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Subsidiary Financials 2013-14

Contents

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Infosys Americas, Inc.

Independent Auditors' Report

To the Members of Infosys Americas, Inc.

Report on the Financial Statements

We have audited the accompanying financial statement of Infosys Americas, Inc. ('the Company') which comprises the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
2) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bangalore
April 9, 2014

Balance Sheet

in ₹

Particulars	Note	As at March 31, 2014
EQUITY AND LIABILITIES		
SHAREHOLDERS' FUNDS		
Share capital	2.1	62,61,000
Reserves and surplus	2.2	(2,82,659)
		59,78,341
		59,78,341
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	2.3	59,78,341
		59,78,341
		59,78,341
SIGNIFICANT ACCOUNTING POLICIES	1	

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Prasad Thrikutam
Chief Executive Officer

Sanjay Jalona
Director

Praveen Bhatt
Chief Financial Officer

Bangalore
April 9, 2014

Statement of Profit and Loss

in ₹, except per share data

Particulars	Note	Period ended March 31, 2014
Income from software services and products		–
Other income		–
Total revenue		–
Expenses		
Other expenses	2.4	15,209
Total expenses		15,209
LOSS BEFORE TAX		(15,209)
Tax expense		
Current tax		–
Deferred tax		–
LOSS FOR THE PERIOD		(15,209)
LOSS PER EQUITY SHARE		
Equity shares of par value USD 10 each		
Basic		(1.5)
Diluted		(1.5)
Number of shares used in computing earnings per share	2.6	
Basic		10,000
Diluted		10,000
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1	

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Prasad Thrikutam
Chief Executive Officer

Sanjay Jalona
Director

Praveen Bhatt
Chief Financial Officer

Bangalore
April 9, 2014

Cash Flow Statement

in ₹

Particulars	Period ended March 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss Before Tax	(15,209)
Adjustments to reconcile Profit Before Tax to cash provided by operating activities	
Effect of exchange differences on translation of assets and liabilities	(2,67,451)
Income taxes paid	–
NET CASH GENERATED BY / (USED) IN OPERATING ACTIVITIES	(2,82,659)
CASH FLOWS FROM INVESTING ACTIVITIES	
NET CASH GENERATED BY / (USED) IN INVESTING ACTIVITIES	–
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issuance of share capital	62,61,000
NET CASH GENERATED BY / (USED) IN FINANCING ACTIVITIES	62,61,000
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	59,78,341
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	–
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	59,78,341

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Prasad Thrikutam
Chief Executive Officer

Sanjay Jalona
Director

Praveen Bhatt
Chief Financial Officer

Bangalore
April 9, 2014

Significant accounting policies and notes on accounts

Company overview

Infosys Americas, Inc. is a wholly-owned subsidiary of Infosys Limited incorporated on June 25, 2013. The purpose of the Company is to engage in any lawful act or activity for which corporation may be organized under the Delaware General Corporation Law, as the same exists or as may hereafter be amended from time to time. The Company provides end-to-end business solutions that leverage technology, thereby enabling its clients to enhance business performance. The Company's operations are to provide solutions that span the entire software lifecycle encompassing technical consulting, design, development, re-engineering, maintenance, systems integration, package evaluation and implementation, testing and infrastructure management services.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from April 1 to March 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Revenue recognition

Revenue is primarily derived from software development and related services and from the licensing of software products. Arrangements with customers for software development and related services are either on a fixed-price, fixed-timeframe or on a time-and-material basis.

Revenue on time-and-material contracts are recognized as the related services are performed and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues. Revenue from fixed-price and fixed-timeframe contracts, where there is no uncertainty as to measurement or collectability of consideration, is recognized based upon the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability revenue recognition is postponed until such uncertainty is resolved. Cost and earnings in excess of billings are classified as unbilled revenue while billings in excess of cost and earnings is classified as unearned revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates.

Annual Technical Services revenue and revenue from fixed-price maintenance contracts are recognized ratably over the period in which services are rendered. Revenue from the sale of user licenses for software applications is recognized on transfer of the title in the user license, except in case of multiple element contracts, which require significant implementation services, where revenue for the entire arrangement is recognized over the implementation period based upon the percentage-of-completion method. Revenue from client training, support and other services arising due to the sale of software products is recognized as the related services are performed.

The Company accounts for volume discounts and pricing incentives to customers as a reduction of revenue based on the ratable allocation of the discount / incentive amount to each of the underlying revenue transactions that result in progress by the customer towards earning the discount / incentive. Also, when the level of discount varies with increases in levels of revenue transactions, the Company recognizes the liability based on its estimate of the customer's future purchases. If it is probable that the criteria for the discount will not be met, or if the amount thereof cannot be estimated reliably, then discount is not recognized until the payment is probable and the amount can be estimated reliably. The Company recognizes changes in the estimated amount of obligations for discounts using a cumulative catchup approach. The discounts are passed on to the customer either as direct payments or as a reduction of payments due from the customer.

The Company presents revenues net of value-added taxes in its Statement of Profit and Loss

1.5. Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by the best estimate of the outflow of economic benefits required to settle the obligation at the reporting date. Where no reliable estimate can be made, a disclosure is made as contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

1.6. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.7. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. Tax benefits of deductions earned on exercise of employee share options in excess of compensation charged to Statement of Profit and Loss are credited to the share premium account.

1.8. Earnings per share

Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period.

1.9. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

2. Notes on accounts for the year ended March 31, 2014

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at March 31, 2014
Authorized	
10,000 equity shares of USD 10 par value	62,61,000
Issued, subscribed and paid – up	
10,000 (Nil) equity shares of USD 10 per share, fully paid up	62,61,000
	62,61,000

2.2. Reserves and surplus

in ₹

Particulars	As at March 31, 2014
Foreign currency translation reserve – opening balance	–
Add: Foreign currency translation during the year	(2,67,451)
Foreign currency translation reserve – closing balance	(2,67,451)
Surplus – opening balance	–
Add: Net profit after tax transferred from Statement of Profit and Loss	(15,209)
Surplus – closing balance	(15,209)
	(2,82,659)

2.3. Cash and cash equivalents

in ₹

Particulars	As at March 31, 2014
Balances with banks	
In current and deposit accounts	59,78,341
	59,78,341

The details of balances as on Balance Sheet dates with banks are as follows:

in ₹

Particulars	As at March 31, 2014
In current accounts	
Bank of America	59,78,341
Total cash and cash equivalents as per Balance Sheet	59,78,341

2.4. Expenses

in ₹

Particulars	Period ended March 31, 2014
Other expenses	
Bank charges	15,209
	15,209

2.5. Related party transactions

List of related parties:

Name of Holding Company	Country	Holding as at March 31, 2014
Infosys Limited	India	100%

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Shanghai	China
Infosys Brasil	Brazil
Infosys Public Services, Inc.	U.S.
Infosys Consulting India Limited (1)	India
Edgeverve Systems Limited(13)	India
Infosys BPO s. r. o. (2)	Czech Republic
Infosys BPO (Poland) Sp. z o.o.(2)	Poland
Infosys McCamish Systems LLC (formerly known as McCamish Systems LLC) (2)	U.S.
Portland Group Pty. Ltd (2)(3)	Australia
Portland Procurement Services Pty. Ltd (9)	Australia
Infosys BPO S. de R.L. de C.V (2)(13)	Mexico
Infosys Australia (4)	Australia
Lodestone Holding AG (5)	Switzerland
Lodestone Management Consultants (Canada) Inc. (6)(12)	Canada
Lodestone Management Consultants Inc. (6)	U.S.
Lodestone Management Consultants Pty. Limited (6)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (6)(7)	Thailand
Lodestone Management Consultants AG (6)	Switzerland
Lodestone Augmentis AG (11)	Switzerland
Hafner Bauer & Ödman GmbH (6)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (8)	Belgium

Name of fellow subsidiaries	Country
Lodestone Management Consultants GmbH (6)	Germany
Lodestone Management Consultants Pte Ltd. (6)	Singapore
Lodestone Management Consultants SAS (6)	France
Lodestone Management Consultants s.r.o. (6)	Czech Republic
Lodestone Management Consultants GmbH (6)	Austria
Lodestone Management Consultants China Co., Ltd. (6)	China
Lodestone Management Consultants Ltd. (6)	U.K.
Lodestone Management Consultants B.V. (6)	Netherlands
Lodestone Management Consultants Ltda. (9)	Brazil
Lodestone Management Consultants sp. z o.o. (6)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. (6)	Portugal
S.C. Lodestone Management Consultants S.R.L. (6)	Romania
Lodestone Management Consultants S.R.L. (6)(10)	Argentina

(1) *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012.*

(2) *Wholly-owned subsidiaries of Infosys BPO.*

(3) *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*

(4) *Under liquidation*

(5) *On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG*

(6) *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

(7) *Liquidated effective February 14, 2013*

(8) *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

(9) *Wholly-owned subsidiary of Portland Group Pty. Ltd. Under liquidation*

(10) *Incorporated effective January 10, 2013*

(11) *Wholly-owned subsidiary of Lodestone Management Consultants AG*

(12) *Liquidated effective December 31, 2013*

(13) *Incorporated effective February 14, 2014*

2.7. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Period ended March 31, 2014
Income from software services and products	–
Software development expenses	–
LOSS PROFIT	–
Selling and marketing expenses	–
General and administration expenses	15,209
	15,209
OPERATING LOSS BEFORE DEPRECIATION	(15,209)
Depreciation and amortization	–
OPERATING LOSS	(15,209)
Other income	–
LOSS BEFORE TAX	(15,209)
Tax expense	
Current tax	–
Deferred tax	–
LOSS FOR THE PERIOD	(15,209)

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Prasad Thrikutam
Chief Executive Officer

Sanjay Jalona
Director

Praveen Bhatt
Chief Financial Officer

Bangalore
April 9, 2014

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Infosys BPO Limited

Independent Auditor's Report

To the Members of Infosys BPO Limited

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;

(ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and

(iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of Sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that :
   a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   b. in our opinion, a proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
   d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and
   e. on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.

for B S R & Co. LLP
Chartered Accountants
Firm's Registration Number : 101248W

Akhil Bansal
Partner
Membership Number : 090906

Bangalore
April 11, 2014

Annexure to the Auditors' Report

The Annexure referred to in our Report to the Members of Infosys BPO Limited ('the Company') for the year ended March 31, 2014. We report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.

(ii) The Company is a service company, primarily rendering business process management services. Accordingly, it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.

(iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of services. The activities of the Company do not involve purchase of inventory and the sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.

(v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (v)(a) above and exceeding the value of ₹5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.

(viii) The Central Government of India has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act for any of the services rendered by the Company.

(ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities though there has been a slight delay in a few cases with respect to Income tax. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund, Customs duty and Excise duty.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Income tax, Employees' State Insurance, Sales tax, Wealth tax, Service tax and other material statutory dues were in arrears as at March 31, 2014 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of Sales tax, Wealth tax and Cess which have not been deposited with the appropriate authorities on account of any dispute. However, according to information and explanations given to us, the following dues of Income tax and Service tax have not been deposited by the Company on account of disputes:

Name of the statute	Nature of dues demanded	Amount demanded (₹)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Interest / Tax Demands	45,02,275	AY 2006-07	Deputy Commissioner Income Tax, Bangalore
Income Tax Act, 1961	Tax deducted at source	16,65,470	AY 2008-09	Assistant Commissioner of Income Tax (TDS), Bangalore
Income Tax Act, 1961	Tax deducted at source	(1) 1,19,12,344	AY 2009-10	Commissioner of Income Tax (Appeals), Bangalore
Income Tax Act, 1961	Tax deducted at source	4,36,81,730	AY 2009-10	Assistant Commissioner of Income Tax (TDS), Bangalore
Income Tax Act, 1961	Tax deducted at source	33,67,190	AY 2010-11	Commissioner of Income Tax (Appeals), Bangalore
Income Tax Act, 1961	Tax deducted at source	3,88,830	AY 2011-12	Assistant Commissioner of Income Tax (TDS), Bangalore
Income Tax Act, 1961	Tax deducted at source	44,090	AY 2012-13	Assistant Commissioner of Income Tax (TDS), Bangalore
Income Tax Act, 1961	Tax deducted at source	6,25,80,020	AY 2013-14	Assistant Commissioner of Income Tax (TDS), Bangalore
Income Tax Act, 1961	Tax deducted at source	13,02,460	AY 2014-15	Assistant Commissioner of Income Tax (TDS), Bangalore
Finance Act, 1994	Service tax demands / Penalties	37,98,26,474	April 2007 to September 2010	Central Excise Service Tax Appellate Tribunal
Finance Act, 1994	Service tax demands / Penalties	5,54,05,040	January 2005 to March 2007	Central Excise Service Tax Appellate Tribunal
Finance Act, 1994	Service tax demands / Penalties	7,64,15,315	October 2010 to September 2011	Central Excise Service Tax Appellate Tribunal

(1) *Net of amounts paid of ₹ 1,70,14,316.*

(x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.

(xi) The Company did not have any outstanding dues to any financial institution, banks or debenture holders during the year.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund / nidhi / mutual benefit fund / society.

(xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xvi) The Company did not have any term loans outstanding during the year.

(xvii) The Company has not raised any funds on short-term basis.

(xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money by public issues during the year.

(xxi) According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

for B S R & Co. LLP
Chartered Accountants
Firm's Registration Number : 101248W

Akhil Bansal
Partner
Membership Number : 090906

Bangalore
April 11, 2014

Balance Sheet

in ₹ crore

Particulars	Note	As at March 31, 2014	As at March 31, 2013
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	34	34
Reserves and surplus	2.2	2,351	1,839
		2,385	1,873
NON-CURRENT LIABILITIES			
Other long-term liabilities	2.3	25	47
		25	47
CURRENT LIABILITIES			
Trade payables		8	43
Other current liabilities	2.4	438	431
Short-term provisions	2.5	66	47
		512	521
		2,922	2,441
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.6	217	218
Intangible assets	2.6	19	19
Capital work-in-progress		5	1
		241	238
Non-current investments	2.7	593	579
Deferred tax assets, net	2.8	43	32
Long-term loans and advances	2.9	99	87
Other non-current assets	2.10	47	38
		782	736
CURRENT ASSETS			
Current investments	2.7	275	151
Trade receivables	2.11	391	382
Cash and cash equivalents	2.12	1,104	788
Short-term loans and advances	2.13	129	146
		1,899	1,467
		2,922	2,441
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 and 2		

As per our report attached

for B S R & Co. LLP
Chartered Accountants
Firm Registration Number : 101248W

Akhil Bansal
Partner
Membership Number : 090906

S. Gopalakrishnan
Chairman and Director

Gautam Thakkar
Managing Director and Chief Executive Officer

Prof. Jayanth R. Varma
Director

Dr. Omkar Goswami
Director

Prasad Thrikutam
Director

Abraham Mathews
Chief Financial Officer

Bangalore
April 11, 2014

A. G. S. Manikantha
Company Secretary

Statement of Profit and Loss

in ₹ crore, except per share data

Particulars	Note	Year ended March 31, 2014	Year ended March 31, 2013
INCOME			
Revenues from business process management services		2,323	1,831
Other income	2.14	150	139
Total revenue		2,473	1,970
EXPENSES			
Employee benefit expenses	2.15	1,201	917
Cost of technical sub-contractors	2.15	157	84
Travel expenses	2.15	90	89
Cost of software packages	2.15	24	30
Communication expenses	2.15	46	33
Professional charges	2.15	40	50
Office expenses	2.15	46	41
Power and fuel	2.15	27	24
Insurance charges	2.15	13	9
Rent	2.15	66	57
Depreciation and amortization expenses	2.6	70	65
Other expenses	2.15	37	17
Total expenses		1,817	1,416
PROFIT BEFORE TAX		656	554
Tax expense	2.16		
Current tax		156	133
Deferred tax		(12)	(7)
		144	126
PROFIT FOR THE YEAR		512	428
EARNINGS PER SHARE			
Equity shares of par value ₹ 10/- each			
Basic		151.32	126.45
Diluted		151.32	126.45
Weighted average number of shares used in computing earnings per share	2.28		
Basic		3,38,27,751	3,38,27,751
Diluted		3,38,27,751	3,38,27,751
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 and 2		

As per our report attached

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Chief Financial Officer

Bangalore
April 11, 2014

A. G. S. Manikantha
Company Secretary

Cash Flow Statement

in ₹ crore

Particulars	Note	Year ended March 31, 2014	Year ended March 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit Before Tax		656	554
Adjustments to reconcile Profit Before Tax to cash generated by operating activities			
Depreciation		70	65
Interest income		(84)	(61)
Dividend income		(17)	(7)
Non cash item included in other income (Refer to *Note 2.3*)		(26)	(58)
Dividend from subsidiary		(24)	–
Changes in assets and liabilities			
Trade receivables		(9)	(118)
Loans and advances	2.31.1	1	(50)
Other assets	2.31.2	(9)	(6)
Liabilities	2.31.3	10	111
Trade payables	2.31.4	(34)	39
Provisions	2.31.5	20	9
Income tax paid during the year, net	2.31.6	(148)	(131)
NET CASH GENERATED BY OPERATING ACTIVITIES		406	347
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets and change in capital work-in-progress / advances	2.31.7	(80)	(50)
Interest received	2.31.8	86	66
Dividend received from Mutual Fund		17	7
Purchase of units in liquid mutual funds		(1,489)	(829)
Proceeds from sale of units in liquid mutual funds		1,413	697
Investment in Government Bonds		(3)	–
Investment in subsidiary	2.31.9	(11)	(16)
Investment in Certificate of deposit		(47)	–
Dividend received from subsidiary		24	–
NET CASH USED IN INVESTING ACTIVITIES		(90)	(125)
CASH FLOWS FROM FINANCING ACTIVITIES			
NET CASH FLOWS FROM FINANCING ACTIVITIES		–	–
Effect of exchange differences on translation of foreign currency cash and cash equivalents		–	–
NET CHANGE IN CASH AND CASH EQUIVALENTS		316	222
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		788	566
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2.31.10	1,104	788

As per our report attached

for B S R & Co. LLP
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Firm Registration Number : 101248W

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Bangalore
April 11, 2014

A. G. S. Manikantha
Company Secretary

Significant accounting policies and notes on accounts

Company overview

Infosys BPO Limited ('Infosys BPO' or 'the Company') was incorporated as Progeon Limited on April 3, 2002 to provide business process management services to organizations that outsource their business processes. Infosys BPO is a majority-owned and controlled subsidiary of Infosys Limited ('Infosys', NYSE : INFY). The Company helps clients improve their competitive positioning by managing their business processes in addition to providing increased value. The name of the Company was changed from Progeon Limited to Infosys BPO Limited with effect from August 29, 2006.

1. Significant accounting policies

1.1. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable). Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.2. Use of estimates

The preparation of the financial statements in conformity with GAAP requires that the Management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as of the date of the financial statements. Examples of such estimates includes computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provision for doubtful debts, future obligations under employee retirement benefit plans, provision for income taxes, provision for Service Level Agreement and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

1.3. Revenue recognition

The Company derives its revenues primarily from business process management services, on time-and-material, fixed-price, fixed-time frame and unit-price basis. Revenue on time-and-material contracts is recognized as the related services are rendered and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainty as to measurement and collectability of consideration, is recognized as per the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability revenue recognition is postponed until such uncertainty is resolved. Revenues from unit-priced contracts are recognized as transactions are processed based on objective measures of output. Cost and earnings in excess of billings are classified as unbilled revenue while billing in excess of cost and earnings is classified as unearned revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates. When the Company receives advances for its services, such amounts are reflected as advance received from clients until all conditions for revenue recognition are met. The Company presents revenues, net of service taxes, and value added taxes in its Statement of Profit and Loss.

The Company accounts for volume discounts and pricing incentives to customers as a reduction of revenue based on the ratable allocation of the discount / incentive amount to each of the underlying revenue transactions that result in progress by the customer towards earning the discount / incentive. Also when the level of discount varies with increase in levels of revenue transactions, the Company recognizes the liability based on its estimate of the customer's future purchases if it is probable that the criteria for the discount will not be met. The Company recognizes changes in the estimated amount of obligation for discount using a cumulative catch-up approach. The discounts are passed on the customer either as direct payments or as a reduction of payments due from customer.

Profit on sale of investment is recorded on the transfer of title from the Company and is determined as the difference between the sale price and the carrying value of the investment. Interest on deployment of surplus funds is recognized using time proportion method, based on underlying interest rates. Dividend income is recognized when the Company's right to receive dividend is established.

1.4. Expenditure

The cost of software user licenses purchased for rendering business process management services is charged to revenue when put to use. Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense on a straight-line basis in the profit and loss account over the lease term.

1.5. Fixed assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, after reducing accumulated depreciation and impairment up to the date of the Balance Sheet. Direct costs are capitalized until the assets are ready for use and include financing costs relating to any borrowing attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use. Capital work-in-progress includes the cost of fixed assets that are not yet ready for their intended use. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment. Goodwill, recorded on amalgamation in the nature of purchase is tested periodically for impairment.

1.6. Depreciation

Depreciation on fixed assets is determined using the straight-line method based on useful lives of assets as estimated by the Company. Depreciation on assets purchased / sold during the period is proportionately charged. Individual assets costing ₹ 5,000 or less are depreciated within a year of acquisition. Leasehold improvements are written off over the lower of the lease term or the useful life of the asset. Leasehold land is amortized over the lease period. Intangible assets are amortized over their useful life on a straight-line basis commencing from the date the asset is available to the Company for its use.

Management estimates the useful life for the various fixed assets as follows:

Buildings	15 years
Computer equipment	2 years
Plant and machinery	5 years
Furniture and fixtures	5 years
Office equipment	5 years

1.7. Retirement benefits to employees

Gratuity

In accordance with the Payment of Gratuity Act, 1972, Infosys BPO provides for gratuity, a defined benefit retirement plan (the 'Gratuity Plan') covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's eligible salary and the tenure of employment. Liabilities with regard to the Gratuity Plan are determined by an actuarial valuation, carried out at the period end by an independent actuary using the projected unit credit method, based upon which Company contributes to the Infosys BPO employees Gratuity Fund Trust (the 'Trust'). The trustee administer contributions made to the Trust and invest the corpus of the trust with the Life Insurance Corporation ('LIC') of India.

The Company recognizes the net obligation of the gratuity plan in the Balance Sheet as an asset or liability, respectively in accordance with Accounting Standard (AS) 15, 'Employee Benefits'. The discount rate is based on the Government securities yield. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the Statement of Profit and Loss in the period in which they arise.

Superannuation

Certain employees of Infosys BPO are eligible for superannuation benefits. The Company contributes ₹ 100/- per employee annually for the superannuation benefits of the employees. The Company has no further obligations to the superannuation plan beyond the yearly contribution to the trust fund, the corpus of which is invested with the LIC of India.

Provident fund

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the Company make monthly contributions to this provident fund plan equal to a specified percentage of the covered employee's salary. Amounts collected under the provident fund plan are deposited in a Government administered provident fund. The Company has no further obligations under the provident fund plan beyond its monthly contributions.

Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by an actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

1.8. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.9. Forward contracts and option contracts in foreign currencies

The Company uses forward contracts and options contracts to hedge its exposure to movements in foreign exchange rates. The use of these forward contracts and option contracts reduces the potential risk or cost arising. The Company does not use the forward contracts and option contracts for trading or speculation purposes.

Effective April 1, 2008, the Company adopted the principle of Accounting Standard AS 30 Financial Instruments: Recognition and Measurement, to the extent that the adoption does not conflict with existing mandatory accounting standards and other authoritative pronouncements, Company law and other regulatory requirements.

Forward and options contracts are fair valued at each reporting date. The Company records the mark to market gain or loss on effective hedges in the foreign currency fluctuation reserve until the transactions are complete. On completion, the gain or loss is transferred to the Statement of Profit and Loss of that period. To designate a forward contract or option contracts as an effective hedge, the Management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract and subsequently whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. In the absence of a designation as an effective hedge, a gain or loss is recognized in the profit and loss account. Currently the hedges undertaken by the Company are all ineffective in nature and the resultant gain or loss consequent to fair valuation is recognized in the Statement of Profit and Loss at each reporting date.

1.10. Income tax

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax for the period based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. Minimum Alternative Tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax after the tax holiday period and the resultant asset can be measured reliably. Accordingly, it is recognized as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantively enacted regulations. Deferred tax assets in situation of unabsorbed depreciation and carry forward business losses exist, are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business losses are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each Balance Sheet reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

1.11. Provisions and contingent liability

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a present obligation that cannot be estimated reliably or a possible or present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made. Provisions are made for all known losses and liabilities and future unforeseeable factors that may affect the profit on fixed-price business process management contracts.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation. The provision is measured at the lower of the expected cost of terminating the contract and the expected cost of fulfilling the contract.

1.12. Impairment of fixed assets

Management periodically assesses, using external and internal sources, whether there is an indication that a fixed asset (including goodwill) may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use i.e. the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.13. Earnings per share

In determining earnings per share, the Company considers the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of basic and dilutive common equivalent shares outstanding during the year, except where the result would be anti-dilutive. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

1.14. Investments

Trade investments are investments made to enhance the Company's business interests. Investments are either classified as current or long-term based on the Management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value, determined on an individual investment basis. Cost for overseas investments comprises the Indian Rupee value of the consideration paid for the investment. Long-term investments are carried at cost and provisions recorded to recognize any diminution, other than temporary, in the carrying value of each investment.

1.15. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.16. Cash flow statement

Cash flows are reported using the indirect method, whereby Profit Before Tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, financing and investing activities of the Company are segregated. Cash flows in foreign currency are accounted at average monthly exchange rates that approximate the actual rates of exchange prevailing at the date of the transaction.

1.17. Employee stock options

The Company applies the intrinsic value-based method of accounting prescribed by Accounting Research Committee of the Institute of Chartered Accountants of India, Accounting for employee share based payments, to account for its fixed plan stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. The options vest on a graded basis; however there is no compensation expense since the grants are made at exercise prices equal to or greater than fair market value, as of the date of the grant.

2. Notes on accounts for the year ended March 31, 2014

Amounts in the financial statements are presented in ₹ crore, except for per share data and as otherwise stated. All exact amounts are stated with suffix '/-'. One crore equals 10 million.

The previous period figures have been regrouped / reclassified, wherever necessary to conform to the current period presentation.

2.1. Share capital

in ₹ crore, except as otherwise stated

Particulars	As at March 31,	
	2014	2013
AUTHORIZED		
Equity shares, ₹10 (₹10) par value	123	123
12,33,75,000 (12,33,75,000) equity shares		
	123	123
Issued, subscribed and paid-up		
Equity shares, ₹10 (₹10) par value		
3,38,27,751 (3,38,27,751) equity shares fully paid up	34	34
[of the above, 3,38,22,319 (3,38,22,319) equity shares are held by the holding company, Infosys Limited]		
	34	34

The Company has only one class of shares referred to as equity shares having a par value ₹10/-. Each holder of one equity share is entitled to one vote per share.

In the event of liquidation of the Company, the holders of shares shall be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. However, no such preferential amounts exist as at the date of Balance Sheet. The amount distributed will be in proportion to the number of equity shares held by the shareholders.

Reconciliation of the number of shares outstanding

Particulars	As at March 31,	
	2014	2013
Number of share outstanding at the beginning of the year	3,38,27,751	3,38,27,751
Add: Shares issued during the year	–	–
Number of shares outstanding at the end of the year	3,38,27,751	3,38,27,751

Shares held by shareholders holding more than 5% shares

Name of the shareholder	Number of shares as at		Percentage of total shares	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Infosys Limited, the holding company	3,38,22,319	3,38,22,319	99.98%	99.98%

There has been no buy-back of shares, issuance of bonus shares or shares issued for consideration other than cash during the last five years.

Employee stock option plan

The guidance note on 'Accounting for employee share based payments' (the guidance note) issued by Institute of Chartered Accountants of India establishes financial accounting and reporting principles for employee share based payment plans. The guidance note applies to employee share based payment plans, the grant date in respect of which falls on or after April 1, 2005.

The Company applies the intrinsic value-based method of accounting to account for its fixed plan stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price on this date. The options vest on a graded basis. However there is no compensation expense since the grants are made at exercise prices equal to or greater than fair market value, as of the date of the grant further there were no stock option granted during the years ended March 31, 2013 and 2014.

Infosys BPO Employee Stock Option Plan 2002 ('the 2002 Plan')

The Company's 2002 Plan provides for the grant of stock options to employees of the Company and was approved by the Board of Directors and shareholders in June 2002. All options under the 2002 Plan are exercisable for equity shares. The 2002 Plan is administered by a Compensation Committee comprising three members, all of whom are directors of the Company. The 2002 Plan provides for the issue of 52,50,000 equity shares to employees, at an exercise price, which shall not be less than the Fair Market Value (FMV) on the date of grant. Options may also be issued to employees at exercise prices that are less than the FMV only if specifically approved by the members of the Company in general meeting. Options granted under the 2002 plan vest over 1-6 years.

On March 12, 2007, Infosys Limited purchased 12,19,532 unvested options held by the employees of Infosys BPO Limited for a cash consideration of ₹57.87 crore. As at March 31, 2014, nil (March 31, 2013: nil) options are held by Infosys Limited. Accordingly these options have not been considered while computing diluted earnings per share of the Company from the date Infosys Limited owned these options.

There are no outstanding stock options under the 2002 Plan as at March 31, 2014.

Movement of Options under the 2002 Plan during the year ended March 31, 2013 was as follows:

Particulars	Shares arising out of options	Weighted average exercise prices (in ₹)
Outstanding at the beginning of the year	4,76,250	483.73
Granted during the year	–	–
Forfeitures during the year	4,76,250	483.73
Exercised during the year	–	–
Outstanding at the end of the year	–	–
Exercisable at the end of the year	–	–

Infosys 1999 Employee Stock Option Plan ('1999 Plan')

On March 12, 2007, Infosys Limited purchased 12,19,532 unvested options held by the employees of Infosys BPO Limited for a cash consideration of ₹57.87 crore and has swapped 5,18,360 unvested options with 1,51,932 unvested stock options of Infosys Limited. In addition, certain employees were granted additional 4,86,828 Infosys Limited stock options under the Infosys 1999 Employee Stock Option Plan. The Infosys 1999 Employees Stock Option Plan was approved by the Board of Directors and stockholders in June 1999. All options under the 1999 Plan are exercisable for equity shares of Infosys Limited. The options granted under the 1999 plan vests over 2-6 years.

There are no outstanding stock options under the 1999 Plan as at March 31, 2014.

Movement of Options under the 1999 Plan during the year ended March 31, 2013 was as follows:

Particulars	Shares arising out of options	Weighted average exercise prices (in ₹)
Outstanding at the beginning of the year	11,684	2,120.95
Granted during the year	–	–
Forfeitures during the year	5,518	2,120.95
Exercised during the year	6,166	2,120.95
Outstanding at the end of the year	–	–
Exercisable at the end of the year	–	–

2.2. Reserves and surplus

in ₹ crore

Particulars	As at March 31,	
	2014	2013
Securities premium – Opening balance	25	25
Add: Transferred from Surplus	–	–
Securities premium – Closing balance	25	25
Capital redemption reserve – Opening balance	1	1
Add: Transferred from Surplus	–	–
Capital redemption reserve – Closing balance	1	1
General reserve – Opening balance	1,000	1,000
Add: Transfer from Surplus	–	–
General reserve – Closing balance	1,000	1,000
Balance in Statement of Profit and Loss – Opening balance	813	385
Add: Net profit after tax transferred from Statement of Profit and Loss	512	428

Particulars	As at March 31, 2014	As at March 31, 2013
Less: Amount transferred to General reserve	–	–
Balance in Statement of Profit and Loss – Closing balance	1,325	813
	2,351	1,839

2.3. Other long-term liabilities

in ₹ crore

Particulars	As at March 31, 2014	As at March 31, 2013
Accrued salaries and benefits		
Bonus and incentives	4	3
Earnest money deposit received [(2)]	21	21
Contingent consideration payable [(1)]	–	23
	25	47

[(1)] *On December 4, 2009, Infosys BPO acquired 100% of the voting interests in McCamish Systems LLC (McCamish), a business process solutions provider based in Atlanta, Georgia, in the U.S.. The business acquisition was concluded by entering into a Membership Interest Purchase Agreement for a cash consideration of ₹173 crore and a contingent consideration of ₹67 crore as on the date of acquisition.*
The Company assessed the contingent consideration payable and concluded that McCamish was not likely to meet targets, in spite of their acquisition of a business process outsourcing division from Marsh Inc. Group in the U.S. Accordingly, the Company reduced the liability payable by ₹58 crore, in September 2012, and ₹23 crore during the year ended March 31, 2014 based on such assessment.

