

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
FOR
HEADSTRONG (UK) LTD

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FOR THE YEAR ENDED 31 DECEMBER 2013

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HEADSTRONG (UK) LTD

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2013

DIRECTORS: Alphonse Charles Valbrune
Arvinder Singh
David O'Shaughnessy

SECRETARY: Alphonse Charles Valbrune

REGISTERED OFFICE: C/O Butler & Co LLP
Third Floor
126 - 134 Baker Street
London
W1U 6UE

REGISTERED NUMBER: 02582346

SENIOR STATUTORY AUDITOR: Mukesh Desai

AUDITORS: Butler & Co LLP
Chartered Accountants
& Statutory Auditor
Third Floor
126 - 134 Baker Street
London
W1U 6UE

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their strategic report for the year ended 31 December 2013.

REVIEW OF BUSINESS

The Directors are pleased to report that 2013 was another successful year for Headstrong (UK) Ltd.

The company continued its principal activities of providing computer systems development services and the supply of information technology products throughout the period.

Management use a range of performance measures to monitor and manage the business. The performance measures are split into financial and non-financial key performance indicators. As shown in the company's profit and loss account, the revenue level for 2013 has not been changed from the previous year, however, there was a significant increase in net profit margin by 6.04% (2013 - 9.11% and 2012 - 3.07%). The net asset position also increased by £1,292,552 at the yearend (2013 - £3,508,385 and 2012 - £2,215,833).

We achieved this performance level by integrating Genpact & Headstrong's capabilities to meet our client's needs and create a differentiation for ourselves in the marketplace. We also emphasised on achieving operational efficiencies and cost control wherever possible and absorb all the other random variation affecting the business.

We are cautiously optimistic about the future. The clients are under continued pressure to reduce cost due to margin pressure and regulatory fines. It provides opportunity for more outsourcing but some of the strategic programs are being relooked at. The clients are looking at vendor consolidation to reduce costs. The client's process to add new vendors is becoming more complex and time consuming. We have been able to bundle Genpact & Headstrong capabilities and positioned ourselves as a "One Stop Shop" to be in the shortlist. We are focusing on mining existing accounts better to meet current year revenues and working with our prospects to get to their preferred vendor list in future.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

PRINCIPAL RISKS AND UNCERTAINTIES

The company is a global consulting and technology services firm focusing on applications outsourcing, technology consulting and systems integration. The company applies its vertical industry domain knowledge, technical experience and methodologies in collaboration with its clients to provide solutions that address important business opportunities and needs.

The company has risks relating to the retention of employees, competition in the market, currency and credit risk. The board reviews and agrees policies for managing each of these risks and which are summarised below.

Foreign currency risk

The company is exposed to foreign currency risks arising from sales or purchases by businesses in currencies other than its functional currency. The company manages this risk by operating its business transaction from different currencies bank account. The company's transactions are mainly in sterling & US Dollars which exposes the company to foreign exchange rate fluctuation. The company does not hedge any currency exposures.

Interest rate risk

The company manages its interest rate risk by financing its operations through a mixture of retained profits, cash balances and balances with group undertakings.

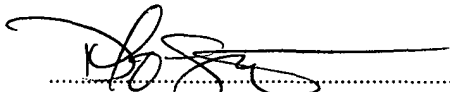
Credit risk

The company manages its credit risk by thorough rigorous debt collection procedures.

Employee retention risk

This is managed by better role and profile alignment, ensuring good utilisation of employees, better & competitive pay and employee friendly HR policies.

ON BEHALF OF THE BOARD:


.....
David O'Shaughnessy - Director

Date: Sept 17, 2014

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report with the financial statements of the company for the year ended 31 December 2013.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2013.

DIRECTORS

Alphonse Charles Valbrune has held office during the whole of the period from 1 January 2013 to the date of this report.

