TATASOLUTION CENTER S.A.

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Index **Page**

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
BIESS	Ecuadorian Social Security Institute Bank - BIESS

Deloitte.

Deloitte & Touche
Ecuador Cía. Ltda.
Av. Amazonas N3517
Telf: (593 2) 381 5100
Quito – Ecuador

Tulcán 803
Telf: (593 4) 370 0100
Guayaquil – Ecuador
www.deloitte.com/ec

INDEPENDENT AUDITORS' REPORT

To the Stockholders of
Tatasolution Center S.A.:

Report on the financial statements

We have audited the accompanying financial statements of Tatasolution Center S.A., which comprise the statement of financial position as at December 31, 2015, and the related 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, 2015, 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 22, 2016

TATASOLUTION CENTER S.A.

STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2015

ASSETS	Notes	31/12/2015	31/12/2014
		(in thousands of U.S. dollars)	
CURRENT ASSETS:			
Cash and cash equivalents	4	26,828	14,339
Third party funds			79
Trade and other receivables	5	24,998	26,937
Current tax assets	11		309
Other assets	6	2,826	2,552
Total current assets		54,652	44,216
NON-CURRENT ASSETS:			
Installations and equipment	7	957	847
Intangible assets	8	730	2,624
Other assets	6	1,050	109
Deferred tax assets	11	464	868
Total non-current assets		3,201	4,448
TOTAL		57,853	48,664

See notes to financial statements

Gonzalo Pozo
General Manager

LIABILITIES AND EQUITY	Notes	31/12/2015	31/12/2014
		(in thousands of U.S. dollars)	
CURRENT LIABILITIES:			
Trade and other payables	9	9,453	11,517
Deferred income	10	5,156	
Current tax liabilities	11	3,342	4,209
Accrued liabilities	13	6,049	5,355
Total current liabilities		24,000	21,081
NON-CURRENT LIABILITIES:			
Defined benefit obligation and total non-current liabilities	14	2,848	2,586
Total liabilities		26,848	23,667
EQUITY:	16		
Share capital		3,001	3,001
Legal reserve		1,506	1,506
Retained earnings		26,498	20,490
Total equity		31,005	24,997
TOTAL		57,853	48,664

Jhonatan Fonseca
General Accountant

TATASOLUTION CENTER S.A.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

	Notes	Year ended 31/12/2015	31/12/2014
		(in thousands of U.S. dollars)	
REVENUES:			
Provision of services	17	97,972	91,303
Sale of technological infrastructure	17	22,634	4,011
Total		120,606	95,314
COST OF OPERATIONS	18	(84,426)	(65,603)
GROSS MARGIN		36,180	29,711
Administrative expenses	18	(15,316)	(11,579)
Interest income		186	324
Other income		52	27
PROFIT BEFORE INCOME TAX		21,102	18,483
Less income tax expense (profit):	11		
Current		4,955	4,164
Deferred		404	(27)
Total		5,359	4,137
PROFIT FOR THE YEAR		15,743	14,346
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified subsequently to profit and loss:			
Actuarial gains (losses)	14	265	(115)
TOTAL COMPREHENSIVE INCOME		16,008	14,231

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, 2015

			… Retained earnings …		
	Share capital	Legal reserve	Retained earnings	Adoption of IFRS	Total
		…(in thousands of U.S. dollars)…			
Balances at December 31, 2013	3,001	1,506	21,399	(140)	25,766
Profit for the year			14,346		14,346
Dividends paid (Note 16.4)			(15,000)		(15,000)
Other comprehensive income (loss) for the year			(115)		(115)
Balances at December 31, 2014	3,001	1,506	20,630	(140)	24,997
Profit for the year			15,743		15,743
Dividends paid (Note 16.4)			(10,000)		(10,000)
Other comprehensive income for the year			265		265
Balances at December 31, 2015	3,001	1,506	26,638	(140)	31,005