[(2)] *Includes dues to subsidiaries and other group companies (Refer to Note 2.22)"*

2.4. Other current liabilities

in ₹ crore

Particulars	As at March 31, 2014	As at March 31, 2013
Accrued salaries and benefits		
Salaries	51	47
Bonus and incentives	108	106
Other liabilities		
Provision for expenses [(1)]	249	241
Retention money payable	2	7
Withholding and other taxes	16	12
Other payables [(1)]	1	8
Mark to market loss on forward contracts	4	–
Advances received from customers	2	–
Unearned revenue	5	10
	438	431

[(1)] *Includes dues to subsidiaries and other group companies (Refer to Note 2.22)*

2.5. Short-term provisions

in ₹ crore

Particulars	As at March 31, 2014	As at March 31, 2013
Provision for employee benefits		
Unavailed leave	46	37
Others		
Provision for		
Income taxes	2	3
SLA compliance	18	7
	66	47

Provision for SLA compliance

The provision for service level agreement compliance is based on estimates made by the Management for on-going contracts. In accordance with paragraphs 66 and 67 of the Accounting Standard 29 (Provisions, contingent liabilities and contingent assets) the movement in provision for service level agreement compliance is given below:

in ₹ crore

Particulars	As at March 31, 2014	As at March 31, 2013
Balance at the beginning of the year	7	6
Additional provision made during the year	12	1
Provisions used during the year	1	–
Balance at the end of the year	18	7

Management believes that the aforesaid provision will be utilized by way of efforts spent by employees on the respective project within a year.

2.6. Fixed assets

in ₹ crore

Particulars	Original cost				Depreciation and amortization				Net book value	
	Cost as at April 01, 2013	Additions during the year	Deletions during the year	Cost as at March 31, 2014	As at April 01, 2013	Charge for the year	Deletions during the year	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
Tangible assets										
Land-Leasehold	12	–	–	12	1	–	–	1	11	11
Buildings	146	2	–	148	30	10	–	40	108	116
Leasehold improvements	55	11	–	66	38	7	–	45	21	17
Office equipment	121	4	–	125	93	14	–	107	18	28
Plant and machinery	22	2	–	24	6	5	–	11	13	16
Computer equipment	138	45	6	177	117	30	6	141	36	21
Furniture and fixtures	52	5	–	57	43	4	–	47	10	9
	546	69	6	609	328	70	6	392	217	218
Intangible assets										
Goodwill	19	–	–	19	–	–	–	–	19	19
	19	–	–	19	–	–	–	–	19	19
Total	565	69	6	628	328	70	6	392	236	237
Previous year	519	51	5	565	266	65	3	328	237	–

Profit / (Loss) on disposal of fixed asset during the year ended March 31, 2014 is less than ₹1 crore each

2.7. Investments

in ₹ crore

Particulars	As at March 31, 2014	As at March 31, 2013
Non current investments-at cost		
Trade (unquoted)		
Investments in equity of subsidiaries		
Infosys BPO s.r.o., Czech Republic	3	3
Infosys BPO Poland Sp. z o.o. 5,000 (5,000) equity shares of PLN 500 each, fully paid	59	59
Portland Group Pty. Limited, 17,45,00,000 (17,45,00,000) equity share of AUD 1 each, fully paid	211	211
Infosys McCamish Systems LLC [(2)]	317	306
Investment in Government bonds [(1)]	3	–
	593	579
Current investments – at the lower of cost and fair value		
Unquoted		
Investment in Certificate of Deposits	47	–
Investment in liquid mutual fund units	185	151
Investment in Fixed Maturity Plan	43	–
	275	151
Aggregate amount of unquoted investments	868	730

(1) *Investment in Government bonds listed on the Philippines Dealing & Exchange Corp. (PDEX) as per the statutory earmarking requirement of the Philippines Government.*

(2) *During the year ₹11 crore (USD 1.7 million) has been infused in Infosys McCamish Systems LLC, a subsidiary, as additional equity investment in the subsidiary.*

Details of investment in Certificate of Deposits as at March 31, 2014 and March 31, 2013 are as follows:

Particulars	Face Value ₹	Units	As at March 31, 2014 (in ₹ crore)	As at March 31, 2013 (in ₹ crore)
Central Bank of India	1,00,000/-	2,500	23	–
Indian Overseas Bank	1,00,000/-	2,500	24	–
			47	–

Details of investment in liquid mutual funds as at March 31, 2014 and March 31, 2013 are as follows:

Particulars	2014 (Number of units)	2013 (Number of units)	2014 (in ₹ crore)	2013 (in ₹ crore)
Birla Sun Life AMC Ltd – Liquid	15,02,428	2,27,946	15	2
ICICI Prudential – Liquid	10,43,402	46,77,205	10	47
TATA Asset Management Ltd – Liquid	3,32,456	1,83,682	38	21
Reliance Mutual Fund – Liquid	–	3,34,060	–	33
Kotak Mutual Fund – Liquid	–	1,88,131	–	23
SBI Mutual Fund – Liquid	4,93,192	–	49	–
Religare Mutual Fund – Liquid	547	2,53,382	–	25
JPMorgan Asset Management MF– Liquid	–	–	–	–
IDFC mutual fund – liquid	4,39,648	–	44	–
UTI Mutual Fund – Liquid	–	–	–	–
Templeton Mutual Fund – Liquid	2,87,986	–	29	–
	40,99,659	58,64,406	185	151

Details of investment in FMP mutual funds as at March 31, 2014 and March 31, 2013 are as follows:

in ₹ crore

Particulars	2014 (Number of units)	2013 (Number of units)	2014 (in ₹ crore)	2013 (in ₹ crore)
Birla Sunlife AMC Ltd. – FMP	1,30,00,000	–	13	–
ICICI Prudential SIP FMP	3,00,00,000	–	30	–
	4,30,00,000	–	43	–

2.8. Deferred tax assets, net

in ₹ crore

Particulars	As at March 31, 2014	As at March 31, 2013
Deferred tax assets		
Fixed assets	24	19
Unavailed leave	12	9
Trade receivables	2	1
Others	5	3
	43	32

2.9. Long-term loans and advances

in ₹ crore

Particulars	As at March 31, 2014	As at March 31, 2013
Unsecured considered good		
Capital advances	1	–
Other loans and advances		
Prepaid expenses	–	2
Rental deposits [(1)]	48	33
Electricity and other deposits	1	2
MAT credit entitlement	–	15
Advance income taxes, net of provision	49	35
	99	87

(1) *Includes deposits with holding company (Refer to Note 2.22)*

2.10. Other non-current assets

in ₹ crore

Particulars	As at March 31, 2014	As at March 31, 2013
Others		
Restricted deposits (Refer to *Note 2.28*)	46	38
Advance to gratuity trust (Refer to *Note 2.24*)	1	–
	47	38

2.11. Trade receivables

in ₹ crore

Particulars	As at March 31, 2014	As at March 31, 2013
Debt outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	5	1

Particulars	As at March 31,	
	2014	2013
Other debts		
Unsecured		
Considered good [1]	391	382
Considered doubtful	1	–
	397	383
Less: Provision for doubtful debts	6	1
	391	382

[1] *Includes dues from subsidiaries and holding (Refer to Note 2.22)*

Provision for doubtful debts

Periodically, the Company evaluates all customer dues for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer from the invoice date, as at the Balance Sheet date. The Company pursues the recovery of the dues, in part or full.

2.12. Cash and cash equivalents

in ₹ crore

Particulars	As at March 31,	
	2014	2013
Balances with banks		
In current and deposit accounts	1,024	708
Others		
Deposit with body corporate / financial institutions	80	80
	1,104	788

The deposits maintained by the Company with banks comprise of time deposits, which can be withdrawn by the Company at any point without prior notice or penalty on the principle.

The details of balances with banks as at March 31, 2013 and March 31, 2013 are as follows:

in ₹ crore

Particulars	As at March 31,	
	2014	2013
In current accounts		
Bank of America, California, U.S.	10	14
Bank of America, California – Trust account, U.S. [1]	–	–
Citi Bank, South Africa	3	–
Citi Bank, Costa Rica	1	2
Deutsche Bank, Netherlands	1	1
Deutsche Bank, London, U.K.	1	–
Deutsche Bank, Philippines	35	4
ICICI Bank, India	2	2
ICICI Bank – EEFC (Euro account)	1	2
ICICI Bank – EEFC (U.K. Pound Sterling account)	2	6
ICICI Bank – EEFC (U.S. Dollar account)	8	4
	64	35
In deposit accounts		
Syndicate Bank	80	–
Axis Bank	80	60
Canara Bank	80	80
Allahabad Bank	80	–
Corporation Bank	80	80
ICICI Bank	24	98
IDBI Bank	63	–
Kotak Mahindra Bank	–	80
Oriental Bank of Commerce	5	74
Punjab National Bank	80	–
Bank of Baroda	80	–
Indian Overseas Bank	18	–
South Indian Bank	25	41
Union Bank	20	80
Vijaya Bank	80	80
Yes Bank	30	–
Central Bank of India	55	–
Bank of India	80	–
	960	673
Other deposits with body corporate / financial institutions		
HDFC Limited	80	80
	80	80
	1,104	788

[1] *This represents restricted bank balance, in trust account, in accordance with collection agency licensing requirements*

2.13. Short-term loans and advances

in ₹ crore

Particulars	As at March 31,	
	2014	2013
Unsecured, considered good		
Prepaid expenses	5	5
Advances for goods and services	16	12
Withholding and other taxes receivable	23	27
	44	44
Unbilled revenue [1]	47	24
Interest accrued but not due	5	6
Loans and advances to employees	12	13
Rental deposits	–	13
Electricity and other deposits	1	1
Mark to market gain on forward contracts	–	12
MAT credit entitlement	16	23
Loans and advances to group companies [1]	4	10
	129	146
Unsecured, considered doubtful		
Loans and advances to employees	1	1
	130	147
Less: Provision for doubtful loans and advances	1	1
	129	146

[1] *Includes dues from subsidiaries and other group companies (Refer to Note 2.22)*

2.14. Other income

in ₹ crore

Particulars	As at March 31,	
	2014	2013
Interest on deposits with bank and others	85	61
Dividend on investment in mutual fund units	17	7
Miscellaneous income, net	38	71
Dividend income from subsidiary	24	–
Gains / (losses) on foreign currency, net	(14)	–
	150	139

2.15. Expenses

in ₹ crore

Particulars	As at March 31,	
	2014	2013
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	1,155	867
Staff welfare	3	9
Contribution to provident and other funds	43	41
	1,201	917
Cost of technical sub-contractors		
Consultancy charges	157	84
	157	84
Travel expenses		
Overseas travel expenses	63	64
Traveling expenses	27	25
	90	89
Cost of software packages		
Cost of software for own use	24	30
	24	30
Communication expenses		
Communication expenses	46	33
	46	33
Professional charges		
Legal and professional	26	34
Recruitment and training	14	16
	40	50
Office expenses		
Computer maintenance	2	2
Printing and stationery	3	2
Office maintenance	41	37
	46	41
Power and fuel		
Power and fuel	27	24
	27	24
Insurance charges		
Insurance charges	13	9
	13	9
Rent		
Rent (Refer to *Note 2.17*)	66	57
	66	57
Other expenses		
Consumables	5	2
Brand building and advertisement	5	7
Marketing expenses	2	2
Rates and taxes	4	3
Bank charges and commission	1	1
Postage and courier	1	–
Provision for doubtful debts	4	(1)
Provision for doubtful loans and advances	1	–
Professional membership and seminar participation fees	2	1
Other miscellaneous expenses	12	2
	37	17

2.16. Tax expense

in ₹ crore

Particulars	As at March 31,	
	2014	2013
Current Income taxes	156	133
Deferred taxes	(12)	(7)
	144	126

Income taxes

The provision for taxation includes tax liabilities in India on the Company's global income as reduced by exempt incomes and any tax liabilities arising overseas on income sourced from those countries. Infosys BPO operations are conducted through Software Technology Parks ('STPs') and Special Economic Zones ('SEZs'). Income from STPs were tax exempt till March 31, 2011. Income from SEZs is fully tax exempt for the first five years, 50% exempt for the next five years and 50% exempt for another five years subject to fulfilling certain conditions. In the current year, the Company calculated its tax liability under normal provisions of the Income Tax Act and utilized a portion of the brought forward MAT Credit.

2.17. Leases

Obligations on long-term, non-cancellable operating leases

The lease rentals charged during the period and maximum obligations on long-term, non-cancellable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹ crore

Particulars	Year ended March 31,	
	2014	2013
Lease rentals charged during the period	66	57

in ₹ crore

Lease obligations	As at March 31,	
	2014	2013
Within one year of the Balance Sheet date	14	16
Due in a period between one year and five years	22	14
Later than five years	–	–

The existing operating lease arrangements extend for periods between 36 months and 72 months from their respective dates of inception.

2.18. Contingent liabilities and commitments (to the extent not provided for)

in ₹ crore

Particulars	As at March 31,			
	2014		2013	
Contingent				
Estimated amount of unexecuted capital contracts (net of advance and deposits)		17		10
Claims against the Company not acknowledged as debts		26		13
Bank guarantees towards lease premises		12		12
Commitments				
Forward contracts outstanding	in million	in ₹ crore	in million	in ₹ crore
USD / INR	19	114	32	174
EUR / INR	2	14	–	–
GBP / INR	4	40	10	84

As at the Balance Sheet date, the Company's net foreign currency exposure that is not hedged by a derivative instrument or otherwise is ₹71 crore (₹Nil as at March 31, 2013).

The foreign exchange forward and option contracts mature between 1 to 12 months. The table below analyzes the derivate financial instruments into relevant maturity groupings based on the remaining period as of the Balance Sheet date :

in ₹ crore

Particulars	As at March 31, 2014	2013
Not later than one month	36	33
Later than one month and not later than three months	66	69
Later than three months and not later than one year	66	156
	168	258

The Company recognized a loss of ₹40 crore and a gain of ₹5 crore on derivative financial instruments during the year ended March 31, 2014 and March 31, 2013, respectively, which are included in other income.

2.19. Quantitative details

The Company is primarily engaged in providing business process management services. The sale of such services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5(viii)(c) of general instructions for preparation of Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.20. Imports (valued on the cost, insurance and freight basis)

in ₹ crore

Particulars	Year ended March 31, 2014	2013
Capital goods	17	8

2.21. Earnings and expenditures in foreign currency

in ₹ crore

Particulars	Year ended March 31, 2014	2013
Earnings in foreign currency		
Business process management services	1,909	1,356
	1,909	1,356
Expenditure in foreign currency		
Salary, legal and professional	386	245
Overseas travel	45	55
Bank charges, consultancy and others	207	86
Communication	21	18
	659	404

2.22. Related party transactions

List of related parties :

Name of the Holding Company	Country	Holding as at March 31, 2014	2013
Infosys Limited	India	99.98%	99.98%

Name of the subsidiaries	Country	Holding as at March 31, 2014	2013
Infosys BPO Poland Sp. z o.o. (2)	Poland	100%	100%
Infosys BPO, S. de R.L. de C.V. (2)(6)	Mexico	99.97%	–
Infosys McCamish Systems LLC (2)	U.S.	100%	100%
Portland Group Pty. Ltd (2)	Australia	100%	100%

Name of fellow Subsidiaries	Country
Portland Procurement Services Pty. Ltd (3)	Australia
Infosys Consulting India Limited (1)	India
Infosys Technologies (Australia) Pty. Limited (Infosys Australia) (1)	Australia
Infosys Technologies S.de R.L.de C.V. (Infosys Mexico) (1)	Mexico
Infosys Technologies (China) Co. Limited (Infosys China) (1)	China
Infosys Technologia do Brasil Ltda (Infosys Brasil) (1)	Brazil
Infosys Sweden (1)	Sweden
Infosys Shanghai (1)	China
Infosys Americas (7)	U.S.
Edgeverve Systems Limited (8)	India
Infosys Public Services, Inc. (1)	U.S.
Lodestone Holding AG (1)	Switzerland
Lodestone Management Consultants (4)(9)	Canada
Lodestone Management Consultants Inc. (4)	U.S.
Lodestone Management Consultants Pty. Limited (4)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (4)(10)	Thailand
Lodestone Management Consultants AG (4)	Switzerland
Lodestone Augmentis AG (12)	Switzerland
Hafner Bauer & Ödman GmbH (4)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (5)	Belgium
Lodestone Management Consultants GmbH (4)	Germany
Lodestone Management Consultants Pte Ltd. (4)	Singapore
Lodestone Management Consultants SAS (4)	France
Lodestone Management Consultants s.r.o. (4)	Czech
Lodestone Management Consultants GmbH (4)	Austria
Lodestone Management Consultants China Co., Ltd. (4)	China
Lodestone Management Consultants Ltd. (4)	U.K.
Lodestone Management Consultants B.V. (4)	Netherlands
Lodestone Management Consultants Ltda. (5)	Brazil
Lodestone Management Consultants sp. z o.o. (4)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. (4)	Portugal
S.C. Lodestone Management Consultants S.R.L. (4)	Romania
Lodestone Management Consultants S.R.L. (4)(11)	Argentina

(1) *Wholly-owned subsidiaries of Infosys Limited*
(2) *Wholly-owned subsidiaries of Infosys BPO Limited.*
(3) *Wholly-owned subsidiary of Portland Group Pty. Ltd*
(4) *Wholly-owned subsidiaries of Lodestone Holding AG*
(5) *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(6) *Infosys BPO incorporated Infosys BPO, S. de R.L. de C.V. on February 14, 2014 and holds 99.97% of voting rights*
(7) *Incorporated effective June 25, 2013*
(8) *Incorporated effective February 14, 2014*
(9) *Liquidated effective December 31, 2013*
(10) *Liquidated effective February 14, 2013*
(11) *Incorporated effective January 10, 2013*
(12) *Wholly-owned subsidiaries of Lodestone Management Consultants AG*
On January 4, 2014 the board of directors of Portland Procurement Services Pty. Ltd, approved the liquidation of entity. The liquidation of Portland Procurement Services Pty. Ltd will be effected upon deregistration of the Company by ASIC as per the liquidation application filed on March 7, 2014. The assets and liabilities of Portland Procurement Services Pty. Ltd. will be transferred to Portland Group Pty. Ltd upon liquidation.

List of key management personnel

Name of the related party	Designation
V. Balakrishnan (1)	*Chairman and Director*
S. Gopalakrishnan (2)	*Chairman and Director*
D. Swaminathan (6)	*Managing Director and Chief Executive Officer*
Gautam Thakkar (7)	*Managing Director and Chief Executive Officer*
Prof. Jayanth R. Varma	*Director*
Sridar A. Iyengar (3)	*Director*
Chandrashekar Kakal (8)	*Director*
Dr. Omkar Goswami (4)	*Director*
Prasad Thrikutam (5)	*Director*

(1) *Resigned as Chairman and Director effective December 31, 2013*
(2) *Appointed as Chairman and Director effective January 1, 2014*
(3) *Retired as a Director effective August 13, 2012*
(4) *Appointed as a Director effective August 13, 2012*
(5) *Appointed as a Director effective April 1, 2014*
(6) *Retired as a Managing Director and Chief Executive Officer effective March 31, 2013*
(7) *Appointed as a Managing Director and Chief Executive Officer effective April 1, 2013*
(8) *Resigning as a Director effective from April 18, 2014*

The details of the related party transactions entered into by the Company, for the quarter and year ended March 31, 2014 and March 31, 2013 are as follows:

in ₹ crore

Particulars	Year ended March 31,	
	2014	2013
Financing transactions		
McCamish Systems LLC	11	16
	11	16
Revenue transactions		
Purchase of services		
Infosys Limited	62	39
Portland Group Pty. Limited	42	6
Lodestone Management Consultants Ltd.	5	–
Lodestone Management Consultants (U.K.)	2	–
Lodestone Management Consultants Pty. Limited (Australia)	2	–
Infosys BPO Poland Sp. z o.o.	7	6
	119	51
Purchase of shared services including facilities and personnel		
Infosys Limited	36	39
	36	39
Sale of services		
Infosys Public Services, Inc.	5	–
Infosys BPO Poland Sp. z o.o.	3	–
Infosys Limited	217	118
Infosys McCamish Systems LLC	24	36
Portland Group Pty. Ltd	4	–
	253	154
Sale of shared services including facilities and personnel		
Infosys Limited	16	–
Infosys McCamish Systems LLC	3	72
	19	72
Dividend Income		
Infosys BPO Poland Sp. z o.o.	24	–
	24	–

During the period, the Company has received certain managerial services from V. Balakrishnan and Chandrashekar Kakal, directors of the Company who are also directors of Infosys Limited, at no cost. V. Balakrishnan resigned as a director of Infosys Limited effective December 31, 2013.

Infosys Limited, the parent Company has issued performance guarantees to certain clients for the Company's executed contracts.

Infosys BPO Limited guarantees the performance of certain contracts entered into by its subsidiaries.

Details of amounts due to or due from related parties as at March 31, 2014 and March 31, 2013:

in ₹ crore

Particulars	As at March 31,	
	2014	2013
Loans		
McCamish Systems LLC	–	–
Trade receivables		
Infosys Limited	–	69
Lodestone Management Consultants Ltd.(U.K.)	–	–
Infosys McCamish Systems LLC	2	–
Portland Group Pty. Ltd	–	1
Infosys Poland	3	–
	5	70
Other receivables		
Infosys Limited	–	10
Infosys McCamish Systems LLC	3	–
	3	10
Unbilled revenues		
Infosys Limited	2	–
Infosys Public Services	5	–
	7	–
Trade payables		
Infosys Limited	1	39
Infosys BPO Poland Sp. z o.o.	1	1
Portland Group Pty. Ltd	3	2
	4	42
Other payables		
Infosys Limited	–	6
Provision for expenses		
Lodestone Management Consultants Ltd.(U.K.)	4	–
Lodestone Management Consultants Pty. Limited Australia	5	–
	9	–
Rental deposit given for shared services		
Infosys Limited	27	27
Rental deposit received for shared services		
Infosys Limited	21	21
Advance received		
Infosys Limited	2	–

Particulars of remuneration and other benefits paid to Managing Director during the year ended March 31, 2014 and March 31, 2013 are given below:

in ₹ crore

Particulars	Year ended March 31,	
	2014	2013
Salary and other benefits	3	2

Managerial remuneration paid to non-whole time directors.

Particulars of remuneration and other benefits paid to non-whole time directors during the year ended March 31, 2014 and 2013 are given below:

in ₹ crore

Particulars	Quarter ended March 31,	
	2014	2013
Sitting fees	–	–
Commission	–	–
	–	–

Computation of net profit in accordance with Section 349 of the Companies Act, 1956 and calculation of commission payable to non whole time directors.

in ₹ crore

Particulars	Year ended March 31,	
	2014	2013
Net profit after tax from ordinary activities	512	428
Add:		
Whole time director's remuneration	3	2
Director's sitting fee	–	–
Commission to non whole time directors	–	–
Depreciation as per books of account	70	65
Provision for doubtful debts	4	(1)
Provision for doubtful loans and advances	1	–
Provision for taxation	144	126
	735	620
Less:		
Depreciation as envisaged under Section 350 of the Companies Act, 1956(1)	70	65
Carried forward losses for previous years as computed under Section 349 of the Companies Act, 1956	–	–
Net profit on which commission is payable	665	555
Commission payable to non whole time directors	–	–
Maximum allowed as per the Companies Act, 1956 at 1%	7	6
Commission approved by the Board	–	–

(1) *The Company depreciates fixed assets based on estimated useful lives that are lower than those implicit is Schedule XIV of the Companies Act, 1956. Accordingly, the rates of depreciation used by the Company are higher than the minimum rates prescribed by the Schedule XIV of the Companies Act, 1956.*

2.23. Segment reporting

The Company's operations primarily relate to providing business process management services to organizations that outsource their business processes. Accordingly, revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income in individual segments. These are set out in the note on significant accounting policies.

Industry segments at the Company primarily comprise customers relating to Financial Services and Insurance (FSI), Manufacturing (MFG), enterprises in Energy & Utilities, Communications and Services (ECS) and Retail, Consumer Packaged Goods and Logistics (RCL), and Life Sciences and Healthcare. Income in relation to segments is categorized based on items that are individually identified to those segments while expenditure is categorized in relation to the associated turnover of the segment. Expenses which form a significant component of total expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. These expenses are separately disclosed as "unallocated" and adjusted only against the total income of the Company. The Company believes that it is not practical to provide segment disclosures relating to these costs and expenses, and accordingly these expenses are separately disclosed as unallocated and directly charged against total income. Fixed assets or liabilities contracted have not been identified to any reportable segments, as these are used interchangeably between segments. Accordingly no disclosure relating to total segment assets and liabilities are made.

Geographical segments are segregated based on the location of the customers, or in relation to which the revenue is otherwise recognized.

All direct costs are identified to its respective verticals / geographies on the basis of revenues from the respective verticals / geographies while unallocable cost consists of depreciation only.

Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying assets are used interchangeably. Management believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and adjusted against the total income of the Company.

Fixed assets used in the Company's business or liabilities contracted have not identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. Accordingly, no disclosure relating to total segment assets and liabilities are made. Geographical information on revenue and industry revenue information is collated based on individual customers invoiced or in relation to which the revenue is otherwise recognized.

Industry segments

Year ended March 31, 2014 and *March 31, 2013*

in ₹ crore

Particulars	FSI	MFG	RCL	ECS	Total
Revenues from business process management services	696	749	225	653	2,323
	492	*528*	*165*	*646*	*1,831*
Identifiable operating expenses	253	327	99	274	953
	132	*166*	*67*	*278*	*643*
Allocated expenses	237	256	77	224	794
	191	*204*	*63*	*250*	*708*
Segmental operating profit	206	166	49	155	576
	169	*158*	*35*	*118*	*480*
Unallocable expenses					70
					65
Other income					150
					139
Profit Before Tax					656
					554
Tax expense					144
					126
Profit for the year					512
					428

Geographical segments

Year ended March 31, 2014 and *March 31, 2013*

in ₹ crore

Particulars	United States of America	Europe	Others	Total
Revenues from business process management services	1,234	714	375	2,323
	952	*570*	*309*	*1,831*
Identifiable operating expenses	421	320	212	953
	279	*193*	*171*	*643*
Allocated expenses	420	243	131	794
	368	*220*	*120*	*708*
Segmental operating profit	393	151	32	576
	305	*157*	*18*	*480*
Unallocable expenses				70
				65
Other income				150
				139
Profit Before Tax				656
				554
Tax expense				144
				126
Profit for the year				512
				428

2.24. Gratuity plan

Gratuity is applicable to all permanent and full time employees of the Company. Gratuity paid out is based on last drawn basic salary and dearness allowance at the time of termination or retirement. The scheme takes into account each completed year of service or part thereof in excess of six months. The normal age of retirement is 60 years and the entire contribution is borne by the Company.

The Company recognizes actuarial gains and losses as and when these arise. The charge in respect of these gains / losses is taken to the Statement of Profit and Loss.

The following table set out the status of the Gratuity Plan as required under AS 15.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation :

in ₹ crore

Particulars	As at March 31,				
	2014	2013	2012	2011	2010
Obligations at the beginning of the year	37	28	19	14	11
Service cost	5	18	13	6	7
Interest cost	3	1	1	1	–
Benefits settled	(6)	(9)	(5)	(4)	(4)
Curtailment [(1)]	–	(1)	–	–	–
Actuarial (gain) / loss	1	–	–	2	–
Obligations at the end of the year	40	37	28	19	14

Defined benefit obligation liability as at the Balance Sheet is wholly funded by the Company.

(1) *Effective April 1, 2012 the Company reduced the benefits provided to employees under the Gratuity plan resulting in curtailment. The effect of curtailment amounted to ₹ 1.4 crore and was recognized in the Statement of Profit and Loss for the quarter ended June 30, 2012.*

Change in plan assets :

in ₹ crore

Particulars	As at March 31,				
	2014	2013	2012	2011	2010
Plan assets at beginning, at fair value	37	30	20	15	12
Expected return on plan assets	4	3	2	2	1
Actuarial gain / (loss)	–	–	–	–	–
Contributions	6	13	14	7	6
Benefits settled	(6)	(9)	(5)	(4)	(4)
Plan assets at end, at fair value	41	37	31	20	15

Reconciliation of present value of the obligation and the fair value of the plan assets :

in ₹ crore

Particulars	As at March 31,				
	2014	2013	2012	2011	2010
Fair value of plan assets at the year end	41	37	31	20	15
Present value of the defined benefit obligations at the year end	40	37	28	19	14
Asset / (Liability) recognized in the Balance Sheet	1	–	3	1	1

Gratuity cost for the year :

in ₹ crore

Particulars	Year ended March 31,	
	2014	2013
Service cost	5	18
Interest cost	3	1
Expected return on plan assets	(4)	(3)
Actuarial (gain) / loss	1	–
Curtailment	–	(1)
Net gratuity cost	5	15
Actual return on plan assets	4	3

100% of plan assets are maintained by Life Insurance Corporation of India.

Assumptions

Particulars	As at March 31,				
	2014	2013	2012	2011	2010
Interest rate	9.20%	7.95%	8.57%	7.98%	7.82%
Discount rate	9.20%	7.95%	8.57%	7.98%	7.82%
Estimated rate of return on plan assets	9.60%	9.58%	9.45%	9.36%	9.00%
Retirement age	60	60	60	60	60

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

The Company expects to contribute NIL to its defined benefit plan for the remaining period.

2.25. Provident Fund

The Company contributed ₹16 crore towards Provident Fund during the year ended March 31, 2014 (₹28 crore during the year ended March 31, 2013).

2.26. Pension Fund

The Company contributed ₹8 crore to pension funds during the year ended March 31, 2014 (₹Nil during the year ended March 31, 2013).

2.27. Reconciliation of basic and diluted shares used in computing earnings per share

Particulars	Year ended March 31,	
	2014	2013
Number of shares considered as basic weighted average shares outstanding	3,38,27,751	3,38,27,751
Add: Effect of dilutive issues of shares / stock options	–	–
Number of shares considered as weighted average shares and potential shares outstanding	3,38,27,751	3,38,27,751

2.28. Restricted deposits

Other non-current assets as at March 31, 2014 includes ₹46 crore (₹38 crore as at March 31, 2013) deposited with Life Insurance Corporation of India to settle employee-related obligations as and when they arise during the normal course of business. This amount is considered as restricted cash and is hence not considered as 'cash and cash equivalents'.

2.29. Dues to micro and small enterprises

The Company has no dues to micro and small enterprises during the year ended March 31, 2014 and during year ended March 31, 2013.

2.30. Function-wise classification of Statement of Profit and Loss

in ₹ crore

Particulars	Year ended March 31,	
	2014	2013
Income from business process management services	2,323	1,831
Cost of revenue	1,441	1,096
GROSS PROFIT	882	735
Selling and marketing expenses	103	82
General and administration expenses	203	173
	306	255
OPERATING PROFIT BEFORE DEPRECIATION	576	480
Depreciation and amortization expense	70	65
OPERATING PROFIT	506	415
Other income, net	150	139
PROFIT BEFORE TAX	656	554
Tax expense		
Current tax	156	133
Deferred tax	(12)	(7)
PROFIT FOR THE YEAR	512	428

2.31. Schedule to the Cash Flow Statement

in ₹ crore

Particulars		Year ended March 31,	
		2014	2013
2.31.1	Changes in loans and advances during the year		
	As per Balance Sheet	229	238
	Less: MAT credit entitlement	(16)	(37)
	Advance taxes separately considered	(49)	(35)
	Loans to subsidiary considered as investing activity	–	–
	Interest accrued but not yet due	(5)	(6)
	Capital advances	(1)	–
		158	159
	Less: Opening balance considered	(159)	(109)
		(1)	50
2.31.2	Changes in other assets during the year		
	As per Balance Sheet	47	38
	Less: Opening balance considered	(38)	(32)
		9	6
2.31.3	Changes in liabilities during the year		
	As per Balance Sheet	463	484
	Add: Reduction in contingent liability (Refer to *Note* 2.3)	26	58
	Less: Retention money considered separately	(2)	(7)
	Less: Opening balance considered	(477)	(424)
		10	111
2.31.4	Changes in trade payables during the year		
	As per Balance Sheet	8	43
	Less: Trade payables capital considered separately	–	–
	Less: Opening balance considered	(43)	(4)
		(34)	39
2.31.5	Changes in provisions during the year		
	As per Balance Sheet	66	47
	Less: Provision for income taxes considered separately	(2)	(2)
	Less: Opening balance considered	(44)	(36)
		20	9

Particulars		Year ended March 31,	
		2014	2013
2.31.6	Current tax expenses		
	Movement in advance taxes	14	12
	Movement in provision for tax	146	119
	Movement in MAT credit entitlement	(12)	–
		148	131
2.31.7	Purchase of fixed assets and changes in capital work in progress / advances		
	Additions as per Balance Sheet	69	52
	Less: Opening capital work-in-progress	(1)	(2)
	Add: Closing capital work-in-progress	5	1
	Less: Opening capital advances	–	(1)
	Add: Closing capital advances	1	–
	Add: Opening retention monies	8	7
	Less: Closing retention monies	(2)	(7)
		80	50
2.31.8	Interest income received during the year		
	As per Statement of Profit and Loss	85	61
	Add: Opening interest accrued but not yet due	6	11
	Less: Closing interest accrued but not yet due	(5)	(6)
		86	66
2.31.9	Investments in subsidiary during the year		
	As per Balance Sheet	590	579
	Less: Opening balance considered	(579)	(563)
		11	16
2.31.10	Cash and cash equivalents at the end of the year		
	As per Balance Sheet		
	Cash on hand	–	–
	Balances with banks	1,024	708
	Deposit with financial institution / body corporate	80	80
		1,104	788

As per our report attached

for B S R & Co. LLP
Chartered Accountants
Firm Registration Number: 101248W

Akhil Bansal
Partner
Membership Number: 090906

S. Gopalakrishnan
Chairman and Director

Gautam Thakkar
Managing Director and Chief Executive Officer

Prof. Jayanth R. Varma
Director

Dr. Omkar Goswami
Director

Prasad Thrikutam
Director

Abraham Mathews
Chief Financial Officer

Bangalore
April 11, 2014

A.G.S. Manikantha
Company Secretary

Infosys BPO s.r.o.

