TATASOLUTION CENTER S.A.

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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Abbreviations

IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
SRI	Internal Revenue Service
US$	U.S. dollars
BPM	Business Process Management
ESB	Enterprise Services Bus
ISD	Overseas Remittance Tax
DBO	Defined Benefit Obligation
BPO	Business Processing Operations
IESS	Ecuadorian Institute of Social Security
BIESS	Bank of the Ecuadorian Institute of Social Security

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INDEPENDENT AUDITORS' REPORT

To the Stockholders of Tatasolution Center S.A.:

We have audited the accompanying financial statements of Tatasolution Center S.A., which comprise the statement of financial position as at December 31, 2014, and the statements of comprehensive income, changes in equity and cash flows 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 and fair presentation of these financial statements in accordance with International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that 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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 the internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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, the financial statements referred to above present fairly, in all material respects, the financial position of Tatasolution Center S.A., as of December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board (IASB).

Other matter

Translation of the financial statements into English has been made solely for the convenience of international readers.

Deloitte & Touche

Quito, April 28, 2015

TATASOLUTION CENTER S.A.

STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2014

ASSETS	Notes	2014	2013
		(in thousands of U.S. dollars)	
CURRENT ASSETS:			
Cash and cash equivalents	4	14,339	27,677
Third party funds	5	79	114
Trade and other receivables	6	26,937	13,241
Current tax assets	11	309	
Other assets	7	2,552	2,570
Total current assets		44,216	43,602
NON-CURRENT ASSETS:			
Installations and equipment	8	847	1,023
Intangible assets	9	2,624	4,550
Other assets	7	109	87
Deferred tax assets	11	868	841
Total non-current assets		4,448	6,501
TOTAL		48,664	50,103

See notes to financial statements

Gonzalo Pozo
General Manager

LIABILITIES AND EQUITY	Notes	2014	2013
		(in thousands of U.S. dollars)	
CURRENT LIABILITIES:			
Trade and other payables	10	11,517	11,755
Current tax liabilities	11	4,209	4,904
Accrued liabilities	13	5,355	5,851
Total current liabilities		21,081	22,510
NON-CURRENT LIABILITIES:			
Defined benefit obligation and total non-current liabilities	14	2,586	1,827
Total liabilities		23,667	24,337
EQUITY:	16		
Share capital		3,001	3,001
Legal reserve		1,506	1,506
Retained earnings		20,490	21,259
Total equity		24,997	25,766
TOTAL		48,664	50,103

Jhonatan Fonseca
General Accountant

TATASOLUTION CENTER S.A.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014

	Notes	2014	2013
		(in thousands of U.S. dollars)	
REVENUES:			
Provision of services	17	91,303	69,413
Sale of technological infrastructure	17	4,011	12,596
Total		95,314	82,009
COST OF OPERATIONS	19	(65,603)	(52,645)
GROSS MARGIN		29,711	29,364
Investment income	18	324	211
Administrative expenses	19	(10,882)	(9,607)
Other expenses	19	(670)	(651)
PROFIT BEFORE INCOME TAX		18,483	19,317
Less income tax expense:	11		
Current		4,164	4,465
Deferred		(27)	820
Total		4,137	5,285
PROFIT FOR THE YEAR		14,346	14,032
OTHER COMPREHENSIVE INCOME (LOSS):			
Items that will not be reclassified subsequently to profit and loss:			
Actuarial gains (losses)		(115)	90
TOTAL COMPREHENSIVE INCOME		14,231	14,122

See notes to financial statements

Gonzalo Pozo
General Manager

Jhonatan Fonseca
General Accountant

TATASOLUTION CENTER S.A.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014

			… Retained earnings …		
	Share capital	Legal reserve	Retained earnings	Adoption of IFRS	Total
		…(in thousands of U.S. dollars)…			
Balances at December 31, 2012	3,001	1,506	15,277	(140)	19,644
Profit for the year			14,032		14,032
Dividends paid			(8,000)		(8,000)
Other comprehensive income for the year			90		90
Balances at December 31, 2013	3,001	1,506	21,399	(140)	25,766
Profit for the year			14,346		14,346
Dividends paid			(15,000)		(15,000)
Other comprehensive loss for the year			(115)		(115)
Balances at December 31, 2014	3,001	1,506	20,630	(140)	24,997

See notes to financial statements

Gonzalo Pozo
General Manager

Jhonatan Fonseca
General Accountant

TATASOLUTION CENTER S.A.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
	(in thousands of U.S. dollars)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	81,930	78,131
Payments to suppliers, employees and related companies	(72,226)	(57,333)
Interest income	324	211
Employee profit-sharing	(3,409)	(1,158)
Income tax	(4,074)	(3,602)
Other expenses, net	(670)	(651)
Net cash generated by operating activities	1,875	15,598
CASH FLOWS IN INVESTING ACTIVITIES:		
Acquisition of installations and equipment	(191)	(513)
Increase in other assets	(22)	(10)
Net cash used in investing activities	(213)	(523)
CASH FLOWS IN FINANCING ACTIVITIES:		
Dividends paid and net cash used in financing activities	(15,000)	(8,000)
CASH AND CASH EQUIVALENTS:		
Net increase (decrease) in cash and cash equivalents	(13,338)	7,075
Beginning balances	27,677	20,602
ENDING BALANCES	14,339	27,677

See notes to financial statements

Gonzalo Pozo
General Manager

Jhonatan Fonseca
General Accountant

1. GENERAL INFORMATION

Tatasolution Center S.A. is a subsidiary of Tata Consultancy Services Chile S.A., was incorporated in Ecuador on December 28, 2006 and began operations on June 1, 2007. The Company's principal activity is the provision of IT services, software development and management services and Business Processing Operations (BPO), principally to financial sector institutions.

The principal client of Tatasolution Center S.A. is Banco Pichincha C.A., representing approximately 85% of its revenues. Among the most significant services provided to the bank are software development and maintenance and business processing operations (BPO). In addition, since 2007, the Company has been developing the "Business Process Management - BPM, Portal Middleware" project, comprising a platform that integrates and forms a key part of the "Bancs" banking core whose purpose is to strengthen and improve current processes within Banco Pichincha C.A.

At December 31, 2014 and 2013, the Company employed a total of 2,274 and 2,154 employees, respectively.

Information included in these financial statements is the responsibility of Company management.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 ***Statement of Compliance*** - The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

2.2 ***Functional currency*** - The functional currency of the Company and its subsidiaries is the United States of America dollar (U.S. dollar), the legal tender in circulation in Ecuador.

2.3 ***Basis of preparation*** - The financial statements have been prepared on a historical cost basis. The historical cost is generally based on the fair value of the consideration given or received on the date of the exchange of goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such basis, except for measurements that have some similarities to fair value but are not fair value, such as value in use of IAS 36.

In addition, for financial reporting purposes, the fair value measurements are categorized into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to fair value measurement in its entirety, which are described below:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, whether directly or indirectly, and

Level 3: inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted in preparing the financial statements are set out below.

2.4 ***Cash and cash equivalents*** - Cash and cash equivalents include all liquid financial assets and deposits in financial institutions that may be easily converted into cash in a period of less than three months.

2.5 ***Installations and equipment***

2.5.1 ***Measurement at recognition*** - Installations and equipment items are initially measured at cost.

The cost of an item of installations and equipment comprises the purchase price plus any cost directly attributable to the location of the asset and the conditions necessary for it to operate according to Management.

2.5.2 ***Measurement after recognition: cost model*** - After initial recognition, installations and equipment are recorded at cost less accumulated depreciation and the accumulated amount of impairment losses.