Other changes in directors holding office are as follows:

Adarsh Mehra - resigned 23 December 2013
Sandeep Sahai - resigned 23 December 2013
Arvinder Singh - appointed 23 December 2013
David O'Shaughnessy - appointed 23 December 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

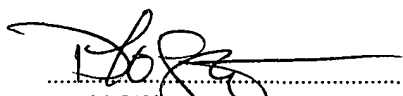
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Butler & Co LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:


.....
David O'Shaughnessy - Director

Date: Sept 17, 2014

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
HEADSTRONG (UK) LTD**

We have audited the financial statements of Headstrong (UK) Ltd for the year ended 31 December 2013 on pages seven to eighteen. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
HEADSTRONG (UK) LTD

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Mukesh Desai (Senior Statutory Auditor)
for and on behalf of Butler & Co LLP
Chartered Accountants
& Statutory Auditor
Third Floor
126 - 134 Baker Street
London
W1U 6UE

Date:17/09/2014

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 £	2012 £
TURNOVER	2	14,215,880	14,221,472
Cost of sales		11,152,717	11,415,804
GROSS PROFIT		3,063,163	2,805,668
Administrative expenses		1,777,147	2,375,283
		1,286,016	430,385
Other operating income		-	58
OPERATING PROFIT	4	1,286,016	430,443
Interest receivable and similar income		8,516	6,727
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,294,532	437,170
Tax on profit on ordinary activities	6	1,980	1,648
PROFIT FOR THE FINANCIAL YEAR		1,292,552	435,522

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

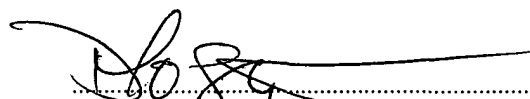
The company has no recognised gains or losses other than the profits for the current year or previous year.

The notes form part of these financial statements

BALANCE SHEET
31 DECEMBER 2013

	Notes	2013 £	2012 £
FIXED ASSETS			
Tangible assets	7	10,461	34,482
CURRENT ASSETS			
Debtors	8	4,914,689	3,857,173
Cash at bank		3,516,783	5,213,327
		<u>8,431,472</u>	<u>9,070,500</u>
CREDITORS			
Amounts falling due within one year	9	<u>4,933,548</u>	<u>3,393,949</u>
NET CURRENT ASSETS		<u>3,497,924</u>	<u>5,676,551</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,508,385</u>	<u>5,711,033</u>
CREDITORS			
Amounts falling due after more than one year	10	-	<u>3,495,200</u>
NET ASSETS		<u><u>3,508,385</u></u>	<u><u>2,215,833</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	104	104
Share premium	13	6,476,788	6,476,788
Profit and loss account	13	<u>(2,968,507)</u>	<u>(4,261,059)</u>
SHAREHOLDERS' FUNDS	17	<u><u>3,508,385</u></u>	<u><u>2,215,833</u></u>

The financial statements were authorised for issue by the Board of Directors on Sept 17, 2014 and were signed on its behalf by:



 David O'Shaughnessy - Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 £	2012 £
Net cash (outflow)/inflow from operating activities	1	(1,702,855)	1,578,059
Returns on investments and servicing of finance	2	8,516	6,727
Taxation		(1,487)	(161)
Capital expenditure	2	(718)	(4,609)
(Decrease)/increase in cash in the period		<u>(1,696,544)</u>	<u>1,580,016</u>
<hr/>			
Reconciliation of net cash flow to movement in net funds	3		
(Decrease)/increase in cash in the period		<u>(1,696,544)</u>	<u>1,580,016</u>
Change in net funds resulting from cash flows		<u>(1,696,544)</u>	<u>1,580,016</u>
Movement in net funds in the period		<u>(1,696,544)</u>	<u>1,580,016</u>
Net funds at 1 January		<u>5,213,327</u>	<u>3,633,311</u>
Net funds at 31 December		<u><u>3,516,783</u></u>	<u><u>5,213,327</u></u>

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2013	2012
	£	£
Operating profit	1,286,016	430,443
Depreciation charges	24,741	30,860
Amounts owed by group undertakings	(1,335,477)	(23,840)
(Increase)/decrease in debtors	(1,261,814)	964,115
(Decrease)/increase in creditors	(416,321)	176,481
Net cash (outflow)/inflow from operating activities	(1,702,855)	1,578,059