Independent Auditors' Report

To the Members of Infosys BPO s.r.o.

Report on the Financial Statements

We have audited the accompanying financial statement of Infosys BPO s.r.o. ('the Company') which comprises the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
2) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bangalore
April 8, 2014

Balance Sheet

in ₹

Particulars	Note	As at March 31, 2014	As at March 31, 2013
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	3,49,78,993	3,49,78,993
Reserves and surplus	2.2	26,04,10,108	26,74,06,176
		29,53,89,101	30,23,85,169
CURRENT LIABILITIES			
Unsecured Loans	2.3	–	5,60,51,609
Trade payables		17,61,068	5,94,278
Other current liabilities	2.4	20,87,99,895	15,34,74,623
Short-term provisions	2.5	4,19,70,248	2,53,62,526
		25,25,31,211	23,54,83,036
		54,79,20,312	53,78,68,205
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.6	3,64,61,622	1,94,31,759
Capital work-in-progress		–	–
		3,64,61,622	1,94,31,759
Long-term loans and advances	2.7	1,63,78,113	1,19,17,970
		1,63,78,113	1,19,17,970
CURRENT ASSETS			
Trade receivables	2.8	11,70,17,015	13,75,29,072
Cash and cash equivalents	2.9	25,81,74,778	12,80,94,996
Short-term loans and advances	2.10	11,98,88,784	24,08,94,408
		49,50,80,577	50,65,18,476
		54,79,20,312	53,78,68,205
SIGNIFICANT ACCOUNTING POLICIES	1		
NOTES ON ACCOUNTS	2		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Gautam Thakkar
Chairman

Anantha Radhakrishnan
Director

Abraham Mathews
Director

Bangalore
April 8, 2014

Rajesh K. Murthy
Director

Statement of Profit and Loss

in ₹

Particulars	Note	Year ended March 31,	
		2014	2013
Revenues from business process management services		112,00,71,879	87,44,59,115
Other income	2.11	1,99,10,050	2,14,52,944
Total revenue		113,99,81,929	89,59,12,059
EXPENSES			
Employee benefit expenses	2.12	87,17,59,642	68,45,01,124
Cost of technical sub-contractors	2.12	(3,03,615)	39,47,729
Travel expenses	2.12	3,27,65,762	3,25,74,251
Cost of software packages	2.12	77,83,533	64,20,444
Communication expenses	2.12	1,16,66,289	87,71,760
Professional charges	2.12	7,50,80,659	6,64,72,017
Office expenses	2.12	1,06,33,801	1,37,15,974
Power and fuel	2.12	1,94,06,884	1,45,94,454
Insurance charges	2.12	44,34,525	29,68,075
Rent	2.12	8,24,77,622	6,42,57,777
Interest expense	2.12	8,83,189	4,79,712
Depreciation expenses	2.6	2,86,69,653	1,67,45,107
Other expenses	2.12	2,02,90,414	71,90,555
Total Expenses		116,55,48,358	92,26,38,979
PROFIT / (LOSS) BEFORE TAX		(2,55,66,429)	(2,67,26,920)
Tax expense	2.13		
Current tax		–	–
Deferred tax		–	–
		–	–
PROFIT / (LOSS) FOR THE YEAR		(2,55,66,429)	(2,67,26,920)

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Gautam Thakkar
Chairman

Anantha Radhakrishnan
Director

Abraham Mathews
Director

Bangalore
April 8, 2014

Rajesh K. Murthy
Director

Cash Flow Statement

in ₹

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	(2,55,66,429)	(2,67,26,920)
Adjustments to reconcile net profit to net cash provided by operating activities		
Depreciation	2,86,69,653	1,67,45,107
Interest Income	(16,54,713)	(23,83,769)
Effect of exchange rate differences on translation of assets and liabilities	1,06,58,309	(37,48,266)
Changes in assets and liabilities		
Trade receivable	2,05,12,057	18,61,566
Unbilled revenue	98,48,261	(4,15,57,117)
Other assets	1,02,97,995	(1,95,03,091)
Trade payables	11,66,790	(82,88,351)
Client deposits	(2,76,79,001)	2,76,79,001
Unearned revenue	–	(1,04,18,865)
Employee benefit obligations	–	82,87,713
Provisions	1,66,07,722	29,40,107
Other liabilities	7,85,44,130	2,46,97,677
Income tax paid during the year, net	–	–
NET CASH GENERATED / (USED) BY OPERATING ACTIVITIES	12,14,04,774	(1,81,51,138)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets and change in capital work-in-progress / advances	(4,56,99,516)	(1,16,03,917)
NET CASH GENERATED / (USED) BY INVESTING ACTIVITIES	(4,56,99,516)	(1,16,03,917)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest received	34,92,956	–
Loans repaid by subsidiaries	11,83,93,060	–
Loan received from subsidiary	4,97,21,280	5,55,87,600
Loan repaid to subsidiary	(11,60,16,320)	–
Interest repaid	(12,16,452)	–
NET CASH GENERATED / (USED) BY FINANCING ACTIVITIES	5,43,74,524	5,55,87,600
Net change in cash and cash equivalents	13,00,79,782	2,58,32,545
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	12,80,94,996	10,22,62,451
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25,81,74,778	12,80,94,996

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Gautam Thakkar
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Anantha Radhakrishnan
Director

Abraham Mathews
Director

Bangalore
April 8, 2014

Rajesh K. Murthy
Director

Significant accounting policies and notes on accounts

Company overview

Infosys BPO s.r.o is a leading provider of business process management services to organizations that outsource their business processes. Infosys BPO s.r.o is a wholly-owned and controlled subsidiary of Infosys BPO Limited. The Company leverages the benefits of service delivery globalization, process redesign and technology and thus drives efficiency and cost effectiveness into client's business processes and thereby improve their competitive position by managing their business processes in addition to providing increased value.

1. Significant accounting policies

1.1. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.2. Use of estimates

The preparation of the financial statements in conformity with GAAP requires that the Management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as of the date of the financial statements. Examples of such estimates includes computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provision for doubtful debts, future obligations under employee retirement benefit plans, provision for income taxes, provision for service level agreement (SLA) and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

1.3. Revenue recognition

The Company derives its revenues primarily from business process management services, on time-and-material, fixed-price, fixed-time frame and unit-price basis. Revenue on time-and-material contracts is recognized as the related services are rendered and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainty as to measurement and collectability of consideration, is recognized as per the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability revenue recognition is postponed until such uncertainty is resolved. Revenues from unit-priced contracts are recognized as transactions are processed based on objective measures of output. Cost and earnings in excess of billings are classified as unbilled revenue while billing in excess of cost and earnings is classified as deferred revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates. When the Company receives advances for its services, such amounts are reflected as advance received from clients until all conditions for revenue recognition are met. The Company presents revenues net of service taxes and value added taxes in its profit and loss account.

The Company accounts for volume discounts and pricing incentives to customers as a reduction of revenue, based on the ratable allocation of the discount / incentive amount to each of the underlying revenue transactions that result in progress by the customer towards earning the discount / incentive. Also when the level of discount varies with increase in levels of revenue transactions, the Company recognizes the liability based on its estimate of the customer's future purchases if it is probable that the criteria for the discount will not be met, or if the amount thereof cannot be estimated reliably. The Company recognizes changes in the estimated amount of obligation for discount using cumulative catch-up approach. The discounts are passed on the customer either as direct payments or as a reduction of payments due from customer.

Profit on sale of investment is recorded on the transfer of title from the Company and is determined as the difference between the sale price and the carrying value of the investment. Interest on deployment of surplus funds is recognized using time proportion method, based on underlying interest rates. Dividend income is recognized when the Company's right to receive dividend is established.

1.4. Expenditure

The cost of software user licenses purchased for rendering business process management services is charged to revenue when put to use. Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense on a straight-line basis in the profit and loss account over the lease term.

1.5. Tangible assets, intangible assets and capital work-in-progress

Tangible assets are stated at cost, after reducing accumulated depreciation and impairment up to the date of the Balance Sheet. Direct costs are capitalized until the assets are ready for use and include financing costs relating to any borrowing attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use. Capital work-in-progress includes the cost of fixed assets that are not yet ready for their intended use before the Balance Sheet date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment. Goodwill on amalgamation is tested periodically for impairment.

1.6. Depreciation

Depreciation on fixed assets is determined using the straight-line method based on useful lives of assets as estimated by the Company. Depreciation for assets purchased / sold during the period is proportionately charged. Individual assets costing ₹5,000 or less are depreciated within a year of acquisition. Leasehold improvements are written off over the lower of the lease term or the useful life of the asset. Leasehold land is amortized over the lease period. Intangible assets are amortized over their useful life on a straight-line basis commencing from the date the asset is available to the Company for its use.

The Management estimates the useful lives for the various fixed assets as follows :

Building	15 years
Computer equipment	2 years
Plant and machinery	5 years
Furniture and fixtures	5 years

1.7. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.8. Forward contracts and option contracts in foreign currencies

The Company uses forward contracts and options contracts to hedge its exposure to movements in foreign exchange rates. The use of these forward contracts and option contracts reduces the risk or cost to the Company and the Company does not use the forward contracts and option contracts for trading or speculation purposes.

Effective April 1, 2008 the Company adopted Accounting Standard (AS) 30 Financial Instruments : Recognition and Measurement, to the extent that the adoption does not conflict with existing mandatory accounting standards and other authoritative pronouncements, Company law and other regulatory requirements.

Forward and options contracts are fair valued at each reporting date. The Company records the mark to market gain or loss on effective hedges in the foreign currency fluctuation reserve until the transactions are complete. On completion, the gain or loss is transferred to the profit and loss account of that period. To designate a forward contract or option contracts as an effective hedge, the Management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. In the absence of a designation as an effective hedge, a gain or loss is recognized in the profit and loss account. Currently the hedges undertaken by the Company are all ineffective in nature and the resultant gain or loss consequent to fair valuation is recognized in the profit and loss account at each reporting date.

1.9. Income tax

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax for the period based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantively enacted regulations. Deferred tax assets in situation of unabsorbed depreciation and carry forward business losses exist, are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business losses are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date. The income tax provision for the period is made based on the best estimate of the annual average tax rate expected to be applicable for the full fiscal year.

1.10. Provisions and contingent liability

'The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a present obligation that cannot be estimated reliably or a possible or present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made. Provisions are made for all known losses and liabilities and future unforeseeable factors that may affect the profit on fixed-price business process management contracts.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

1.11. Earnings per share

In determining earnings per share, the Company considers the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of basic and dilutive common equivalent shares outstanding during the year, except where the result would be anti-dilutive. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

1.12. Employee benefits

Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by an actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

1.13. Impairment of assets

Management periodically assesses, using external and internal sources, whether there is an indication that an asset (including goodwill) may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use i.e., the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.14. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.15. Cash flow statement

Cash flows are reported using the indirect method, whereby Profit Before Tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, financing and investing activities of the Company are segregated. Cash flows in foreign currency are accounted at average monthly exchange rates that approximate the actual rates of exchange prevailing at the date of the transaction.

2. Notes on accounts for the year ended March 31, 2014

2.1. Share capital

in ₹

Particulars	As at March 31,	
	2014	2013
AUTHORIZED		
Share capital	3,49,78,993	3,49,78,993
	3,49,78,993	3,49,78,993
Issued, subscribed and paid-up		
Share capital	3,49,78,993	3,49,78,993
(Wholly-owned subsidiary of Infosys BPO Limited)		
	3,49,78,993	3,49,78,993

2.2. Reserves and surplus

in ₹

Particulars	As at March 31,	
	2014	2013
Foreign currency translation reserve	5,98,23,374	4,12,53,013
Surplus – opening balance	22,61,53,163	25,28,80,083
Add: Loss during the year	(2,55,66,429)	(2,67,26,920)
Surplus – closing balance	20,05,86,734	22,61,53,163
	26,04,10,108	26,74,06,176

2.3. Unsecured loans

in ₹

Particulars	As at March 31,	
	2014	2013
Long-term borrowings	–	5,60,51,609
		5,60,51,609

2.4. Other current liabilities

in ₹

Particulars	As at March 31,	
	2014	2013
Accrued salaries and benefits		
Salaries	5,43,63,074	4,55,68,967
Bonus and incentives	1,16,60,223	93,40,570
For other liabilities		
Provision for expenses	12,68,84,992	5,70,73,921
Withholding and other taxes	1,20,32,831	1,38,12,164
	20,49,41,120	12,57,95,622
Advances received from clients	–	2,76,79,001
Mark to market loss on forward exchange contract	38,58,775	–
	20,87,99,895	15,34,74,623

2.5. Short-term provisions

in ₹

Particulars	As at March 31,	
	2014	2013
Provision for employee benefits		
Unavailed leave	2,78,75,527	2,09,92,573
Others		
SLA compliance	1,40,94,721	43,69,953
	4,19,70,248	2,53,62,526

Provision for SLA compliance

The provision for service level agreement (SLA) compliance is based on estimates made by the Management for on going contracts. The movement in provision for SLA is given below:

in ₹

Particulars	As at March 31,	
	2014	2013
Balance at the beginning of the year	43,69,953	14,29,846
Additional provision made during the year	97,24,768	29,40,107
Provisions used during the year	–	–
Balance at the end of the year	1,40,94,721	43,69,953

Management believes that the aforesaid provision will be utilized within a year.

2.6. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	Cost as at April 1, 2013	Additions / adjustments during the year	Deletions during the year	Cost as at March 31, 2014	As at April 1, 2013	Charge for the year	Deductions / adjustments during the year	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
Tangible assets										
Land – Leasehold										
Buildings										
Leasehold improvements	1,75,36,046	20,78,347	–	1,96,14,393	1,63,01,239	14,84,814	(18,28,340)	1,9614,393	–	12,34,807
Plant and Machinery	1,18,10,822	34,53,773	–	1,52,64,595	86,51,686	17,15,807	(9,91,902)	1,13,59,395	39,05,200	31,59,136
Computer equipment	7,47,06,809	4,13,71,709	–	11,60,78,518	6,29,94,005	2,27,43,952	(69,47,329)	9,26,85,286	2,33,93,232	1,17,12,804
Furniture and fixtures	2,28,74,289	1,08,11,772	–	3,36,86,061	1,95,49,277	27,25,080	(22,48,514)	2,45,22,871	91,63,190	33,25,012
Vehicles										
	12,69,27,966	5,77,15,601	–	18,46,43,567	10,74,96,207	2,86,69,653	(1,20,16,085)	14,81,81,945	3,64,61,622	2,45,72,949
Intangible assets										
Goodwill										
	–	–	–	–	–	–	–	–	–	–
Total	12,69,27,966	5,77,15,601	–	18,46,43,567	10,74,96,207	2,86,69,653	(1,20,16,085)	14,81,81,945	3,64,61,622	1,94,31,759
Previous year	11,81,86,000	87,41,966	–	12,69,27,966	9,36,13,051	1,67,45,107	28,61,951	10,74,96,207	1,94,31,759	
Capital Work in Progress				–						

2.7. Long-term loans and advances

in ₹

Particulars	As at March 31,	
	2014	2013
Rental deposits	1,63,78,113	1,19,17,970
	1,63,78,113	1,19,17,970

2.8. Trade receivables

in ₹

Particulars	As at March 31,	
	2014	2013
Debts outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	31,94,277	4,876
Less: Provision for doubtful debts	31,94,277	4,876
	–	–
Other debts		
Unsecured		
Considered good [1]	11,70,17,015	13,75,29,072
Considered doubtful	64,11,931	–
	12,34,28,946	13,75,29,072
Less: Provision for doubtful debts	64,11,931	–
	11,70,17,015	13,75,29,072

[1] *includes dues from subsidiary companies (Refer to Note 2.17)*

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer as at the Balance Sheet date.

2.9. Cash and cash equivalents

in ₹

Particulars	As at March 31,	
	2014	2013
Cash on hand	3,06,041	1,13,535
Balances with bank		
In current and deposit accounts	25,78,68,737	12,79,81,461
	25,81,74,778	12,80,94,996

The details of balances with banks as at March 31, 2014 and March 31, 2013 are as follows:

in ₹

Balances with scheduled banks	As at March 31,	
	2014	2013
In current accounts		
Deutsche bank – USD account	14,08,27,740	2,30,74,775
Deutsche bank – EUR account	7,60,83,473	5,25,91,721
Deutsche bank – CZK account	2,18,72,712	2,87,51,231
Citibank – subsidy account	8,562	7,673
Citibank – CZK account	1,39,03,745	1,91,72,981
Citibank – USD account	44,03,275	37,38,088
Citibank – EUR account	7,69,230	6,44,992
	25,78,68,737	12,79,81,461

2.10. Short-term loans and advances

in ₹

Particulars	As at March 31,	
	2014	2013
Unsecured, considered good		
Prepaid expenses	–	70,273
Advances for goods and services	48,61,632	1,17,38,536
Loan to group company	6,24,34,190	16,60,10,156
Withholding and other taxes receivable	31,06,514	20,863
	7,04,02,336	17,78,39,828
Unbilled revenue	4,62,25,274	5,60,73,536
Loans and advances given to group companies	7,90,983	–
Loans and advances to employees	11,61,459	44,88,368
Electricity and other deposits	13,08,732	18,23,859
Mark to market gain on forward exchange contract	–	6,68,817
	11,98,88,784	24,08,94,408
Unsecured, considered doubtful		
Loans and advances to employees	1,05,481	5,27,331
	11,99,94,265	24,14,21,739
Less: Provision for doubtful loans and advances	1,05,481	5,27,331
	11,98,88,784	24,08,94,408

2.11. Other income

in ₹

Particulars	As at March 31,	
	2014	2013
Miscellaneous income, net	1,41,00,466	2,35,50,118
Gains / (losses) on foreign currency, net	58,09,584	(20,97,174)
	1,99,10,050	2,14,52,944

2.12. Expenses

in ₹

Particulars	As at March 31,	
	2014	2013
Employee benefit expenses		
Salaries and bonus	64,60,09,068	50,61,97,421
Staff welfare	1,89,01,606	2,06,95,122
Contribution to provident and other funds	20,68,48,968	15,76,08,581
	87,17,59,642	68,45,01,124
Cost of technical sub-contractors		
Consultancy charges	(3,03,615)	39,47,729
	(3,03,615)	39,47,729
Travel expenses		
Overseas travel expenses	3,27,65,762	3,25,74,251
	3,27,65,762	3,25,74,251
Cost of software packages		
Cost of software for own use	77,83,533	64,20,444
	77,83,533	64,20,444
Communication expenses		
Communication expenses	1,16,66,289	87,71,760
	1,16,66,289	87,71,760

Particulars	As at March 31,	
	2014	2013
Professional Charges		
Legal and professional charges	75,47,359	1,32,68,331
Auditor's remuneration		
Audit fees	14,36,447	18,74,113
Recruitment and training expenses	6,60,96,853	5,13,29,573
	7,50,80,659	6,64,72,017
Office expenses		
Computer maintenance	5,29,573	8,70,871
Printing and stationery	5,23,429	12,71,411
Office maintenance	95,80,799	1,15,73,692
	1,06,33,801	1,37,15,974
Power and fuel		
Power and fuel	1,94,06,884	1,45,94,454
	1,94,06,884	1,45,94,454
Insurance		
Insurance	44,34,525	29,68,075
	44,34,525	29,68,075
Rent		
Rent	8,24,77,622	6,42,57,777
	8,24,77,622	6,42,57,777
Interest expense		
Interest expense on loans to subsidiary	8,83,189	4,79,712
	8,83,189	4,79,712

in ₹

Particulars	As at March 31,	
	2014	2013
Other expenses		
Consumables	24,53,745	21,28,107
Marketing expenses	84,105	41,824
Sales promotion expenses	–	32,183
Rates and taxes	16,80,027	15,11,403
Bank charges and commission	7,64,847	13,70,507
Postage and courier	6,08,310	11,63,298
Provision for doubtful debts	98,84,334	5,090
Provision for doubtful loans and advances	1,05,481	5,27,331
Professional membership and seminar participation fees	51,340	47,260
Other miscellaneous expenses	46,58,225	3,63,552
	2,02,90,414	71,90,555

2.13. Tax expense

in ₹

Particulars	As at March 31,	
	2014	2013
Current tax		
Income taxes	–	–
Deferred taxes	–	–
	–	–

2.14. Leases

Obligations on long-term non-cancellable operating leases

The lease rentals charged during the period and maximum obligations on long-term non-cancellable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	As at March 31,	
	2014	2013
Lease rentals charged during the period	8,24,77,622	6,42,57,777

in ₹

Lease obligations	As at March 31,	
	2014	2013
Within one year of the Balance Sheet date	7,30,68,741	6,36,85,176
Due in a period between one year and five years	23,13,84,348	27,82,41,896
Later than five years	–	–

2.15. Commitments and contingent liabilities

in ₹

Particulars	As at March 31,	
	2014	2013
Estimated amount of unexecuted capital contracts (net of advance and deposits)	47,47,177	81,02,212
Sell: Forward contracts outstanding		
USD / CZK	3,000,000	3,000,000
(Equivalent approximate in ₹)	(17,97,60,000)	(16,28,70,000)
CZK / USD	2,000,000	–
(Equivalent approximate in ₹)	(11,98,40,000)	–
Buy: Forward Contracts outstanding		
USD / CZK	–	–
(Equivalent approximate in ₹)	–	–

As at the Balance Sheet date, the Company's net foreign currency exposure that is underhedged by a derivative instrument or otherwise is ₹34,52,34,906 (Nil as at March 31, 2013).

The foreign exchange forward and option contracts mature between one to 12 months. The table below analyzes the derivate financial instruments into relevant maturity groupings based on the remaining period as of the Balance Sheet date:

in ₹

Particulars	As at March 31,	
	2014	2013
Later than one month and not later than three months	–	–
Later than three months and not later than one year	29,96,00,000	16,28,70,000
	29,96,00,000	16,28,70,000

2.16. Quantitative details

The Company is primarily engaged in providing business process management services. The sale of such services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5(viii)(c) of general instructions for preparation of statement of profit

2.17. Related party transactions

List of related parties:

Name of the Holding Company	Country	Holding as at March 31,	
		2014	2013
Infosys BPO Limited	India	100%	100%

Name of Ultimate Holding Company	Country
Infosys Limited	India

Name of fellow Subsidiaries	Country
Infosys BPO Poland Sp. z o.o. (2)	Poland
Infosys BPO, S. de R.L. de C.V. (2)(6)	Mexico
Infosys McCamish Systems LLC (2)	U.S.
Portland Group Pty. Ltd (2)	Australia
Portland Procurement Services Pty. Ltd (3)	Australia
Infosys Consulting India Limited (1)	India

Name of fellow Subsidiaries	Country
Infosys Technologies (Australia) Pty. Limited (Infosys Australia) (1)	Australia
Infosys Technologies S.de R.L.de C.V. (Infosys Mexico) (1)	Mexico
Infosys Technologies (China) Co. Limited (Infosys China) (1)	China
Infosys Technologia do Brasil Ltda (Infosys Brasil) (1)	Brazil
Infosys Sweden (1)	Sweden
Infosys Shanghai (1)	China
Infosys Americas (7)	U.S.
Edgeverve Systems Limited (8)	India
Infosys Public Services, Inc. (1)	U.S.
Lodestone Holding AG (1)	Switzerland
Lodestone Management Consultants (4)(9)	Canada
Lodestone Management Consultants Inc. (4)	U.S.
Lodestone Management Consultants Pty. Limited (4)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (4)(10)	Thailand
Lodestone Management Consultants AG (4)	Switzerland
Lodestone Augmentis AG (12)	Switzerland
Hafner Bauer & Ödman GmbH (4)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (5)	Belgium
Lodestone Management Consultants GmbH (4)	Germany
Lodestone Management Consultants Pte Ltd. (4)	Singapore
Lodestone Management Consultants SAS (4)	France
Lodestone Management Consultants s.r.o. (4)	Czech
Lodestone Management Consultants GmbH (4)	Austria
Lodestone Management Consultants China Co., Ltd. (4)	China
Lodestone Management Consultants Ltd. (4)	U.K.
Lodestone Management Consultants B.V. (4)	Netherlands
Lodestone Management Consultants Ltda. (5)	Brazil
Lodestone Management Consultants sp. z o.o. (4)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. (4)	Portugal
S.C. Lodestone Management Consultants S.R.L. (4)	Romania
Lodestone Management Consultants S.R.L. (4)(11)	Argentina

(1) *Wholly-owned subsidiaries of Infosys Limited*
(2) *Wholly-owned subsidiaries of Infosys BPO Limited.*
(3) *Wholly-owned subsidiary of Portland Group Pty. Ltd*
(4) *Wholly-owned subsidiaries of Lodestone Holding AG*
(5) *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(6) *Infosys BPO incorporated Infosys BPO, S. de R.L. de C.V. on February 14, 2014 and holds 99.97% of voting rights*
(7) *Incorporated effective June 25, 2013*
(8) *Incorporated effective February 14, 2014*
(9) *Liquidated effective December 31, 2013*
(10) *Liquidated effective February 14, 2013*
(11) *Incorporated effective January 10, 2013*
(12) *Wholly-owned subsidiary of Lodestone Management Consultants AG*
On January 4, 2014 the board of directors of Portland Procurement Services Pty. Ltd, approved the liquidation of entity. The liquidation of Portland Procurement Services Pty. Ltd will be effected upon deregistration of the Company by ASIC as per the liquidation application filed on March 7, 2014. The assets and liabilities of Portland Procurement Services Pty. Ltd. will be transferred to Portland Group Pty. Ltd upon liquidation.

The details of the related party transactions entered into by the Company for the year ended March 31, 2014 and March 31, 2013 are as follows:

in ₹

Particulars	As at March 31,	
	2014	2013
Capital transactions		
Financial transactions		
Loan taken		
Infosys BPO Poland Sp. z o.o.	4,96,14,000	56,051,609
Loan repaid to		
Infosys BPO Poland Sp. z o.o.	11,57,66,000	–
Loan repaid by		
Infosys McCamish Systems LLC	11,80,42,400	–
Revenue transactions		
Interest income		
Infosys McCamish Systems LLC	16,54,713	16,20,072
Interest expense		
Infosys BPO Poland Sp. z o.o.	8,83,189	3,00,774
Sale of services		
Infosys Limited	10,55,81,598	8,74,36,781
Infosys BPO Poland Sp. z o.o.	86,89,052	98,29,331

Details of amounts due to or due from related parties as at March 31, 2014 and March 31, 2013 are as follows:

in ₹

Particulars	As at March 31,	
	2014	2013
Loans to subsidiary		
Infosys McCamish Systems LLC	6,24,34,190	16,60,10,156
Loans accepted		
Infosys BPO Poland Sp. z o.o.	–	5,60,51,609
Advances received		
Infosys Limited	–	2,76,79,001
Debtors		
Infosys Limited	1,17,39,531	36,99,008
Other receivables		
Infosys Limited	7,90,983	–

2.18. Segment reporting

The Company's operations primarily relate to providing business process management services to organizations that outsource their business processes. Accordingly, revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income in individual segments. These are set out in the note on significant accounting policies.

Industry segments at the Company primarily comprise customers relating to Financial Services and Insurance (FSI), Manufacturing (MFG), enterprises in Energy & Utilities, Communications and Services (ECS) and Retail, Consumer Packaged Goods and Logistics (RCL), and Life Sciences and Healthcare. Income in relation to segments is categorized based on items that are individually identified to those segments while expenditure is categorized in relation to the associated turnover of the segment. Expenses which form a significant component of total expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. These expenses are separately disclosed as "unallocated" and adjusted only against the total income of the Company. The Company believes that it is not practical to provide segment disclosures relating to these costs and expenses, and accordingly these expenses are separately disclosed as unallocated and directly charged against total income. Fixed assets or liabilities contracted have not been identified to any reportable segments, as these are used interchangeably between segments. Accordingly no disclosure relating to total segment assets and liabilities are made.

Geographical segments are segregated based on the location of the customers, or in relation to which the revenue is otherwise recognized.

All direct costs are identified to its respective verticals / geographies on the basis of revenues from the respective verticals / geographies while unallocable cost consists of depreciation only.

Industry segments

Year ended March 31, 2014 and *March 31, 2013*

in ₹

Particulars	FSI	MFG	RCL	ECS	Total
Revenues	13,87,90,604	85,45,15,109	8,15,46,825	4,52,19,341	112,00,71,879
	7,31,63,663	*71,03,48,902*	*8,06,56,365*	*1,02,90,185*	*87,44,59,115*
Identifiable operating expenses	6,28,38,859	54,56,72,350	4,26,31,892	1,83,18,132	66,94,61,233
	5,40,01,580	*42,16,00,335*	*4,82,46,802*	*77,12,773*	*53,15,61,490*
Allocated expenses	5,60,95,285	35,77,38,988	3,34,94,888	2,00,88,311	46,74,17,472
	3,16,88,748	*30,17,94,589*	*3,79,50,919*	*28,98,126*	*37,43,32,282*
Segmental operating profit	1,98,56,460	(4,88,96,229)	54,20,045	68,12,898	(1,68,06,826)
	(1,25,26,665)	*(1,30,46,022)*	*(55,41,356)*	*(3,20,714)*	*(3,14,34,757)*
Unallocable expenses					2,86,69,653
					1,67,45,107
Profit before other income					(4,54,76,479)
					(4,81,79,864)
Other income					1,99,10,050
					2,14,52,944
Profit / (Loss) Before Tax					(2,55,66,429)
					(2,67,26,920)
Tax expense					–
					–
Profit / (Loss) for the year					(2,55,66,429)
					(2,67,26,920)

Geographical segments

Year ended March 31, 2014 and *March 31, 2013*

in ₹

Particulars	North America	Europe	Total
Revenues	17,52,60,384	94,48,11,495	112,00,71,879
	10,95,47,126	*76,49,11,989*	*87,44,59,115*
Identifiable operating expenses	7,53,84,138	59,40,77,096	66,94,61,234
	6,22,07,319	*46,93,54,171*	*53,15,61,490*
Allocated expenses	7,28,18,228	39,45,99,243	46,74,17,471
	5,06,23,893	*32,37,08,489*	*37,43,32,382*
Segmental operating profit	2,70,58,018	(4,38,64,844)	(1,68,06,826)
	(32,84,086)	*(2,81,50,671)*	*(3,14,34,757)*
Unallocable expenses			2,86,69,653
			1,67,45,107
Profit before other income			(4,54,76,479)
			(4,81,79,864)
Other income			1,99,10,050
			2,14,52,944
Profit / (Loss) Before Tax			(2,55,66,429)
			(2,67,26,920)
Tax expense			–
			–
Profit / (Loss) for the year			(2,55,66,429)
			(2,67,26,920)

2.19. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	As at March 31,	
	2014	2013
Income from software services and products	1,12,00,71,879	87,44,59,115
Cost of revenue	1,00,44,17,813	80,46,49,906
GROSS PROFIT / (LOSS)	11,56,54,066	6,98,09,209
Selling and marketing expenses	85,51,980	25,41,600
General and administration expenses	12,39,08,912	9,87,02,366
	13,24,60,892	10,12,43,966
OPERATING PROFIT / (LOSS) BEFORE DEPRECIATION	(1,68,06,826)	(3,14,34,757)
Depreciation	2,86,69,653	1,67,45,107
OPERATING PROFIT / (LOSS)	(4,54,76,479)	(4,81,79,864)
Other income, net	1,99,10,050	2,14,52,944
PROFIT / (LOSS) BEFORE TAX	(2,55,66,429)	(2,67,26,920)
Tax expense		
Current tax	–	–
PROFIT / (LOSS) FOR THE YEAR	(2,55,66,429)	(2,67,26,920)

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Gautam Thakkar
Chairman

Anantha Radhakrishnan
Director

Abraham Mathews
Director

Bangalore
April 8, 2014

Rajesh K. Murthy
Director

Infosys BPO (Poland) Sp. z o.o.