Reparation and maintenance expenses are attributable to profit and loss for the period in which such are incurred. It should be noted that several of the Company's items of installations and equipment require periodic reviews.

2.5.3 ***Depreciation method and useful lives*** - The cost of installations and equipment is depreciated using the straight line method. The estimated useful life, residual values and depreciation method are reviewed at the end of each year, with the effect of any changes in the estimate accounted for on a prospective basis.

The principal installations and equipment items and useful lives used for the depreciation calculation are as follows:

Item	Useful Life (in years)
Installations	4
Computer equipment	4
Equipment	5 - 10
Furniture and fittings	5

2.5.4 ***Withdrawal or sale of installations and equipment*** - Any gain or loss arising on the disposal or retirement of an item of installations and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.6 ***Intangible assets***

2.6.1 ***Intangible assets acquired separately*** - Intangible assets acquired separately are stated at cost less accumulated depreciation and any accumulated impairment losses.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, using the same base for intangible assets acquired separately.

2.6.2 ***Amortization method and useful lives*** - Amortization of intangible assets is charged to profit and loss on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The useful life of an intangible asset is finite or indefinite. The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights, but may be shorter depending on the period over which the entity expects to use the asset.

The residual value of all the Company's intangible assets is equal to zero.

The estimated useful life of costs related to development of the Business Process Management - BPM, Portal Middleware project are amortized using the straight-line method until termination of the contract in January 2017.

2.7 ***Impairment of tangible and intangible assets*** - At the end of each period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss for the period.

2.8 ***Taxes*** - Income tax expense represents the sum of the tax currently payable and deferred tax.

2.8.1 ***Current tax*** - The tax currently payable is based on taxable profit for the year. Taxable profit differs from reported profit because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates enacted at the end of the reporting period.

2.8.2 ***Deferred taxes*** - Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that the Company will have taxable profits available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized.

The Company offsets deferred tax assets against deferred tax liabilities when, and only when, there is a legally enforceable right to set off from the taxation authority amounts recognized in these items, and when they relate to income taxes levied and the Company intends to settle its current tax assets and liabilities on a net basis.

2.8.3 ***Current and deferred taxes*** - Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to a transaction or event that is recognized outside profit or loss, whether in profit and loss or directly in equity, in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination.

2.9 ***Provisions*** **-** Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required by the Company to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the end of each period, taking the risks and uncertainties into account. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money would be material).

2.10 Employee benefits

2.10.1 Defined benefits: Retirement and severance **-** For defined benefits (retirement and severance), the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period.

The service cost is recognized in profit and loss for the year in which such is generated, as well as the financing interest generated on the defined benefit obligation.

The new measurements, which include actuarial gains and losses, are recognized in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Recognition of actuarial gains and losses in other comprehensive income is recognized immediately in accumulated earnings and is not reclassified to profit or loss for the period.

2.10.2 Employee profit-sharing **-** The Company recognizes a liability and an expense for employee profit-sharing in Company income. This benefit is calculated based on 15% of pre-tax income in accordance with current legislation.

2.10.3 Executive bonuses **-** The Company recognizes an expense for bonuses paid to its principal executives and commercial area personnel. Bonus calculations are paid based on target compliance.

2.11 Leasing **-** Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor **-** Revenue from rentals under operating leases is recognized using the straight-line method over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

2.12 Revenue recognition **-** Revenue is measured at the fair value of the consideration received or receivable, taking into account the amount of any returns, rebates and other similar commercial allowances that the Company may grant.

2.12.1 Sale of technological infrastructure **-** Ordinary revenues from the sale of technological infrastructure are recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the technological infrastructure; the amount of ordinary revenue can be measured reliably, and when the costs incurred or to be incurred in respect of the transaction can be measured reliably

and it is probable that the economic benefits associated with the transaction will flow to the Company.

2.12.2 ***Provision of services*** - The Company earns revenues principally from the provision of services related to information technology covering the development, implementation and maintenance of software or applications, technology infrastructure services and databases, computer security, on-site support and consulting services as well as call center services and business processes. The Company recognizes revenue as follows:

- Revenues from contracts for the provision of services, whose billing unit comprises transactions or hours, are recognized on the basis of a previously agreed unit price and the number of transactions executed and accepted by the client on a monthly basis.
- Revenues from service contracts for software or other development, with established time frames and fixed fees, are recognized over the life of the contract based on the estimated project progress on a monthly basis.
- Revenues from fixed-price software maintenance services are recognized monthly in proportion to the contract period.

2.12.3 ***Interest income*** **-** Interest income is recorded on a time basis with respect to outstanding capital and the applicable effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability on the initial recognition.

2.13 ***Costs and expenses*** **-** Costs and expenses are recorded at historical cost. Costs and expenses are recognized as incurred, regardless of the date on which payment was made, and are recorded in the period closest in which such were known.

2.14 ***Offsetting balances and transactions*** - As a general rule neither assets and liabilities nor income and expenses are offset in the financial statements, except in those cases in which compensation is required or permitted under a standard and such presentation reflects the essence of the transaction.

Income and expenses originating in transactions that, contractually or by statute, provide for the possibility of offset and that the Company has the intention of settling for their net amount or realizing the assets and proceeding to pay the liability simultaneously are presented net in profit and loss.

2.15 ***Financial assets*** **-** The Company currently classifies its financial assets in the following categories: “at fair value through profit or loss”, “investments held-to-maturity”, “financial assets available-for-sale” and “loans and receivables”. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by or agreement on the market.

All financial assets are recognized and derecognized on the trade date when the purchase or sale of a financial asset is performed, and are initially recognized at fair value plus transaction

costs, except for financial assets at fair value through profit or loss, which are initially measured at fair value and whose transition costs are recognized in profit and loss.

All recognized financial assets are subsequently measured in their entirety at amortized cost or fair value.

The Company currently classifies its financial assets in the following categories: at fair value through profit or loss, financial assets held-to-maturity, trade and other receivables and financial assets available-for-sale. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at the time of initial recognition. At December 31, 2014 and 2013, the Company maintains only trade and other receivables as financial assets.

2.15.1 Effective interest rate method - The effective interest rate method is used to calculate the amortized cost of a financial instrument and to allocate the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts the cash flows receivable or payable (including all fees and points paid or received that form part of the effective interest rate, transaction costs and other premiums or discounts) estimated over the expected life of the financial instrument (or, where appropriate), in a shorter period to the net carrying amount on initial recognition.

Revenue is recognized using the effective interest method for debt instruments other than financial assets classified at fair value through profit and loss.

2.15.2 Trade and other receivables - Trade and other receivables are financial assets which are not derivative instruments, which have fixed or fixable payments and that are not listed on an active market. Subsequent to initial recognition, at fair value, trade and other receivables are measured at amortized cost using the effective interest method less any impairment.

The interest income is recognized as such by applying the effective interest rate, except for short-term receivables where recognition of interest would be immaterial.

2.15.3 Impairment of financial assets at amortized cost - Financial assets, other than those designated at fair value through profit and loss, are assessed for impairment at the end of each reporting period. A financial asset is impaired when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and the estimated future cash flows of the financial asset have been affected.

For all other financial assets, objective evidence of impairment may include:

- Significant financial difficulty of the issuer or obligor; or
- A breach of contract, such as a default or delinquency in interest or principal payments; or
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or

- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on payments.

The loss amount arising from impairment of a loan measured at amortized costs is the difference between the carrying amount of the estimated future cash flows, discounted at the original effective interest rate of the financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

2.15.4 Derecognition of financial assets - The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, and when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

In total derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received and receivable as well as the cumulative effect that had been recognized in other comprehensive income and accumulated in equity are recognized in profit or loss.

