800	93.13	63,500	38.05

The weighted average remaining contractual life for the stock options outstanding as at March 31, 2014 is 5.46 Years (March 31, 2013: 3.67 Years). The range of exercise price for options outstanding at the end of the year was Rs.38.05 to Rs. 114.70 (March 31, 2013 Rs. 38.05 to 114.70)

The weighted average fair value of stock options granted during the year - No Options has been granted during the year (March 31, 2013: Rs.55.08). The black scholes valuation model has been used for computing weighted average fair value considering the following inputs:

Particulars	March 31, 2014	March 31, 2013
Dividend yield (%)		4.36%
Expected volatility		71.84%
Risk-free interest rate		8.17%
Weighted average share price		114.70
Exercise price		114.70
Expected life of options granted in years		4.4 years

The expected life of the stock is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of options is indicative of future trends, which may also not necessarily be the actual outcome.

## Notes to Consolidated Financial Statements for the year ended March 31, 2014

The company measures the cost of ESOP using intrinsic value method. Had the company used fair value model to determine compensation, its profit after tax and earning per share would have changed to the amounts indicated below:

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>Profit after tax as reported</b>	300,372,918	194,408,106
Add: ESOP cost using intrinsic value method	NIL	NIL
Less: ESOP cost using fair value method	11,180,879	9,597,370
<b>Proforma profit after tax</b>	<b>289,192,039</b>	<b>184,810,736</b>
<b>Earnings per share</b>		
Basic		
As reported	29.53	19.32
Proforma	28.43	18.36
Diluted		
As reported	28.66	19.03
Proforma	27.59	18.09

### Note 25: Operating lease: Company as lessee

The company has entered into commercial leases on certain buildings. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the company by entering into these leases.

Future minimum rentals payable under non-cancellable operating lease are as follows:

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Within one year		
After one year but not more than five years	10,521,206	7,885,430
More than five years	16,595,160	10,690,743
	-	-
<b>Total</b>	<b>27,116,366</b>	<b>18,576,173</b>
Lease payments recognised in the Statement of Profit and Loss account	16,163,407	44,008,768

### Note 26: Segment reporting

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>Sales revenue by geographical market</b>		
Within India	114,989,703	101,399,902
Outside India	1,829,449,922	1,513,035,066
<b>Total</b>	<b>1,944,439,625</b>	<b>1,614,434,968</b>

### Note 27: Commitments and contingencies

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advance)	626,186	-
Service tax related matters	7,218,676	7,218,676
Income tax related matters	57,202,781	51,238,609
Counter guarantees issued to the bank for the bank guarantee obtained	31,800,731	27,772,053

The Service Tax Authorities had made a demand for Rs. 3,609,338 along with interest and penalty for an equivalent amount, towards tax leviable for certain services rendered by the Company during the period July 2003 to Dec 2005. Management contends that the Company has sufficient grounds to defend its position and is filing an appeal before Customs, Excise and Service tax appellate Tribunal, furnishing the necessary explanations / responses to support its position. Consequently, no provision has been made for the same in these financial statements.

## Notes to Consolidated Financial Statements for the year ended March 31, 2014

Contingent liabilities include demand from the Indian tax authorities for payment of additional tax of Rs.57,202,781/- for the fiscal year 2006-07 & 2008-09. The tax demand is mainly on account of disallowance of a portion of the deduction claimed by the company under Section 10A of the Income tax Act. The matter for fiscal year 2006-07 & 2008-09 is pending before CIT (Appeals). Management believes that its position will likely be upheld in the CIT (Appeals) process.