Independent Auditors' Report

To the Members of Infosys BPO (Poland) Sp. z o.o.

Report on the Financial Statements

We have audited the accompanying financial statement of Infosys BPO (Poland) Sp. z o.o. ('the Company') which comprises the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
2) In the case of the Statement of Profit and Loss, of the Profit for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bangalore
April 8, 2014

Balance Sheet

in ₹

Particulars	Note	As at March 31, 2014	As at March 31, 2013
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	3,93,50,000	3,93,50,000
Reserves and surplus	2.2	2,36,41,24,827	1,70,14,35,291
		2,40,34,74,827	1,74,07,85,291
CURRENT LIABILITIES			
Trade payables		3,90,55,042	2,22,81,292
Other current liabilities	2.3	55,80,38,696	30,82,04,366
Short-term provisions	2.4	31,45,98,870	20,35,45,173
		91,16,92,608	53,40,30,831
		3,31,51,67,435	2,27,48,16,122
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.5	25,59,43,915	19,54,12,121
Intangible assets	2.5	35,20,12,240	35,20,12,240
		60,79,56,155	54,74,24,361
Deferred tax assets, net	2.6	8,41,19,050	–
Long-term loans and advances	2.7	1,59,28,806	5,07,57,092
		10,00,47,856	5,07,57,092
CURRENT ASSETS			
Trade receivables	2.8	1,01,55,70,146	70,96,33,301
Cash and cash equivalents	2.9	1,25,88,09,149	70,06,91,647
Short-term loans and advances	2.10	33,27,84,129	26,63,09,721
		2,60,71,63,424	1,67,66,34,669
		3,31,51,67,435	2,27,48,16,122
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 and 2		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Gautam Thakkar
Managing Director and Chief Executive Officer

Anantha Radhakrishnan
Director

Bangalore
April 8, 2014

Rajesh K. Murthy
Director

Abraham Mathews
Director

Statement of Profit and Loss

in ₹

Particulars	Note	Year ended March 31, 2014	Year ended March 31, 2013
INCOME			
Revenues from business process management services		3,94,36,43,149	2,64,79,66,368
Other income	2.11	2,97,16,298	7,37,17,391
Total Revenue		3,97,33,59,447	2,72,16,83,759
EXPENSES			
Employee benefit expenses	2.12	2,19,03,98,260	1,39,47,45,520
Cost of technical sub-contractors	2.12	6,20,83,297	2,01,93,643
Travel expenses	2.12	22,19,46,758	17,36,03,573
Cost of software packages	2.12	60,68,498	2,82,03,972
Communication expenses	2.12	5,67,14,740	4,54,12,742
Professional charges	2.12	13,46,07,922	11,02,34,332
Office maintenance	2.12	8,21,41,906	5,72,98,031
Power and fuel	2.12	94,93,453	1,57,46,419
Insurance	2.12	72,02,528	56,78,664
Rent	2.12	20,64,14,851	14,75,65,534
Depreciation expense	2.5	10,24,50,083	4,59,37,440
Other expenses	2.12	11,09,50,669	6,62,93,440
		3,19,04,72,965	2,11,09,13,310
PROFIT BEFORE TAX		78,28,86,482	61,07,70,449
Tax expense	2.13		
Current tax		23,81,07,904	12,36,67,210
Deferred tax		(8,51,35,418)	–
		15,29,72,486	12,36,67,210
PROFIT FOR THE PERIOD		62,99,13,996	48,71,03,239
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 and 2		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Gautam Thakkar
Managing Director and Chief Executive Officer

Anantha Radhakrishnan
Director

Bangalore
April 8, 2014

Rajesh K. Murthy
Director

Abraham Mathews
Director

Cash Flow Statement

in ₹

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	78,28,86,482	61,07,70,449
Adjustments to reconcile net profit to net cash provided by operating activities		
Depreciation	10,24,50,083	4,59,37,440
Interest Income	(2,73,49,363)	(1,84,90,501)
Loss on sale of asset	67,43,662	–
Effect of exchange differences on translation of assets and liabilities	23,73,75,947	7,78,387
Changes in assets and liabilities		
Trade receivable	(30,59,36,845)	(19,54,47,463)
Unbilled revenue	(2,74,73,037)	1,88,30,244
Other assets	1,85,40,041	(34,28,919)
Trade payables	1,67,73,750	1,93,10,222
Client deposits	6,26,88,755	80,07,301
Unearned revenue	3,10,42,401	(1,76,96,536)
Provisions	7,26,87,248	2,42,10,194
Other liabilities	15,61,03,174	8,50,20,468
Income taxes paid, net	(16,38,96,801)	(7,11,73,556)
Net cash provided by operating activities	96,26,35,497	50,66,27,730
CASH FROM INVESTING ACTIVITIES		
Payment towards capital expenditure	(13,31,67,744)	(19,83,83,448)
Interest income	2,73,49,363	(184,90,501)
Net cash provided by / (used in) investment in subsidiaries	(13,56,32,514)	(17,98,92,947)
CASH FROM FINANCING ACTIVITIES		
Dividend payment	(24,11,58,200)	–
Loan repaid by subsidiary	11,83,44,147	–
Loan to subsidiary	(17,58,85,561)	(5,82,33,306)
Net cash provided by / (used in) financing activities	(29,86,99,614)	(5,82,33,306)
Net change in cash and cash equivalents	28,41,83,760	26,77,23,090
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	70,06,91,647	43,21,90,170
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	125,88,09,149	70,06,91,647

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Gautam Thakkar
Managing Director and Chief Executive Officer

Anantha Radhakrishnan
Director

Bangalore
April 8, 2014

Rajesh K. Murthy
Director

Abraham Mathews
Director

Significant accounting policies and notes on accounts

Company overview

Infosys BPO (Poland) Sp. z o.o. is a leading provider of business process management services to organizations that outsource their business processes. Infosys BPO (Poland) Sp. z o.o. is a majority-owned and controlled subsidiary of Infosys BPO Limited. The Company leverages the benefits of service delivery globalization, process redesign and technology and thus drives efficiency and cost effectiveness into the client's business processes and thereby improves their competitive position by managing their business processes in addition to providing increased value.

1. Significant accounting policies

1.1. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.2. Use of estimates

The preparation of the financial statements in conformity with GAAP requires that the Management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as of the date of the financial statements. Examples of such estimates include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provision for doubtful debts, future obligations under employee retirement benefit plans, provision for income taxes, provision for service level agreement (SLA) and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

1.3. Revenue recognition

The Company derives its revenues primarily from business process management services, on time-and-material, fixed-price, fixed-time frame and unit-price basis. Revenue on time-and-material contracts is recognized as the related services are rendered and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainty as to measurement and collectibility of consideration, is recognized as per the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability revenue recognition is postponed until such uncertainty is resolved. Revenues from unit-priced contracts are recognized as transactions processed based on objective measures of output. Cost and earnings in excess of billings are classified as unbilled revenue while billing in excess of cost and earnings is classified as deferred revenue.

Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates. When the Company receives advances for its services, such amounts are reflected as advance received from clients until all conditions for revenue recognition are met. The Company presents revenues net of service taxes and value added taxes in its profit and loss account.

The Company accounts for volume discounts and pricing incentives to customers as a reduction of revenue, based on the ratable allocation of the discount / incentive amount to each of the underlying revenue transactions that result in progress by the customer towards earning the discount / incentive. Also, when the level of discount varies with increase in levels of revenue transactions, the Company recognizes the liability based on its estimate of the customer's future purchases if it is probable that the criteria for the discount will not be met, or if the amount thereof cannot be estimated reliably. The Company recognizes changes in the estimated amount of obligation for discount using cumulative catch-up approach. The discounts are passed on the customer either as direct payments or as a reduction of payments due from the customer.

Profit on sale of investment is recorded on the transfer of title from the Company and is determined as the difference between the sale price and the carrying value of the investment. Interest on deployment of surplus funds is recognized using time proportion method, based on underlying interest rates. Dividend income is recognized when the Company's right to receive dividend is established.

1.4. Expenditure

The cost of software user licenses purchased for rendering business process management services is charged to revenue when put to use. Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense on a straight-line basis in the profit and loss account over the lease term.

1.5. Tangible assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, after reducing accumulated depreciation and impairment upto the date of the Balance Sheet. Direct costs are capitalized until the assets are ready for use and include financing costs relating to any borrowing attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use. Capital work-in-progress includes the cost of fixed assets that are not yet ready for their intended use before the Balance Sheet date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment. Goodwill on amalgamation is tested periodically for impairment.

1.6. Depreciation

Depreciation on fixed assets is determined using the straight-line method based on useful lives of assets as estimated by the Company. Depreciation for assets purchased / sold during the period is proportionately charged. Individual assets costing ₹5,000 or less are depreciated within a year of acquisition. Leasehold improvements are written off over the lower of the lease term or the useful life of the asset. Leasehold land is amortized over the lease period. Intangible assets are amortized over their useful life on a straight-line basis commencing from the date the asset is available to the Company for its use.

The Management estimates the useful lives for the various fixed assets as follows :

Building	15 years
Computer equipment	2 years
Office equipments	5 years
Furniture and fixturess	5 years
Plant and machinary	5 years

1.7. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.8. Forward contracts and option contracts in foreign currencies

The Company uses forward contracts and options contracts to hedge its exposure to movements in foreign exchange rates. The use of these forward contracts and option contracts reduces the risk or cost to the Company and the Company does not use the forward contracts and option contracts for trading or speculation purposes.

Effective April 1, 2008 the Company adopted Accounting Standard (AS) 30 Financial Instruments : Recognition and Measurement, to the extent that the adoption does not conflict with existing mandatory accounting standards and other authoritative pronouncements, Company law and other regulatory requirements.

Forward and options contracts are fair valued at each reporting date. The Company records the mark to market gain or loss on effective hedges in the foreign currency fluctuation reserve until the transactions are complete. On completion, the gain or loss is transferred to the profit and loss account of that period. To designate a forward contract or option contracts as an effective hedge, the Management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. In the absence of a designation as an effective hedge, a gain or loss is recognized in the profit and loss account. Currently, the hedges undertaken by the Company are all ineffective in nature and the resultant gain or loss consequent to fair valuation is recognized in the profit and loss account at each reporting date.

1.9. Income tax

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax for the period based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantively enacted regulations. Deferred tax assets in situation of unabsorbed depreciation and carry forward business losses exist, are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business losses are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date. The income tax provision for the period is made based on the best estimate of the annual average tax rate expected to be applicable for the full fiscal year.

1.10. Provisions and contingent liability

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a present obligation that cannot be estimated reliably or a possible or present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made. Provisions are made for all known losses and liabilities and future unforeseeable factors that may affect the profit on fixed-price business process management contracts.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.The provision is measured at the lower of the expected cost of terminating the contract and the expected cost of fulfilling the contract.

1.11. Impairment of fixed assets

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset (including goodwill) may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use i.e. the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.12. Earnings per share

In determining earnings per share, the Company considers the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of basic and dilutive common equivalent shares outstanding during the year, except where the result would be anti-dilutive. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

1.13. Employee benefits

Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by an actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

1.14. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.15. Cash flow statement

Cash flows are reported using the indirect method, whereby Profit Before Tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, financing and investing activities of the Company are segregated. Cash flows in foreign currency are accounted at average monthly exchange rates that approximate the actual rates of exchange prevailing at the date of the transaction.

2. Notes on accounts for the year ended March 31, 2014

2.1. Share capital

in ₹

Particulars	As at March 31,	
	2014	2013
Authorized share capital, 500 PLN (₹7,870) par value, 5,000 (5,000) shares	3,93,50,000	3,93,50,000
	3,93,50,000	3,93,50,000
Issued, subscribed and paid up share capital, 500 PLN (₹7,870) par value, 5,000 (5,000) shares	3,93,50,000	3,93,50,000
	3,93,50,000	3,93,50,000

2.2. Reserves and surplus

in ₹

Particulars	As at March 31,	
	2014	2013
Securities premium account	39,34,96,852	39,34,96,852
Foreign currency translation reserve	32,97,47,285	5,58,13,543
Surplus – opening balance	125,21,24,896	76,50,21,657
Add: Profit during the year	62,99,13,996	48,71,03,239
Less: Interim dividend paid during the year	24,11,58,202	–
Surplus – closing balance	1,64,08,80,690	1,25,21,24,896
	236,41,24,827	170,14,35,291

2.3. Other current liabilities

in ₹

Particulars	As at March 31,	
	2014	2013
Accrued salaries and benefits		
Salaries	6,95,033	7,03,74,437
Bonus and incentives	11,18,79,028	6,58,80,339
For other liabilities		
Provision for expenses	25,10,09,663	11,12,79,750
Withholding and other taxes	8,62,34,985	4,61,81,009
	44,98,18,709	29,37,15,535
Advances subsidy claim received	7,11,84,374	84,95,619
Unearned revenue	3,70,35,613	59,93,212
	55,80,38,696	30,82,04,366

2.4. Short-term provisions

in ₹

Particulars	As at March 31,	
	2014	2013
Provision for employee benefits		
Unavailed leave	9,86,25,878	5,79,68,435
Others		
Provision for		
Income taxes	16,95,57,208	13,11,90,759
SLA compliance	4,64,15,784	1,43,85,979
	31,45,98,870	20,35,45,173

Provision for SLA compliance

The provision for service level agreement (SLA) compliance is based on estimates made by the Management for on going contracts. In accordance with paragraphs 66 and 67 of the Accounting Standard 29, the movement in provision for SLA is given below.

in ₹

Particulars	As at March 31,	
	2014	2013
Balance at the beginning of the year	1,43,85,979	74,42,052
Additional provision made during the year	3,20,29,805	69,43,927
Provisions used during the year	–	–
Balance at the end of the year	4,64,15,784	1,43,85,979

The Management believes that the aforesaid provision will be utilized within a year.

2.5. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	Cost as at April 1, 2013	Additions / adjustments during the year [1]	Deletions during the year	Cost as at March 31, 2014	As at April 1, 2013	Charge for the year	Deductions / adjustments during the year [2]	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
Tangible assets										
Leasehold improvements	13,17,21,441	6,44,99,231	78,28,512	18,83,92,160	1,16,09,961	3,54,82,050	40,67,970	4,30,24,041	14,53,68,119	12,01,11,480
Office equipment	5,13,56,531	1,35,27,398	1,56,39,284	4,92,44,645	3,95,67,857	32,98,538	27,03,892	4,01,62,503	90,82,142	1,17,88,674
Computer equipment	15,42,58,191	10,38,52,276	1,98,26,132	23,82,84,335	11,19,14,167	5,54,14,704	(27,02,747)	17,00,31,618	6,82,52,717	4,23,44,024
Furniture and fixtures	4,72,20,243	2,59,35,306	16,46,428	7,15,09,121	2,60,52,300	82,54,791	(39,61,093)	3,82,68,184	3,32,40,937	2,11,67,943
Vehicles	3,52,452	68,414	–	4,20,866	3,52,452	–	(68,414)	4,20,866	–	–
	38,49,08,858	20,78,82,625	4,49,40,356	54,78,51,127	18,94,96,737	10,24,50,083	39,608	29,19,07,212	25,59,43,915	19,54,12,121
Intangible assets										
Goodwill	35,20,12,240	–	–	35,20,12,240	–	–	–	–	35,20,12,240	35,20,12,240
	35,20,12,240	–	–	35,20,12,240	–	–	–	–	35,20,12,240	35,20,12,240
Total	73,69,21,098	20,78,82,625	4,49,40,356	89,98,63,367	18,94,96,737	10,24,50,083	39,608	29,19,07,212	60,79,56,155	54,74,24,361
Previous year	53,79,14,629	19,90,06,469	–	73,69,21,098	14,29,36,276	4,59,37,440	(6,23,021)	18,94,96,737	54,74,24,361	–

[1] *Includes foreign exchange conversion variance of ₹7,47,14,881*

[1] *Includes foreign exchange conversion variance of ₹3,81,57,086*

2.6. Deferred tax assets

in ₹

Particulars	As at March 31,	
	2014	2013
Others	9,18,64,733	–
Less : Deferred Tax Liability		
Others	77,45,683	–
	8,41,19,050	–

2.7. Long-term loans and advances

in ₹

Particulars	As at March 31,	
	2014	2013
Advance income tax	1,59,28,806	5,07,57,092
	1,59,28,806	5,07,57,092

2.8. Trade receivables

in ₹

Particulars	As at March 31,	
	2014	2013
Other debts		
Unsecured		
Considered good [1]	1,01,55,70,146	70,96,33,301
Considered doubtful	82,85,174	10,33,594
	1,02,38,55,320	71,06,66,895
Less : Provision for doubtful debts	82,85,174	10,33,594
	1,01,55,70,146	70,96,33,301

[1] *Includes dues from subsidiary companies (Refer to Note 2.17)*

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer as at the Balance Sheet date.

2.9. Cash and cash equivalents

in ₹

Particulars	As at March 31,	
	2014	2013
Cash on hand	9,84,678	7,66,971
Balances with bank		
In current and deposit accounts	1,25,78,24,471	69,99,24,676
	1,25,88,09,149	70,06,91,647

The details of balances with banks as at March 31, 2014 and March 31, 2013 are as follows :

in ₹

Balances with scheduled banks	As at March 31,	
	2014	2013
In current accounts		
Deutsche Bank – PLN Account	11,59,971	12,34,45,754
Deutsche Bank – EUR Account	5,94,491	1,61,12,495
Deutsche Bank, Esfund – PLN Account	42,60,009	8,43,615
DB-Wklad – Wlasny (EU Subsidy)	–	1,96,685
Deutsche Bank, EU Subsidy	–	1,02,06,127
	60,14,471	15,08,04,676
In deposit account		
Deutsche Bank	1,25,18,10,000	54,91,20,000
	125,78,24,471	69,99,24,676

2.10. Short-term loans and advances :

in ₹

Particulars	As at March 31,	
	2014	2013
Unsecured, considered good		
Prepaid Expenses	43,22,619	89,79,694
Advances for goods and services	2,64,132	1,22,138
Loans to subsidiary	18,41,25,394	11,16,22,467
Withholding and other taxes receivables	1,92,62,157	8,10,97,403
	20,79,74,302	20,18,21,702
Unbilled revenue	2,74,73,037	–
Interest accrued but not due	11,32,688	6,07,060
Loans and advances to employees	1,18,57,145	2,13,27,736
Electricity and other deposits	1,22,81,011	1,31,45,966
Rental deposits	1,83,71,623	2,67,17,800
Loans and advances to group companies	2,74,19,130	–
Mark to market loss on forward exchange contract	2,62,75,193	26,89,457
Less : Provision for doubtful loans and advances	–	–
	33,27,84,129	26,63,09,721

2.11. Other income

in ₹

Particulars	Year ended March 31,	
	2014	2013
Interest Income	2,73,49,363	1,84,90,501
Miscellaneous income	1,45,47,824	2,06,94,621
Exchange differences	(121,80,889)	3,45,32,269
	2,97,16,298	7,37,17,391

2.12. Expenses

in₹

Particulars	Year ended March 31,	
	2014	2013
Employee benefit expenses		
Salaries and bonus excluding overseas staff expenses	181,15,08,979	115,02,07,417
Staff welfare	5,37,09,586	3,70,43,574
Contribution to provident and other funds	32,51,79,695	20,74,94,529
	219,03,98,260	139,47,45,520
Cost of technical sub-contractors		
Consultancy charges	6,20,83,297	2,01,93,643
	6,20,83,297	2,01,93,643
Travel expenses		
Overseas travel expenses	22,12,74,288	17,35,90,755
Travelling expenses	6,72,470	12,818
	22,19,46,758	17,36,03,573
Cost of software for own use		
Cost of software for own use	60,68,498	2,82,03,972
	60,68,498	2,82,03,972
Communication expenses		
Communication expenses	5,67,14,740	4,54,12,742
	5,67,14,740	4,54,12,742
Professional Charges		
Legal and professional charges	2,28,14,116	2,28,94,932
Auditor's remuneration		
Audit fees	21,37,042	17,81,114
Recruitment and training expenses	10,96,56,764	8,55,58,286
	13,46,07,922	11,02,34,332

Particulars	Year ended March 31,	
	2014	2013
Office expenses		
Printing and stationery	5,68,358	20,92,526
Office maintenance	8,15,73,548	5,52,05,505
	8,21,41,906	5,72,98,031
Power and fuel		
Power and fuel	94,93,453	1,57,46,419
	94,93,453	1,57,46,419
Insurance		
Insurance	72,02,528	56,78,664
	72,02,528	56,78,664
Rent		
Rent	20,64,14,851	14,75,65,534
	20,64,14,851	14,75,65,534

in ₹

Particulars	Year ended March 31,	
	2014	2013
Other expenses		
Brand building and advertisement	22,28,186	63,08,507
Sales promotion expenses	5,74,090	18,03,728
Rates and taxes	3,54,73,268	2,32,06,310
Donations	11,72,819	6,90,685
Bank charges and commission	40,18,676	16,57,432
Postage and courier	90,13,778	1,48,83,231
Provision for doubtful debts	75,28,692	(35,53,780)
Other miscellaneous expenses	5,09,41,160	2,12,97,327
	11,09,50,669	6,62,93,440

2.13. Tax expense

in ₹

Particulars	Year ended March 31,	
	2014	2013
Current tax	23,81,07,904	12,36,67,210
Deferred tax	(8,51,35,418)	–
	15,29,72,486	12,36,67,210

2.14. Leases

Obligations on long-term non-cancellable operating leases

The lease rentals charged during the period and maximum obligations on long-term non-cancellable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	Year ended March 31,	
	2014	2013
Lease rentals charged during the period	20,64,14,851	14,75,65,534

2.15. Contingent liabilities and commitments (to the extent not provided for)

in ₹

Particulars	As at March 31,	
	2014	2013
Contingent	–	–
Commitments		
Estimated amount of unexecuted capital contracts (net of advance and deposits)	2,15,94,422	2,43,19,830
Forward contracts outstanding		
EUR / PLN	13,500,000	12,000,000
(Equivalent approximate in ₹)	(1,11,63,15,000)	(83,40,00,000)
USD / PLN	3,000,000	1,668,750
(Equivalent approximate in ₹)	(17,97,45,000)	(9,05,96,438)
EUR / USD	–	500,000
(Equivalent approximate in ₹)	–	(3,47,50,000)

As at the Balance Sheet date, the Company's net foreign currency exposure that is overhedged by a derivative instrument or otherwise is ₹33,25,86,792 (Nil as at March 31,2013)

The foreign exchange forward and option contracts mature between one to 12 months. The table below analyzes the derivate financial instruments into relevant maturity groupings based on the remaining period as of the Balance Sheet date:

in ₹

Particulars	Year ended March 31,	
	2014	2013
Not later than one month	12,40,35,000	10,49,19,639
Later than one month and not later than three months	24,80,70,000	19,20,11,799
Later than three months and not later than one year	92,39,70,000	66,24,15,000
	1,29,60,75,000	95,93,46,438

2.16. Quantitative details

The Company is primarily engaged in providing business process management services. The sale of such services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5(viii)(c) of general instructions for preparation of Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.17. Related party transactions

List of related parties:

Name of the Holding Company	Country	Holding as at March 31,	
		2014	2013
Infosys BPO Limited	India	100%	100%

Name of Ultimate Holding Company	Country
Infosys Limited	India

Name of fellow Subsidiaries	Country
Infosys BPO s.r.o [(2)]	Czech Republic
Infosys BPO, S. de R.L. de C.V. [(2)(6)]	Mexico
Infosys McCamish Systems LLC [(2)]	U.S.
Portland Group Pty. Ltd [(2)]	Australia
Portland Procurement Services Pty. Ltd [(3)]	Australia
Infosys Consulting India Limited [(1)]	India
Infosys Technologies (Australia) Pty. Limited (Infosys Australia) [(1)]	Australia
Infosys Technologies S.de R.L.de C.V. (Infosys Mexico) [(1)]	Mexico
Infosys Technologies (China) Co. Limited (Infosys China) [(1)]	China
Infosys Technologia do Brasil Ltda (Infosys Brasil) [(1)]	Brazil
Infosys Sweden [(1)]	Sweden
Infosys Shanghai [(1)]	China
Infosys Americas[(7)]	U.S.
Edgeverve Systems Limited[(8)]	India
Infosys Public Services, Inc. [(1)]	U.S.
Lodestone Holding AG [(1)]	Switzerland
Lodestone Management Consultants [(4)(9)]	Canada

Name of fellow Subsidiaries	Country
Lodestone Management Consultants Inc. [4]	U.S.
Lodestone Management Consultants Pty. Limited [4]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [4][10]	Thailand
Lodestone Management Consultants AG [4]	Switzerland
Lodestone Augmentis AG [12]	Switzerland
Hafner Bauer & Ödman GmbH [4]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [5]	Belgium
Lodestone Management Consultants GmbH [4]	Germany
Lodestone Management Consultants Pte Ltd. [4]	Singapore
Lodestone Management Consultants SAS [4]	France
Lodestone Management Consultants s.r.o. [4]	Czech
Lodestone Management Consultants GmbH [4]	Austria
Lodestone Management Consultants China Co., Ltd. [4]	China
Lodestone Management Consultants Ltd. [4]	U.K.
Lodestone Management Consultants B.V. [4]	Netherlands
Lodestone Management Consultants Ltda. [5]	Brazil
Lodestone Management Consultants sp. z o.o. [4]	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. [4]	Portugal
S.C. Lodestone Management Consultants S.R.L. [4]	Romania
Lodestone Management Consultants S.R.L. [4][11]	Argentina

[1] *Wholly-owned subsidiaries of Infosys Limited*
[2] *Wholly-owned subsidiaries of Infosys BPO Limited.*
[3] *Wholly-owned subsidiary of Portland Group Pty. Ltd*
[4] *Wholly-owned subsidiaries of Lodestone Holding AG*
[5] *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
[6] *Infosys BPO incorporated Infosys BPO, S. de R.L. de C.V. on February 14, 2014 and holds 99.97% of voting rights*
[7] *Incorporated effective June 25, 2013*
[8] *Incorporated effective February 14, 2014*
[9] *Liquidated effective December 31, 2013*
[10] *Liquidated effective February 14, 2013*
[11] *Incorporated effective January 10, 2013*
[12] *Wholly-owned subsidiaries of Lodestone Management Consultants AG*
On January 4, 2014 the board of directors of Portland Procurement Services Pty. Ltd, approved the liquidation of entity. The liquidation of Portland Procurement Services Pty. Ltd will be effected upon deregistration of the Company by ASIC as per the liquidation application filed on March 7, 2014. The assets and liabilities of Portland Procurement Services Pty. Ltd. will be transferred to Portland Group Pty. Ltd upon liquidation.

The details of the related party transactions entered into by the Company, for the year ended March 31, 2014 and March 31, 2013 are as follows:

in ₹

Particulars	Year ended March 31,	
	2014	2013
Capital transactions		
Financial transactions		
Loans given		
Infosys BPO s.r.o	5,10,12,866	5,82,33,306
Infosys McCamish Systems, LLC	12,48,72,695	–
Loans repaid		
Infosys BPO s.r.o	11,83,44,147	–
Revenue transactions		
Purchase of services		
Infosys BPO s.r.o.	87,40,295	91,56,706
Infosys BPO Ltd	2,93,14,749	–
Interest income		
Infosys BPO s.r.o.	8,12,994	4,75,174
Infosys McCamish Systems, LLC	16,44,511	7,21,611

Particulars	Year ended March 31,	
	2014	2013
Sale of services		
Infosys Limited	3,55,40,478	7,77,83,501
Infosys BPO Limited	7,06,65,803	5,75,64,722
Lodestone Management Consultants Ltd. (U.K.)	8,51,00,514	–

Details of amounts due to or due from related party as at March 31, 2014 and March 31, 2013.

in ₹

Particulars	Year ended March 31,	
	2014	2013
Loans		
Infosys BPO s.r.o	–	5,82,33,306
Infosys McCamish Systems, LLC	18,41,25,394	5,65,73,676
Debtors		
Infosys Limited	49,62,481	1,70,49,174
Infosys BPO Limited	52,98,976	46,88,071
Lodestone	3,37,51,342	–
Creditors		
Infosys BPO Limited	2,89,80,684	–
Infosys BPO s.r.o, Czech Republic	13	–
Other receivables		
Lodestone Management Consultants Ltd. (U.K.)	2,74,19,130	–

2.18. Segment reporting

The Company's operations primarily relate to providing business process management services to organizations that outsource their business processes. Accordingly, revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income in individual segments. These are set out in the note on significant accounting policies.

Industry segments at the Company primarily comprise customers relating to Financial Services and Insurance (FSI), Manufacturing (MFG), enterprises in Energy & Utilities, Communications and Services (ECS) and Retail, Consumer Packaged Goods and Logistics (RCL), and Life Sciences and Healthcare. Income in relation to segments is categorized based on items that are individually identified to those segments while expenditure is categorized in relation to the associated turnover of the segment. Expenses which form a significant component of total expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. These expenses are separately disclosed as "unallocated" and adjusted only against the total income of the Company. The Company believes that it is not practical to provide segment disclosures relating to these costs and expenses, and accordingly these expenses are separately disclosed as unallocated and directly charged against total income. Fixed assets or liabilities contracted have not been identified to any reportable segments, as these are used interchangeably between segments. Accordingly no disclosure relating to total segment assets and liabilities are made.

Geographical segments are segregated based on the location of the customers, or in relation to which the revenue is otherwise recognized.

All direct costs are identified to its respective verticals / geographies on the basis of revenues from the respective verticals / geographies while unallocable cost consists of depreciation only.