2.16 Current and non-current financial liabilities and equity instruments **-** Debt and equity instruments are classified as financial liabilities in accordance with the substance of the contractual arrangements.

Financial liabilities are classified as current liabilities unless the Company has unconditional entitlement to defer settlement during at least 12 months after the statement of financial position date.

2.16.1 Financial liabilities **-** Financial liabilities are classified at fair value through changes in profit and loss or other financial liabilities.

2.16.2 Other financial liabilities - Other financial liabilities (including loans and trade accounts receivable and others) are subsequently measured at amortized cost using the effective interest method.

The effective interest rate method is used to calculate the amortized cost of a financial asset and liability and to allocate the interest income or expense over the relevant period.

The Company has implemented policies to manage the financial risk to ensure that all accounts payable are paid in accordance with the agreed credit terms.

2.16.3 Derecognizing a financial liability - The Company derecognizes a financial liability if, and only if, its contractual obligations are extinguished, canceled or fulfilled. The difference between the carrying amount and the consideration paid and payable is recognized in profit and loss for the year.

2.16.4 Equity instruments - An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

2.17 New and revised standards with no material effect on the financial statements

During 2014, the Company has applied a series of new and revised standards issued by the International Accounting Standards Board (IASB), effective as of January 1, 2014 or subsequently, which have had no impact on the financial statements and explanatory notes.

2.18 New and reviewed standards issued but not yet effective

The Company has not applied the following new and revised International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) that have been issued but are not yet effective:

IFRS	Title	Effective from
IFRS 9	Financial instruments	January 1, 2018
IFRS 15	Revenue from contracts with customers	January 1, 2017
Amendment to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortization	January 1, 2016
Amendment to IAS 19	Defined benefit plans: Employee contributions	July 1, 2014
Amendment to IFRS	Annual Improvements to IFRS 2010 - 2012 Cycle	July 1, 2014 with limited exception
Amendment to IFRS	Annual Improvements to IFRS 2011 - 2013 Cycle	July 1, 2014

Early application of the new and revised standards is permitted.

IFRS 9 Financial instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. This standard was modified in October 2010 and now includes requirements for the classification and measurement of financial liabilities, as well as their derecognition in the financial statements, and in November 2013 included new requirements for general hedge accounting. In July 2014, a revised version of IFRS 9 was issued, principally to include the following:

- Impairment requirements for financial assets and,
- Limited amendments to classification and measurement requirements by introducing a measurement category of "fair value through other comprehensive income" for certain simple debt instruments.

Key requirements of IFRS 9:

- All financial assets classified within the scope of IAS 39 - Financial instruments, are subsequently recognized at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is, not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss for the period.

- When measuring financial liabilities designated at fair value through profit or loss, IFRS 9 requires the amount generated by the change in fair value of the financial liability that is attributable to changes in the credit risk of the referred liability to be presented in other comprehensive income, unless recognition of the effects of changes in the liability's credit risk in other comprehensive income generates an accounting mismatch in profit or loss for the period. Changes in fair value attributable to credit risk of a financial liability are not subsequently reclassified in profit or loss. Under IAS 39, the entire amount of the change in fair value of financial liabilities designated at fair value through profit or loss is presented in the statement of profit and loss.

Management expects that application of IFRS 9 in the future may have a significant impact on the amounts recognized in the accompanying financial statements with respect to the Company’s financial assets and financial liabilities. However, no reasonable estimation on this effect can be provided until a detailed examination has been performed.

IFRS 15: Revenue from contract with customers

In May 2014, IFRS 15 was issued which establishes a comprehensive and detailed model for entities to use in accounting for and recognizing revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of contractually established goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract with a customer.
Step 2: Identity the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Company Management believes that these amendments may have a significant impact on the amounts recognized in the accompanying financial statements and their disclosures. However, it is not possible to provide a reasonable estimate of this effect until a detailed study has been performed.

Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- When the intangible asset is expressed as a measure of revenue, or;
- When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Company uses the straight-line method for depreciation of its property and equipment. Company Management believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Company's Management does not anticipate that the application of these amendments to IAS 16 and IAS 18 will have a material impact on the Company's financial statements.

Amendments to IAS 19: Defined Benefit Plans: Employee contributions

Amendments to IAS 19 explain how to record contributions from employees or third parties that are linked to defined benefit plans, by considering whether these benefits depend on the number of years of service of the employee.

For contributions that are independent of the number of years of service, the entity may recognize them as a reduction in the cost of service during the period in which the service is rendered or attribute them to the employee's periods of service of using the projected unit credit method, while contributions that depend on the number of years of service require the entity to attribute them to the employee's years of service.

Company Management does not expect that future application of these amendments to IAS 19 will have an impact on the amounts recognized in the financial statements, since the Company has no defined benefits plans with employee contributions.

Annual Improvements to IFRS 2010–2012 Cycle

The Annual Improvements to IFRS 2010–2012 Cycle include a number of amendments to various IFRS, which are summarized below:

- The amendments to IFRS 8: (i) requires the disclosure of judgments made by management in applying aggregation criteria to operating segments, including a description of the added operating segments and the economic indicators evaluated to determine which segments have "similar economic characteristics" and (ii) clarify that a reconciliation of the total assets of segments that must be reported in relation to the entity's assets should only be included if the segment's assets are provided on a regular basis, to the person responsible for making operating decisions.

- The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. Since the amendments contain no effective date, such are deemed to have come into effect immediately.

- The amendments to IAS 16 and IAS 38 eliminate inconsistencies in accounting for depreciation and/or accumulated amortization when an item of property, plant and equipment or an intangible asset is reassessed. The amended rules clarify that the gross carrying amount consistently adjusted with the revaluation of the carrying amount of the asset and depreciation and/or accumulated depreciation is the difference between the gross carrying amount and the amount of the asset, after considering the accumulated impairment losses.

- The amendments to IAS 24 clarify that a management company that provides key management personnel services to a reporting entity, is a related party of that reporting entity. Therefore, the reporting entity should disclose as related party transactions, the amounts incurred for service paid or payable to the management company to provide key management personnel services. However, disclosure of the components of such compensation is not required.

Company Management does not expect application of these amendments in the future will have an impact on the financial statements.

Annual Improvements to IFRS 2011–2013 Cycle

The Annual Improvements to IFRS 2011–2013 Cycle include a number of amendments to various IFRS, which are summarized below.

- Amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if these contracts do not meet the definitions of financial assets or financial liabilities in IAS 32.

- The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and might require the application of both Standards. Accordingly, an entity acquiring an investment property shall determine whether:

  a) the property meets the definition of investment property in terms of IAS 40 and,
  b) the transaction meets the definition of a business combination under IFRS 3.

Group management does not expect application of these amendments in the future to have a significant effect on amounts recognized in the accompanying financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires that Management make certain estimates and establish various assumptions inherent to the entity's economic activity with the purpose of determining the valuation and presentation of certain items forming part of the financial statements. In Management's opinion, such estimates and assumptions were based on the best information available at the time, but actual results could differ from those estimates.

The following critical accounting estimates and judgments have been used by Company management in the process of applying accounting criteria:

- ***Asset impairment*** - At the end of each reporting period, or on the date considered necessary, the Company analyzes the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated. In the case of identifiable assets not generating independent cash flows, the recoverability of the cash-generating units to which the asset belongs is estimated.

  Impairment losses recognized in assets in prior periods are reversed if there has been a change in the estimates used to determine the recoverable amount, thereby increasing the asset amount with a charge to income that does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

  During the years 2014 and 2013, Management recognized no impairment losses on installations and equipment or on intangible assets since the cash flows have been insured through contracts signed with its principal clients.