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2013	2012
	£	£
Returns on investments and servicing of finance		
Interest received	8,516	6,727
Net cash inflow for returns on investments and servicing of finance	8,516	6,727
 Capital expenditure		
Purchase of tangible fixed assets	(718)	(4,609)
Net cash outflow for capital expenditure	(718)	(4,609)

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1/1/13	Cash flow	At
	£	£	31/12/13
			£
Net cash:			
Cash at bank	5,213,327	(1,696,544)	3,516,783
	<u>5,213,327</u>	<u>(1,696,544)</u>	<u>3,516,783</u>
 Total	<u>5,213,327</u>	<u>(1,696,544)</u>	<u>3,516,783</u>

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents the value of consultancy services rendered during the year, excluding Value Added Tax.

Revenue for software services is recognised on the basis of services rendered. For time and material contracts, revenue is recognised on actual time spent by resources on the project. For fixed price projects, revenue is recognised on the basis of percentage of work completed.

Revenue from the sale of information technology products is recognised when the significant risks and rewards of ownership of the products have been passed to the buyer, usually on delivery of the products.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Improvement to property	- 20%
Computers	- 33.33%
Fixtures & fittings	- 20%
Plant & Machinery	- 20%

Assets costing less than USD 5,000 are fully depreciated in the year of acquisition.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Share based compensation

The employees of the Company have been granted restricted share units and performance units by Genpact Limited, the ultimate holding company.

The Company recognizes and measures compensation expense for all stock-based awards based on the grant date fair value. For option awards, grant date fair value is determined under the option-pricing model (Black-Scholes-Merton) and for awards other than option awards, grant date fair value is determined on the basis of fair market value of a Company's share on the date of grant of such awards. The Company recognizes compensation expense for stock based awards net of estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Pension costs and other post-retirement benefits

The company operates a Group Personal defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**2. TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2013 £	2012 £
United Kingdom	12,893,595	11,131,415
North America	1,322,285	3,090,057
	<u>14,215,880</u>	<u>14,221,472</u>

3. STAFF COSTS

	2013 £	2012 £
Wages and salaries	5,474,003	6,089,805
Social security costs	632,047	637,521
	<u>6,106,050</u>	<u>6,727,326</u>

The average monthly number of employees during the year was as follows:

	2013	2012
Consulting	88	87
Sales and Support staff	10	14
	<u>98</u>	<u>101</u>

No emoluments were paid to the directors during the year.

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2013 £	2012 £
Depreciation - owned assets	24,739	30,861
Foreign exchange differences	<u>(38,537)</u>	<u>197,631</u>
Directors' remuneration	<u>-</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

5. AUDITORS' REMUNERATION

	2013	2012
	£	£
Fees payable to the company's auditors for the audit of the company's financial statements	23,550	22,780
Total audit fees	<u>23,550</u>	<u>22,780</u>
Other non-audit services	11,162	14,930
Total non-audit fees	<u>11,162</u>	<u>14,930</u>
Total fees payable	<u>34,712</u>	<u>37,710</u>

6. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2013	2012
	£	£
Current tax:		
UK corporation tax	1,980	1,648
Tax on profit on ordinary activities	<u>1,980</u>	<u>1,648</u>

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2013	2012
	£	£
Profit on ordinary activities before tax	<u>1,294,532</u>	<u>437,170</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.250% (2012 - 24.500%)	300,979	107,107
Effects of:		
Expenses not deductible for tax purposes	5,225	12,029
Depreciation in excess of capital allowances	3,162	3,211
Utilisation of tax losses	(300,109)	(115,892)
Stock based compensation awards	2,879	12,326
Stock based compensation costs	(10,156)	(17,133)
Current tax charge	<u>1,980</u>	<u>1,648</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013

6. TAXATION - continued

Factors that may affect future tax charges

The company has tax losses of £2,501,502 (2012: £3,792,294) available for offset against future profits of the same trade. Deferred tax assets have not been recognised in respect of these losses due to the uncertainty as to the extent and timing of their utilisation. To the extent that the losses are utilised in the future periods the tax charge will be lower than the prevailing rate.