Industry segments

Year ended March 31, 2014 and *March 31, 2013*

in ₹

Particulars	FSI	MFG	RCL	ECS	Total
Revenues	47,07,805	322,19,75,874	53,98,57,538	17,71,01,932	394,36,43,149
	6,63,109	*229,14,76,876*	*32,95,66,215*	*2,62,60,168*	*264,79,66,368*
Identifiable operating expenses	26,20,037	165,26,96,747	27,24,39,591	12,96,47,241	205,74,03,616
	–	*108,31,94,759*	*15,01,29,097*	*1,22,93,656*	*124,56,17,512*
Allocated expenses	12,03,245	84,25,31,260	14,10,96,186	4,57,88,575	103,06,19,266
	1,54,242	*71,19,57,393*	*9,93,39,790*	*79,06,933*	*81,93,58,358*
Segmental operating profit	8,84,523	72,67,47,867	12,63,21,761	16,66,116	85,56,20,267
	5,08,867	*49,63,24,724*	*8,00,97,328*	*60,59,579*	*58,29,90,498*
Unallocable expenses					10,24,50,083
					4,59,37,440
Profit before other income					75,31,70,184
					53,70,53,058
Other income, net					2,97,16,298
					7,37,17,391
Net Profit Before Tax					78,28,86,482
					61,07,70,449
Tax expense					15,29,72,486
					12,36,67,210
Profit for the period					62,99,13,996
					48,71,03,239

Geographical segments

Year ended March 31, 2014 and *March 31, 2013*

in ₹

Particulars	North America	Europe	Others	Total
Revenues	35,41,68,237	317,23,43,138	41,71,31,774	394,36,43,149
	23,05,35,432	*210,56,48,240*	*31,17,82,696*	*264,79,66,368*
Identifiable operating expenses	19,70,92,063	170,02,75,702	16,00,35,851	205,74,03,616
	10,49,59,155	*101,49,13,120*	*12,57,45,237*	*124,56,17,512*
Allocated expenses	9,25,29,172	82,89,29,954	10,91,60,140	103,06,19,266
	6,87,74,831	*65,40,10,420*	*9,65,73,107*	*81,93,58,358*
Segmental operating profit	6,45,47,002	64,31,37,482	14,79,35,783	85,56,20,267
	5,68,01,446	*43,67,24,700*	*8,94,64,352*	*58,29,90,498*
Unallocable expenses				10,24,50,083
				4,59,37,440
Profit before other income				75,31,70,184
				53,70,53,058
Other income, net				2,97,16,298
				7,37,17,391
Net Profit Before Tax				78,28,86,482
				61,07,70,449
Tax expense				15,29,72,486
				12,36,67,210
Profit for the period				62,99,13,996
				48,71,03,239

2.19. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended March 31,	
	2014	2013
Revenue from business process management services	3,94,36,43,149	2,64,79,66,368
Cost of revenue	2,67,54,70,295	1,78,30,29,281
GROSS PROFIT	1,26,81,72,854	86,49,37,087
Selling and marketing expenses	1,15,80,871	1,15,72,651
General and administration expenses	40,09,71,716	27,03,73,938
	41,25,52,587	28,19,46,589
OPERATING PROFIT BEFORE DEPRECIATION	85,56,20,267	58,29,90,498
Depreciation	10,24,50,083	4,59,37,440
OPERATING PROFIT	75,31,70,184	53,70,53,058
Other income, net	2,97,16,298	7,37,17,391
PROFIT BEFORE TAX	78,28,86,482	61,07,70,449
Tax expense		
Current tax	15,29,72,486	12,36,67,210
PROFIT FOR THE PERIOD	62,99,13,996	48,71,03,239

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Gautam Thakkar
Managing Director and Chief Executive Officer

Anantha Radhakrishnan
Director

Bangalore
April 8, 2014

Rajesh K. Murthy
Director

Abraham Mathews
Director

Infosys McCamish Systems LLC

Independent Auditors' Report

To the Members of Infosys McCamish Systems LLC

Report on the Financial Statements

We have audited the accompanying financial statement of Infosys McCamish Systems LLC ('the Company') which comprises the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
2) In the case of the Statement of Profit and Loss, of the Profit for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bangalore
April 7, 2014

Balance Sheet

in ₹

Particulars	Note	As at March 31, 2014	As at March 31, 2013
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	174,50,06,854	163,93,17,854
Reserves and surplus	2.2	(159,23,13,027)	(163,27,07,104)
		15,26,93,827	66,10,750
CURRENT LIABILITIES			
Unsecured loans	2.14	24,52,30,869	22,19,13,430
Trade payables		5,15,95,494	1,65,01,988
Other current liabilities	2.3	183,94,13,277	164,54,81,425
Short-term provisions	2.4	3,34,25,533	1,67,33,481
		216,96,65,173	190,06,30,324
		232,23,59,000	190,72,41,074
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.5	7,95,95,810	4,05,78,897
Intangible assets		9,76,00,704	9,76,00,704
Capital work-in-progress		–	1,99,75,245
		17,71,96,514	15,81,54,846
CURRENT ASSETS			
Trade receivables	2.6	38,55,62,551	37,27,47,756
Cash and cash equivalents	2.7	26,02,37,653	12,34,54,211
Short-term loans and advances	2.8	149,93,62,282	125,28,84,261
		214,51,62,486	174,90,86,228
		232,23,59,000	190,72,41,074
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 and 2		

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Gautam Thakkar
Chairman

Gordon Beckam
Chief Executive Officer

Ravi Kumar S.
Director

Abraham Mathews
Director

Kapil Jain
Director

Rishi Kumar Jain
Director

Bangalore
April 7, 2014

Rich Magner
Director

Statement of Profit and Loss

in ₹, except per share data

Particulars	Note	Year ended March 31, 2014	Year ended March 31, 2013
Revenues from business process management services		318,25,55,680	261,40,37,396
Other income	2.9	5,86,01,955	(21,89,111)
Total revenue		324,11,57,635	261,18,48,285
Expenses			
Employee benefit expenses	2.10	163,53,52,549	146,63,44,673
Cost of technical sub-contractors	2.10	81,20,39,683	63,28,32,009
Travel expenses	2.10	3,56,91,687	2,92,63,523
Cost of software packages	2.10	26,69,23,676	8,92,68,549
Communication expenses	2.10	4,27,95,872	2,18,82,210
Professional charges	2.10	3,34,13,561	24,48,51,785
Office expenses	2.10	8,64,61,343	8,85,00,431
Power and fuel	2.10	28,51,972	33,54,873
Insurance charges	2.10	41,73,448	73,69,654
Rent	2.10	7,10,47,120	5,03,76,033
Depreciation	2.5	6,34,56,501	6,02,22,046
Other expenses	2.10	11,22,55,805	7,65,65,574
		316,64,63,217	277,08,31,360
PROFIT / (LOSS) BEFORE TAX		7,46,94,418	(15,89,83,075)
Provision for taxation		–	–
Current tax		–	–
Deferred tax		–	–
		–	–
PROFIT / (LOSS) FOR THE PERIOD		7,46,94,418	(15,89,83,075)

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Gautam Thakkar
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Director

Rishi Kumar Jain
Director

Bangalore
April 7, 2014

Rich Magner
Director

Cash Flow Statement

in ₹

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	7,46,94,418	(15,89,83,075)
Adjustments to reconcile net profit to net cash provided by Operating activities		
Depreciation	6,34,56,501	6,02,22,046
Non cash interest expense	35,42,867	50,626
Change in other long-term liability	–	(4,57,92,000)
Liability for deferred consideration	(5,42,90,000)	–
Effect of exchange differences on translation of assets and liabilities	(4,31,54,804)	15,56,132
Changes in assets and liabilities		
Trade receivables	(1,28,14,795)	(5,31,42,899)
Loans and advances	(28,55,491)	(8,10,288)
Other assets	(24,36,22,530)	(1,15,30,80,827)
Trade payables	3,50,93,506	(9,96,80,050)
Provisions	1,66,92,052	46,55,892
Other liabilities	27,15,39,291	1,53,53,95,579
NET CASH GENERATED / (USED) BY OPERATING ACTIVITIES	10,82,81,015	9,03,91,136
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditure on acquisition of property, plant and equipment	(8,24,98,169)	(10,75,13,481)
Cash paid towards acquisition of marsh assets	–	(5,43,60,000)
NET CASH GENERATED / (USED) BY INVESTING ACTIVITIES	(8,24,98,169)	(16,18,73,481)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	10,56,89,000	16,40,70,000
Loan taken from subsidiary	11,98,40,000	–
Loan repaid to subsidiary	(11,80,42,400)	–
Interest paid on loan	35,13,996	–
NET CASH GENERATED / (USED) BY FINANCING ACTIVITIES	11,10,00,596	16,40,70,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	13,67,83,442	9,25,87,655
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	12,34,54,211	3,08,66,556
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	26,02,37,653	12,34,54,211

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Gautam Thakkar
Chairman

Gordon Beckam
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Director

Abraham Mathews
Director

Kapil Jain
Director

Rishi Kumar Jain
Director

Bangalore
April 7, 2014

Rich Magner
Director

Significant accounting policies and notes on accounts

Company overview

Infosys McCamish Systems LLC (formerly McCamish Systems LLC) is a leading provider of business process management services to organizations that outsource their business processes. Infosys McCamish Systems LLC is a wholly-owned and controlled entity of Infosys BPO Limited. The Company leverages the benefits of service delivery globalization, process redesign and technology and thus drives efficiency and cost effectiveness into client's business processes and thereby improves their competitive position by managing their business processes in addition to providing increased value. The name of the Company was changed from McCamish Systems LLC to Infosys McCamish Systems LLC w.e.f May 30, 2013.

1. Significant accounting policies

1.1. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.2. Use of estimates

The preparation of the financial statements in conformity with GAAP requires that the Management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as of the date of the financial statements. Examples of such estimates includes computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provision for doubtful debts, future obligations under employee retirement benefit plans, provision for income taxes, provision for service level agreement (SLA) and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

1.3. Revenue recognition

The Company derives its revenues primarily from business process management services, on time-and-material, fixed-price, fixed-time frame and unit-price basis. Revenue on time-and-material contracts is recognized as the related services are rendered and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainty as to measurement and collectability of consideration, is recognized as per the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability revenue recognition is postponed until such uncertainty is resolved. Revenues from unit-priced contracts are recognized as transactions are processed based on objective measures of output. Cost and earnings in excess of billings are classified as unbilled revenue while billing in excess of cost and earnings is classified as deferred revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates. When the Company receives advances for its services, such amounts are reflected as advance received from clients until all conditions for revenue recognition are met. The Company presents revenues net of service taxes and value added taxes in its profit and loss account.

The Company accounts for volume discounts and pricing incentives to customers as a reduction of revenue, based on the ratable allocation of the discount / incentive amount to each of the underlying revenue transactions that result in progress by the customer towards earning the discount / incentive. Also when the level of discount varies with increase in levels of revenue transactions, the Company recognizes the liability based on its estimate of the customer's future purchases if it is probable that the criteria for the discount will not be met, or if the amount thereof cannot be estimated reliably. The Company recognizes changes in the estimated amount of obligation for discount using cumulative catch-up approach. The discounts are passed on to the customers either as direct payments or as a reduction of payments due from customers.

Profit on sale of investment is recorded on the transfer of title from the Company and is determined as the difference between the sale price and the carrying value of the investment. Interest on deployment of surplus funds is recognized using time proportion method, based on underlying interest rates. Dividend income is recognized when the Company's right to receive dividend is established.

1.4. Expenditure

The cost of software user licenses purchased for rendering business process management services is charged to revenue when put to use. Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense on a straight-line basis in the profit and loss account over the lease term.

1.5. Tangible assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, after reducing accumulated depreciation and impairment up to the date of the Balance Sheet. Direct costs are capitalized until the assets are ready for use and include financing costs relating to any borrowing attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use. Capital work-in-progress includes the cost of fixed assets that are not yet ready for their intended use before the Balance Sheet date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment. Goodwill on amalgamation is tested periodically for impairment.

1.6. Depreciation

Depreciation on fixed assets is determined using the straight-line method based on useful lives of assets as estimated by the Company. Depreciation for assets purchased / sold during the period is proportionately charged. Individual assets costing ₹5,000 or less are depreciated within a year of acquisition. Leasehold improvements are written off over the lower of the lease term or the useful life of the asset. Leasehold land is amortized over the lease period. Intangible assets are amortized over their useful life on a straight-line basis commencing from the date the asset is available to the Company for its use.

Management estimates the useful lives for the various fixed assets as follows:

Building	15 years
Computer equipment	2 years
Office equipment	5 years
Furniture and fixtures	5 years

1.7. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.8. Impairment of assets

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset (including goodwill) may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use i.e. the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.9. Employee benefits

Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by an actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

1.10. Income tax

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax for the period based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantively enacted regulations. Deferred tax assets in situation of unabsorbed depreciation and carry forward business losses exist, are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business losses are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date. The income tax provision for the period is made based on the best estimate of the annual average tax rate expected to be applicable for the full fiscal year.

1.11. Provisions and contingent liability

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a present obligation that cannot be estimated reliably or a possible or present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made. Provisions are made for all known losses and liabilities and future unforeseeable factors that may affect the profit on fixed-price business process management contracts.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

1.12. Earnings per share

In determining earnings per share, the Company considers the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of basic and dilutive common equivalent shares outstanding during the year, except where the result would be anti-dilutive. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

1.13. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

2. Notes on accounts for the year ended March 31, 2014

2.1. Share capital

in ₹

Particulars	As at March 31,	
	2014	2013
Authorized share capital	174,50,06,854	163,93,17,854
	174,50,06,854	163,93,17,854
Issued, subscribed and paid up Share Capital	174,50,06,854	163,93,17,854
	174,50,06,854	163,93,17,854

2.2. Reserves and surplus

in ₹

Particulars	As at March 31,	
	2014	2013
Foreign currency translation reserve	(5,76,59,859)	(2,33,59,518)
Surplus – opening balance	(160,93,47,586)	(145,03,64,511)
Add: Profit / (loss) during the year	7,46,94,418	(15,89,83,075)
Surplus – closing balance	(153,46,53,168)	(160,93,47,586)
	(159,23,13,027)	(163,27,07,104)

2.3. Other current liabilities

in ₹

Particulars	As at March 31,	
	2014	2013
Accrued salaries and benefits		
Salaries	9,39,68,282	4,22,88,491
For other liabilities		
Provision for expenses	35,14,52,551	30,56,71,158
Withholding and other taxes receivable	15,86,202	20,54,822
Premiums held in trust [1]	135,09,29,318	116,98,05,489
	179,79,36,353	151,98,19,960
Unearned revenue	4,14,76,924	7,13,71,465
Liability for deferred consideration [2]	–	5,42,90,000
	183,94,13,277	164,54,81,425

[1] *These amounts represents premiums collected from policy holders and payable to insurance providers by a service provider maintaining the amounts in fiduciary capacity*

[2] *The deferred consideration of ₹6.26 crore (US $1 million) was reversed and credited to other income during the second quarter due to seller not having met the condition of the Purchase Agreement.*

2.4. Short-term provisions

in ₹

Particulars	As at March 31,	
	2014	2013
Provision for employee benefits		
Unavailed leave	–	–
Provision for SLA compliance	3,34,25,533	1,67,33,481
	3,34,25,533	1,67,33,481

Provision for SLA compliance

The provision for service level agreement (SLA) compliance is based on estimates made by the Management for on going contracts. In accordance with paragraphs 66 and 67 of the Accounting Standard 29, the movement in provision for SLA is given below:

in ₹

Particulars	As at March 31,	
	2014	2013
Balance at the beginning of the year	1,67,33,481	1,20,77,589
Additional provision made during the year	1,66,92,052	46,55,892
Provisions used during the year	–	–
Balance at the end of the year	3,34,25,533	1,67,33,481

The Management believes that the aforesaid provision will be utilized within a year.

2.5. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	Cost as at April 1, 2013	Additions during the year	Deletions during the year	Cost as at March 31, 2014	As at April 1, 2013	Charge for the year	Deletions during the year	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
Tangible assets										
Leasehold improvements	26,83,338	2,78,268	–	29,61,606	25,26,114	1,68,719	(2,66,773)	29,61,606	–	1,57,224
Office equipment	62,84,719	23,85,885	–	86,70,604	23,75,622	16,36,028	(2,20,799)	42,32,449	44,38,155	39,09,097
Computer equipment	19,50,45,674	9,20,94,561	–	28,71,40,235	16,51,06,531	5,36,24,565	(1,63,21,103)	23,50,52,199	5,20,88,036	2,99,39,143
Furniture and fixtures	1,95,36,636	2,57,14,467	–	4,52,51,103	1,29,63,203	80,27,189	(11,91,093)	2,21,81,485	2,30,69,619	65,73,433
	22,35,50,367	12,04,73,181	–	34,40,23,548	18,29,71,470	6,34,56,501	(1,79,99,768)	26,44,27,739	7,95,95,810	4,05,78,897
Intangible assets										
Goodwill	9,76,00,704	–	–	9,76,00,704	–	–	–	–	9,76,00,704	9,76,00,704
	9,76,00,704	–	–	9,76,00,704	–	–	–	–	9,76,00,704	9,76,00,704
Total	32,11,51,071	12,04,73,181	–	44,16,24,252	18,29,71,470	6,34,56,501	(1,79,99,768)	26,44,27,739	17,71,96,514	13,81,79,601
Previous year	17,18,21,506	14,93,29,565	–	32,11,51,071	11,53,18,095	6,02,22,046	(74,31,329)	18,29,71,470	13,81,79,601	–

2.6. Trade receivables

in ₹

Particulars	As at March 31,	
	2014	2013
Debts outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	5,23,652	2,375
Less : Provision for doubtful debts	5,23,652	2,375
Other debts		
Unsecured		
Considered good [1]	38,55,62,551	37,27,47,756
Considered doubtful	66,255	–
	38,56,28,806	37,27,47,756
Less : Provision for doubtful debts	66,255	–
	38,55,62,551	37,27,47,756

[1] *Of which dues from subsidiary companies (Also refer to note 2.16)*

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer as at the Balance Sheet date.

2.7. Cash and cash equivalents

in ₹

Particulars	As at March 31,	
	2014	2013
Cash on hand	–	–
Balances with bank		
In current and deposit accounts	26,02,37,653	12,34,54,211
	26,02,37,653	12,34,54,211

The details of balances with banks as at March 31, 2014 and March 31, 2013 are as follows :

in ₹

Particulars	As at March 31,	
	2014	2013
In current accounts		
Bank of America – USD	25,99,32,061	12,31,82,761
Bank of America – USD – Trust Funds [1]	2,99,600	2,71,450
Wells Fargo	5,992	–
	26,02,37,653	12,34,54,211

[1] *This represents restricted bank balance in trust account, in accordance with collection agency licensing requirements in U.S.*

2.8. Short-term loans and advances :

in ₹

Particulars	As at March 31,	
	2014	2013
Unsecured, considered good		
Prepaid expenses	97,27,413	1,76,25,140
Advances for goods and services	1,39,48,118	12,78,475
	2,36,75,531	1,89,03,615
Unbilled revenue	8,64,15,965	6,20,09,495
Loans and advances to employees	40,13,442	11,57,951
Loans and Advances – Others	3,20,85,782	–
Electricity and other deposits	22,42,266	10,07,731
Premiums held in trust [1]	1,35,09,29,296	1,16,98,05,469
	1,49,93,62,282	1,25,28,84,261

[1] *These amounts represents premiums collected from policy holders and payable to insurance providers by a service provider maintaining the amounts in fiduciary capacity*

2.9. Other income

in ₹

Particulars	As at March 31,	
	2014	2013
Interest income / (expenses)	(35,42,867)	(27,61,533)
Miscellaneous income	6,26,40,000	18,34,445
Exchange differences	(4,95,178)	(12,62,023)
	5,86,01,955	(21,89,111)

2.10. Expenses

in ₹

Particulars	As at March 31,	
	2014	2013
Employee benefit expenses		
Salaries and bonus	1,62,85,40,946	1,45,72,40,833
Staff welfare	68,11,603	91,03,840
	1,63,53,52,549	1,46,63,44,673
Cost of technical sub – contractors		
Consultancy charges	81,20,39,683	63,28,32,009
	81,20,39,683	63,28,32,009
Travel expenses		
Overseas travel expenses	3,56,54,226	2,92,13,293
Travelling expenses	37,461	50,230
	3,56,91,687	2,92,63,523
Cost of software packages		
Cost of software for own use	26,69,23,676	8,92,68,549
	26,69,23,676	8,92,68,549
Communication expenses		
Communication expenses	4,27,95,872	2,18,82,210
	4,27,95,872	2,18,82,210
Professional charges		
Legal and professional charges	2,80,12,391	23,43,17,883
Auditor's remuneration		
Audit fees	19,26,312	16,19,574
Recruitment and training expenses	34,74,858	89,14,328
	3,34,13,561	24,48,51,785
Office expenses		
Computer maintenance	7,31,62,289	8,03,11,901
Printing and stationery	77,00,976	49,94,329
Office maintenance	55,98,078	31,94,201
	8,64,61,343	8,85,00,431
Power and fuel		
Power and fuel	28,51,972	33,54,873
	28,51,972	33,54,873
Insurance		
Insurance	41,73,448	73,69,654
	41,73,448	73,69,654
Rent		
Rent	7,10,47,120	5,03,76,033
	7,10,47,120	5,03,76,033
Other expenses		
Consumables	15,93,851	17,57,926
Brand building and advertisement	98,77,888	48,07,691
Marketing expenses	62,697	–
Rates and taxes	1,06,56,334	53,28,376
Bank charges and commission	14,49,100	4,56,376
Postage and courier	7,36,79,132	4,23,21,251
Professional membership and seminar participation fees	24,79,918	14,96,553
Provision for doubtful debts	545,166	(8,833)
Other miscellaneous expenses	1,19,11,719	2,04,06,234
	11,22,55,805	7,65,65,574

2.11. Leases

Obligations on long-term non-cancellable operating leases

The lease rentals charged during the period and maximum obligations on long-term non-cancellable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	As at March 31,	
	2014	2013
Lease rentals charged during the period	7,10,47,120	5,03,76,033

in ₹

Lease obligations	As at March 31,	
	2014	2013
Within one year of the Balance Sheet date	5,61,17,338	4,29,40,315
Due in a period between one year and five years	17,05,36,271	20,53,57,550
Later than five year	–	–

2.12. Commitments and contingent liabilities

in ₹

Particulars	As at March 31,	
	2014	2013
Estimated amount of unexecuted capital contracts (net of advance and deposits)	2,50,42,902	73,33,252

As at the Balance Sheet date, the Company's net foreign currency exposure that is not hedged by a derivative instrument or otherwise is ₹42 lakh (Nil as at March 31, 2013).

2.13. Quantitative details

The Company is primarily engaged in providing business process management services. The sale of such services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5(viii)(c) of general instructions for preparation of Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.14. Related party transactions

List of related parties:

Name of the Holding Company	Country	Holding as at March 31,	
		2014	2013
Infosys BPO Limited	India	100%	100%

Name of Ultimate Holding Company	Country
Infosys Limited	India

Name of fellow Subsidiaries	Country
Infosys BPO Poland Sp. z o.o. (2)	Poland
Infosys BPO, S. de R.L. de C.V. (2)(6)	Mexico
Infosys BPO s.r.o (2)	Czech Republic
Portland Group Pty. Ltd (2)	Australia
Portland Procurement Services Pty. Ltd (3)	Australia
Infosys Consulting India Limited (1)	India
Infosys Technologies (Australia) Pty. Limited (Infosys Australia) (1)	Australia
Infosys Technologies S.de R.L.de C.V. (Infosys Mexico) (1)	Mexico
Infosys Technologies (China) Co. Limited (Infosys China) (1)	China
Infosys Technologia do Brasil Ltda (Infosys Brasil) (1)	Brazil
Infosys Sweden (1)	Sweden
Infosys Shanghai (1)	China
Infosys Americas (7)	U.S.
Edgeverve Systems Limited (8)	India
Infosys Public Services, Inc. (1)	U.S.
Lodestone Holding AG (1)	Switzerland
Lodestone Management Consultants (4)(9)	Canada
Lodestone Management Consultants Inc. (4)	U.S.
Lodestone Management Consultants Pty. Limited (4)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (4)(10)	Thailand
Lodestone Management Consultants AG (4)	Switzerland
Lodestone Augmentis AG (12)	Switzerland
Hafner Bauer & Ödman GmbH (4)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (5)	Belgium
Lodestone Management Consultants GmbH (4)	Germany
Lodestone Management Consultants Pte Ltd. (4)	Singapore
Lodestone Management Consultants SAS (4)	France
Lodestone Management Consultants s.r.o. (4)	Czech
Lodestone Management Consultants GmbH (4)	Austria
Lodestone Management Consultants China Co., Ltd. (4)	China
Lodestone Management Consultants Ltd. (4)	U.K.
Lodestone Management Consultants B.V. (4)	Netherlands
Lodestone Management Consultants Ltda. (5)	Brazil
Lodestone Management Consultants sp. z o.o. (4)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. (4)	Portugal
S.C. Lodestone Management Consultants S.R.L. (4)	Romania
Lodestone Management Consultants S.R.L. (4)(11)	Argentina

(1) Wholly-owned subsidiaries of Infosys Limited
(2) Wholly-owned subsidiaries of Infosys BPO Limited.
(3) Wholly-owned subsidiary of Portland Group Pty. Ltd
(4) Wholly-owned subsidiaries of Lodestone Holding AG
(5) Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012
(6) Infosys BPO incorporated Infosys BPO, S. de R.L. de C.V. on February 14, 2014 and holds 99.97% of voting rights
(7) Incorporated effective June 25, 2013
(8) Incorporated effective February 14, 2014
(9) Liquidated effective December 31, 2013
(10) Liquidated effective February 14, 2013
(11) Incorporated effective January 10, 2013
(12) Wholly-owned subsidiary of Lodestone Management Consultants AG
On January 4, 2014 the board of directors of Portland Procurement Services Pty. Ltd, approved the liquidation of entity. The liquidation of Portland Procurement Services Pty. Ltd will be effected upon deregistration of the Company by ASIC as per the liquidation application filed on March 7, 2014. The assets and liabilities of Portland Procurement Services Pty. Ltd. will be transferred to Portland Group Pty. Ltd upon liquidation.

The details of the related party transactions entered into by the Company, for the year ended March 31, 2014 and March 31, 2013 are as follows:

in ₹

Particulars	As at March 31,	
	2014	2013
Capital transactions		
Share Capital		
Infosys BPO Limited	10,56,89,000	16,40,70,000
Financial transactions		
Loan taken		
Infosys BPO Poland Sp. z o.o.	11,98,40,000	–
Loan repaid		
Infosys BPO s.r.o.	11,80,42,400	–
Revenue transactions		
Purchase of services		
Infosys Limited	8,73,75,403	19,56,01,599
Infosys BPO Limited	24,15,30,765	36,19,46,752

Particulars	As at March 31,	
	2014	2013
Interest expense		
Infosys BPO Limited	–	–
Infosys BPO Poland Sp. z o.o.	18,17,294	6,87,847
Infosys BPO s.r.o.	17,25,573	20,73,688
Sale of services		
Infosys Limited	–	78,19,040
Infosys BPO Limited	–	18,03,760
Sale of shared services including facilities and personnel		
Infosys Limited	–	–
Infosys BPO Limited	–	5,95,977

Details of amounts due to or dues from related parties as at March 31, 2014 and March 31, 2013

in ₹

Particulars	As at March 31,	
	2014	2013
Loans accepted		
Infosys BPO Poland Sp. z o.o.	18,29,84,843	5,56,10,428
Infosys BPO s.r.o.	6,22,46,026	16,63,03,002
Advance paid		
Infosys Limited	3,20,85,782	–
Creditors		
Infosys Limited	–	1,15,26,853
Infosys BPO Limited	4,69,62,300	49,75,136

2.16. Segment reporting

The Company's operations primarily relate to providing business process management services to organizations that outsource their business processes. Accordingly, revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income in individual segments. These are set out in the note on significant accounting policies.

Industry segments at the Company primarily comprise customers relating to Financial Services and Insurance (FSI), Manufacturing (MFG), enterprises in Energy & Utilities, Communications and Services (ECS) and Retail, Consumer Packaged Goods and Logistics (RCL), and Life Sciences and Healthcare. Income in relation to segments is categorized based on items that are individually identified to those segments while expenditure is categorized in relation to the associated turnover of the segment. Expenses which form a significant component of total expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. These expenses are separately disclosed as "unallocated" and adjusted only against the total income of the Company. The Company believes that it is not practical to provide segment disclosures relating to these costs and expenses, and accordingly these expenses are separately disclosed as unallocated and directly charged against total income. Fixed assets or liabilities contracted have not been identified to any reportable segments, as these are used interchangeably between segments. Accordingly no disclosure relating to total segment assets and liabilities are made.

Geographical segments are segregated based on the location of the customers, or in relation to which the revenue is otherwise recognized.

All direct costs are identified to its respective verticals / geographies on the basis of revenues from the respective verticals / geographies while unallocable cost consists of depreciation only.

Industry segments

Year ended March 31, 2014 and *March 31, 2013*

in ₹

Particulars	FSI	MFG	RCL	ECS	Total
Revenues	3,17,72,80,164	13,86,948	22,45,786	16,42,782	3,18,25,55,680
	2,60,92,65,274	*12,73,863*	*20,36,007*	*14,62,252*	*2,61,40,37,396*
Identifiable operating expenses	1,26,16,34,701	70,854	99,942	42,11,383	1,26,60,16,880
	1,21,28,40,765	*1,01,000*	*1,99,247*	*23,33,739*	*1,21,54,74,751*
Allocated expenses	1,83,39,31,942	7,82,114	13,49,352	9,26,428	1,83,69,89,836
	1,49,23,93,049	*7,35,564*	*11,71,867*	*8,34,083*	*1,49,51,34,563*
Segmental operating profit	8,17,13,521	5,33,980	7,96,492	(34,95,029)	7,95,48,964
	(9,59,68,540)	*4,37,299*	*6,64,893*	*(17,05,570)*	*(9,65,71,918)*
Unallocable expenses					6,34,56,501
					6,02,22,046
Profit before other income					1,60,92,463
					(15,67,93,964)
Other income, net					5,86,01,955
					(21,89,111)
Net Profit Before Tax					7,46,94,418
					(15,89,83,075)
Tax expense					–
					–
Loss for the period					7,46,94,418
					(15,89,83,075)

Geographical segments

Year ended March 31, 2014 and *March 31, 2013*

in ₹

Particulars	North America	Europe	Others	Total
Revenues	3,18,25,55,680	–	–	3,18,25,55,680
	2,61,40,37,396	–	–	*2,61,40,37,396*
Identifiable operating expenses	1,26,60,16,880	–	–	1,26,60,16,880
	1,21,54,74,751	–	–	*1,21,54,74,751*
Allocated expenses	1,83,69,89,836	–	–	1,83,69,89,836
	1,49,51,34,563	–	–	*1,49,51,34,563*
Segmental operating profit	7,95,48,964	–	–	7,95,48,964
	(9,65,71,918)	–	–	*(9,65,71,918)*
Unallocable expenses				6,34,56,501
				6,02,22,046
Profit before other income				1,60,92,463
				(15,67,93,964)
Other income, net				5,86,01,955
				(21,89,111)
Net Profit Before Tax				7,46,94,418
				(15,89,83,075)
Tax expense				–
				–
Loss for the period				7,46,94,418
				(15,89,83,075)

2.17. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	As at March 31, 2014	As at March 31, 2013
Income from business process management services	3,18,25,55,680	2,61,40,37,396
Cost of revenue	2,64,32,02,724	2,38,00,86,819
GROSS PROFIT / (LOSS)	53,93,52,956	23,39,50,577
Selling and marketing expenses	12,70,02,463	13,23,72,440
General and administration expenses	33,28,01,529	19,81,50,055
	45,98,03,992	33,05,22,495
OPERATING LOSS BEFORE DEPRECIATION	7,95,48,964	(9,65,71,918)
Depreciation	6,34,56,501	6,02,22,046
OPERATING LOSS	1,60,92,463	(15,67,93,964)
Other income, net	5,86,01,955	(21,89,111)
PROFIT / (LOSS) BEFORE TAX	7,46,94,418	(15,89,83,075)
Tax expense		
Current tax	–	–
PROFIT / (LOSS) FOR THE PERIOD	7,46,94,418	(15,89,83,075)

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Gautam Thakkar
Chairman

Gordon Beckam
Chief Executive Officer

Ravi Kumar S.
Director

Abraham Mathews
Director

Kapil Jain
Director

Rishi Kumar Jain
Director

Bangalore
April 7, 2014

Rich Magner
Director

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Portland Group Pty. Limited

Independent Auditors' Report

To the Members of Portland Group Pty. Limited

Report on the Financial Statements

We have audited the accompanying financial statement of Portland Group Pty. Limited ('the Company') which comprises the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
2) In the case of the Statement of Profit and Loss, of the Profit for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number: 006673S

M. Rathnakar Kamath
Partner
Membership Number: 202841

Bangalore
April 7, 2014

Balance Sheet

in ₹

Particulars	Note	as at March 31, 2014	as at March 31, 2013
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	17,86,70,669	17,86,70,669
Reserves and surplus	2.2	34,46,51,791	12,20,87,412
		52,33,22,460	30,07,58,081
NON-CURRENT LIABILITIES			
Other long-term liabilities	2.3	19,14,23,162	21,78,07,531
		19,14,23,162	21,78,07,531
CURRENT LIABILITIES			
Trade payables		4,17,06,762	14,19,14,326
Other current liabilities	2.4	63,23,54,007	47,21,47,586
Short-term provisions	2.5	17,85,66,797	9,37,20,215
		85,26,27,566	70,77,82,127
		156,73,73,188	122,63,47,739
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.6	1,14,12,151	1,62,59,832
Capital work-in-progress		–	3,97,826
		1,14,12,151	1,66,57,658
Non-current investments	2.7	34,80,95,947	34,80,95,947
Deferred tax assets, net	2.8	2,65,44,830	2,97,40,491
Long-term loans and advances	2.9	7,59,93,758	4,51,41,075
		46,20,46,686	43,96,35,171
CURRENT ASSETS			
Trade receivables	2.10	34,75,51,265	48,09,86,225
Cash and cash equivalents	2.11	59,12,97,960	22,98,28,835
Short-term loans and advances	2.12	16,64,77,277	7,58,97,508
		110,53,26,502	78,67,12,568
		156,73,73,188	122,63,47,739
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 and 2		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bruce Stevenson
Managing Director and Chief Executive Officer

Gautam Thakkar
Director

Anantha Radhakrishnan
Director

Gavin Solsky
Director

Bangalore
April 7, 2014

Binny Mathews
Director

David Gardiner
Director

Abraham Mathews
Director

Jackie Korhonen
Director

Statement of Profit and Loss

in ₹

Particulars	Note	Year ended March 31, 2014	Year ended March 31, 2013
Revenues from business process management services		211,14,70,941	171,86,94,184
Other income	2.13	1,24,82,970	43,09,979
Total revenue		212,39,53,911	172,30,04,163
Expenses			
Employee benefit expenses	2.14	137,14,42,959	136,57,14,061
Cost of technical sub-contractors	2.14	17,72,69,824	14,32,85,982
Travel expenses	2.14	9,26,66,861	8,59,69,631
Cost of software packages	2.14	1,67,57,549	–
Communication expenses	2.14	1,56,93,464	1,29,15,374
Professional charges	2.14	1,36,30,005	4,51,40,065
Office expenses	2.14	1,15,38,045	85,96,276
Power and fuel	2.14	19,13,506	12,66,530
Insurance charges	2.14	73,78,116	61,37,144
Rent	2.14	3,30,22,945	3,29,26,583
Depreciation	2.6	77,44,692	1,28,17,783
Other expenses	2.14	3,86,70,999	7,17,88,597
		178,77,28,965	178,78,67,445
PROFIT / (LOSS) BEFORE TAX		33,62,24,946	(6,48,63,282)
Provision for taxation			
Current tax	2.15	11,61,73,918	3,57,51,404
Deferred tax	2.15	(9,91,481)	(6,51,12,919)
		11,51,82,437	(2,93,61,515)
PROFIT / (LOSS) FOR THE PERIOD		22,10,42,509	(3,55,01,767)
EARNINGS / (LOSS) PER SHARE			
Equity shares			
Basic		1.27	(0.20)
Diluted		1.27	(0.20)
Number of shares used in computing earnings / (loss) per share	2.28		
Basic		17,45,00,000	17,45,00,000
Diluted		17,45,00,000	17,45,00,000
SIGNIFICANT ACCOUNTING POLICIES NOTES ON ACCOUNTS	1 and 2		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bruce Stevenson
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Bangalore
April 7, 2014

Binny Mathews
Director

David Gardiner
Director

Abraham Mathews
Director

Jackie Korhonen
Director

Cash Flow Statement

in ₹

Particulars	Year ending March 31, 2014	Year ending March 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	33,62,24,946	(6,48,63,282)
Adjustments to reconcile net profit to net cash provided by Operating activities		
Depreciation	77,44,692	1,28,17,783
Interest Income	(1,08,02,468)	(32,71,595)
Provision for Growth Plan	(2,63,84,369)	17,71,07,519
Effect of exchange differences on translation of assets and liabilities	15,21,870	(3,15,587)
Changes in assets and liabilities		
Trade receivable	13,34,34,960	(14,98,12,218)
Unbilled revenue	(16,03,28,691)	–
Prepayments and other assets	6,97,48,922	(3,64,36,596)
Trade payables	(10,02,07,564)	11,75,66,890
Client deposits	1,37,69,829	2,34,18,936
Employee benefit obligations	94,06,421	2,53,11,999
Provisions	1,21,94,067	13,42,827
Other liabilities	14,64,36,592	59,13,273
Cash generation from operations	43,27,59,207	10,87,79,949
Income taxes paid (net)	(7,95,93,365)	(1,64,08,485)
NET CASH GENERATED / (USED) BY OPERATING ACTIVITIES	35,31,65,842	9,23,71,464
Investing Activities		
Expenditure on acquisition of property, plant and equipment	(24,99,185)	(53,25,724)
Interest income	1,08,02,468	32,71,595
NET CASH GENERATED / (USED) BY INVESTING ACTIVITIES	83,03,283	(20,54,129)
Financing Activities		
NET CASH GENERATED / (USED) BY FINANCING ACTIVITIES	–	–
NET CHANGE IN CASH AND CASH EQUIVALENTS	35,99,47,255	9,06,32,922
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	22,98,28,835	13,95,11,500
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	59,12,97,960	22,98,28,835

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bruce Stevenson
Managing Director and Chief Executive Officer

Gautam Thakkar
Director

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Director

Gavin Solsky
Director

Bangalore
April 7, 2014

Binny Mathews
Director

David Gardiner
Director

Abraham Mathews
Director

Jackie Korhonen
Director

Significant accounting policies and notes on accounts

Company overview

Portland Group Pty. Ltd is a strategic sourcing and category management services provider. Portland Group Pty. Ltd is a wholly-owned and controlled entity of Infosys BPO Limited. The Company leverages the benefits of service delivery globalization, process redesign and technology and thus drives efficiency and cost effectiveness into client's business processes and thereby improves their competitive position by managing their business processes in addition to providing increased value.