- ***Provisions for defined benefit obligations*** - The present value of employee benefit provisions depends on various factors that are determined using an actuarial calculation based on various assumptions. The assumptions used in determining the net cost of the benefits include a discount rate. Any change in assumptions impacts the carrying amount of the employee benefit provisions.

  The actuary contracted by the Company to perform the actuarial calculation uses the discount rate, the mortality rate and the turnover rate at the end of each year as reported by Company management. The discount rate is the interest rate to be used to determine the present value of estimated expected future cash flows that will be required to comply with the benefit obligation.

  The Company's defined benefit obligations are discounted at a rate established by reference to market yield on bonds issued by the Ecuadorian government (at the end of the reporting period).

- ***Estimate of useful lives of installations and equipment and intangible assets*** - The estimate of the useful lives and the residual values of installations and equipment and intangible assets are performed as described in Notes 2.5.3. and 2.6.2.

- ***Deferred income tax*** - The Company has estimated its deferred taxes on the basis that all differences between the carrying amount and the tax bases for assets and liabilities will be reversed in the future.

4. CASH AND CASH EQUIVALENTS

A summary of cash and cash equivalents is as follows:

	… December 31,…	
	2014	2013
	(in thousands of U.S. dollars)	
Cash	1	2
Banks	50	52
Short-term investments **(1)**	14,288	27,623
Total	14,339	27,677

(1) At December 31, 2014, correspond to certificates of deposit with a local financial institution maturing up to February 2015 (up to February 2014 for year 2013), with an effective average interest rate of 3% (3.59% for year 2013).

5. THIRD PARTY FUNDS

Comprise third party funds in checking accounts managed by the Company for granting mortgage loans by the Ecuadorian Social Security Institute Bank (BIESS), in accordance with the contract established on September 4, 2012 for a one-year period. The Contractor is required to provide a Fund to be accountable to cover to meet the needs inherent to managing mortgage loans with regard to legal and appraisal expenses prior to granting the mortgages loans. In addition, the BIESS accredits funds that are subsequently transferred to a Company checking account as payment or advance payments of services provided. At December 31, 2014 and 2013, this account has been settled since the contractual period for providing services terminated in September 2013. The current balance will be settled once the settlement contract has been signed with the BIESS (See Note 21).

6. TRADE AND OTHER RECEIVABLES

A summary of trade and other receivables is as follows:

	… December 31,…	
	2014	2013
	(in thousands of U.S. dollars)	
Trade accounts receivables:		
Banco Pichincha C.A.	20,075	7,055
Ecuadorian Social Security Institute Bank (BIESS)	1,598	2,533
Banco General Rumiñahui S.A.	1,839	2,010
Other clients	3,008	1,538
Subtotal	26,520	13,136
Other accounts receivable	417	105
Total	26,937	13,241

The Company's corporate credit policies include a collection period of up to 15 days. This period may be extended to 45 days if requested by the client, following an analysis and approval by Management. All credit terms are previously agreed through the clauses in contracts signed between the Company and the clients.

Banco Pichincha C.A. - Correspond to balances pending collection for services rendered to Banco Pichincha C.A. A summary of the services rendered and for which collection is pending is as follows:

	… December 31,…	
	2014	2013
	(in thousands of U.S. dollars)	
BPO services **(1)**	17,227	5,200
Sales of software and hardware	2,610	1,659
Business Intelligence consulting service	230	137
Other services	8	59
Total	20,075	7,055

(1) At December 31, 2014, the balance include US$3.5 million corresponding to hours of service maintenance, projects, transactions and technological infrastructure with aging exceeding 180 days. These services have been approved by Banco Pichincha. However, billing remains pending until the definitive settlement is agreed.

Other clients - Correspond principally to balances pending collection for services provided to Telefónica Ecuador (OTECEL) for the TELCO vertical for US$2 million; Consorcio Ecuatoriano de Telecomunicaciones S.A.C. (CONECEL) for US$446,000 and Diners Club del Ecuador S.A. Sociedad Financiera for US$327,000.

7. OTHER ASSETS

A summary of other assets is as follows:

	… December 31,…	
	2014	2013
	(in thousands of U.S. dollars)	
Annual maintenance of licenses **(1)**	157	1,595
Insurance	321	231
Guarantees	109	87
Related parties (See Note 20.1)	909	292
Others **(2)**	1,165	452
Total	2,661	2,657
Classification:		
Current	2,552	2,570
Non-current	109	87
Total	2,661	2,657

(1) Comprise prepayments for annual license maintenance, coming due up to December 2017 (up to December 2015 for year 2013). During the years 2014 and 2013, the Company recognized amortization on the maintenance of licenses for US$1.9 million and US$2 million, respectively, in profit and loss (See Note 19).

(2) Constitute prepayments to suppliers, principally for service and technological goods such as IBM, Xpressiv and C Vision. In addition, includes prepayments to Duracoat for leasing payments on the new "Wesco" buildings and to Office Solution S.A. for supplies.

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8. INSTALLATIONS AND EQUIPMENT

A summary of installations and equipment is as follows:

	… December 31,…	
	2014	2013
	(in thousands of U.S. dollars)	
Cost	5,445	5,254
Accumulated depreciation	(4,598)	(4,231)
Total	847	1,023
Classification:		
Computer equipment	555	563
Furniture and equipment	287	225
Installations	4	19
Vehicles	1	1
Equipment		215
Total	847	1,023

Movements in installations and equipment were as follows:

	Computer Equipment	Furniture and fittings	Installations	Vehicles	Equipment	Total
	…(in thousands of U.S. dollars) …					
Cost:						
Balances at December 31, 2012	3,738	264	281	2	456	4,741
Acquisitions	446	57		-	10	513
Balances at December 31, 2013	4,184	321	281	2	466	5,254
Acquisitions	174	17				191
Transfer		466		-	(466)	
Balances at December 31, 2014	4,358	804	281	2		5,445
Accumulated depreciation:						
Balances at December 31, 2012	(3,260)	(68)	(247)	(1)	(205)	(3,781)
Depreciation expense	(361)	(28)	(15)		(46)	(450)
Balances at December 31, 2013	(3,621)	(96)	(262)	(1)	(251)	(4,231)
Depreciation expense	(182)	(170)	(15)			(367)
Transfers		(251)			251	
Balances at December 31, 2014	(3,803)	(517)	(277)	(1)		(4,598)

9. INTANGIBLE ASSETS

Intangible assets correspond to assets related to development of the Business Process Management - BPM, Portal Middleware project comprising software, consulting services and licenses. A summary of these items is as follows:

	… December 31,…	
	2014	2013
	(in thousands of U.S. dollars)	
Cost	7,572	7,572
Accumulated amortization	(4,948)	(3,022)
Total	2,624	4,550

Movements in intangible assets were as follows:

	2014	2013
	(in thousands of U.S. dollars)	
Net balances, beginning of year	4,550	6,411
Amortization expense **(1)**	(1,926)	(1,473)
Adjustment **(2)**		(388)
Net balances, end of year	2,624	4,550

(1) In April 2014, on instructions from the Parent Company, new useful lives were established for the intangible asset. This estimation accelerated the remaining life of the asset. Consequently, the new useful life generated a higher amortization amount recognized for the year.

(2) In July 2013, the Company decided that the milestone 4.2 - PES Credit Operations Generation Process and milestone 6 – Wholesale Banking Process, related to the Business Process Project Management - BPM, Middleware Portal, will not form part of the project. In addition, the Company determined that as of April 9, 2012, the intangible asset related to the referred project was available for use since it had left the production phase as of that date. The Company was performing amortization using the units of production method in accordance with man/hours based on the efforts required for each milestone. However, as from that date, the Company adopted the straight-line method to calculate amortization of the referred asset up to termination in January 2017. Consequently, the adjustment was recorded in the expense amortization for year 2013. (See Note 19).