### Note 28: Disclosure as per Accounting Standard - 18 on 'Related Party Disclosures'

#### a Related Parties

##### i) Holding Company

SQS Software Quality Systems AG

##### ii) Key Management Personnel (KMP)

Mr. A V Asvini Kumar - Managing Director \*

Ms. Vanaja Arvind - Executive Director \*

Mr. Mohan Parvatikar - Whole time Director \*\*

##### iii) Relatives of Key Management Personnel (Relatives of KMP)

Ms. Aarti Arvind

Ms. A K Latha

Mr. A K Krishna

Mr. Chalapathi Rao Peddineni

Mr. C V Rajan

#### b Transaction with Related Parties

Particulars	Nature of relationship	Name of the related Party	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>EXPENSES</b>				
<b>Managerial remuneration ***</b>	KMP	Mr. A V Asvini Kumar	40,760,800	12,028,800
	KMP	Ms. Vanaja Arvind	40,760,800	12,028,800
	KMP	Mr. Mohan Parvatikar	4,979,100	3,028,800
<b>Rent</b>	Relatives of KMP	Ms. A K Latha	464,400	464,400
<b>Salary</b>	Relatives of KMP	Ms. Aarti Arvind	6,003,720	5,498,270
<b>OTHER TRANSACTIONS</b>				
<b>Proposed final dividend</b>	Holding Company	SQS Software Quality Systems AG****	10,694,788	-
	KMP	Mr. A V Asvini Kumar	-	10,962,498
	KMP	Ms. Vanaja Arvind	-	3,329,286
	KMP	Mr. Mohan Parvatikar	-	416,559
	Relatives of KMP	Ms. Aarti Arvind	-	215,940
	Relatives of KMP	Mr. A K Krishna	-	683,334
	Relatives of KMP	Ms. A K Latha	-	731,166
	Relatives of KMP	Mr. Chalapathi Rao Peddineni	-	18,333
	Relatives of KMP	Mr. C V Rajan	80,972	6,666
<b>Interim dividend</b>	KMP	Mr. A V Asvini Kumar	18,270,830	10,962,498
	KMP	Ms. Vanaja Arvind	5,548,810	3,293,286
	KMP	Mr. Mohan Parvatikar	694,265	416,559
	Relative of KMP	Ms. Aarti Arvind	359,900	215,940
	Relative of KMP	Mr. A K Krishna	1,138,890	683,334
	Relative of KMP	Ms. A K Latha	1,218,610	731,166
	Relative of KMP	Mr. Chalapathi Rao Peddineni	-	18,333
	Relative of KMP	Mr. C V Rajan	11,110	6,666



## Notes to Consolidated Financial Statements for the year ended March 31, 2014

Particulars	Nature of relationship	Name of the related Party	March 31, 2014 Rs.	March 31, 2013 Rs.
<b>OUTSTANDING BALANCES</b>				
Trade Payables	KMP	Mr. A V Asvini Kumar	-	37,081
Other Payables	KMP	Mr. A V Asvini Kumar	21,890	-
	KMP	Ms. Vanaja Arvind	160	-
Loans and advances (Travel advance)	KMP	Ms. Vanaja Arvind	-	6,256
Provision for expenses	KMP	Mr. A V Asvini Kumar	990,000	6,000,000
	KMP	Ms. Vanaja Arvind	990,000	6,000,000
	KMP	Mr. Mohan Parvatikar	-	1,500,000
Final dividend payable	Holding Company	SQS Software Quality Systems AG ****	10,694,788	-
	KMP	Mr. A V Asvini Kumar	-	10,962,498
	KMP	Ms. Vanaja Arvind	-	3,329,286
	KMP	Mr. Mohan Parvatikar	-	416,559
	Relatives of KMP	Ms. Aarti Arvind	-	215,940
	Relatives of KMP	Mr. A K Krishna	-	683,334
	Relatives of KMP	Ms. A K Latha	-	731,166
	Relatives of KMP	Mr. Chalapathi Rao Peddineni	-	18,333
	Relatives of KMP	Mr. C V Rajan	80,972	6,666

\* until March 1, 2014

\*\* until December 27, 2013

\*\*\* includes perquisite value of motor car provided by the company and severance pay in accordance with the service contract

\*\*\*\* as per shareholding pattern on March 31, 2014

**Note 29: Exposure in foreign currency**

- a The Company, in accordance with its risk management policies and procedures enters into foreign currency forward contracts to manage its exposure in foreign exchange rates. The counter party in generally a bank. Forward contracts period as at the Balance Sheet date are as follows:

Particulars	March 31, 2014 Rs.	March 31, 2013 Rs.
No. of Contracts (sell)	-	1
Value of Foreign currency (USD)	-	1,500,000
Value in Rs.	-	81,585,000

The company has not entered in to any other derivative instruments during the year.