1. Significant accounting policies

1.1. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.2. Use of estimates

The preparation of the financial statements in conformity with GAAP requires that the Management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as of the date of the financial statements. Examples of such estimates includes computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provision for doubtful debts, future obligations under employee retirement benefit plans, provision for income taxes, provision for service level agreement (SLA) and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

1.3. Revenue recognition

The Company derives its revenues primarily from strategic sourcing and category management services, on time-and-material, fixed-price, fixed-time frame and unit-price basis. Revenue on time-and-material contracts is recognized as the related services are rendered and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainty as to measurement and collectability of consideration, is recognized as per the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability revenue recognition is postponed until such uncertainty is resolved. Revenues from unit-priced contracts are recognized as transactions are processed based on objective measures of output. Cost and earnings in excess of billings are classified as unbilled revenue while billing in excess of cost and earnings is classified as deferred revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates. When the Company receives advances for its services, such amounts are reflected as advance received from clients until all conditions for revenue recognition are met. The Company presents revenues net of service taxes and value added taxes in its profit and loss account.

The Company accounts for volume discounts and pricing incentives to customers as a reduction of revenue, based on the ratable allocation of the discount / incentive amount to each of the underlying revenue transactions that result in progress by the customer towards earning the discount / incentive. Also when the level of discount varies with increase in levels of revenue transactions, the Company recognizes the liability based on its estimate of the customer's future purchases if it is probable that the criteria for the discount will not be met, or if the amount thereof cannot be estimated reliably. The Company recognizes changes in the estimated amount of obligation for discount using cumulative catch-up approach. The discounts are passed on to the customers either as direct payments or as a reduction of payments due from customers.

Profit on sale of investment is recorded on the transfer of title from the Company and is determined as the difference between the sale price and the carrying value of the investment. Interest on deployment of surplus funds is recognized using time proportion method, based on underlying interest rates. Dividend income is recognized when the Company's right to receive dividend is established.

1.4. Expenditure

The cost of software user licenses purchased for rendering business process management services is charged to revenue when put to use. Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense on a straight-line basis in the profit and loss account over the lease term.

1.5. Tangible assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, after reducing accumulated depreciation and impairment up to the date of the Balance Sheet. Direct costs are capitalized until the assets are ready for use and include financing costs relating to any borrowing attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use. Capital work-in-progress includes the cost of fixed assets that are not yet ready for their intended use before the Balance Sheet date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment. Goodwill on amalgamation is tested periodically for impairment.

1.6. Depreciation

Depreciation on fixed assets is determined using the straight-line method based on useful lives of assets as estimated by the Company. Depreciation for assets purchased / sold during the period is proportionately charged. Individual assets costing ₹5,000 or less are depreciated within a year of acquisition. Leasehold improvements are written off over the lower of the lease term or the useful life of the asset. Leasehold land is amortized over the lease period. Intangible assets are amortized over their useful life on a straight-line basis commencing from the date the asset is available to the Company for its use.

The Management estimates the useful lives for the various fixed assets as follows :

Computer equipment	2 years
Office equipment	5 years
Furniture and fixtures	5 years

1.7. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.8. Income tax

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax for the period based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantively enacted regulations. Deferred tax assets in situation of unabsorbed depreciation and carry forward business losses exist, are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business losses are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date. The income tax provision for the interim period is made based on the best estimate of the annual average tax rate expected to be applicable for the full fiscal year.

1.9. Provisions and contingent liability

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a present obligation that cannot be estimated reliably or a possible or present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made. Provisions are made for all known losses and liabilities and future unforeseeable factors that may affect the profit on fixed-price business process management contracts.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

1.10. Impairment of assets

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset (including goodwill) may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use i.e. the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.11. Earnings per share

In determining earnings per share, the Company considers the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of basic and dilutive common equivalent shares outstanding during the year, except where the result would be anti-dilutive. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

1.12. Employee benefits

Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by an actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

1.13. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.14. Cash flow statement

Cash flows are reported using the Indirect method, whereby Profit Before Tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, financing and investing activities of the Company are segregated. Cash flows in foreign currency are accounted at average monthly exchange rates that approximate the actual rates of exchange prevailing at the date of the transaction.

2. Notes on accounts for the year ended March 31, 2014

2.1. Share capital

in ₹

Particulars	As at March 31,	
	2014	2013
AUTHORIZED		
Share Capital	17,86,70,669	17,86,70,669
Issued, subscribed and paid-up		
Share capital		
Equity shares		
17,45,00,000 (17,45,00,000) equity shares fully paid up	17,86,70,669	17,86,70,669
[of the above, 17,45,00,000 (17,45,00,000) equity shares are held by the holding company, Infosys BPO Limited]		
	17,86,70,669	17,86,70,669

2.2. Reserves and surplus

in ₹

Particulars	As at March 31,	
	2014	2013
Foreign currency translation reserve	15,45,227	23,357
Surplus – opening balance	12,20,64,055	15,75,65,822
Add : Profit / (Loss) during the year	22,10,42,509	(3,55,01,767)
Surplus – closing balance	34,31,06,564	12,20,64,055
	34,46,51,791	12,20,87,412

2.3. Other long-term liabilities

in ₹

Particulars	As at March 31,	
	2014	2013
Accrued salaries and benefits		
Bonus and incentives	19,14,23,162	21,78,07,531
	19,14,23,162	21,78,07,531

2.4. Other current liabilities

in ₹

Particulars	As at March 31,	
	2014	2013
Accrued salaries and benefits		
Bonus and incentives	14,82,02,230	7,27,63,321
For other liabilities		
Provision for expenses	3,90,81,948	1,21,62,426
Withholding and other taxes	7,47,90,762	3,07,12,601
	26,20,74,940	11,56,38,348
Advances received from clients	37,02,79,067	35,65,09,238
	63,23,54,007	47,21,47,586

2.5. Short-term provisions

in ₹

Particulars	As at March 31,	
	2014	2013
Provision for employee benefits		
Unavailed leave	5,79,84,428	4,85,78,007
Others		
Provision for		
Income taxes	9,89,31,092	3,56,84,998
SLA compliance	2,16,51,277	94,57,210
	17,85,66,797	9,37,20,215

Provision for SLA compliance

The provision for service level agreement (SLA) compliance is based on estimates made by the Management for on going contracts. In accordance with paragraphs 66 and 67 of the Accounting Standard 29, the movement in provision for SLA is given below.

in ₹

Particulars	As at March 31,	
	2014	2013
Balance at the beginning of the year	94,57,210	81,14,383
Additional provision made during the year	1,21,94,067	13,42,827
Provisions used during the year	–	–
Balance at the end of the year	2,16,51,277	94,57,210

The Management believes that the aforesaid provision will be utilized within a year.

2.6. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	Cost as at April 1, 2013	Additions during the year	Deletions / adjustments during the year	Cost as at March 31, 2014	As at April 1, 2013	Charge for the year	Deductions / adjustments during the year	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
Tangible assets										
Office equipment	27,73,001	–	2,50,602	25,22,399	10,70,704	5,69,422	2,20,686	14,19,440	11,02,959	17,02,297
Computer equipment	1,23,57,063	31,46,570	2,90,216	1,52,13,417	91,86,349	37,02,524	2,77,653	1,26,11,220	26,02,197	31,70,714
Furniture and fixtures	1,75,94,998	–	4,13,233	1,71,81,765	62,08,177	34,72,746	2,06,153	94,74,770	77,06,995	1,13,86,821
Total	3,27,25,062	31,46,570	9,54,051	3,49,17,581	1,64,65,230	77,44,692	7,04,492	2,35,05,430	1,14,12,151	1,62,59,832
Previous year	2,74,98,650	52,26,412	–	3,27,25,062	33,48,933	1,28,17,783	(2,98,514)	1,64,65,230	1,62,59,832	

2.7. Non current investments

in ₹

Particulars	As at March 31,	
	2014	2013
Non current investments – at cost		
Trade (unquoted)		
Investments in equity of subsidiaries		
Portland Procurement Services Pty. Limited	34,80,95,947	34,80,95,947
	34,80,95,947	34,80,95,947

2.8. Deferred tax assets

in ₹

Particulars	As at March 31,	
	2014	2013
Deferred tax assets		
Accrued compensation to employees	5,74,26,949	–
Leave encashment	1,73,95,279	93,50,293
Others	–	2,03,90,198
	7,48,22,228	2,97,40,491
Deferred tax liabilities		
Others	4,82,77,398	–
	4,82,77,398	–
Deferred tax assets after set off	2,65,44,830	2,97,40,491

2.9. Long-term loans and advances

in ₹

Particulars	As at March 31,	
	2014	2013
Advance Income tax	7,59,93,758	4,51,41,075
	7,59,93,758	4,51,41,075

2.10. Trade receivables

in ₹

Particulars	As at March 31,	
	2014	2013
Debts outstanding for a period less than six months		
Unsecured		
Considered good	34,75,51,265	48,09,86,225
Considered doubtful	–	–
	34,75,51,265	48,09,86,225
Provision for doubtful debts	–	–
	34,75,51,265	48,09,86,225

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer as at the Balance Sheet date.

2.11. Cash and cash equivalents

in ₹

Particulars	As at March 31,	
	2014	2013
Cash on hand	–	–
Balances with bank		
In current and deposit accounts	59,12,97,960	22,98,28,835
	59,12,97,960	22,98,28,835

The details of balances with banks as at March 31, 2014 and March 31, 2013 are as follows:

in ₹

Balances with scheduled banks	As at March 31,	
	2014	2013
In current accounts		
CITI Bank	2,94,48,743	10,06,34,625
Bank of New Zealand	1,94,50,946	54,705
	4,88,99,689	10,06,89,330
In deposit account		
National Australia Bank (NAB)	54,23,98,271	7,25,09,505
Australia and New Zealand Banking Group (ANZ)	–	5,66,30,000
	54,23,98,271	12,91,39,505
	59,12,97,960	22,98,28,835

2.12. Short-term loans and advances

in ₹

Particulars	As at March 31,	
	2014	2013
Unsecured, considered good		
Prepaid expenses	44,56,240	41,81,729
Loans and advances to subsidiaries companies	–	6,90,92,904
Withholding and other taxes receivables	–	20,12,517
	51,18,458	7,52,87,150
Loans and advances to employees	16,03,28,691	–
Interest accrued but not due	4,67,893	6,10,358
Loans and advances to employees	5,62,235	–
	16,64,77,277	7,58,97,508

2.13. Other income

in ₹

Particulars	Year ended March 31,	
	2014	2013
Interest income	1,08,02,468	32,71,595
Miscellaneous income	13,30,074	21,12,094
Exchange differences	3,50,428	(10,73,710)
	1,24,82,970	43,09,979

2.14. Expenses

in ₹

Particulars	Year ended March 31,	
	2014	2013
Employee benefit expenses		
Salaries and bonus	136,23,43,188	135,48,93,650
Staff welfare	90,99,771	1,08,20,411
	137,14,42,959	136,57,14,061
Cost of technical sub-contractors		
Subsidiaries	13,27,72,570	9,34,39,106
Others	4,44,97,254	4,98,46,876
	17,72,69,824	14,32,85,982
Travel expenses		
Overseas travel expenses	2,65,91,628	8,21,04,303
Travelling expenses	6,60,75,233	38,65,328
	9,26,66,861	8,59,69,631
Cost of software		
For own use	1,67,57,549	–
	1,67,57,549	–
Communication expenses		
Communication expenses	1,56,93,464	1,29,15,374
	1,56,93,464	1,29,15,374

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Professional Charges		
Legal and professional charges	35,05,354	3,15,19,150
Auditor's remuneration		
Audit fees	15,53,653	13,46,860
Recruitment and training expenses	85,70,998	1,22,74,055
	1,36,30,005	4,51,40,065
Office expenses		
Printing and stationery	20,68,415	34,22,940
Office maintenance	94,69,630	64,82,755
	1,15,38,045	99,05,695
Power and fuel		
Power and fuel	19,13,506	12,66,530
	19,13,506	12,66,530
Insurance		
Insurance	73,78,116	61,37,144
	73,78,116	61,37,144
Rent		
Rent	3,30,22,945	3,29,26,583
	3,30,22,945	3,29,26,583
Other expenses		
Consumables	3,09,75,863	4,19,02,539
Brand building and advertisement	3,84,060	33,29,456
Marketing expenses	40,65,511	23,09,500
Rates and taxes	9,74,965	2,00,04,649
Bank charges and commission	6,12,575	7,04,989
Postage and courier	2,38,046	3,75,575
Professional membership and seminar participation fees	14,07,269	23,31,787
Provision for doubtful debts	(8,09,588)	(1,22,491)
Other miscellaneous expenses	8,22,298	9,52,593
	3,86,70,999	7,17,88,597

2.15. Tax expense

in ₹

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Income taxes		
Current tax	11,61,73,918	3,57,51,404
Deferred tax	(9,91,481)	(6,51,12,919)
	11,51,82,437	(2,93,61,515)

2.16. Quantitative details

The Company is primarily engaged in strategic sourcing and category management services. The sale of such services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5(viii)(c) of general instructions for preparation of Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.17. Related party transactions

List of related parties:

Name of Holding Company	Country	Holding as at March 31, 2014	Holding as at March 31, 2013
Infosys BPO Limited	India	100%	100%

Name of Ultimate Holding Company	Country
Infosys Limited	India

Name of fellow subsidiaries	Country
Infosys BPO s.r.o [(2)]	Czech Republic
Infosys BPO Poland Sp. z o.o. [(2)]	Poland
Infosys BPO, S. de R.L. de C.V. [(2)(6)]	Mexico
Infosys McCamish Systems LLC [(2)]	U.S.
Portland Procurement Services Pty. Ltd [(3)]	Australia
Infosys Consulting India Limited [(1)]	India
Infosys Technologies (Australia) Pty. Limited (Infosys Australia) [(1)]	Australia
Infosys Technologies S.de R.L.de C.V. (Infosys Mexico) [(1)]	Mexico
Infosys Technologies (China) Co. Limited (Infosys China) [(1)]	China
Infosys Technologia do Brasil Ltda (Infosys Brasil) [(1)]	Brazil
Infosys Sweden [(1)]	Sweden
Infosys Shanghai [(1)]	China
Infosys Americas [(7)]	U.S.
Edgeverve Systems Limited [(8)]	India
Infosys Public Services, Inc. [(1)]	U.S.
Lodestone Holding AG [(1)]	Switzerland
Lodestone Management Consultants [(4)(9)]	Canada
Lodestone Management Consultants Inc. [(4)]	U.S.
Lodestone Management Consultants Pty. Limited [(4)]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [(4)(10)]	Thailand
Lodestone Management Consultants AG [(4)]	Switzerland
Lodestone Augmentis AG [(12)]	Switzerland
Hafner Bauer & Ödman GmbH [(4)]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [(5)]	Belgium
Lodestone Management Consultants GmbH [(4)]	Germany
Lodestone Management Consultants Pte Ltd. [(4)]	Singapore
Lodestone Management Consultants SAS [(4)]	France
Lodestone Management Consultants s.r.o. [(4)]	Czech
Lodestone Management Consultants GmbH [(4)]	Austria
Lodestone Management Consultants China Co., Ltd. [(4)]	China
Lodestone Management Consultants Ltd. [(4)]	U.K.
Lodestone Management Consultants B.V. [(4)]	Netherlands
Lodestone Management Consultants Ltda. [(5)]	Brazil
Lodestone Management Consultants sp. z o.o. [(4)]	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. [(4)]	Portugal
S.C. Lodestone Management Consultants S.R.L. [(4)]	Romania
Lodestone Management Consultants S.R.L. [(4)(11)]	Argentina

(1) *Wholly-owned subsidiaries of Infosys Limited*
(2) *Wholly-owned subsidiaries of Infosys BPO Limited.*
(3) *Wholly-owned subsidiary of Portland Group Pty. Ltd*
(4) *Wholly-owned subsidiaries of Lodestone Holding AG*
(5) *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(6) *Infosys BPO incorporated Infosys BPO, S. de R.L. de C.V. on February 14, 2014 and holds 99.97% of voting rights*
(7) *Incorporated effective June 25, 2013*
(8) *Incorporated effective February 14, 2014*
(9) *Liquidated effective December 31, 2013*
(10) *Liquidated effective February 14, 2013*
(11) *Incorporated effective January 10, 2013*
(12) *Wholly-owned subsidiary of Lodestone Management Consultants AG*
On January 4, 2014 the board of directors of Portland Procurement Services Pty. Ltd, approved the liquidation of entity. The liquidation of Portland Procurement Services Pty. Ltd will be effected upon deregistration of the Company by ASIC as per the liquidation application filed on March 7, 2014. The assets and liabilities of Portland Procurement Services Pty. Ltd. will be transferred to Portland Group Pty. Ltd upon liquidation.

The details of the related party transactions entered into by the Company, for the year ended March 31, 2014 and March 31, 2013 are as follows:

in ₹

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Revenue transactions		
Purchase of services		
Infosys BPO Ltd.	4,44,97,254	4,98,46,876
Purchase of shared services including facilities and personnel		
Portland Procurement Services Pty. Ltd.	–	2,03,835
Sale of services		
Infosys Limited	6,74,70,987	–
Infosys BPO Limited	40,87,20,187	6,01,65,758
Infosys Lodestone	34,92,233	–
Sale of shared services including facilities and personnel		
Portland Procurement Services Pty. Ltd.	–	3,02,81,183

Details of amounts due to or due from related party as at March 31, 2014 and March 31, 2013:

in ₹

Particulars	As at March 31, 2014	As at March 31, 2013
Loans and advances given		
Portland Procurement Services Pty. Ltd.	–	1,68,75,004
Loans and advances taken		
Portland Procurement Services Pty. Ltd.	37,02,79,068	35,65,09,238
Debtors		
Infosys Limited	2,73,33,782	–
Infosys BPO Limited	1,77,54,961	1,72,26,846
Portland Procurement Services Pty. Ltd.	–	5,22,17,900
Creditors		
Infosys BPO Limited	39,34,484	56,74,553
Portland Procurement Services Pty. Ltd.	3,76,49,070	13,02,99,514

2.18. Segment reporting

The Company's operations primarily relate to providing business process management services to organizations that outsource their business processes. Accordingly, revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income in individual segments. These are set out in the note on significant accounting policies.

Industry segments at the Company primarily comprise customers relating to Financial Services and Insurance (FSI), Manufacturing (MFG), enterprises in Energy & Utilities, Communications and Services (ECS) and Retail, Consumer Packaged Goods and Logistics (RCL), and Life Sciences and Healthcare. Income in relation to segments is categorized based on items that are individually identified to those segments while expenditure is categorized in relation to the associated turnover of the segment. Expenses which form a significant component of total expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. These expenses are separately disclosed as "unallocated" and adjusted only against the total income of the Company. The Company believes that it is not practical to provide segment disclosures relating to these costs and expenses, and accordingly these expenses are separately disclosed as unallocated and directly charged against total income. Fixed assets or liabilities contracted have not been identified to any reportable segments, as these are used interchangeably between segments. Accordingly no disclosure relating to total segment assets and liabilities are made.

Geographical segments are segregated based on the location of the customers, or in relation to which the revenue is otherwise recognized. North America comprises the United States of America, Canada and Mexico; Europe includes continental Europe (both the east and the west), Ireland and the United Kingdom; and the Others comprising all other places except those mentioned above.

All direct costs are identified to its respective verticals / geographies on the basis of revenues from the respective verticals / geographies while unallocable cost consists of depreciation only.

Industry segments

For the year ended March 31, 2014 and *March 31, 2013*:

in ₹

Particulars	FSI	MFG	RCL	ECS	Total
Revenues	49,58,43,897	15,68,44,273	70,97,03,678	74,90,79,093	211,14,70,941
	16,59,43,289	*30,53,40,133*	*102,03,38,006*	*22,70,72,756*	*171,86,94,184*
Identifiable operating expenses	10,80,62,069	3,42,31,142	16,74,07,990	11,39,69,970	42,36,71,171
	6,94,20,527	*13,84,19,484*	*67,08,19,932*	*21,17,34,569*	*109,03,94,512*
Allocated expenses	32,20,58,150	9,57,99,017	47,07,85,236	46,76,70,699	135,63,13,102
	7,25,24,169	*13,14,85,269*	*37,45,32,874*	*10,61,12,838*	*68,46,55,150*
Segmental operating profit	6,57,23,678	2,68,14,114	7,15,10,452	16,74,38,424	33,14,86,668
	2,39,98,593	*3,54,35,380*	*(2,50,14,800)*	*(9,07,74,651)*	*(5,63,55,478)*
Unallocable expenses					77,44,692
					1,28,17,783
Profit before other income					32,37,41,976
					(6,91,73,261)
Other income, net					1,24,82,970
					43,09,979
Net Profit Before Tax					33,62,24,946
					(6,48,63,282)
Tax expense					11,51,82,437
					(2,93,61,515)
Profit for the period					22,10,42,509
					(3,55,01,767)

Geographical segments

For the year ended March 31, 2014 and *March 31, 2013*:

in ₹

Particulars	North America	Europe	Others	Total
Revenues	–	–	211,14,70,941	211,14,70,941
	–	*6,86,782*	*171,80,07,402*	*171,86,94,184*
Identifiable operating expenses	–	–	42,36,71,171	42,36,71,171
	–	–	*109,03,94,512*	*109,03,94,512*
Allocated expenses	–	–	135,63,13,102	135,63,13,102
	–	*3,26,206*	*68,43,28,944*	*68,46,55,150*
Segmental operating profit	–	–	33,14,86,668	33,14,86,668
	–	*3,60,576*	*(5,67,16,054)*	*(5,63,55,478)*
Unallocable expenses				77,44,692
				1,28,17,783
Profit before other income				32,37,41,976
				(6,91,73,261)
Other income, net				1,24,82,970
				43,09,979
Net Profit Before Tax				33,62,24,946
				(6,48,63,282)
Tax expense				11,51,82,437
				(2,93,61,515)
Profit for the period				22,10,42,509
				(3,55,01,767)

2.19. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	As at March 31,	
	2014	2013
Income from software services and products	211,14,70,941	171,86,94,184
Cost of revenue	159,95,38,583	153,63,42,595
GROSS PROFIT	51,19,32,358	18,23,51,589
Selling and marketing expenses	1,18,51,060	56,38,956
General and administration expenses	16,85,94,630	23,30,68,111
	18,04,45,690	23,87,07,067
OPERATING PROFIT / (LOSS) BEFORE DEPRECIATION	33,14,86,668	(5,63,55,478)
Depreciation	77,44,692	1,28,17,783
OPERATING PROFIT / (LOSS)	32,37,41,976	(6,91,73,261)
Other income, net	1,24,82,970	43,09,979
PROFIT / (LOSS) BEFORE TAX	33,62,24,946	(6,48,63,282)
Tax expense		
Current tax	11,61,73,918	3,57,51,404
Deferred tax	(9,91,481)	(6,51,12,919)
PROFIT / (LOSS) FOR THE PERIOD	22,10,42,509	(3,55,01,767)

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bruce Stevenson
Managing Director and Chief Executive Officer

Gautam Thakkar
Director

Anantha Radhakrishnan
Director

Gavin Solsky
Director

Bangalore
April 7, 2014

Binny Mathews
Director

David Gardiner
Director

Abraham Mathews
Director

Jackie Korhonen
Director

Portland Procurement Services Pty. Limited

Independent Auditors' Report

To the Members of Portland Procurement Services Pty. Limited

Report on the Financial Statements

We have audited the accompanying financial statement of Portland Procurement Services Pty. Limited ('the Company') which comprises the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
2) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bangalore
April 7, 2014

Balance Sheet

in ₹

Particulars	Note	Year ended March 31	
		2014	2013
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	16,73,74,718	16,73,74,718
Reserves and surplus	2.2	24,07,69,255	25,06,03,554
		40,81,43,973	41,79,78,272
CURRENT LIABILITIES			
Trade payables	2.3	–	7,48,69,900
Other current liabilities	2.4	–	1,71,46,941
		–	9,20,16,841
		40,81,43,973	50,99,95,113
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2.5	–	41,453
Short-term loans and advances	2.6	40,81,43,973	50,99,53,660
		40,81,43,973	50,99,95,113
		40,81,43,973	50,99,95,113
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 and 2		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath *Partner* Membership Number : 202841	Bruce Stevenson *Managing Director and Chief Executive Officer*	Gautam Thakkar *Director*	Anantha Radhakrishnan *Director*	Gavin Solsky *Director*
Bangalore April 7, 2014	Binny Mathews *Director*	David Gardiner *Director*	Abraham Mathews *Director*	Jackie Korhonen *Director*

Statement of Profit and Loss

in ₹

Particulars	Note	Year ended March 31, 2014	Year ended March 31, 2013
Revenues from business process management services		–	9,56,94,918
Other income	2.7	1,955	5,95,506
Total Revenue		1,955	9,62,90,424
Expenses			
Employee benefit expenses	2.8	–	7,02,49,082
Cost of technical sub-contractors	2.8	–	(1,64,190)
Travel expenses	2.8	–	(6,54,452)
Cost of software packages	2.8	–	1,14,714
Communication expenses	2.8	–	38,463
Office expenses	2.8	–	1,91,198
Power and fuel	2.8	–	1,45,849
Other expenses	2.8	19,797	55,19,093
		19,797	7,54,39,757
PROFIT / (LOSS) BEFORE TAX		(17,842)	2,08,50,667
Provision for taxation			
Current tax	2.9	–	(2,07,68,021)
		–	(2,07,68,021)
PROFIT / (LOSS) FOR THE PERIOD		(17,842)	4,16,18,688
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 and 2		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath *Partner* Membership Number : 202841	Bruce Stevenson *Managing Director and Chief Executive Officer*	Gautam Thakkar *Director*	Anantha Radhakrishnan *Director*	Gavin Solsky *Director*
Bangalore April 7, 2014	Binny Mathews *Director*	David Gardiner *Director*	Abraham Mathews *Director*	Jackie Korhonen *Director*

Cash Flow Statement

in ₹

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	(17,842)	2,08,50,667
Adjustments to reconcile net profit to net cash provided by Operating activities		
Interest Income	(1,955)	(6,06,728)
Effect of exchange differences on translation of assets and liabilities	(98,16,457)	2,45,38,827
Changes in assets and liabilities		
Trade receivable	–	9,51,08,529
Unbilled revenue	–	1,46,137
Prepayments and other assets	10,18,09,687	(17,03,48,286)
Trade payables	(7,48,69,900)	6,46,22,767
Client deposits	(1,68,75,004)	11,08,512
Employee benefit obligations	–	(1,77,28,289)
Other liabilities	(2,71,937)	(5,56,87,743)
Cash generation from operations	(43,408)	(3,79,95,607)
Income taxes paid (net)	–	15,92,802
NET CASH GENERATED / (USED) BY OPERATING ACTIVITIES	(43,408)	(3,64,02,805)
Investing Activities		
Interest income	1,955	6,06,728
NET CASH GENERATED / (USED) BY INVESTING ACTIVITIES	1,955	6,06,728
Financing Activities		
NET CASH GENERATED / (USED) BY FINANCING ACTIVITIES	–	–
Net change in cash and cash equivalents	41,453	3,58,37,530
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	(41,453)	(3,57,96,077)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	–	41,453

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bruce Stevenson
Managing Director and Chief Executive Officer

Gautam Thakkar
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Gavin Solsky
Director

Bangalore
April 7, 2014

Binny Mathews
Director

David Gardiner
Director

Abraham Mathews
Director

Jackie Korhonen
Director

Significant accounting policies and notes on accounts

Company overview

Portland Procurement Services Pty. Ltd is a strategic sourcing and category management services provider. Portland Procurement Services Pty. Ltd is a wholly-owned and controlled subsidiary of Portland Group Pty. Ltd. The Company leverages the benefits of service delivery globalization, process redesign, and technology and thus drives efficiency and cost effectiveness into clients' business processes and thereby improve their competitive position by managing their business processes in addition to providing increased value.

1. Significant accounting policies

1.1. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

On January 4, 2014 the board of directors of Portland Procurement Services Pty. Ltd, approved the liquidation of the entity. The liquidation will be effected upon deregistration of the Company by ASIC. The assets and liabilities of Portland Procurement Services Pty. Ltd will be transferred to Portland Group Pty. Ltd upon liquidation. Accordingly these financial statements have not been prepared on a going concern basis. Instead, these financial statements have been prepared on a liquidation basis. Assets and liabilities are presented as current. Assets have been recorded at their realizable value and liabilities recorded at their known estimated settlement value.

1.2. Use of estimates

The preparation of the financial statements in conformity with GAAP requires that the Management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as of the date of the financial statements. Examples of such estimates includes computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provision for doubtful debts, future obligations under employee retirement benefit plans, provision for income taxes, provision for service level agreement (SLA) and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

1.3. Revenue recognition

The Company derives its revenues primarily from strategic sourcing and category management services, on time-and-material, fixed-price, fixed-time frame and unit-price basis. Revenue on time-and-material contracts is recognized as the related services are rendered and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainty as to measurement and collectability of consideration, is recognized as per the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability revenue recognition is postponed until such uncertainty is resolved. Revenues from unit-priced contracts are recognized as transactions and processed based on objective measures of output. Cost and earnings in excess of billings are classified as unbilled revenue while billing in excess of cost and earnings is classified as deferred revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates. When the Company receives advances for its services, such amounts are reflected as advance received from clients until all conditions for revenue recognition are met. The Company presents revenues net of service taxes and value added taxes in its profit and loss account.