10. TRADE AND OTHER PAYABLES

A summary of trade and other payables is as follows:

	… December 31,…	
	2014	2013
	(in thousands of U.S. dollars)	
Trade accounts payable		
Local suppliers	8,183	9,163
Related companies **(1)**		409
Subtotal	8,183	9,572
Other accounts payable:		
Ecuadorian Social Security Institute Bank - BIESS	79	126
Banco Pichincha C.A.	180	-
Related companies **(1)**	787	349
Provisions	2,288	1,708
Total	11,517	11,755
(1) Total related companies (See Note 20.1)	787	758

The average credit period for the purchase of certain goods and services is between 15 and 30 days.

Provisions - A breakdown of amounts comprising provisions is as follows:

	… December 31,…	
	2014	2013
	(in thousands of U.S. dollars)	
Banco Pichincha C.A.:		
Operative errors	638	638
Infrastructure services	166	98
Subtotal	804	736
Other suppliers:		
Recurring services	1,120	673
Others **(1)**	364	299
Subtotal	1,484	972
Total	2,288	1,708

(1) Comprise principally the provision for determining year 2007 income tax (See Note 22).

11. TAXES

11.1 ***Current year assets and liabilities*** **-** A summary of current asset and liability taxes is as follows:

	… December 31,…	
	2014	2013
	(in thousands of U.S. dollars)	
Current tax liabilities:		
Tax credit on income tax withholdings at source and total **(1)**	309	____
Current tax liabilities:		
Income tax payable	1,848	2,809
Value Added Tax - VAT payable and withholdings	2,028	1,610
Income tax withholdings at source payable	333	485
Total	4,209	4,904

(1) At December 31, 2014, the balance comprises withholdings received from clients pending offset with income tax.

11.2 ***Income tax recognized in profit and loss*** **-** Details of the income tax expense recognized in profit and loss are as follows:

	2014	2013
	(in thousands of U.S. dollars)	
Expense for the year	4,164	3,710
Prior-year expense **(1)**	____	755
Total	4,164	4,465

(1) Comprises an income tax resettlement of the years 2010, 2011 and 2012 for US$391,000 and a provision for the US$364,000 assessment order for year 2007 income tax. The Company paid US$391,000 during year 2014.

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11.3 Tax reconciliation - current income tax - A reconciliation between profit according to the financial statements and the current income tax expense is as follows:

	2014	2013
	(in thousands of U.S. dollars)	
Profit according to the financial statements, before income tax	18,483	19,317
Non-deductible expenses	446	(2,545)
Actuarial gains (losses)		90
Taxable income	18,928	16,862
Income tax liability **(1)**	4,164	3,710
Calculation of prepaid income tax **(2)**	669	655
Income tax charged to profit and loss **(1)**:		
Current		
Expense for the year	4,164	3,710
Income tax resettlement and prior-year income tax expense		755
Subtotal	4,164	4,465
Deferred	(27)	820
Total	4,137	5,285
Effective tax rate	22.38%	27.36%

(1) In accordance with current legislation, income tax was determined using a rate of 22% on profits subject to distribution and 12% on reinvested profits.

(2) As of year 2010, the calculated prepayment amount must be considered as a minimum income tax. This calculation is performed by totaling 0.4% of assets, 0.2% of equity, 0.4% of taxable income and 0.2% of deductible costs and expenses.

During the years 2014 and 2013, the income tax liability exceeded the prepaid tax. Consequently, the Company recorded US$4.2 million and US$3.7 million, respectively, in profit and loss as the income tax liability.

Income tax returns have not been reviewed by the tax authorities since 2008 and the years 2011 through 2014 are open to review.

11.4 ***Movement in the provision for income tax*** - Movements in the provision for income tax were as follows:

	2014	2013
	(in thousands of U.S. dollars)	
Balances, beginning of year	2,809	1,946
Provision for the year	4,164	3,710
Resettlement of tax, prior-year income tax provision		755
Payments made	(5,125)	(3,602)
Balances, end of year	1,848	2,809

Payments made - Comprise withholdings at source and payment of the income tax balance payable at beginning of year.

11.5 ***Deferred tax balances*** - Movements for deferred tax assets were as follows:

	Balances at beginning of year	Recognized in profit and loss	Balances at end of year
	(in thousands of U.S. dollars)		
Year 2014			
Deferred tax assets in relation to:			
Provisions	423	(102)	321
Depreciation of computer equipment	2	(1)	1
Depreciation of installations and equipment	31	10	41
Provision for retirement	318	123	441
Provision for vacations	45	-	45
Uniform expense provision	22	(3)	19
Total	841	27	868
Year 2013			
Deferred tax assets in relation to:			
Provisions	1,352	(929)	423
Depreciation of computer equipment	(12)	14	2
Depreciation of installations	30	1	31
Provision for retirement	246	72	318
Provision for vacations	45		45
Uniform expense provision		22	22
Total	1,661	(820)	841

11.6 Tax Aspects:

Production Incentives and Tax Fraud Prevention Law - On December 29, 2014, the Production Incentives and Tax Fraud Prevention Law was enacted, which includes, among others, the following tax aspects.

Income Tax

Taxable Income **-** Gains from the sale of shares and equity rights are deemed taxable Ecuadorian-source income. Similarly, any unsubstantiated increase in assets is considered taxable income.

Exemptions

- Limitations apply to exemptions on dividends and profits. If the effective beneficiary of profits received by entities or individuals is a resident in Ecuador, the tax income exemption is not applicable.

Deducibility of Expenses

- The depreciation expense of revalued assets is not deductible.
- Conditions currently provided under the Tax Law for eliminating bad debts are eliminated. Such conditions are now established through Regulation.
- Deduction limits are established for royalty expenses, technical services, administrative and consulting in general performed between related parties.
- Deferred tax assets and liabilities can be recognized under the conditions established by the Regulation. Tax regulations prevail over accounting and finance standards.
- No deductions are accepted for the impairment of intangible assets with an indefinite useful life.

Income Tax Tariff

- The corporation income tax rate is reformed, establishing a general rate of 22%. However, the tax rate increases to 25% on the proportion of the taxable amount corresponding to the direct or indirect participation of partners, shareholders, beneficiaries or similar who are resident in tax havens or low-tax jurisdictions. If such participation exceeds 50%, the applicable rate is 25%.
- Beneficiaries of profits or dividends paid or credited overseas shall pay the general rate for companies after deduction of any tax credits to which the entity has entitlement.
- Taxable income received by a company or individual not resident in Ecuador from the sale of shares, stocks or other equity rights shall be subject to the general rate applicable to companies. In such cases, the company receiving the investment must act as a “substitute” for the taxpayer and perform the tax withholding.

Prepaid Income Tax

- For the purpose of Prepaid Income Tax, the revalued amount of assets resulting from application of IFRS must not be included in the calculation formula, either under assets or equity.
- Prepaid Income Tax shall exclude costs resulting the generation of new employment, the acquisition of new assets earmarked to improve productivity and technological innovation as well as new and productive investments and expenses incurred and relating to tax benefits for the payment of income tax as recognized under the Production Code.

Reforms to the Reformatory Law for Tax Equity in Ecuador

Overseas Remittance Tax (ISD)

- The tax event for this tax is any mechanism to extinguish obligations when the operations are performed overseas.