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, 2015

	Year ended	
	31/12/2015	31/12/2014
	(in thousands of U.S. dollars)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	132,953	81,930
Payments to suppliers, employees and related companies	(100,417)	(71,872)
Interest income	186	324
Employee profit-sharing	(3,262)	(3,409)
Income tax	(5,295)	(5,125)
Other income, net	52	27
Net cash generated by operating activities	24,217	1,875
CASH FLOWS IN INVESTING ACTIVITIES:		
Acquisition of installations and equipment	(513)	(191)
Increase in other assets	(1,215)	(22)
Net cash used in investing activities	(1,728)	(213)
CASH FLOWS IN FINANCING ACTIVITIES:		
Dividends paid and net cash used in financing activities	(10,000)	(15,000)
CASH AND CASH EQUIVALENTS:		
Net increase (decrease)	12,489	(13,338)
Beginning balances	14,339	27,677
ENDING BALANCES	26,828	14,339

See notes to financial statements

Gonzalo Pozo
General Manager

Jhonatan Fonseca
General Accountant

1. GENERAL INFORMATION

Tatasolution Center S.A., 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 87% of its total revenues. Among the most significant services provided to the bank are software development services 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, 2015 and 2014, the Company employed a total of 2,558 and 2,274 employees, respectively.

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

Amounts included in the notes to the financial statements are expressed in thousands of U.S. dollars unless otherwise stated.

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 installation 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 using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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 goals and key performance indicators 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.

2.11.1 ***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.

At December 31, 2015 and 2014, 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 flow, 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 payable 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 Application of new and revised International Financial Reporting Standards with mandatory application in the current year

During the year, the Company has applied a number of new and revised amendments to IFRS issued by the International Accounting Standards Board (IASB) that are of mandatorily effective on or after January 1, 2015 and which have not no significant effect on the financial statements or the notes.

2.18 New and revised standards issued but not yet effective - The Company has not applied the following new and revised International Financial Reporting Standards (IFRS) that have been issued but are not yet effective but for which early application is permitted. Details are as follows:

IFRS	Title	Effective from
IFRS 9	Financial instruments	January 1, 2018
IFRS 15	Revenue from contracts with customers	January 1, 2017
Amendment to IAS 1	Disclosure initiative	January 1, 2016
Amendment to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortization	January 1, 2016
Amendment to IFRS	Annual Improvements to IFRS 2012–2014 Cycle	July 1, 2016

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.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- IFRS 9 retains the three types of hedge accounting mechanisms currently available in IAS 39. IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge

effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Management expects that application of IFRS 9 in the future may have a significant impact on the amounts recognized in the 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 2015, 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 future significant impact on the amounts recognized in the 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 1 Disclosure Initiative

The amendments to IAS 1 provide guidance on the application of materiality in practice. These amendments are effective for periods beginning on or after January 1, 2016. Company Management does not expect future application of these amendments will have a significant impact in the financial statements.

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.

Annual Improvements to IFRS 2010–2014 Cycle

The Annual Improvements to IFRS 2012–2014 Cycle include a number of amendments to various IFRS, which are summarized below:

- The amendments to IFRS 5 clarify that when an entity reclassifies an asset (or group of assets) from held for sale to held for distribution to owners (or vice versa), then the change in classification is considered a continuation of the original plan of disposal. Therefore, the requirements of IFRS 5 in connection with the change of the plan to sell do not apply. The amendments also clarify the applicable guidelines when accounting for assets held-for-distribution is interrupted.

- The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required.

- The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations shall be determined by reference to market yields at the balance sheet date on high quality corporate bonds. The evaluation of the depth of the market for high quality corporate bonds should be assessed at the currency level (i.e. the currency in which the benefits are to be paid). For currencies where there is no deep market for corporate bonds the market yields on government bonds shall be used at the reporting date.

Company Management does not expect future application of these amendments will have a significant impact on the amounts recognized in the 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 2015 and 2014, 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

	31/12/2015	31/12/2014
Cash	1	1
Banks	4,077	50
Short-term investments **(1)**	22,750	14,288
Total	26,828	14,339

(1) At December 31, 2015, correspond to certificates of deposit with a local financial institution maturing up to February 2016 (up to February 2015 for year 2014), with an effective average interest rate of 4.2% (3% for year 2014).