The Company accounts for volume discounts and pricing incentives to customers as a reduction of revenue, based on the ratable allocation of the discount / incentive amount to each of the underlying revenue transactions that result in progress by the customer towards earning the discount / incentive. Also when the level of discount varies with increase in levels of revenue transactions, the Company recognizes the liability based on its estimate of the customer's future purchases if it is probable that the criteria for the discount will not be met, or if the amount thereof cannot be estimated reliably. The Company recognizes changes in the estimated amount of obligation for discount using cumulative catch-up approach. The discounts are passed on the customer either as direct payments or as a reduction of payments due from the customer.

Profit on sale of investment is recorded on the transfer of title from the Company and is determined as the difference between the sale price and the carrying value of the investment. Interest on deployment of surplus funds is recognized using time-proportion method, based on underlying interest rates. Dividend income is recognized when the Company's right to receive dividend is established.

1.4. Expenditure

The cost of software user licenses purchased for rendering business process management services is charged to revenue when put to use. Lease under which the Company assumes substantially that all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or at present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense on a straight-line basis in the profit and loss account over the lease term.

1.5. Tangible assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, after reducing accumulated depreciation and impairment up to the date of the Balance Sheet. Direct costs are capitalized until the assets are ready for use and include financing costs relating to any borrowing attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use. Capital work-in-progress includes the cost of fixed assets that are not yet ready for their intended use before the Balance Sheet date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment. Goodwill on amalgamation is tested periodically for impairment.

1.6. Depreciation

Depreciation on fixed assets is determined using the straight-line method based on useful lives of assets as estimated by the Company. Depreciation for assets purchased / sold during the period is proportionately charged. Individual assets costing ₹5,000 or less are depreciated within a year of acquisition. Leasehold improvements are written off over the lower of the lease term or the useful life of the asset. Leasehold land is amortized over the lease period. Intangible assets are amortized over their useful life on a straight-line basis commencing from the date the asset is available to the Company for its use. The Management estimates the useful lives for various fixed assets as follows :

Computer equipment	2 years
Office equipment	5 years
Furniture and fixtures	5 years

1.7. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.8. Income tax

Income taxes are computed using the tax-effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax for the period based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantively enacted regulations. Deferred tax assets in situation of unabsorbed depreciation and carry forward business losses exist, are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business losses are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date. The income tax provision for the interim period is made based on the best estimate of the annual average tax rate expected to be applicable for the full fiscal year.

1.9. Provisions and contingent liability

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a present obligation that cannot be estimated reliably or a possible or present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made. Provisions are made for all known losses and liabilities and future unforeseeable factors that may affect the profit on fixed-price business process management contracts.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

1.10. Impairment of assets

The Management periodically assesses using external and internal sources, whether there is an indication that an asset (including goodwill) may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use i.e. the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.11. Earnings per share

In determining earnings per share, the Company considers the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of basic and dilutive common equivalent shares outstanding during the year, except where the result would be anti-dilutive. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

1.12. Employee Benefits

Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by an actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

1.13. Cash and Cash Equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.14. Cash Flow Statement

Cash flows are reported using the Indirect method, whereby Profit Before Tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, financing, and investing activities of the Company are segregated. Cash flows in foreign currency are accounted at average monthly exchange rates that approximate the actual rates of exchange prevailing at the date of the transaction.

2. Notes on accounts for the year ended March 31, 2014

2.1. Share capital

in ₹

Particulars	As at March 31, 2014	As at March 31, 2013
AUTHORIZED		
Share capital	16,73,74,718	16,73,74,718
Issued, subscribed and paid-up		
Share capital	16,73,74,718	16,73,74,718
	16,73,74,718	16,73,74,718

2.2. Reserves and surplus

in ₹

Particulars	As at March 31, 2014	As at March 31, 2013
Foreign currency translation reserve	1,59,67,207	2,57,83,664
Surplus – opening balance	22,48,19,890	18,32,01,202
Add: Profit During the period	(17,842)	4,16,18,688
Surplus – closing balance	22,48,02,048	22,48,19,890
	24,07,69,255	25,06,03,554

2.3. Trade payables

in ₹

Particulars	As at March 31, 2014	As at March 31, 2013
Trade payables	–	7,48,69,900
	–	7,48,69,900

2.4. Other current liabilities

in ₹

Particulars	As at March 31, 2014	As at March 31, 2013
Withholding and other taxes	–	2,71,937
Advances received from clients	–	1,68,75,004
	–	1,71,46,941

2.5. Cash and cash equivalents

in ₹

Particulars	As at March 31, 2014	As at March 31, 2013
Cash on hand	–	–
Balances with bank		
In current and deposit accounts	–	41,453
	–	41,453

The details of balances with banks as at June 30, 2013 and March 31, 2013 are as follows:

in ₹

Particulars	As at March 31, 2014	As at March 31, 2013
In current accounts		
Commonwealth bank	–	41,453
	–	41,453

2.6. Short-term loans and advances

in ₹

Particulars	As at March 31, 2014	As at March 31, 2013
Unsecured, considered good		
Loans and advances to group companies	40,79,28,137	50,94,60,696
Withholding and other taxes receivables	2,15,836	4,92,964
	40,81,43,973	50,99,53,660

2.7. Other income

in ₹

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Interest income	1,955	6,06,728
Miscellaneous income	–	(11,222)
	1,955	5,95,506

2.8. Expenses

in ₹

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Employee benefit expenses		
Salaries and bonus	–	7,02,61,461
Staff welfare	–	(12,379)
	–	7,02,49,082
Cost of technical sub-contractors		
Consultancy charges	–	(1,64,190)
	–	(1,64,190)
Travel expenses		
Overseas travel expenses	–	(6,54,452)
	–	(6,54,452)
Cost of software for own use		
Cost of software for own use	–	1,14,714
	–	1,14,714
Communication expenses		
Communication expenses	–	38,463
	–	38,463
Office expenses		
Office maintenance	–	1,91,198
	–	1,91,198
Power and fuel		
Power and fuel	–	1,45,849
	–	1,45,849
Other expenses		
Consumables	–	3,79,335
Marketing expenses	–	(8,402)
Rates and taxes	–	51,07,164
Bank charges and commission	19,797	26,400
Professional membership and seminar participation fees	–	14,596
Other miscellaneous expenses	–	0
	19,797	55,19,093

2.9. Tax expense

in ₹

Particulars	Year ended March 31,	
	2014	2013
Current tax		
Income taxes	–	(2,07,68,021)
	–	(2,07,68,021)

2.10 Quantitative details

The Company is primarily engaged in strategic sourcing and category management services. The sale of such services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5(viii)(c) of general instructions for preparation of Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.11 Related party transactions

List of related parties:

Name of Holding Company	Country	Holding as at March 31,	
		2014	2013
Portland Group Pty. Ltd	Australia	100%	100%

Name of Ultimate Holding Company	Country
Infosys Limited	India

Name of fellow subsidiaries	Country
Infosys BPO s.r.o [(2)]	Czech Republic
Infosys BPO Poland Sp. z o.o. [(2)]	Poland
Infosys BPO, S. de R.L. de C.V. [(2)(5)]	Mexico
Infosys McCamish Systems LLC [(2)]	U.S.
Infosys Consulting India Limited [(1)]	India
Infosys Technologies (Australia) Pty. Limited (Infosys Australia) [(1)]	Australia
Infosys Technologies S.de R.L.de C.V. (Infosys Mexico) [(1)]	Mexico
Infosys Technologies (China) Co. Limited (Infosys China) [(1)]	China
Infosys Technologia do Brasil Ltda (Infosys Brasil) [(1)]	Brazil
Infosys Sweden [(1)]	Sweden
Infosys Shanghai [(1)]	China
Infosys Americas [(6)]	U.S.
Edgeverve Systems Limited [(7)]	India
Infosys Public Services, Inc. [(1)]	U.S.
Lodestone Holding AG [(1)]	Switzerland
Lodestone Management Consultants [(3)(8)]	Canada
Lodestone Management Consultants Inc. [(3)]	U.S.
Lodestone Management Consultants Pty. Limited [(3)]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [(3)(9)]	Thailand
Lodestone Management Consultants AG [(3)]	Switzerland
Lodestone Augmentis AG [(11)]	Switzerland
Hafner Bauer & Ödman GmbH [(3)]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [(4)]	Belgium
Lodestone Management Consultants GmbH [(3)]	Germany
Lodestone Management Consultants Pte Ltd. [(3)]	Singapore
Lodestone Management Consultants SAS [(3)]	France
Lodestone Management Consultants s.r.o. [(3)]	Czech
Lodestone Management Consultants GmbH [(3)]	Austria
Lodestone Management Consultants China Co., Ltd. [(3)]	China
Lodestone Management Consultants Ltd. [(3)]	U.K.
Lodestone Management Consultants B.V. [(3)]	Netherlands
Lodestone Management Consultants Ltda. [(4)]	Brazil
Lodestone Management Consultants sp. z o.o. [(3)]	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. [(3)]	Portugal
S.C. Lodestone Management Consultants S.R.L. [(3)]	Romania
Lodestone Management Consultants S.R.L. [(3)(10)]	Argentina

(1) *Wholly-owned subsidiaries of Infosys Limited*
(2) *Wholly-owned subsidiaries of Infosys BPO Limited.*
(3) *Wholly-owned subsidiaries of Lodestone Holding AG*
(4) *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(5) *Infosys BPO incorporated Infosys BPO, S. de R.L. de C.V. on February 14, 2014 and holds 99.97% of voting rights*
(6) *Incorporated effective June 25, 2013*
(7) *Incorporated effective February 14, 2014*
(8) *Liquidated effective December 31, 2013*
(9) *Liquidated effective February 14, 2013*
(10) *Incorporated effective January 10, 2013*
(11) *Wholly-owned subsidiary of Lodestone Management Consultants AG*

The details of the related party transactions entered into by the Company, for the quarter and year ended March 31, 2014 and March 31, 2013 are as follows:

in ₹

Particulars	Year ended March 31,	
	2014	2013
Purchase of shared services including facilities and personnel		
Portland Group Pty. Ltd	–	3,02,81,183
Sale of shared services including facilities and personnel		
Portland Group Pty. Ltd	–	2,03,835

Details of amounts due to or due from related party as at March 31, 2014 and March 31, 2013:

in ₹

Particulars	As at March 31,	
	2014	2013
Loans and advances given		
Portland Group Pty. Ltd	37,02,79,068	37,91,61,182
Loans and advances taken		
Portland Group Pty. Ltd	–	1,68,75,004
Debtors		
Portland Group Pty. Ltd	3,76,49,070	13,02,99,514
Creditors		
Portland Group Pty. Ltd	–	7,48,69,900

2.12. Segment reporting

The Company's operations primarily relate to providing business process management services to organizations that outsource their business processes. Accordingly, revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income in individual segments. These are set out in the note on significant accounting policies.

Industry segments at the Company primarily comprise customers relating to financial services and insurance (FSI), manufacturing (MFG), Enterprises in Energy & Utilities, Communications and Services (ECS) and Retail, Consumer Packaged Goods and Logistics (RCL), and Life Sciences and Healthcare. Income in relation to segments is categorized based on items that are individually identified to those segments while expenditure is categorized in relation to the associated turnover of the segment. Expenses that form a significant component of total expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. These expenses are separately disclosed as "unallocated" and adjusted only against the total income of the Company. The Company believes that it is not practical to provide segment disclosures relating to these costs and expenses, and accordingly these expenses are separately disclosed as unallocated and directly charged against total income. Fixed assets or liabilities contracted have not been identified to any reportable segments, as these are used interchangeably between segments. Accordingly no disclosure relating to total segment assets and liabilities are made.

Geographical segments are segregated based on the location of the customers, or in relation to which the revenue is otherwise recognized.

All direct costs are identified to its respective verticals / geographies on the basis of revenues from the respective verticals / geographies while unallocable cost consists of depreciation only.

Industry segments

For the year ended March 31, 2014 and *March 31, 2013* :

in ₹

Particulars	FSI	MFG	RCL	ECS	Total
Revenues	–	–	–	–	–
	–	*20,23,868*	*3,56,83,439*	*5,79,87,611*	*9,56,94,918*
Identifiable operating expenses	–	–	–	–	–
	–	*–*	*(72,24,830)*	*4,78,17,707*	*4,05,92,877*
Allocated expenses	–	–	–	19,797	19,797
	–	*(7,53,187)*	*3,21,84,430*	*34,15,637*	*3,48,46,880*
Segmental operating profit	–	–	–	(19,797)	(19,797)
	–	*27,77,055*	*1,07,23,839*	*67,54,267*	*2,02,55,161*
Unallocable expenses					–
					–
Profit before other income					(19,797)
					2,02,55,161
Other income,net					1,955
					5,95,506
Net Profit Before Tax					(17,842)
					2,08,50,667
Tax expense					–
					(2,07,68,021)
Profit for the period					(17,842)
					4,16,18,688

Geographical segments

The entity operates in a single geographic segment, Asia Pacific (APAC) and hence geographic segment disclosures are not applicable.

2.13. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Income from software services and products	–	9,56,94,918
Cost of revenue	–	6,93,21,370
GROSS PROFIT	–	2,63,73,548
Selling and marketing expenses	–	(8,402)
General and administration expenses	19,797	61,26,789
	19,797	61,18,387
OPERATING PROFIT / (LOSS) BEFORE DEPRECIATION	(19,797)	2,02,55,161
Depreciation	–	–
OPERATING PROFIT / (LOSS)	(19,797)	2,02,55,161
Other income, net	1,955	5,95,506
PROFIT / (LOSS) BEFORE TAX	(17,842)	2,08,50,667
Tax expense		
Current tax	–	(2,07,68,021)
PROFIT / (LOSS) FOR THE PERIOD	(17,842)	4,16,18,688

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bruce Stevenson
Managing Director and Chief Executive Officer

Gautam Thakkar
Director

Anantha Radhakrishnan
Director

Gavin Solsky
Director

Bangalore
April 7, 2014

Binny Mathews
Director

David Gardiner
Director

Abraham Mathews
Director

Jackie Korhonen
Director

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Infosys Public Services, Inc.

Independent Auditors' Report

To the Members of Infosys Public Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statement of Infosys Public Services, Inc. ('the Company') which comprises the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
2) In the case of the Statement of Profit and Loss, of the Profit for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bangalore
April 9, 2014

Balance Sheet

in ₹

Particulars	Note	As at March 31,	
		2014	2013
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	98,38,50,000	23,48,50,000
Reserves and surplus	2.2	12,54,75,304	(13,05,83,397)
		110,93,25,304	10,42,66,603
CURRENT LIABILITIES			
Short-term Borrowings	2.3	–	68,46,48,958
Trade payables	2.4	9,81,60,611	194,07,75,468
Other current liabilities	2.5	92,11,82,240	83,49,97,028
Short-term provisions	2.6	24,41,61,060	5,22,72,199
		214,69,44,911	351,26,93,653
		325,62,70,215	361,69,60,256
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	1,73,64,011	67,28,35,496
Capital work-in-progress		–	1,70,26,760
		1,73,64,011	68,98,62,256
Deferred tax assets (net)	2.9	8,07,72,100	–
Long-term loans and advances	2.10	15,38,10,432	1,56,219
		25,19,46,543	69,00,18,475
CURRENT ASSETS			
Trade receivables	2.11	176,54,59,224	132,09,98,846
Cash and cash equivalents	2.12	41,17,01,839	123,64,15,195
Short-term loans and advances	2.13	82,71,62,609	36,95,27,740
		300,43,23,672	292,69,41,781
		325,62,70,215	361,69,60,256
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath	Prof. Jeffrey S. Lehman	Eric Paternoster	Prasad Thrikutam
Partner	*Chairman*	*CEO and President*	*Director*
Membership Number : 202841			

Bangalore
April 9, 2014

Statement of Profit and Loss

in ₹, except per share data

Particulars	Note	Year ended March 31, 2014	Year ended March 31, 2013
Income from software services and products	2.14	1049,60,59,795	602,09,28,283
Other income	2.15	(14,45,004)	(31,521)
Total revenue		1049,46,14,791	602,08,96,762
Expenses			
Employee benefit expenses	2.16	157,83,05,585	112,30,86,046
Cost of technical sub-contractors	2.16	744,95,26,173	472,70,83,794
Travel expenses	2.16	10,49,81,972	7,97,25,927
Cost of software packages and others	2.16	6,65,43,379	(12,02,273)
Communication expenses	2.16	56,32,448	25,21,628
Professional charges		8,92,59,305	6,49,37,839
Interest expenses		4,54,34,069	60,08,568
Depreciation and amortization expenses		76,31,42,737	6,17,23,061
Other expenses	2.16	9,66,42,940	5,64,78,302
Total expenses		1019,94,68,608	612,03,62,892
PROFIT BEFORE TAX		29,51,46,183	(9,94,66,130)
Tax expense			
Current tax	2.17	15,04,35,213	19,81,069
Deferred tax	2.17	(8,15,00,020)	–
PROFIT FOR THE PERIOD		22,62,10,990	(10,14,47,199)
EARNINGS PER EQUITY SHARE			
Equity shares of par value USD 0.50/-each			
Basic		22.62	(10.14)
Number of shares used in computing earnings per share			
Basic		1,00,00,000	1,00,00,000
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Prof. Jeffrey S. Lehman
Chairman

Eric Paternoster
CEO and President

Prasad Thrikutam
Director

Bangalore
April 9, 2014

Cash Flow Statement

in ₹

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	29,51,46,183	(9,94,66,130)
Adjustments to reconcile Profit Before Tax to cash provided by operating activities		
Depreciation and amortization expense	76,31,42,736	6,17,23,061
Interest and dividend income	–	(21,324)
Effect of exchange differences on translation of assets and liabilities	9,41,98,754	1,15,67,202
Changes in assets and liabilities		
Trade receivables	(44,44,60,378)	(39,62,85,272)
Loans and advances and other assets	(45,74,78,650)	20,89,53,568
Liabilities and provisions	(68,10,99,784)	130,41,27,117
	(43,05,51,139)	109,05,98,222
Income taxes paid	(30,35,17,725)	(19,81,069)
NET CASH GENERATED BY OPERATING ACTIVITIES	(73,40,68,864)	108,86,17,153
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment towards capital expenditure (including intangible assets)	(9,06,44,492)	(75,02,28,461)
Interest and dividend received	–	21,324
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	(9,06,44,492)	(75,02,07,137)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan from Parent	–	68,46,48,959
NET CASH USED IN FINANCING ACTIVITIES	–	68,46,48,959
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(82,47,13,356)	102,30,58,975
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	123,64,15,195	21,33,56,220
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	41,17,01,839	123,64,15,195

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Prof. Jeffrey S. Lehman
Chairman

Eric Paternoster
CEO and President

Prasad Thrikutam
Director

Bangalore
April 9, 2014

Significant accounting policies and notes on accounts

Company overview

Infosys Public Services, Inc. ('the Company') was incorporated on October 9, 2009. The purpose of the Company is to engage in any lawful act or activity for which corporation may be organized under the Delaware General Corporation Law, as the same exists or as may hereafter be amended from time to time, the Company is a wholly-owned subsidiary of Infosys Technologies Limited. The Company provides end-to-end business solutions that leverage technology, thereby enabling its clients to enhance business performance. The Company's operations are to provide solutions that span the entire software lifecycle encompassing technical consulting, design, development, re-engineering, maintenance, systems integration, package evaluation and implementation, testing, and infrastructure management services.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from April 1 to March 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous period figures

The previous period's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

Revenue is primarily derived from software development and related services. Arrangements with customers for software development and related services are either on a fixed-price, fixed-timeframe or on a time-and-material basis.

Revenue on time-and-material contracts are recognized as the related services are performed and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues. Revenue from fixed-price and fixed-timeframe contracts, where there is no uncertainty as to measurement or collectability of consideration, is recognized based upon the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability revenue recognition is postponed until such uncertainty is resolved. Cost and earnings in excess of billings are classified as unbilled revenue while billings in excess of cost and earnings is classified as unearned revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates.

The Company accounts for volume discounts and pricing incentives to customers as a reduction of revenue based on the ratable allocation of the discount / incentive amount to each of the underlying revenue transactions that result in progress by the customer towards earning the discount / incentive. Also, when the level of discount varies with increases in levels of revenue transactions, the Company recognizes the liability based on its estimate of the customer's future purchases. If it is probable that the criteria for the discount will not be met, or if the amount thereof cannot be estimated reliably, then discount is not recognized until the payment is probable and the amount can be estimated reliably. The Company recognizes changes in the estimated amount of obligations for discounts using a cumulative catchup approach. The discounts are passed on to the customer either as direct payments or as a reduction of payments due from the customer.

The Company presents revenues net of value-added taxes in its Statement of Profit and Loss

Profit on sale of investments is recorded on transfer of title from the Company and is determined as the difference between the sale price and carrying value of the investment. Lease rentals are recognized ratably on a straight-line basis over the lease term. Interest is recognized using the time-proportion method, based on rates implicit in the transaction. Dividend income is recognized when the Company's right to receive dividend is established.

1.7. Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by the best estimate of the outflow of economic benefits required to settle the obligation at the reporting date. Where no reliable estimate can be made, a disclosure is made as contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

1.8. Post-sales client support and warranties

The Company provides its clients with a fixed-period warranty for corrections of errors and telephone support on all its fixed-price, fixed-timeframe contracts. Costs associated with such support services are accrued at the time when related revenues are recorded and included in cost of sales. The Company estimates such costs based on historical experience and the estimates are reviewed annually for any material changes in assumptions.

1.9. Onerous contracts

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the lower of expected cost of terminating the contract and the expected net cost of fulfilling the contract.

1.10. Tangible assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises of the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

1.11. Depreciation and amortization

Depreciation on fixed assets is provided on the straight-line method over the useful lives of assets estimated by the Management. Depreciation for assets purchased / sold during a period is proportionately charged. Individual low cost assets (acquired for ₹5,000/- or less) are depreciated over a period of one year from the date of acquisition. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The Management estimates the useful lives for the other fixed assets as follows:

Buildings	15 years
Plant and machinery	5 years
Office equipment	5 years
Computer equipment	2-5 years
Furniture and fixtures	5 years
Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

1.12. Provision for impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and recognized as an expense in the income statement.

1.13. Retirement benefits to employees

Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

1.14. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.15. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of tax credit against future income tax liability, is recognized as an asset in the Balance Sheet if there is convincing evidence that the Company will pay normal tax after the tax holiday period and the resultant asset can be measured reliably. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. Tax benefits of deductions earned on exercise of employee share options in excess of compensation charged to Statement of Profit and Loss are credited to the share premium account.

1.16. Earnings per share

Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period.

1.17. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.18. Cash flow statement

Cash flows are reported using the indirect method, whereby Profit Before Tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expenses associated with investing or financing cash flows. The cash flow from operating, investing, and financing activities of the Company are segregated.

1.19. Leases

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Statement of Profit and Loss over the lease term.

1.20. Government grants

The Company recognizes government grants only when there is reasonable assurance that the conditions attached to them shall be complied with, and the grants will be received. Government grants related to depreciable assets are treated as deferred income and are recognized in the Statement of Profit and Loss on a systematic and rational basis over the useful life of the asset. Government grants related to revenue are recognized on a systematic basis in the Statement of Profit and Loss over the periods necessary to match them with the related costs which they are intended to compensate.

2. Notes on accounts for the year ended March 31, 2014

The previous period figures have been regrouped / reclassified, wherever necessary to conform to the current period presentation.

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at March 31, 2014	As at March 31, 2013
Authorized		
4,00,00,000 (4,00,00,000) Common Stock, USD 0.50 par value	112,44,00,000	58,72,50,000
Issued, Subscribed and Paid-Up		
3,50,00,000 (1,00,00,000) Common Stock, USD 0.50 par value, fully paid	98,38,50,000	23,48,50,000
	98,38,50,000	23,48,50,000

The reconciliation of the number of shares outstanding and the amount of share capital as at March 31, 2014 & March 31, 2013 is set out below:

in ₹, except as otherwise stated

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of Shares	Amount	Number of Shares	Amount
Number of Shares at the beginning of the period	1,00,00,000	23,48,50,000	1,00,00,000	23,48,50,000
Add: Issue of Shares	2,50,00,000	74,90,00,000	–	–
Number of Shares at the end of the period	3,50,00,000	98,38,50,000	1,00,00,000	23,48,50,000

2.2. Reserves and surplus

in ₹

Particulars	As at March 31, 2014	As at March 31, 2013
Foreign currency translation reserve – Opening balance	2,66,66,555	1,50,99,353
Add: Foreign currency translation during the year	2,98,47,711	1,15,67,202
Foreign currency translation reserve – Closing balance	5,65,14,266	2,66,66,555
Surplus / (Deficit) – Opening Balance	(15,72,49,952)	(5,58,02,753)
Add: Net profit after tax transferred from Statement of Profit and Loss	22,62,10,990	(10,14,47,199)
Surplus – Closing Balance	6,89,61,038	(15,72,49,952)
	12,54,75,304	(13,05,83,397)

2.3. Short-term Borrowings

in ₹

Particulars	As at March 31, 2014	As at March 31, 2013
Loan from related party		
Unsecured Loan	–	68,46,48,959
(Refer to Note 2.18)	–	68,46,48,959

2.4. Trade payables

in ₹

Particulars	As at March 31, 2014	As at March 31, 2013
Trade Payables(1)	9,81,60,611	194,07,75,468
	9,81,60,611	194,07,75,468
(1) Includes dues to holding company (Refer to Note 2.18)	9,81,60,611	159,17,66,775

2.5. Other current liabilities

in ₹

Particulars	As at March 31, 2014	As at March 31, 2013
Accrued salaries and benefits		
Salaries and benefits	5,56,57,925	4,08,76,205
Bonus and incentives	10,83,82,836	5,64,67,045
Other liabilities		
Provision for expenses (2)	55,37,60,997	27,91,00,235
Retention monies	8,10,39,384	–
Withholding and other taxes payable	1,96,76,024	12,72,446
Unearned revenue	8,13,39,082	45,38,29,555
Other payables (1)	2,13,25,992	34,51,542
	92,11,82,240	83,49,97,028
(1) Includes dues to holding company (Refer to Note 2.18)	1,90,44,643	32,26,698
(2) Includes dues to fellow Subsidiary (Refer to Note 2.18)	4,51,52,130	–

2.6. Short-term provisions

in ₹

Particulars	As at March 31, 2014	As at March 31, 2013
Provision for employee benefits		
Unavailed leave	6,79,36,516	5,22,72,199
Others		
Income taxes (net of advance tax and TDS)	13,30,02,995	–
Post-sales client support and warranties and other provisions	4,32,21,549	–
	24,41,61,060	5,22,72,199

The movement in provision for post-sales client support and warranties is as follows :

Particulars	As at March 31, 2014	As at March 31, 2013
Balance at the beginning	–	–
Provision recognized (reversal)	4,46,83,644	–
Provision utilized	–	–
Exchange difference during the period	(14,62,095)	–
Balance at the end	4,32,21,549	–

2.7. Fixed assets

in ₹, except as otherwise stated

Particulars	Original cost			Depreciation and amortization				Net book value	
	As at April 1, 2013	Additions / acquisitions during year	As at March 31, 2014	As at April 1, 2013	For the year	Deductions / adjustments during year	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
Tangible assets									
Plant and Machinery	–	6,02,370	6,02,370	–	1,20,474	–	1,20,474	4,81,896	–
Furniture and Fixtures	–	1,04,47,849	1,04,47,849	–	28,21,702	–	28,21,702	76,26,147	–
Office Equipment	–	9,28,779	9,28,779	–	1,81,042	–	1,81,042	7,47,737	–
Computer equipment	73,49,65,494	9,56,92,254	83,06,57,748	6,21,29,998	76,00,19,519	–	82,21,49,517	85,08,231	67,28,35,496
Total	73,49,65,494	10,76,71,252	84,26,36,746	6,21,29,998	76,31,42,737	–	82,52,72,735	1,73,64,011	67,28,35,496
Previous year	18,25,983	73,31,39,511	73,49,65,494	4,69,127	6,17,23,061	62,190	6,21,29,998	67,28,35,496	

2.8. Leases

Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the year and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	As at March 31,	
	2014	2013
Lease rentals recognized during the year	1,78,56,382	1,06,15,856

in ₹

Lease obligations payable	As at March 31,	
	2014	2013
Within one year of the Balance Sheet date	1,41,05,355	1,24,98,504
Due in a period between one year and five years	5,96,66,299	5,28,71,039
Due after five years	64,83,716	1,98,42,724

The operating lease arrangements, are renewable on a periodic basis and for most of the leases extend up to a maximum of ten years from their respective dates of inception and relate to rented premises. Some of these lease agreements have price escalation clauses.

2.9. Deferred taxes

in ₹

Particulars	As at March 31,	
	2014	2013
Deferred tax assets		
Fixed assets	2,82,85,176	–
Trade receivables	49,03,793	–
Unavailed leave	2,22,51,472	–
Accrued compensation to employees	2,49,47,033	–
Others	3,84,626	–
	8,07,72,100	–

2.10. Long-term loans and advances

in ₹

Particulars	As at March 31,	
	2014	2013
Housing and other loans to employees	–	1,56,219
Advance income taxes (net of provisions)	15,38,10,432	–
	15,38,10,432	1,56,219

2.11. Trade receivables

in ₹

Particulars	As at March 31,	
	2014	2013
Debts outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	87,47,251	36,65,446
Less: Provision for doubtful debts	87,47,251	36,65,446
	–	–
Other debts		
Unsecured		
Considered good	176,96,45,363	133,61,34,000
Less: Provision for doubtful debts	41,86,139	1,51,35,154
	176,54,59,224	132,09,98,846

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer from the invoice date, as at the Balance Sheet date. The Company pursues the recovery of the dues, in part or full.