12. TRANSFER PRICING

The Company has no transfer pricing study corresponding transactions performed with local and/or overseas related parties for year 2014, as required by current legislation, since the period for filing such report with the tax authorities expires in June 2015. This study constitutes a base to determine whether operations with related and overseas parties have been performed at reasonable prices approximating to the arm's length principle. At the issue date of the financial statements, this study is being prepared and, according to Company Management, the resulting effects of the study, if any, will be of little importance. At December 31, 2013, the transfer pricing study performed by the Company established that transactions with related parties were undertaken at prices approximating to the arm's length principle.

13. ACCRUED LIABILITIES

A summary of accrued liabilities and provision is as follows:

	… December 31,…	
	2014	2013
	(in thousands of U.S. dollars)	
Employee profit-sharing	3,262	3,409
Social benefits	1,333	1,371
Other employee accounts payable	760	1,071
Total	5,355	5,851

Employee profit-sharing - In accordance with current legislation, workers are entitled to a 15% share in a company's profits applicable to accounting for pre-tax profits. Movements in the provision for employee profit-sharing were as follows:

	2014	2013
	(in thousands of U.S. dollars)	
Balances, beginning of year	3,409	1,158
Provision for the year	3,262	3,409
Payments made	(3,409)	(1,158)
Balances, end of year	3,262	3,409

14. DEFERRED BENEFIT OBLIGATIONS

A summary of defined benefit obligations is as follows:

	… December 31,…	
	2014	2013
	(in thousands of U.S. dollars)	
Retirement	2,047	1,443
Severance	539	384
Total	2,586	1,827

14.1 ***Retirement*** - In accordance with the Labor Code, employees with twenty or more years' continuous or interrupted service are entitled to receive pensions from their employers without prejudicing their right as affiliates to receive pensions from the Ecuadorian Social Security Institute.

Movements in the present value of the retirement obligation were as follows:

	2014	2013
	(in thousands of U.S. dollars)	
Balances, beginning of year	1,443	1,117
Cost of the services	466	393
Cost of interest	100	78
Actuarial losses (gains)	38	(145)
Balances, end of year	2,047	1,443

14.2 ***Severance*** - In accordance with the Labor Code, when an employee's labor contract is terminated either by the employee of the employer, the Company shall pay an amount equivalent to 25% of their last monthly salary for each year of service.

Movements in the present value of the severance obligation were as follows:

	2014	2013
	(in thousands of U.S. dollars)	
Balances, beginning of year	384	306
Cost of the services	141	100
Cost of interest	28	19
Actuarial losses	77	55
Benefits paid	(91)	(96)
Balances, end of year	539	384

The actuarial calculations for the present value of the accrued defined benefits were performed at December 31, 2014 and 2013 by an independent actuary. The present value of defined benefit obligations (DBO) and the current service cost and the previous service cost were calculated using the projected credit unit method. Under this method pension benefits must be attributed to the employee's period of service and based on the plan formula so that the same benefit amount is attributed to each year of service based on an actuarial hypothesis to calculate the present value of the referred benefits. This hypothesis reflects the value in money over time, the salary increase and the probability of paying a pension.

Actuarial gains and losses arising from adjustments for experience and changes in actuarial assumptions are credited or charged to other comprehensive income.

The significant actuarial assumptions used to determine the defined benefit obligations are the discount rate, expected salary increases and mortality.

The principal assumptions used for the actuarial calculations are as follows:

	… December 31,…	
	2014	2013
	%	%
Discount rate (s)	6.54	7.00
Expected salary increase rate (s)	3.00	3.00
Turnover rate	16.97	8.90

The sensitivity analysis included below has been developed based on reasonably expected changes that may occur at the end of the reference period for the respective assumptions.

	Retirement	Severance
	(in thousands of U.S. dollars)	
DBO variance (discount rate - 0.5%)	280	71
% impact in DBO (discount rate - 0.5%)	14%	13%
DBO variance (discount rate + 0.5%)	(243)	(62)
% impact in DBO (discount rate + 0.5%	(12)%	(11)%
DBO variance (salary increase rate + 0.5%)	289	73
% impact in DBO (salary increase rate + 0.5%)	14%	14%
DBO variance (salary increase rate - 0.5%)	(252)	(64)
% impact in DBO (salary increase rate - 0.5%)	(12)%	(12)%

The sensitivity analysis presented above may not be representative of a real change in the defined benefit obligation, since it is unlikely that any change in the assumptions would occur in isolation from others (some of the assumptions may be correlated).

Note that the present value of the defined benefit obligation included in the developed sensitivity is calculated using the projected unit credit method, the same used in the calculation of the defined benefit obligation recognized in the statement of financial position.

Amounts recognized in profit and loss for the referred defined benefit plans are as follows:

	2014	2013
	(in thousands of U.S. dollars)	
Statement of profit and loss:		
Service cost	607	493
Interest cost	128	97
Subtotal	735	590
Other comprehensive income:		
Actuarial losses (gains) recognized in the year and		
Subtotal	115	(90)
Total	850	500

15. FINANCIAL INSTRUMENTS

15.1 Financial risk management - During the normal course of its business and financing activities, the Company is exposed to different types of financial risks that may significantly affect, to a greater or lesser extent, the economic value of its cash flows and activities and, consequently, its income.

The Company has various information systems administered by the Global, Regional and Finance are which provide for the identification of such risks, determines their size, suggests mitigation measures to the business areas and Stockholders, executes such measures and controls their effectiveness.

The following is a definition of the risks faced by the Company, their nature and a description of the mitigation measures currently used by the Company when required.

15.1.1 Interest rate risk - The Company is not exposed to an interest rate risk since it maintains no loans. Management of any indebtedness by the Company is defined and approved by the Regional Financial Management, following an assessment of the liquidity situation of the other companies forming part of TCS Latin America leveraged in different regional projects with endorsement from the Corporate Finance are of TCS in India.

15.1.2 Credit risk - Credit risk refers to the risk that one party defaults on its contractual obligations resulting in financial loss to the Company.

As part of TCS Global strategy, the Company works principally with key clients that are previously analyzed and approved by the CEO of Latin America. Such clients are global or international operators classified as "large" within their local environment, thereby reducing the credit risk for the Company.

The Company's risk is concentrated in its principal client, Banco Pichincha C.A., whose participation of total income for the years 2014 and 2013 was approximately 85%.

Credit assessments are performed on the financial conditions of the client or potential client, based on available information, future perspectives, financial soundness and liquidity, using publicly available information or information from any other source.

An ongoing credit assessment is undertaken based on the aging and financial conditions of accounts receivable.

15.1.3 ***Liquidity risk*** - The regional management of Latin America is ultimately responsible for liquidity management. The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecasts of real and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company´s growth has been financed almost entirely with cash generated from business operations.

15.1.4 ***Capital risk*** - The Company performs periodic reviews of its capital to ensure that it able to continue as a going concern while maximizing the yield for its stockholders by optimizing debt and equity balances.

The regional Finance Management of Latin America reviews the Company's capital structure on an annual basis. As part of this review, the Company considers the cost of capital and the risks associated with each type of capital.

The Company's principal financial indicators at December 31, 2014 are as follows:

Working capital	US$2.3 million
Liquidity ratio	2.10
Total liabilities / equity	0.95

Management believes that the referred financial indicators are within appropriate parameters for an organization with the size and development level of the Company.

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15.2 Categories of financial instruments - Details of financial assets and liabilities held by the Company are as follows:

	… December 31,…	
	2014	2013
	(in thousands of U.S. dollars)	
Financial assets to amortized cost:		
Cash and cash equivalents (Note 4)	14,339	27,677
Third party funds (Note 5)	79	114
Trade and other receivable (Note 6)	26,936	13,241
Total	41,354	41,032
Financial liabilities to amortized cost:		
Trade and other payables (Note 10)	11,517	11,755

15.3 Fair value of financial instruments - The Company believes that the carrying amount of its financial assets and liabilities, recognized at amortized cost in the financial statements, approximates to fair value.