Deferred tax

The potential deferred tax asset is as follows:

	2013 £	2012 £
Tax losses carried forward	<u>525,315</u>	<u>872,228</u>

7. TANGIBLE FIXED ASSETS

	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST					
At 1 January 2013	115,495	8,897	74,157	35,590	234,139
Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>718</u>	<u>718</u>
At 31 December 2013	<u>115,495</u>	<u>8,897</u>	<u>74,157</u>	<u>36,308</u>	<u>234,857</u>
DEPRECIATION					
At 1 January 2013	94,857	8,045	61,165	35,590	199,657
Charge for year	<u>18,703</u>	<u>839</u>	<u>4,479</u>	<u>718</u>	<u>24,739</u>
At 31 December 2013	<u>113,560</u>	<u>8,884</u>	<u>65,644</u>	<u>36,308</u>	<u>224,396</u>
NET BOOK VALUE					
At 31 December 2013	<u>1,935</u>	<u>13</u>	<u>8,513</u>	<u>-</u>	<u>10,461</u>
At 31 December 2012	<u>20,638</u>	<u>852</u>	<u>12,992</u>	<u>-</u>	<u>34,482</u>

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £	2012 £
Trade debtors	3,377,085	2,075,334
Amounts owed by group undertakings	482,003	686,301
Other debtors	91,582	174,390
Prepayments and accrued income	964,019	921,148
	<u>4,914,689</u>	<u>3,857,173</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013	2012
	£	£
Trade creditors	253,056	566,629
Amounts owed to group undertakings	3,817,789	1,862,362
Tax	1,980	1,487
Social security and other taxes	5,388	4,133
Other creditors	268,920	146,364
Accruals and deferred income	586,415	812,974
	<u>4,933,548</u>	<u>3,393,949</u>

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013	2012
	£	£
Amounts owed to group undertakings	<u>-</u>	<u>3,495,200</u>

11. OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid:

	Land and buildings 2013	2012
	£	£
Expiring:		
Within one year	119,050	119,050
Between one and five years	93,128	212,178
	<u>212,178</u>	<u>331,228</u>

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

12. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2013	2012
			£	£
104	Ordinary	£1	<u>104</u>	<u>104</u>

13. RESERVES

	Profit and loss account £	Share premium £	Totals £
At 1 January 2013	(4,261,059)	6,476,788	2,215,729
Profit for the year	1,292,552		1,292,552
	<u>1,292,552</u>	<u>6,476,788</u>	<u>7,769,340</u>
At 31 December 2013	<u>(2,968,507)</u>	<u>6,476,788</u>	<u>3,508,281</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013

14. ULTIMATE PARENT COMPANY

The company's immediate parent undertaking is Headstrong Worldwide Limited registered in UK.

The company's ultimate parent undertaking is Genpact Limited, a company registered at Canon's Court, 22 Victoria Street, Hamilton, HM EX, Bermuda.

15. OTHER FINANCIAL COMMITMENTS

The company created a Rent Deposit Deed dated 13 October 2008, to secure £ 69,941 due or becoming due from the company to the lessor of the company premises.

16. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption granted by Financial Reporting Standard No.8 not to disclose related party transactions with other members of Genpact Limited group of companies.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013 £	2012 £
Profit for the financial year	1,292,552	435,522
Net addition to shareholders' funds	1,292,552	435,522
Opening shareholders' funds	2,215,833	1,780,311
Closing shareholders' funds	3,508,385	2,215,833

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013

18. SHARE BASED COMPENSATION

Subsequent to the acquisition of Headstrong Corporation, Genpact Limited had granted share based awards under the 2007 Omnibus Incentive Compensation Plan ("2007 Omnibus Plan"). The shares covered by the forfeited, expired, terminated or cancelled award under this Plan will be added to the number of shares otherwise available for grant under the 2007 Omnibus Plan.

The Company has entered into an agreement with Genpact Limited, whereby the Company will reimburse Genpact Limited for the share based compensation cost computed on the basis of grant date fair value method in respect of awards exercised by the employees of the Company. Accordingly, the Company has set up a provision in respect of Employee Stock based Awards payable to Genpact Limited computed on the basis of grant date fair value method in respect of all stock awards vested as well as outstanding as on 31 December 2013.