5. TRADE AND OTHER RECEIVABLES

	31/12/2015	31/12/2014
Trade accounts receivables:		
Banco Pichincha C.A.	19,201	20,075
Ecuadorian Social Security Institute Bank (BIESS)	1,841	1,598
Banco General Rumiñahui S.A.	1,025	1,839
Others clients	2,858	3,008
Subtotal	24,925	26,520
Other accounts receivable	73	417
Total	24,998	26,937

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:

	31/12/2015	31/12/2014
BPO services **(1)**	16,331	17,227
Sales of software and hardware	1,601	2,610
Business Intelligence consulting service		230
Other services	1,268	8
Total	19,201	20,075

(1) At December 31, 2015, the balance include US$3.8 million (US$3.5 million for year 2014) corresponding to hours of service maintenance, projects, transactions and technological infrastructure with aging exceeding 180 days. These services have been approved by Banco Pichincha C.A.. 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$1 million (US$2.1 million for year 2014); Consorcio Ecuatoriano de Telecomunicaciones S.A.C. (CONECEL) for US$521,000 (US$446,000 for year 2014) and Diners Club del Ecuador S.A. Sociedad Financiera for US$749,000 (US$327,000 for year 2014).

Aging of past-due accounts receivable not yet impaired: Details of past-due accounts receivable not yet impaired are as follows:

	31/12/2015	31/12/2014
Over 360 days **(1)**	5,601	359

(1) Comprise principally of services rendered in accordance with signed service agreements to Banco Pichincha C.A. for US$3.8 million and US$1.8 million receivable from the Ecuadorian Social Security Institute Bank - BIESS, which will be invoiced once the corresponding administrative processes have been completed.

6. OTHER ASSETS

	31/12/2015	31/12/2014
Annual maintenance of licenses **(1)**	2,758	157
Insurance	323	321
Guarantees	86	109
Related parties (See Note 19.2)	478	909
Others	231	1,165
Total	3,876	2,661
Classification:		
Current	2,826	2,552
Non-current	1,050	109
Total	3,876	2,661

(1) Comprise prepayments for annual license maintenance, coming due up to December 2018 (up to December 2017 for year 2014). During the years 2015 and 2014, the Company recognized amortization on the maintenance of licenses for US$986,000 and US$1,869,000, respectively, in profit and loss (See Note 18).

7. INSTALLATIONS AND EQUIPMENT

	31/12/2015	31/12/2014
Cost	5,958	5,445
Accumulated depreciation	(5,001)	(4,598)
Total	957	847
Classification:		
Computer equipment	599	555
Furniture and equipment	358	287
Installations		4
Vehicle		1
Total	957	847

Movements in installations and equipment were as follows:

	Computer Equipment	Furniture and fittings	Installations	Vehicle	Equipment	Total
Cost:						
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
Acquisitions	346	167				513
Balances at December 31, 2015	4,704	971	281	2	-	5,958
Accumulated depreciation:						
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)
Depreciation expense	(302)	(96)	(4)	(1)		(403)
Balances at December 31, 2015	(4,105)	(613)	(281)	(2)	-	(5,001)
Net balances at December 31, 2014	555	287	4	1	-	847
Net balances at December 31, 2015	599	358	-	-	-	957

8. INTANGIBLE ASSETS

	31/12/2015	31/12/2014
Cost	7,572	7,572
Accumulated amortization	(6,842)	(4,948)
Total	730	2,624

Movements in intangible assets were as follows:

	Year ended 31/12/2015	Year ended 31/12/2014
Net balances, beginning of year	2,624	4,550
Amortization expense **(1)**	(1,894)	(1,926)
Net balances, end of year	730	2,624

(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 in year 2014.

Intangible assets correspond to assets related to development of the Business Process Management - BPM, Portal Middleware project comprising software, consulting services and licenses.