16. EQUITY

16.1 Share Capital - Paid-in share capital comprises 3,000,800 shares with a nominal value of US$1.00.

16.2 Legal Reserve - The Companies' Law requires that at least 10% of annual income be appropriated as a legal reserve until such reaches a minimum of 50% of share capital. This reserve is not available for payment of dividends but may be capitalized in its entirety.

16.3 Retained earnings - A summary of retained earnings is as follows:

	…December 31,..	
	2014	2013
	(in thousands of U.S. dollars)	
Retained earnings - distributable	20,745	21,309
Other comprehensive income	(115)	90
Accumulated earnings from first-time adoption of IFRS	(140)	(140)
Total	20,490	21,259

Accumulated earnings from first-time adoption of IFRS - Include amounts resulting from adjustments arising from first-time adoption of IFRS. The debt balance may be absorbed by accumulated earnings and those of the previous terminated year, if any, in accordance with the Resolution issued by the Superintendence of Companies on October 14, 2011.

16.4 Dividends **-** On February 21 and April 16, 2014, dividends of US$3.33 per share were paid, the equivalent of a total dividend of US$10 million corresponding to retained earnings for the years 2011, 2012 and 2013, as approved by the resolution of the Stockholders' Meetings held on February 21 and April 16, 2014.

On December 4 and December 12, 2014, dividends of US0.33 and US$1.33 per share were paid, the equivalent of a total dividend of US$1 million and US$4 million, respectively, corresponding to retained earnings for the year 2013, as approved by the resolution of the Stockholders' Meetings held on December 3 and 11, 2014, respectively. In addition, on April 13, 2015, dividends of US$1.66 per share were paid, the equivalent of US$5 million corresponding to retained earnings for the year 2014, as approved by the resolution of the Stockholders' Meeting held on April 13, 2015.

At March 19, 2013, US$2.67 was paid as a dividend on each share, the equivalent of a dividend total of US$8 million corresponding to retained earnings for the years 2010 and 2011, as approved by a resolution issued by the General Stockholders' Meeting held on March 15, 2013.

17. REVENUES

Revenues from provision of service - Comprise principally the provision of information technology services, software development and maintenance services and administrative-operating processing services (BPO) to financial sector institutions.

Revenues from sale of technological infrastructure **-** Comprise the sale of infrastructure, principally hardware and software to Banco Pichincha C.A.

18. INVESTMENT INCOME

Investment income is generated on interest earned on deposits and liquid financial investments with an effective average interest rate 3% (3.59% for year 2013).

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19. COSTS AND EXPENSES BY NATURE

A summary of administrative and operating expenses reported in the financial statements are as follows:

	2014	2013
	(in thousands of U.S. dollars)	
Costs of operations	65,603	52,645
Administrative expenses	10,882	9,607
Other expenses	670	651
Total	77,155	62,903

Details of costs and expenses by their nature are as follows:

	2014	2013
	(in thousands of U.S. dollars)	
Employee benefits expenses	43,752	36,553
IT costs	15,698	11,982
Fees and services	4,429	3,196
Depreciation and amortization expenses	4,162	4,312
Maintenance expenses	2,122	1,634
Expenses allocated from Parent Company	1,749	635
Insurance	1,177	744
Leases	722	597
Travel	644	736
Inventory consumption	606	262
Taxes	440	487
Security	236	218
Energy	217	276
Other expenses	1,201	1,271
Total	77,155	62,903

Employee Benefit Expenses **-** Details of employee benefit expenses are as follows:

	2014	2013
	(in thousands of U.S. dollars)	
Salaries and wages	26,899	21,756
Social benefits	7,060	6,103
Social security (IESS) contributions	5,796	4,695
Employee profit-sharing	3,262	3,409
Defined benefits	735	590
Total	43,752	36,553

Depreciation and Amortization Expense **-** Details of the depreciation and amortization expenses are as follows:

	2014	2013
	(in thousands of U.S. dollars)	
Amortization of intangible assets	1,926	1,473
Amortization of licenses	1,869	2,001
Depreciation of installations and equipment	367	450
Amortization of in prior-year intangible assets	____	388
Total	4,162	4,312

20. RELATED PARTY TRANSACTIONS

20.1 ***Commercial Transactions*** **-** During the years 2014 and 2013, the Company performed the following commercial transactions with its related parties:

	Purchase of services	
	2014	2013
	(in thousands of U.S. dollars)	
TATA Consultancy Services Ltd. (India)	3,163	1,388
TATA Consultancy Services Chile S.A.	367	-
TATA Consultancy Services Argentina S.A.	-	14
Tata Consultancy Services de México S.S. de C.V.	164	273
Tata Sons Limited	235	155
Tata América International Corporation	274	21
TCS Solution Center S.A. Colombia Branch **(1)**	119	1,182

(1) Comprise transactions related to the sale of the SAB Miller project to Cervecería Nacional and Dinadec.

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20.2 ***Balances with related parties*** - During the years 2014 and 2013, the following balances were pending at the end of the reporting period:

	Balances owed by related parties		Balances owed to related parties	
	… December 31…			
	2014	2013	2014	2013
	… (in thousands of U.S. dollars) …			
TATA Consultancy Services Ltd. (India)	162			407
Tata América International Corporation	16			21
TATA Consultancy Services Chile S.A.	172		235	
Tata Consultancy Services de México S.S. de C.V.			8	175
Tata Sons Limited			181	155
TCS Solution Center S.A. Colombia Branch	559	292	363	
Total	909	292	787	758

The pending balances are not guaranteed and will be paid in cash. No guarantees have been provided or received. No expense has been recognized in the current period or in previous periods with respect to bad or doubtful debts on amounts owed by related parties.

20.3 ***Compensation of key management personnel*** - Compensation paid to executives and other key members of management during the year was as follows:

	2014	2013
	(in thousands of U.S. dollars)	
Wages and salaries	2,310	2,384
Social benefits	382	281
Defined benefits	96	131
Total	2,788	2,796

The compensation of the directors and key executives is determined based on individual performances and market trends.

In March 2015, the Parent Company (Tata India) paid a performance bond to each of its Companies at international level. This bond represented US$1.8 million for Tata Solution Center S.A. and must be shared among employees with more than one year of service. The Company is currently analyzing the amount paid to each individual in order to fulfill instructions sent by the Parent Company.

21. COMMITMENTS

The Company's principal commitments, effective at December 31, 2014 and 2013 are as follows:

Services Contract - Banco Pichincha C.A. - On January 10, 2007, Banco Pichincha C.A. and Tata Consultancy Services Chile S.A. signed a contract for the provision of IT and BPO services whereby Tata Consultancy Services Chile S.A. commits to provide the referred services under the instructions and technical control of the Bank.

On May 31, 2007, Banco Pichincha C.A., Tata Consultancy Services Chile S.A. and Tatasolution Center S.A. (Ecuador) signed an operating agreement for execution of the contract for the provision of IT and BPO services signed between the first two parties. The referred operating agreement assigns operation of the contract to Tatasolution Center S.A.

In year 2011, the parties signed an agreement to adjust the prices and calculation methodology, effective and exclusive for the referred year only. Banco Pichincha C.A. accepted the proposed readjustments.

On December 3, 2012, Banco Pichincha C.A. and Tatasolution Center S.A. signed a new contract for the provision of IT and BPO services with a guarantee provided by Tata Consultancy Services Chile S.A. for an additional period of 54 months. This new contract incorporated the needs of both parties based on experience acquired over the previous 5-year relationship. Moreover, new services required by Banco Pichincha C.A. have been included in addition to improvements in the operation model attention. At December 31, 2014, all appendices related to the current contract have been signed.