(a) Restricted Share Units

During the year ended 31 December, 2011, the company granted restricted share units, or RSUs, under the 2007 Omnibus Plan. Each RSU represents the right to receive one common share. The fair value of each RSU is the market price of one common share of the company on the date of grant. The RSUs granted to date have vesting periods of up to four years and a contractual period of ten years. The compensation expense is recognised on a straight line basis over the vesting term.

On August 30, 2012, the Board of Directors of Genpact Limited-Bermuda declared a special cash dividend of USD 2.24 per share. In accordance with the anti-dilutive provisions of the 2005 Plan, 2006 Plan, 2007 Plan and 2007 Omnibus Plan, Genpact Limited-Bermuda reduced the exercise price per share of each outstanding stock option award and increased the number of all the stock based awards outstanding as of the record date of the special cash dividend. This adjustment was done to preserve the value of the stock based awards outstanding as of the record date as mandated by the above plans. The aggregate fair value, intrinsic value and the ratio of the exercise price to the market price were approximately equal immediately before and after the adjustments. Therefore, in accordance with the applicable guidance, no incremental compensation expense was recognized for the adjustment to the outstanding stock based awards as a result of the special cash dividend.

The share based compensation cost for the year ending 31 December 2013 and 31 December 2012 in respect of RSUs amounting to GBP 12,385 and GBP 88,904 respectively has been charged to the Profit and Loss account.

	Shares arising out of RSU YE 31/12/2013	Weighted Average Fair Value GBP YE 31/12/2013	Shares arising out of RSU YE 31/12/2012	Weighted Average Fair Value GBP YE 31/12/2012
Outstanding at beginning of the year	16,511	9.01	37,798	10.74
Granted during the year	-	-	-	-
Adjustment for special cash dividend	-	-	3,155	-
Exercised during the year	(3,265)	9.14	(8,626)	9.99
Expired/Forfeited during the year	(11,611)	8.80	(11,229)	10.20
Outstanding at the end of the year	1,635	9.14	21,098	9.01
Exercisable at the end of the year	-	-	-	-

Outstanding RSU at the beginning of the year exclude 4,587 RSU's granted and outstanding to employees as at 31 December 2013, who have moved from the rolls of other group companies to the rolls of the Company during the current year.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013

(b) Performance Units

The Company also makes stock awards in the form of Performance Units, or PUs, under the 2007 Omnibus Plan.

During the year ended 31 December 2011, the Company granted PUs, wherein each PU represents the right to receive common shares based on the Company's performance against specified targets. These PUs vest after a three-year period. The fair value of each PU is the market price of one common share of the Company on the date of grant, and assumes that performance targets will be achieved. The compensation expense is recognized on a straight line basis over the vesting term. Over the performance period, the number of shares that will be issued will be adjusted upward or downward based upon the probability of achievement of the performance targets. The ultimate number of shares issued and the related compensation cost recognized as expense will be based on a comparison of the final performance metrics to the specified targets.

No share based compensation cost was booked in the Statement of Profit and Loss in the year ending 31 December 2013, based on the assessment that performance targets will not be met resulting in no expected vesting of the grant. In the year ending 31 December 2012, the Company reversed the cost booked in respect of PUs amounting to USD 60,935 in the Statement of Profit and Loss.

No PUs were outstanding as at 31 December 2013.

A summary of PU activity during the year ended 31 December 2012 is set out below:

	Shares arising out of PU YE 31/12/2013	Weighted Average Exercise Price YE 31/12/2013 GBP	Shares arising out of PU YE 31/12/2012	Weighted Average Exercise Price YE 31/12/2012 GBP
Outstanding at beginning of the year	-	-	23,164	10.74
Granted during the year	-	-	-	-
Adjustment for special cash dividend	-	-	971	-
Vested during the year	-	-	-	-
Expired/Forfeited during the year	-	-	(15,939)	10.28
Outstanding at the end of the year	-	-	8,196	8.76
Exercisable at the end of the year	-	-	-	-

All outstanding PU at 31 December 2013 were of employees who have moved from the rolls of the Company to the rolls of other group companies during the current year.