9. TRADE AND OTHER PAYABLES

	31/12/2015	31/12/2014
Trade accounts payable		
Local suppliers	1,462	8,183
Related companies **(1)**	536	
Subtotal	1,998	8,183
Other accounts payable:		
Ecuadorian Social Security Institute Bank - BIESS		79
Banco Pichincha		180
Related companies **(1)**	566	787
Prepaid from clients **(2)**	4,000	
Provisions	2,889	2,288
Subtotal	7,455	3,334
Total	9,453	11,517
(1) Total related companies (See Note 19.2)	1,102	787

(2) Comprises a US$4 million prepayment from the Internal Revenue Services (SRI) to initiate a new project related to providing services to implement the integrated OLA 1 technological solution as part of the referred entity's improvement program (See Note 20).

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

Provisions - Details of amounts comprising provisions are as follows:

	31/12/2015	31/12/2014
Banco Pichincha C.A.:		
Operative errors	832	638
Infrastructure services	575	166
Subtotal	1,407	804
Other suppliers:		
Recurring services	759	761
Others **(1)**	723	723
Subtotal	1,482	1,484
Total	2,889	2,288

(1) Comprise the provision for determining year 2007 income tax for US$723,000 including interest and surcharges (See Note 21).

10. DEFERRED INCOME

Comprise the recording of deferred income with Banco Pichincha C.A. for US$5.1 million for license maintenance coming due up to December 2016.

11. TAXES

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

	31/12/2015	31/12/2014
Current tax liabilities:		
Tax credit on income tax withholdings at source and total	-	309
Current tax liabilities:		
Income tax payable	1,508	1,848
Value Added Tax - VAT payable and withholdings	1,444	2,028
Income tax withholdings at source payable	390	333
Total	3,342	4,209

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

	Year ended	
	31/12/2015	31/12/2014
Profit according to the financial statements, before income tax	21,102	18,483
Non-deductible expenses	1,420	446
Taxable income	22,522	18,929
Income tax liability **(1)**	4,955	4,164
Calculation of minimum prepaid income tax **(2)**	672	669
Income tax charged to profit and loss:		
Current	4,955	4,164
Deferred	404	(27)
Total	5,359	4,137
Effective tax rate	25.4%	22.38%

(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 2015 and 2014, the income tax liability exceeded the prepaid tax. Consequently, the Company recorded US$4.9 million and US$4.2 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 2012 through 2015 are subject to review.

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

	Year ended	
	31/12/2015	31/12/2014
Balances, beginning of year	1,848	2,809
Provision for the year	4,955	4,164
Payments made	(5,295)	(5,125)
Balances, end of year	1,508	1,848

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

11.4 ***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
Year 2015			
Deferred tax assets in relation to:			
Provisions	321	(321)	
Depreciation of computer equipment	1	(1)	
Depreciation of installations and equipment	41	(41)	
Provision for retirement	441	23	464
Provision for vacations	45	(45)	
Uniform expense provision	19	(19)	
Total	868	(404)	464

Year 2014

Deferred tax assets in relation to:			
Provisions	423	(102)	321
Depreciation of computer equipment	2	(1)	1
Depreciation of installations	31	10	41
Provision for retirement	318	123	441
Provision for vacations	45	-	45
Uniform expense provision	22	(3)	19
Total	841	27	868

11.5 Tax Assets:

On December 18, 2015, the Incentives for Public-Private Partnerships and Foreign Investment Law was enacted in order to provide incentives for undertaking projects as public-private partnerships and establish incentives to promote productive financing, domestic investment and foreign investment. The principal incentives and tax-related reforms of the Law are as follows:

- Investments in public projects under public-private partnership may obtain exemptions from income tax, the overseas remittance tax and foreign trade taxes.

- Companies created or structured to undertake public projects in public-private partnerships are entitled to a ten-year income tax exemption as from the year in which operation income is generated.

- Income and benefits obtained on fixed-term deposits in local financial institutions and fixed income investments traded through Ecuador's or the Special Stock Register are income tax exempt.