## Notes to Consolidated Financial Statements for the year ended March 31, 2014

b The details of foreign currency balances, which are not hedged as at the balance sheet date are as below:

Particulars	FCY	March 31, 2014		March 31, 2013	
		FCY	Rs.	FCY	Rs.
Trade receivables	GBP	1,904,317	190,146,062	861,259	70,898,838
Trade receivables	USD	2,934,538	176,365,740	2,716,764	147,764,767
Trade receivables	EUR	1,008,761	83,303,489	918,914	63,901,273
Trade receivables	SGD	528,591	25,160,949	323,295	14,247,590
Trade receivables	AUD	181,340	10,042,609	241,602	13,764,066
Trade receivables	MYR	1,603,103	29,432,975	422,096	7,504,862
Loans and advances	USD	118,317	7,110,868	126,766	6,894,803
Loans and advances	SGD	24,757	1,178,444	-	-
Loans and advances	GBP	85,875	8,574,582	32,120	2,644,151
Loans and advances	AUD	35,770	1,980,932	8,900	507,033
Loans and advances	AED	467,437	7,619,219	392,068	5,833,971
Loans and advances	EUR	30,815	2,544,681	27,881	1,938,873
Loans and advances	BHD	716	116,730	716	105,242
Loans and advances	MYR	94,977	1,743,782	-	-
Loans and advances	SAR	17,000	271,320	17,000	248,030
Trade payables	GBP	5,292	557,017	-	-
Trade payables	SGD	3,610	160,082	6,755	297,694
Trade payables	USD	9,951	1,166,311	50,448	2,743,851
Trade payables	EUR	346	350,420	1,002	69,671
Trade payables	AED	96,909	1,816,115	-	-
Trade payables	MYR	-	-	151,666	2,696,621
Trade payables	HKD	14,920	115,182	-	-

### Note 30: Previous year figures

Previous year figures have been regrouped / reclassified so as to conform to the current year's groupings.

### As per our report of even date

**PKF Sridhar & Santhanam**  
Chartered Accountants  
Firm Registration No. 003990S

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

**T V Balasubramanian**  
Partner  
Membership No. 027251

**David Bellin**  
Chairman & Director

**Dr. Martin Müller**  
Executive Director

**S. Akila**  
Company Secretary

**Place :** Chennai  
**Date :** April 23, 2014

**Place :** Chennai  
**Date :** April 23, 2014



Team Thinksoft at Odyssey Conference, January 2014.

#### CORPORATE OFFICE & REGISTERED OFFICE

6A, Sixth Floor, Prince Infocity II, No. 283/3 & 283/4, Rajiv Gandhi Salai (OMR), Kandanchavadi, Chennai - 600096.

#### DELIVERY CENTERS

Chennai: 6A, 6th Floor, Prince Infocity II, No. 283/3 & 283/4, Rajiv Gandhi Salai (OMR), Kandanchavadi, Chennai - 600096.

Chennai: Plot No. B-17, Phase II, 2nd Main Road, MEPZ-SEZ, Tambaram, Chennai - 600045.

Mumbai: Unit No. B-601/602/603, 6th Floor, Citi Point, Andheri-Kurla Road, Andheri East, Mumbai - 400059.

Bengaluru: 511 & 512, Prestige Meridian I, No. 29 30, M.G. Road, Bengaluru - 560001.

#### INTERNATIONAL OFFICES

Singapore: 1, North Bridge Road, No. 1904/05, High Street Centre, Singapore - 179094.

USA: 38, 3rd Floor, Stark Business Suites, 500, Mamaroneck Ave, Suite 320, Harrisson, NY - 10528.

Germany: Büttenweg 5, D -55545, Bad Kreuznach, Germany.

UK: 7-11 Moorgate London, England, EC2R6AF.

UAE: PO Box No. 50989, Harmiyah Free Zone, Sharjah, UAE.

#### OTHER PLACES OF BUSINESS

Australia | Belgium | Cyprus | Hong Kong | Malaysia



■ Thinksoft Business Locations ■ SQS Business Locations