Contract for Implementation of the BPM, Portal and ESB Integration Services in Banco Pichincha C.A.- Banco Pichincha C.A., in addition to services covered under the Framework Agreement, requested the Company to provide additional services, including those covered by the "BPM, Portal and ESB Integration Consulting Services Contract" signed on February 26, 2008. The referred contract was signed for the purpose of providing consulting and integrated provision and use services related to BPM, Portal and ESB Integration systems. The BPM contract expired in October 2010. Although progress has only been declared to be partial, the Company has been undertaking investments and incurring expenses in order to be able to comply with the commitment to render the originally contracted services. On September 30, 2011, a new contract was signed with Banco Pichincha C.A. This new BPM agreement seeks to offset the additional expenses and investments incurred by the Company and agree upon the additional efforts required to conclude the project development, provide the client with a maintenance service as well as correct operating phase and operating service errors. The total contract price is US$11.8 million, effective until January 31, 2017.

Services Contract - Banco General Rumiñahui - On October 8, 2007, Banco General Rumiñahui S.A. and the Company signed an IT and BPO provision of services contract, under the instructions and technical control of the Bank. The effective period terminated in October 2012.

On January 30, 2013, Banco General Rumiñahui S.A. and Tatasolution Center S.A. signed an extension to the services contract up to April 30, 2013, and subsequently signed 2 additional extensions up to October 30 and then December 30, 2013.

On June 1, 2014, the contract held with Banco General Rumiñahui was renewed, defining a new baseline and new prices related to excesses. The current contract is effective up to June 5, 2015. However, the term clause provides for the extension by an additional period in the event of the contract not being terminated in accordance with the conditions established therein.

Service Contract - Ecuadorian Social Security Institute - IESS - On April 7, 2008, the Ecuadorian Social Security Institute and the Company signed a provision of services contract for the concession and administration of mortgage credits granted by the IESS to its affiliates and pensioners for the acquisition of housing, in accordance with general and precise service specifications. On November 26, 2009, the Ecuadorian Social Security Institute and the Company signed an addendum whereby the referred contract was assigned to Banco del Instituto Ecuatoriano de Seguridad Social (*Ecuadorian Social Security Institute Bank - BIESS*), extending the scope of its services to include the construction, remodeling or improvement of housing; and to the concession and administration of mortgage loans to cover payment of credit operations with financial entities and mortgages replacements.

On September 4, 2012, the Ecuadorian Social Security Institute Bank (BIESS) and the Company signed a new contract for the provision of administration services for the management and the granting of mortgage loans for one year. At December 31, 2013, the Company had not renewed the referred contract but continued providing the mortgage operation service up to February 2014.

In February 2014, the contract held with the Ecuadorian Social Security Institute Bank (BIESS) related Administration of Mortgage Loans was terminated. In June 2014, through communications and public deeds, agreement was reached with respect to billing for services provided from August 2013 and February 2014, thus concluding the contract closure process. The Ecuadorian Social Security Institute Bank (BIESS) recognized US$1.3 million related to settlement of the current contract.

In addition, in April 2014, the Company negotiated a Platform and Hosting Administration Service contract with the Ecuadorian Social Security Institute Bank (BIESS) for the TCS Workflow and Datamart Factory Operations tools for a four-month period as of the contract signing date. As of the issue date of these financial statements, the services provided under this contract continue to be rendered and for which the Ecuadorian Social Security Institute Bank (BIESS) has recognized a monthly Financial Entity payable to Financial Entity of US$68,000.

Service Contract - Telefónica Ecuador Business - In February 2014, the Company signed a contract with Telefónica Ecuador Business for the provision of assistance and maintenance services and the development of evolutionary applications, as well as monitoring platforms, billing, monitoring billing platforms and the management of the pre-production environmental. The contract is effective up to January 2017.

Service Contract - EP Petroecuador - On July 22, 2014, the Company signed a contract with EP Petroecuador for the provision of service to improve and automate the insurance management process, supported by the IBM BPM-SOA platform. The contract is effective of 360 days.

Service Contract - Diners Club del Ecuador S.A. Sociedad Financiera - In October 2014, the Company signed a contract with Diners Club del Ecuador S.A. Sociedad Financiera for provision of services for applications, technology projects, consulting, technology architecture solutions and safety certification services for applications managed by the financial entity. The contract has a baseline price and an excess for transactions in technological projects, consulting and architecture. The Company and Diners Club del Ecuador S.A. Sociedad Financiera agreed a contract period of twenty four months as from finalization of the transition phase and transfer of the know-how. The base contract amount is US$2.2 million.

22. CONTINGENCIES

Losses of Banco Pichincha

The Company was contracted by Banco Pichincha to undertake the change in its Core Banking Bancs System. The production date for the stage of this project was April 9, 2012. As of that date, mismatches and discrepancies have arisen both in ledger accounts as well as in client accounts. In October 2012, the estimated mismatch for the Bank was US$12.6 million that includes both debit and credits in Bank ledgers accounts as well as in client accounts.

Notwithstanding clean out and recoveries, at the financial statements issue date, the Bank's negative mismatch totals US$7.1 million. As a consequence of this situation, on October 2, 2012, a claim was submitted to the insurance company via its advisor. As part of this claim, at the end of April 2015, Tata's insurance company will recognize an indemnity related claim of approximately US$2 million. The referred amount must be paid directly to Banco Pichincha as the direct beneficiary of the insurance policy.

As of the issue date of these financial statements no formal agreement has been reached with Banco Pichincha. It should be noted that in contractual terms, the Company's liability, as established in the Operations and Technology framework contract, Point Six of Appendix 1, states that any indemnity due to the Bank and arising from direct or indirect liability as a consequence of acts or faults or non-compliance by the Company shall be limited to US$150,000 per month. This liability was covered by the contracted insurance policies effective as of the date when the insurance company was notified of the event. According to the criterion of Company management, it is not possible to determine whether or not there would be an economic impact on the Company and, therefore, the need to record a provision for this item.

Operative errors with Banco Pichincha

On April 13, 2015, confirmation was received from Banco Pichincha with respect to an amount of US$2.1 million receivable from Tata Solution Center S.A. arising from operative errors. As of the issue date of the financial statements, the Company has not recorded a provision for this amount since Management is discussing this matter and no decision has been made as to whether the referred amount will be assumed by the Company.

Year 2007 Income Tax Assessment

On September 30, 2011, the Regional Director of the Internal Revenue Service (SRI) issued an Assessment Order for year 2007, requiring the Company to pay income tax of US$363,000. The Company challenged the Order in 2013 and the case is now with the Contentious Tax Tribunal with a verdict being awaited. After consulting its legal advisors, the Company believes the possibility of success to be low. Consequently, the total amount payable plus interest has been provisioned.

23. EVENTS AFTER THE REPORTING PERIOD

Except for the matter discussed in notes 16.4, 20.3 and 22 related to declaring and the payment of dividends by the Company on April 13, 2015 for US$10 million, the decision of the Parent Company to pay a bonus to Company personnel of approximately US$1.8 million and confirmation of the contingent liability of US$2.1 million received from Banco Pichincha on April 13, 2015, between

December 31, 2014 and the issue date of the financial statements (April 28, 2015) no events have occurred that, in the opinion of the Company´s Management, could have an important effect on the financial statements and have not be disclosed herein.

24. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2014 were approved by Company Management on April 28, 2015 and will be presented to the Stockholders for approval. In the opinion of Company Management, the financial statements will be approved by the Stockholders without any modification.