- Overseas remittances of capital and interest on loans granted by international financial institutions or specialized non-financial institutions qualified by the corresponding regulatory entities in Ecuador, which provide financing with a term of 360 days and are used to finance housing, microcredit or productive investments, are exempt from the overseas remittance tax paid.

12. TRANSFER PRICING

In accordance with current tax legislation, taxpayers subject to income tax and that have performed transactions with overseas related parties and within the same fiscal period for an accumulated amount exceeding US$15 million are obliged to file a Transfer Pricing report to determine whether such operations have been performed in accordance with the arm's length principle. The total amount of the Company's operations with its related parties during 2015 no not exceed the referred accumulated amount.

13. ACCRUED LIABILITIES

	31/12/2015	31/12/2014
Employee profit-sharing	3,724	3,262
Social benefits	1,715	1,333
Other employee accounts payable	610	760
Total	6,049	5,355

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:

	Year ended	
	31/12/2015	31/12/2014
Balances, beginning of year	3,262	3,409
Provision for the year	3,724	3,262
Payments made	(3,262)	(3,409)
Balances, end of year	3,724	3,262

14. DEFINED BENEFIT OBLIGATIONS

	31/12/2015	31/12/2014
Retirement	2,109	2,047
Severance	739	539
Total	2,848	2,586

14.1 Retirement - In accordance with the Labor Code, employees with twenty-five 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:

	Year ended	
	31/12/2015	31/12/2014
Balances, beginning of year	2,047	1,443
Cost of the services	292	466
Cost of interest	121	100
Actuarial losses (gains)	(351)	38
Balances, end of year	2,109	2,047

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:

	Year ended	
	31/12/2015	31/12/2014
Balances, beginning of year	539	384
Cost of the services	183	141
Cost of interest	37	28
Actuarial losses	86	77
Benefits paid	(106)	(91)
Balances, end of year	739	539

The actuarial calculations for the present value of the accrued defined benefits were performed at December 31, 2015 and 2014 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:

	31/12/2015	31/12/2014
	%	%
Discount rate (s)	7.16	6.54
Expected salary increase rate (s)	4.50	3.00
Turnover rate	21.60	16.97

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 and severance
DBO variance (discount rate - 0.5%)	256
DBO variance (discount rate + 0.5%)	(225)
DBO variance (salary increase + 0.5%)	174
DBO variance (salary increase - 0.5%)	(162)

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 the statement of comprehensive income for the referred defined benefit plans are as follows:

	Year ended	
	31/12/2015	31/12/2014
Statement of profit and loss:		
Service cost	475	607
Interest cost	158	128
Subtotal	633	735
Other comprehensive income:		
Actuarial losses (gains) and subtotal	(265)	115
Total	368	850

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 area 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 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 TCS 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 2015 and 2014 was approximately 87% and 85%, respectively.

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 TCS 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, 2015 are as follows:

Working capital	US$30.7 million (US$23.1 million for year 2014)
Liquidity ratio	2.28 (2.10 for 2014)
Total liabilities / equity	0.87 (0.95 for 2014)

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

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

	31/12/2015	31/12/2014
Financial assets at amortized cost:		
Cash and cash equivalents (Note 4)	26,828	14,339
Third party funds		79
Trade and other receivable (Note 5)	24,998	26,937
Total	51,826	41,355

	31/12/2015	31/12/2014
Financial liabilities at amortized cost:		
Trade and other payables less prepaids from clients (Note 9) and total	5,453	11,517

15.3 ***Fair value of financial instruments*** - The Company is management believe 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:

	31/12/2015	31/12/2014
Retained earnings - distributable	26,373	20,745
Other comprehensive income	265	(115)
Accumulated earnings from first-time adoption of IFRS	(140)	(140)
Total	26,498	20,490

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*** - During 2015, dividends of US$3.33 (US$5 for year 2014) per share were paid, the equivalent of a total dividend of US$10 million (US$15 million for year 2014), corresponding to retained earnings for the years 2012, 2013 and 2014 (2011, 2012 and 2013 for year 2014), as approved by the resolution of the Stockholders' Meetings held on April 13 and December 21, 2015 (February 21 and April 16 for year 2014).

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. COSTS AND EXPENSES BY NATURE

	Year ended	
	31/12/2015	31/12/2014
Operating costs	84,426	65,603
Administrative expenses	15,316	11,579
Total	99,742	77,182

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

	Year ended	
	31/12/2015	31/12/2014
Employee benefits costs	54,688	43,752
IT costs	22,194	10,782
Fees and services	4,672	4,374
Expenses allocated from Parent Company	4,635	4,321
Depreciation and amortization expenses	3,283	4,162
Communications	2,104	1,773
Inventory consumption	2,012	1,178
Insurance	1,395	1,178
Maintenance expenses	1,387	2,123
Travel	818	388
Leases	543	722
Taxes	562	411
Travel expenses	621	295
Other expenses	828	1,723
Total	99,742	77,182

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

	Year ended	
	31/12/2015	31/12/2014
Salaries and wages	34,180	26,899
Social benefits	9,098	7,060
Social security (IESS) contributions	7,053	5,796
Employee profit-sharing	3,724	3,262
Defined benefits	633	735
Total	54,688	43,752

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

	Year ended	
	31/12/2015	31/12/2014
Amortization of intangible assets	1,894	1,926
Amortization of licenses	986	1,869
Depreciation of installations and equipment	403	367
Total	3,283	4,162

19. RELATED PARTY TRANSACTIONS

19.1 ***Commercial Transactions*** - During the years 2015 and 2014, the Company performed the following commercial transactions with its related parties:

	Purchase of services	
	2015	2014
TATA Consultancy Services Ltd. (India)	3,368	3,163
TATA Consultancy Services Chile S.A.	587	367
Tata Consultancy Services de México S.S. de C.V.	143	164
Tata Sons Limited	271	235
Tata América International Corporation	220	274
TCS Solution Center S.A. Colombian Branch **(1)**	142	119

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

19.2 ***Balances with related parties*** - During the years 2015 and 2014, the following balances were pending at the end of the reporting period:

	Balances owed by related parties		Balances owed to related parties	
	… December 31…			
	2015	2014	2015	2014
TATA Consultancy Services Ltd. (India)		162	780	
Tata América International Corporation		16	53	
TATA Consultancy Services Chile S.A.		172		235
Tata Consultancy Services de México S.S. de C.V.			49	8
Tata Sons Limited			220	181
TCS Solution Center S.A. Colombian Branch	478	559		363
Total	478	909	1,102	787

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.

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

	Year ended	
	31/12/2015	31/12/2014
Wages and salaries	2,154	2,310
Social benefits	586	382
Defined benefits	105	96
Total	2,845	2,788

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 bonuses to each of its Companies at international level. This bonuses represented US$1.8 million for Tata Solution Center S.A. and must be shared among employees with more than one year of service. In June, the Company paid US$1.5 million to its employees as the referred bonuses.

20. COMMITMENTS

The Company's principal commitments, effective at December 31, 2015 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 for a 5-year period as from January 1, 2007.

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 March 29, 2012, the parties agreed to extend the term of the Framework Agreement to December 30, 2012 or until the date of signing a new contract, whichever occurs first.

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, 2015 and 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 S.A. - 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.

The referred Contract has been extended on six occasions: January 30, 2013, April 30, 2013, October 30, 2013 (the date on which it was agreed that that the Contract would be extended to December 31, 2013). On December 27, 2013, the Contract was extended to March 31, 2014; on April 2, 2014, the Contract was extended to April 30, 2014 and to a subsequent date for negotiation purposes to June 30,

2014. Finally, on June 30, 2014, the Effective Date of the Provision of Services Contract was extended to July 31, 2014.

On July 29, 2014, the BGR Technology and Operations Contract was signed and which defines a new baseline and new prices related to the excess. The current contract is effective until July 31, 2015. However, the term clause provides for the automatic renewal of the Contract in the event of the contract not being terminated in accordance with the conditions established therein.

Services 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.

Prior to termination of the contract period, BIESS informed TCS that it would invoke the stipulation of the Second Clause "Other Obligations of the Contractor" that, in the Second paragraph (12.02) states:

"Upon termination of this contract and on the understanding that a transition period of no less than three months is required for delivery of the operations related to the services provided, the CONTRACTOR expressly commits to provide each and every one of the technological, operational and legal facilities, etc. as deemed reasonably necessary by the Bank with respect to delivery of the referred operations to a new contractor or to the Bank for a more efficient operation, thus ensuring continuity in the provision of services to the Bank's users."

On February 5, 2014, BIESS and TCS signed the Transition Process Procedure Deed between BIESS and Tatasolution Center S.A. This instrument stipulates the obligations to be assumed by each of the parties and includes a timetable for compliance with all the planned activities within the transition process, whereby, for example, TCS would close operations on February 14, 2014 and as from February 15 of the same year, BIESS would be responsible for continuing the mortgage process.

Through communications and public documents, billing for services provided by TCS for the transition period September 2013 to February 2014, following termination of the contract, BIESS recognized an amount of US$1.3 million in favor of TCS.

Actions related to the definitive close of the transition contract signed between BIESS and Tatasolution Center S.A. are still continuing

In addition, in April 2015, the Company negotiated a Platform and Hosting Administration Services contract for the TCS Workflow and Datamart tools of the Operations Factory for a 4-month period as of the contract signing date. As of the issue date of the financial statements, services related to this contract continue to be provided and for which BIESS has recognized a monthly fee of US$68,000.

At December 31, 2015, the Company informed BIESS of the latter's outstanding balances payable for US$1.6 million, which are to be paid upon settlement of the contract.

Service Contract - Telefónica Ecuador Business - In February 2015, 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, billing monitoring 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 services to improve and automate the insurance management process, supported by the IBM BPM-SOA platform. The contract is effective for 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 and an excess price for transactions in technological projects, consulting and architecture. The Company and Diners Club del Ecuador S.A. Sociedad Financiera agreed a twenty-four month contract period as from finalization of the transition phase and transfer of the know-how. The base contract amount is US$2.2 million.

Service Contracts - Internal Revenue Services (SRI) - In December 2015, the Company signed a Services Contract with the Internal Revenue Services (SRI) for the provision of an implementation service for the OLA 1 integrated technological solution as part of the SRI improvement program. The Company and the Internal Revenue Services (SRI) agreed a 32-month period as of February 2, 2016 (the project initiation) and a price of US$23.7 million. This amount will be recognized as of February 2016, the project start date. In addition, at December 31, 2015, the Company received an advance payment of US$4 million in accordance with the framework contract.

21. CONTINGENCIES

Losses of Banco Pichincha C.A.

The Company was contracted by Banco Pichincha C.A. to undertake the change in its Core Banking Bancs. 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 included both debits 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 insurance 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 C.A. 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 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 March 30, 2016, confirmation was received from Banco Pichincha with respect to an amount of US$2.4 million receivable from Tata Solution Center S.A. arising from operative errors and various other events. As of the issue date of the financial statements, the Company has recorded a provision of US$832,000 for this matter. Company Management is currently analyzing and discussing the difference with Banco Pichincha in order to define a process for resolving this issue. Responsibility between the parties will subsequently be defined together with the corresponding settlement.

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 additional 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 high. Nevertheless, as a consequence the time that has elapsed, the Company has decided to provision the total amount payable plus interest.

Administrative Claim for 2017 and 2008 - Value Added Tax (VAT) credit

In 2014, the Company initiated a claim process to recognize a Value Added Tax (VAT) credit for the years 2007 and 2008 with the Regional Director of the Internal Revenue Service (SRI) for US$466,000. After consulting its legal advisors, the Company believes the possibility of success to be high.

22. EVENTS AFTER THE REPORTING PERIOD

Between December 31, 2015 and the financial statements issue date (April 22, 2016) no events occurred that, in the opinion of Management, could have an important effect on the accompanying financial statements.

23. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2015 were approved by Company Management on April 22, 2016 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.