2.12. Cash and cash equivalents

in ₹

Particulars	As at March 31,	
	2014	2013
Balances with banks		
In current accounts	41,17,01,839	123,64,15,195
	41,17,01,839	123,64,15,195

The details of balances as on Balance Sheet dates with banks are as follows:

in ₹

Particulars	As at March 31,	
	2014	2013
In current accounts		
Bank of America, U.S.	40,29,76,943	123,64,15,195
Royal Bank of Canada	87,24,896	–
Total cash and cash equivalents as per Balance Sheet	41,17,01,839	123,64,15,195

2.13. Short-term loans and advances

in ₹

Particulars	As at March 31,	
	2014	2013
Unsecured, considered good		
Others		
Prepaid expenses	47,24,710	34,07,212
For supply of goods and rendering of services	12,15,990	6,38,342
Withholding and other taxes receivable	1,91,07,413	30,663
Others[(1)]	5,18,309	49,98,592
	2,55,66,422	90,74,809
Unbilled revenues	79,78,82,299	35,88,64,459
Loans and advances to employees		
Housing and other loans	15,026	–
Salary advances	36,98,862	15,88,472
	82,71,62,609	36,95,27,740
Unsecured, considered doubtful		
Loans and advances to employees	2,61,220	1,25,450
	82,74,23,829	36,96,53,190
Less: Provision for doubtful loans and advances to employees	2,61,220	1,25,450
	82,71,62,609	36,95,27,740
[(1)] *Includes dues from holding company (Refer to Note 2.18)*	5,18,309	49,98,592

2.14. Income from software services and products

in ₹

Particulars	Year ended March 31,	
	2014	2013
Income from software services	1049,60,59,795	602,09,28,283
	1049,60,59,795	602,09,28,283

2.15. Other income

in ₹

Particulars	Year ended March 31,	
	2014	2013
Interest received on deposits with banks and others	–	21,324
Gains / (losses) on foreign currency, net	(14,45,004)	(52,845)
	(14,45,004)	(31,522)

2.16. Expenses

in ₹

Particulars	Year ended March 31,	
	2014	2013
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	157,45,83,113	112,08,44,331
Staff welfare	37,22,472	22,41,715
	157,83,05,585	112,30,86,046
Cost of technical sub-contractors		
Technical sub-contractors – subsidiaries	577,89,97,245	439,26,58,661
Technical sub-contractors – others	167,05,28,928	33,44,25,133
	744,95,26,173	472,70,83,794
Travel expenses		
Travelling and conveyance	10,49,81,972	7,97,25,927
	10,49,81,972	7,97,25,927
Cost of software packages and others		
For own use	6,65,43,379	(12,02,273)
	6,65,43,379	(12,02,273)
Communication expenses		
Telephone charges	34,77,414	25,21,628
Communication expenses	21,55,034	–
	56,32,448	25,21,628
Other expenses		
Office maintenance	24,40,504	2,11,958
Brand building	67,11,457	52,89,402
Rent	1,78,56,382	1,06,15,856
Rates and taxes, excluding taxes on income	31,54,383	21,61,156
Consumables	1,08,409	2,24,681
Insurance charges	97,78,108	26,46,498
Marketing expenses	74,49,545	61,16,702
Printing and Stationery	7,16,626	16,60,670
Professional membership and seminar participation fees	7,36,449	7,12,461
Postage and courier	3,52,895	75,576
Advertisements	–	(2,61,750)
Provision for post-sales client support and warranties	4,46,83,644	29,312
Commission to non-whole time directors	60,74,501	54,54,001
Provision for bad and doubtful debts and advances	(49,79,465)	1,90,12,011
Books and periodicals	–	26,250
Donations	16,58,898	19,62,717
Miscellaneous expenses	(99,396)	5,40,801
	9,66,42,941	5,64,78,302

2.17. Tax expense

in ₹

Particulars	Year ended March 31,	
	2014	2013
Current tax		
Income taxes	15,04,35,213	19,81,069
Deferred taxes	(8,15,00,020)	–
	6,89,35,193	19,81,069

2.18. Related party transactions

List of related parties:

Name of Holding Company	Country	As at March 31,	
		2014	2013
Infosys Limited	India	100%	100%

Name of Fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Shanghai	China
Infosys Brasil	Brazil
Infosys Consulting India Limited (1)	India
Infosys Americas (2)	U.S.
Edgeverve Systems Limited (14)	India
Infosys BPO s. r. o (3)	Czech Republic
Infosys BPO (Poland) Sp. z o.o.(3)	Poland
Infosys McCamish Systems LLC (Formerly known as McCamish Systems LLC) (3)	U.S.
Portland Group Pty. Ltd (3)(4)	Australia
Portland Procurement Services Pty. Ltd (10)	Australia
Infosys BPO S. de R.L. de C.V (14)(3)	Mexico
Infosys Australia (5)	Australia
Lodestone Holding AG (6)	Switzerland
Lodestone Management Consultants (Canada) Inc. (7)(13)	Canada
Lodestone Management Consultants Inc. (7)	U.S.
Lodestone Management Consultants Pty. Limited (7)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (7)(8)	Thailand
Lodestone Management Consultants AG (7)	Switzerland
Lodestone Augmentis AG (12)	Switzerland
Hafner Bauer & Ödman GmbH (7)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (9)	Belgium
Lodestone Management Consultants GmbH (7)	Germany
Lodestone Management Consultants Pte Ltd. (7)	Singapore
Lodestone Management Consultants SAS (7)	France
Lodestone Management Consultants s.r.o. (7)	Czech Republic
Lodestone Management Consultants GmbH (7)	Austria
Lodestone Management Consultants China Co., Ltd. (7)	China
Lodestone Management Consultants Ltd. (7)	U.K.
Lodestone Management Consultants B.V. (7)	Netherlands
Lodestone Management Consultants Ltda. (9)	Brazil
Lodestone Management Consultants sp. z o.o. (7)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. (7)	Portugal
S.C. Lodestone Management Consultants S.R.L. (7)	Romania
Lodestone Management Consultants S.R.L. (7)(11)	Argentina

[1] *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL), with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012*
[2] *Incorporated effective June 25, 2013*
[3] *Wholly-owned subsidiaries of Infosys BPO.*
[4] *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*
[5] *Under liquidation*
[6] *On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG*
[7] *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
[8] *Liquidated effective February 14, 2013*
[9] *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
[10] *Wholly-owned subsidiary of Portland Group Pty. Ltd*
[11] *Incorporated effective January 10, 2013*
[12] *Wholly-owned subsidiary of Lodestone Management Consultants AG*
[13] *Liquidated effective December 31, 2013*
[14] *Incorporated effective February 14,2014*

The details of amounts due to or due from as at March 31, 2014 and March 31, 2014 are as follows:

in ₹

Particulars	As at March 31,	
	2014	2013
Unsecured loan		
Infosys Limited	–	68,46,48,959
Other receivables		
Infosys Limited	5,18,308	49,98,592
Trade payables		
Infosys Limited	98,16,01,611	159,17,66,775
Provision for expenses		
Infosys BPO Limited	4,51,52,130	–
Other payables		
Infosys Limited	1,90,44,643	32,26,698

The details of the related party transactions entered into by the Company for the year ended March 31, 2014 and March 31, 2013 are as follows:

in ₹

Particulars	As at March 31,	
	2014	2013
Capital transactions		
Financing Transaction-Equity		
Infosys Limited	74,90,00,000	–
Loans		
Infosys Limited	(74,90,00,000)	68,46,48,959
Revenue transactions		
Purchase of services		
Infosys Limited	576,52,24,661	439,26,58,661
Interest expense		
Infosys Limited	4,54,34,069	–

2.19. Research and development expenditure

In ₹

Particulars	As at March 31,	
	2014	2013
R&D Expenditure		
Revenue	36,55,981	1,04,31,266
	36,55,981	1,04,31,266

2.20. Segment reporting

The Company's operations predominantly relate to providing end-to-end business solutions thereby enabling clients to enhance business performance, delivered to customers globally operating in various industry segments. Effective year ended March 31, 2014, the Group reorganized its business to increase its client focus. Consequent to the internal reorganization there were changes effected in the reportable segments based on the "management approach", as laid down in AS 17, Segment reporting. The Chief Executive Officer evaluates the Group's performance and allocates resources based on an analysis of various performance indicators by industry classes and geographic segmentation of customers. Accordingly, segment information has been presented both along industry classes and geographic segmentation of customers, industry being the primary segment. The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the significant accounting policies.

Industry segments for the Group are primarily enterprises in Financial Services and Insurance (FSI), enterprises in Manufacturing (MFG), enterprises in the Energy & Utilities, Communications and Services (ECS), enterprises in Retail, Consumer Packaged Goods and Logistics (RCL), and Life Sciences and Healthcare. Geographic segmentation is based on business sourced from that geographic region and delivered from both on-site and off-shore. North America comprises the United States of America, Canada and Mexico, Europe includes continental Europe (both the east and the west), Ireland and the United Kingdom, and the Rest of the World comprising all other places except those mentioned above and India. Consequent to the above change in the composition of reportable segments, the prior year comparatives have been restated.

Revenue and identifiable operating expenses in relation to segments are categorized based on items that are individually identifiable to that segment. Allocated expenses of segments include expenses incurred for rendering services from the Company's offshore software development centers and on-site expenses, which are categorized in relation to the associated turnover of the segment. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying assets are used interchangeably. Management believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and adjusted against the total income of the group.

Fixed assets used in the Group's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. Accordingly, no disclosure relating to total segment assets and liabilities are made. Geographical information on revenue and industry revenue information is collated based on individual customers invoiced or in relation to which the revenue is otherwise recognized.

Industry Segments

Year ended March 31, 2014 and *March 31, 2013* :

in ₹

Particulars	FSI	MFG	ECS	RCL	LSH	Total
Income from software services and products	35,91,68,834	15,02,78,344	5,70,30,398	1,20,95,731	991,74,86,488	1049,60,59,795
	5,10,62,276	*4,05,19,403*	*94,23,396*	*–*	*591,99,23,207*	*602,09,28,283*
Identifiable operating expenses	26,37,78,179	12,43,22,114	4,41,52,388	1,02,78,792	792,49,05,706	836,74,37,179
	4,11,86,992	*3,19,14,611*	*76,24,307*	*–*	*524,54,20,539*	*532,61,46,449*
Allocated expenses	3,50,22,000	1,46,53,410	55,60,946	11,79,436	96,70,38,830	102,34,54,622
	61,61,171	*48,89,069*	*1,13,70,26*	*–*	*71,42,97,546*	*72,64,84,812*
Segmental operating income	6,03,68,655	1,13,02,820	73,17,064	6,37,503	102,55,41,952	110,51,67,994
	37,14,114	*37,15,723*	*6,62,063*	*–*	*(3,97,94,877)*	*(3,17,02,978)*
Unallocable expenses						80,85,76,807
						6,77,31,631
Other income						(14,45,004)
						(31,521)
Profit Before Tax						29,51,46,193
						(9,94,66,129)
Tax expense						6,89,35,193
						19,81,069
Profit for the period						22,62,10,990
						(10,14,47,199)

Geographic Segments

Year ended March 31, 2014 and *March 31, 2013* :

in ₹

Particulars	North America	Rest of the World	Total
Income from software services and products	1049,60,59,795	–	1049,60,59,795
	601,91,78,494	*17,49,789*	*602,09,28,283*
Identifiable operating expenses	836,74,37,179	–	836,74,37,179
	532,58,66,485	*2,79,964*	*532,61,46,449*
Allocated expenses	102,34,54,622	–	102,34,54,622
	72,62,73,682	*2,11,130*	*72,64,84,812*
Segmental operating income	110,51,67,994	–	10,51,67,994
	(3,29,61,673)	*12,58,695*	*(3,17,02,978)*
Unallocable expenses			80,85,76,807
			6,77,31,631
Other income, net			(14,45,004)
			(31,521)
Profit Before Tax			29,51,46,183
			(9,94,66,130)
Tax expense			6,89,35,193
			19,81,069
Profit for the period			22,62,10,990
			(10,14,47,199)

2.21. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended March 31,	
	2014	2013
Income from software services and products	1049,60,59,795	6020928,283
Software development expenses	870,08,70,500	553,83,84,070
GROSS PROFIT	179,51,89,295	48,25,44,213
Selling and marketing expenses	45,92,62,743	35,13,42,104
General and administration expenses	23,07,58,560	16,29,05,087
	69,00,21,303	51,42,47,191
OPERATING PROFIT BEFORE DEPRECIATION & INTEREST	110,51,67,992	(3,17,02,978)
Interest Expenses	4,54,34,069	60,08,568
Depreciation and amortization	76,31,42,737	6,17,23,061
OPERATING PROFIT	29,65,91,186	(9,94,34,607)
Other income	(14,45,004)	(31,521)
PROFIT BEFORE TAX	29,51,46,182	(9,94,66,130)
Tax expense		
Current tax	15,04,35,213	19,81,069
Deferred tax	(8,15,00,020)	–
PROFIT FOR THE PERIOD	22,62,10,990	(10,14,47,200)

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath *Partner* Membership Number : 202841	Prof. Jeffrey S. Lehman *Chairman*	Eric Paternoster *CEO and President*	Prasad Thrikutam *Director*

Bangalore
April 9, 2014

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Infosys Technologies (Australia) Pty. Limited

Independent Auditors' Report

To the Members of Infosys Technologies Australia Pty. Limited

Report on the Financial Statements

We have audited the accompanying financial statement of Infosys Technologies Australia Pty. Limited ('the Company') which comprises the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
2) In the case of the Statement of Profit and Loss, of the Profit for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bangalore
April 9, 2014

Balance Sheet

in ₹

Particulars	Note	As at March 31, 2014	As at March 31, 2013
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	4,36,92,227	4,36,92,227
Reserves and surplus	2.2	34,81,91,973	35,30,48,176
		39,18,84,200	39,67,40,403
CURRENT LIABILITIES			
Other current liabilities	2.3	1,00,41,210	39,08,224
Short-term provisions	2.4	70,40,307	6,32,45,472
		1,70,81,517	6,71,53,696
		40,89,65,717	46,38,94,099
ASSETS			
NON-CURRENT ASSETS			
Long-term loans and advances	2.6	3,67,55,196	11,97,94,739
		3,67,55,196	11,97,94,739
CURRENT ASSETS			
Cash and cash equivalents	2.7	37,16,51,944	34,40,99,360
Short-term loans and advances	2.8	5,58,576	–
		37,22,10,520	34,40,99,360
		40,89,65,717	46,38,94,099
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

B. G. Srinivas
Chairman

Jackie Korhonen
Chief Executive Officer and Managing Director

Srinath Batni
Director

Bangalore
April 9, 2014

Dheeshjith V. G.
Director

U. B. Pravin Rao
Director

Statement of Profit and Loss

in ₹, except per share data

Particulars	Note	Year ended March 31, 2014	Year ended March 31, 2013
Income from software services		–	2,34,19,197
Other income	2.9	2,67,18,748	2,28,91,070
Total revenue		2,67,18,748	4,63,10,267
Expenses			
Employee benefit expenses	2.10	–	89,20,301
Cost of technical sub-contractors		–	(1,52,90,892)
Travel expenses	2.10	–	2,02,60,078
Cost of software packages and others	2.10	–	3,88,035
Communication expenses	2.10	–	15,71,909
Professional charges		96,35,449	(1,63,74,498)
Other expenses	2.10	(4,57,240)	(83,45,740)
Total expenses		91,78,209	(88,70,806)
PROFIT BEFORE TAX		1,75,40,539	5,51,81,073
Tax expense			
Current tax	2.11	1,30,52,219	87,57,330
Deferred tax	2.11	–	2,93,22,573
PROFIT FOR THE PERIOD		44,88,320	1,71,01,169
EARNINGS PER EQUITY SHARE			
Equity shares of par value ₹5/- each			
Basic		0.44	1.69
Diluted		0.44	1.69
Number of shares used in computing earnings per share	2.14		
Basic		1,01,08,869	1,01,08,869
Diluted		1,01,08,869	1,01,08,869
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
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Director

Bangalore
April 9, 2014

Dheeshjith V. G.
Director

U. B. Pravin Rao
Director

Cash Flow Statement

in ₹

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	1,75,40,539	5,51,81,073
Adjustments to reconcile Profit Before Tax to cash provided by operating activities		
Interest and dividend income	(1,15,29,164)	(1,68,88,287)
Effect of exchange differences on translation of assets and liabilities	(93,44,523)	6,35,30,191
Changes in assets and liabilities		
Trade receivables	–	83,96,96,612
Loans and advances and other assets	(1,20,429)	16,93,34,663
Liabilities and provisions	61,32,986	(1,40,58,89,621)
	26,79,409	(29,50,35,369)
Income taxes paid	1,37,82,158	19,76,72,188
NET CASH GENERATED BY / (USED) IN OPERATING ACTIVITIES	1,64,61,568	(9,73,63,181)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment towards capital expenditure (including intangible assets)	–	8,68,702
Proceeds from sale of fixed assets	–	26,65,15,094
Interest and dividend received	1,10,91,017	4,83,20,825
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	1,10,91,017	31,57,04,620
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	–	(83,29,50,000)
NET CASH GENERATED BY / (USED) IN FINANCING ACTIVITIES	–	(83,29,50,000)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	2,75,52,584	(61,46,08,561)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	34,40,99,360	95,87,07,921
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	37,16,51,944	34,40,99,360

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

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Chief Executive Officer and Managing Director

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Director

Bangalore
April 9, 2014

Dheeshjith V. G.
Director

U. B. Pravin Rao
Director

Significant accounting policies and notes on accounts

Company overview

Infosys Technologies (Australia) Pty. Limited (Infosys Australia) is a wholly-owned subsidiary of Infosys Limited. The Company provides end-to-end business solutions that leverage technology, thereby enabling its clients to enhance business performance. The Company's operations are aimed at providing solutions that span the entire software lifecycle encompassing technical consulting, design, development, re-engineering, maintenance, systems integration, package evaluation and implementation, testing and infrastructure management services. The Company is of a kind referred to in Class Order 98/0100 dated July 10, 1998 (updated by CO 05/641 effective July 28, 2005 and CO 06/51 effective January 31, 2006), issued by the Australian Securities & Investments Commission.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from April 1 to March 31.

1.2. Basis of preparation of financial statements

On July 4, 2012 the board of directors of Infosys Australia, have passed a resolution approving in principle the transfer of assets and liabilities to Infosys Limited effective April 1, 2012. Infosys Australia is currently being Liquidated. Accordingly these financial statements have not been prepared on a going concern basis. Instead, these financial statements have been prepared on a liquidation basis. Assets and liabilities are presented as current. Assets have been recorded at their realizable value and liabilities recorded at their known estimated settlement value.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous period figures

The previous period's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Revenue recognition

Revenue is primarily derived from software development and related services and from the licensing of software products. Arrangements with customers for software development and related services are either on a fixed-price, fixed-timeframe, or on a time-and-material basis.

Revenue on time-and-material contracts are recognized as the related services are performed and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues. Revenue from fixed-price and fixed-timeframe contracts, where there is no uncertainty as to measurement or collectability of consideration, is recognized based upon the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Cost and earnings in excess of billings are classified as unbilled revenue while billings in excess of cost and earnings is classified as unearned revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates.

Annual Technical Services revenue and revenue from fixed-price maintenance contracts are recognized ratably over the period in which services are rendered. Revenue from the sale of user licenses for software applications is recognized on transfer of the title in the user license, except in case of multiple element contracts, which require significant implementation services, where revenue for the entire arrangement is recognized over the implementation period based upon the percentage-of-completion method. Revenue from client training, support and other services arising due to the sale of software products is recognized as the related services are performed.

The Company accounts for volume discounts and pricing incentives to customers as a reduction of revenue based on the ratable allocation of the discount / incentive amount to each of the underlying revenue transactions that result in progress by the customer towards earning the discount / incentive. Also, when the level of discount varies with increases in levels of revenue transactions, the Company recognizes the liability based on its estimate of the customer's future purchases. If it is probable that the criteria for the discount will not be met, or if the amount thereof cannot be estimated reliably, then discount is not recognized until the payment is probable and the amount can be estimated reliably. The Company recognizes changes in the estimated amount of obligations for discounts using a cumulative catchup approach. The discounts are passed on to the customer either as direct payments or as a reduction of payments due from the customer.

The Company presents revenues net of value-added taxes in its Statement of Profit and Loss

1.6. Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by the best estimate of the outflow of economic benefits required to settle the obligation at the reporting date. Where no reliable estimate can be made, a disclosure is made as contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

1.7. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.8. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. Minimum Alternate

Tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of tax credit against future income tax liability, is recognized as an asset in the Balance Sheet if there is convincing evidence that the Company will pay normal tax after the tax holiday period and that the resultant asset can be measured reliably. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. Tax benefits of deductions earned on exercise of employee share options in excess of compensation charged to Statement of Profit and Loss are credited to the share premium account.

1.9. Earnings per share

Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value which is the average market value of the outstanding shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

The number of shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for any share splits and bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

1.10. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

2. Notes on accounts for the year ended March 31, 2014

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at March 31,	
	2014	2013
Authorized		
1,01,08,869 equity shares of AUD 0.11 par value	4,36,92,227	4,36,92,227
Issued, subscribed and paid-up		
1,01,08,869 (1,01,08,869) equity shares of AUD 0.11 par value, fully paid up	4,36,92,227	4,36,92,227
	4,36,92,227	4,36,92,227

2.2. Reserves and surplus

in ₹

Particulars	As at March 31,	
	2014	2013
Foreign currency translation reserve – opening balance	181,64,21,208	191,72,61,171
Less: Translation difference		16,43,70,154
Add: Foreign currency translation during the year	(93,44,523)	6,35,30,191
Foreign currency translation reserve – closing balance	180,70,76,685	181,64,21,208
General reserve – opening balance	–	21,79,30,925
Less: Interim dividend	–	38,23,01,079
Add: Translation difference		16,43,70,154
	–	–
Surplus – opening balance	(146,33,73,032)	(102,98,25,280)
Add: Net profit after tax transferred from Statement of Profit and Loss	44,88,320	1,71,01,169
Amount available for appropriation	(145,88,84,712)	(101,27,24,111)
Appropriations		
Interim dividend	–	45,06,48,921
Surplus – closing balance	(145,88,84,712)	(146,33,73,032)
	34,81,91,973	35,30,48,176

2.3. Other current liabilities

in ₹

Particulars	As at March 31,	
	2014	2013
Other liabilities		
Provision for expenses	1,00,41,777	39,09,294
Withholding and other taxes payable	(566)	(1,070)
	1,00,41,210	39,08,224

2.4. Short-term provisions

in ₹

Particulars	As at March 31,	
	2014	2013
Provision for		
Income taxes	70,40,307	6,32,45,472
	70,40,307	6,32,45,472

2.5. Leases

Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the year and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	Year ended March 31,	
	2014	2013
Lease rentals recognized during the year	–	(5,02,549)

The operating lease arrangements are renewable on a periodic basis and for most of the leases extend up to a maximum of 10 years from their respective dates of inception and relate to rented premises. Some of these lease agreements have price escalation clauses.

2.6. Long-term loans and advances

in ₹

Particulars	As at March 31,	
	2014	2013
Other loans and advances		
Advance income taxes	3,67,55,196	11,97,94,739
	3,67,55,196	11,97,94,739

2.7. Cash and cash equivalents

in ₹

Particulars	As at March 31,	
	2014	2013
Cash on hand	–	–
Balances with banks		
In current and deposit accounts	37,16,51,944	34,40,99,360
	37,16,51,944	34,40,99,360

The deposits maintained by the Company with banks comprise of time deposits, which can be withdrawn by the Company at any point without prior notice or penalty on the principal.

The details of balances as on Balance Sheet date with banks are as follows:

in ₹

Particulars	As at March 31,	
	2014	2013
In current accounts		
Citigroup Pty. Limited	35,93,372	33,17,84,281
Citibank N.A., New Zealand	19,32,718	1,23,15,079
	55,26,091	34,40,99,360
In deposit accounts		
National Australia Bank Limited	36,61,25,853	–
	36,61,25,853	–
Total cash and cash equivalents as per Balance Sheet	37,16,51,944	34,40,99,360

2.8. Short-term loans and advances

in ₹

Particulars	As at March 31,	
	2014	2013
Unsecured, considered good		
Others		
Advances		
Withholding and other taxes receivable	1,20,429	–
Interest accrued but not due	4,38,147	–
	5,58,576	–

2.9. Other income

in ₹

Particulars	Year ended March 31,	
	2014	2013
Interest received on deposits with banks and others	1,15,29,164	1,68,88,287
Gains / (losses) on foreign currency, net	1,51,89,584	60,02,783
	2,67,18,748	2,28,91,070

2.10. Expenses

in ₹

Particulars	Year ended March 31,	
	2014	2013
Employee benefit expenses		
Salaries and bonus	–	94,86,032
Staff welfare	–	(5,65,731)
	–	89,20,301
Travel expenses		
Overseas travel expenses	–	1,91,51,097
Travelling and conveyance	–	11,08,981
	–	2,02,60,078
Cost of software packages and others		
For own use	–	3,88,035
	–	3,88,035
Communication expenses		
Telephone charges	–	33,76,050
Communication expenses	–	(18,04,141)
	–	15,71,909

in ₹

Particulars	Year ended March 31,	
	2014	2013
Other expenses		
Office maintenance	–	(36,90,694)
Power and fuel	–	5,07,331
Brand building	–	(24,115)
Rent	–	(5,02,549)
Rates and taxes, excluding taxes on income	(5,95,140)	(11,69,880)
Repairs to building	–	(36,659)
Repairs to plant and machinery	(28)	(20,80,642)
Computer maintenance	–	(8,92,225)
Consumables	–	(5,63,515)
Insurance charges	–	(34,253)
Marketing expenses	–	(47,246)
Printing and stationery	–	(1,66,952)
Professional membership and seminar participation fees	–	10,52,235
Postage and courier	–	(2,17,682)
Provision for bad and doubtful debts and advances	–	(30,41,984)
Books and periodicals	–	(17,289)
Auditor's remuneration		
Statutory audit fees	1,37,928	11,98,048
Bank charges	–	13,86,929
Others	–	(4,598)
	(4,57,240)	(83,45,740)

2.11. Tax expense

in ₹

Particulars	Year ended March 31,	
	2014	2013
Current tax		
Income taxes	1,30,52,219	87,57,330
Deferred taxes	–	2,93,22,573
	1,30,52,219	3,80,79,903

2.12. Related party transactions

List of related parties:

Name of Holding Company	Country	Holding as at March 31,	
		2014	2013
Infosys Limited	India	100%	100%

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Shanghai	China
Infosys Brasil	Brazil
Infosys Public Services, Inc.	U.S.
Infosys Consulting India Limited (1)	India
Infosys Americas (2)	U.S.
Infosys BPO s. r. o (3)	Czech Republic
Infosys BPO (Poland) Sp. z o.o. (3)	Poland
Infosys McCamish Systems LLC (formerly known as McCamish Systems LLC) (3)	U.S.
Infosys BPO S. de R.L. de C.V (3)(13)	Mexico
Portland Group Pty. Ltd (3)(4)	Australia
Portland Procurement Services Pty. Ltd (9)	Australia
Lodestone Holding AG (5)	Switzerland
Lodestone Management Consultants (Canada) Inc. (6)(12)	Canada
Lodestone Management Consultants Inc. (6)	U.S.
Lodestone Management Consultants Pty. Limited (6)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (6)(7)	Thailand
Lodestone Management Consultants AG (6)	Switzerland
Lodestone Augmentis AG (11)	Switzerland
Hafner Bauer & Ödman GmbH (6)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (8)	Belgium
Lodestone Management Consultants GmbH (6)	Germany
Lodestone Management Consultants Pte Ltd. (6)	Singapore
Lodestone Management Consultants SAS (6)	France
Lodestone Management Consultants s.r.o. (6)	Czech Republic
Lodestone Management Consultants GmbH (6)	Austria
Lodestone Management Consultants China Co., Ltd. (6)	China
Lodestone Management Consultants Ltd. (6)	U.K.
Lodestone Management Consultants B.V. (6)	Netherlands
Lodestone Management Consultants Ltda. (8)	Brazil
Lodestone Management Consultants sp. z o.o. (6)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. (6)	Portugal
S.C. Lodestone Management Consultants S.R.L. (6)	Romania
Lodestone Management Consultants S.R.L. (6)(10)	Argentina
Edgeverve Systems Limited (13)	India

(1) *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012.*
(2) *Incorporated effective June 25, 2013*
(3) *Wholly-owned subsidiaries of Infosys BPO.*
(4) *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*
(5) *On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG*
(6) *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(7) *Liquidated effective February 14, 2013*
(8) *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(9) *Wholly-owned subsidiary of Portland Group Pty. Ltd*
(10) *Incorporated effective January 10, 2013*
(11) *Wholly-owned subsidiary of Lodestone Management Consultants AG*
(12) *Liquidated effective December 31, 2013*
(13) *Incorporated effective February 14,2014*

The details of the related party transactions entered into by the Company for the year ended March 31, 2014 and March 31, 2013 are as follows:

in ₹

Particulars	Year ended March 31,	
	2014	2013
Revenue transactions		
Purchase of services		
Infosys Limited	–	68,73,931
Infosys China	–	–
Sale of services		
Infosys Limited	–	1,96,99,920
Dividend paid		
Infosys Limited	–	83,29,50,000

2.13. Segment reporting

The Company's operations predominantly relate to providing end-to-end business solutions thereby enabling clients to enhance business performance, delivered to customers globally operating in various industry segments. Effective quarter ended June 30, 2011, the Group reorganized its business to increase its client focus. Consequent to the internal reorganization there were changes effected in the reportable segments based on the "management approach", as laid down in AS 17, Segment Reporting. The Chief Executive Officer evaluates the Group's performance and allocates resources based on an analysis of various performance indicators by industry classes and geographic segmentation of customers. Accordingly, segment information has been presented both along industry classes and geographic segmentation of customers, industry being the primary segment. The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the significant accounting policies.

Industry segments for the Group are primarily Financial Services and Insurance (FSI) comprising enterprises providing banking, finance and insurance services, enterprises in Manufacturing (MFG), enterprises in the Energy & Utilities, Communications and Services (ECS) and enterprises in Retail, Consumer Packaged Goods, Logistics and Life Sciences (RCL). Geographic segmentation is based on business sourced from that geographic region and delivered from both on-site and off-shore. North America comprises the United States of America, Canada and Mexico, Europe includes continental Europe (both the east and the west), Ireland and the United Kingdom, and the Rest of the World comprises all other places except those mentioned above and India. Consequent to the above change in the composition of reportable segments, the prior year comparatives have been restated.

Revenue and identifiable operating expenses in relation to segments are categorized based on items that are individually identifiable to that segment. Allocated expenses of segments include expenses incurred for rendering services from the Company's offshore software development centers and on-site expenses, which are categorized in relation to the associated turnover of the segment. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying assets are used interchangeably. Management believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and adjusted against the total income of the Group.

Fixed assets used in the Group's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. Accordingly, no disclosure relating to total segment assets and liabilities are made. Geographical information on revenue and industry revenue information is collated based on individual customers invoiced or in relation to which the revenue is otherwise recognized.

Industry segments

Year ended March 31, 2014 and *March 31, 2013* :

in ₹

Particulars	FSI	MFG	ECS	RCL	Total
Income from software services and products	–	–	–	–	–
	1,50,49,676	*1,24,69,440*	*(55,69,301)*	*14,69,382*	*2,34,19,197*
Identifiable operating expenses	–	–	–	–	–
	(9,75,616)	*53,96,868*	*(79,82,490)*	*27,17,914*	*(8,43,324)*
Allocated expenses	–	–	91,78,209	–	91,78,209
	(51,58,631)	*(42,74,194)*	*19,09,009*	*(5,03,665)*	*(80,27,481)*
Segmental operating income	–	–	(91,78,209)	–	(91,78,209)
	2,11,83,923	*1,13,46,766*	*5,04,180*	*(7,44,867)*	*3,22,90,002*
Unallocable expenses					–
					–
Other income					2,67,18,748
					2,28,91,070
Profit Before Tax					1,75,40,539
					5,51,81,072
Tax expense					1,30,52,219
					3,80,79,903
Profit for the period					44,88,320
					1,71,01,169

Geographic segments

Year ended March 31, 2014 and *March 31, 2013* :

in ₹

Particulars	North America	Europe	India	Rest of the World	Total
Income from software services and products	–	–	–	–	–
	–	–	–	*2,34,19,197*	*2,34,19,197*
Identifiable operating expenses	–	–	–	–	–
	1,19,709	*31,173*	–	*(9,94,206)*	*(8,43,324)*
Allocated expenses	–	–	–	91,78,209	91,78,209
	–	–	–	*(80,27,481)*	*(80,27,481)*
Segmental operating income	–	–	–	(91,78,209)	(91,78,209)
	(1,19,709)	*(31,173)*	–	*3,24,40,884*	*3,22,90,002*
Unallocable expenses					–
					–
Other income, net					2,67,18,748
					2,28,91,070
Profit Before Tax					1,75,40,539
					5,51,81,072
Tax expense					1,30,52,219
					3,80,79,903
Profit for the period					44,88,320
					1,71,01,169

2.14. Reconciliation of basic and diluted shares used in computing earnings per share

in ₹

Particulars	Year ended March 31,	
	2014	2013
Number of shares considered as basic weighted average shares outstanding	1,01,08,869	1,01,08,869
Add: Effect of dilutive issues of shares / stock options	–	–
Number of shares considered as weighted average shares and potential shares outstanding	1,01,08,869	1,01,08,869

2.15. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended March 31,	
	2014	2013
Income from software services and products	–	2,34,19,197
Software development expenses	–	(39,42,962)
GROSS PROFIT	–	2,73,62,159
Selling and marketing expenses	–	65,66,996
General and administration expenses	91,78,209	(1,14,94,839)
	91,78,209	(49,27,843)
OPERATING PROFIT	(91,78,209)	3,22,90,002
Other income	2,67,18,748	2,28,91,070
PROFIT BEFORE TAX	1,75,40,539	5,51,81,072
Tax expense		
Current tax	1,30,52,219	87,57,330
Deferred tax	–	2,93,22,573
PROFIT FOR THE PERIOD	44,88,320	1,71,01,169

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

B. G. Srinivas
Chairman

Jackie Korhonen
Chief Executive Officer and Managing Director

Srinath Batni
Director

Bangalore
April 9, 2014

Dheeshjith V. G.
Director

U. B. Pravin Rao
Director

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Infosys Technologies (China) Co. Limited

Independent Auditors' Report

To the Members of Infosys Technologies (China) Co. Limited

Report on the Financial Statements

We have audited the accompanying financial statement of Infosys Technologies (China) Co. Limited ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number: 006673S

M. Rathnakar Kamath
Partner
Membership Number: 202841

Bangalore
January 6, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31, 2013	As at December 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	106,34,07,042	1,06,34,07,042
Reserves and surplus	2.2	62,89,01,714	41,93,90,140
		169,23,08,756	1,48,27,97,182
CURRENT LIABILITIES			
Trade payables	2.4	20,99,00,929	16,47,62,119
Other current liabilities	2.5	67,41,84,544	58,18,68,533
Short-term provisions	2.6	13,08,27,405	8,47,15,404
		101,49,12,878	83,13,46,056
		270,72,21,634	2,31,41,43,238
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	28,20,69,132	38,99,26,238
		28,20,69,132	38,99,26,238
Deferred tax assets (net)	2.3	18,04,48,681	14,43,41,976
Long-term loans and advances	2.9	6,55,21,931	15,17,07,935
		52,80,39,744	68,59,76,149
CURRENT ASSETS			
Trade receivables	2.10	108,89,97,251	76,30,91,559
Cash and cash equivalents	2.11	62,98,18,530	64,05,80,636
Short-term loans and advances	2.12	46,03,66,109	22,44,94,894
		217,91,81,890	1,62,81,67,089
		270,72,21,634	2,31,41,43,238
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Chandrashekar Kakal
Chairman

Prasad Thrikutam
Director

Dheeshjith V. G.
Director

Bangalore
January 6, 2014

Srinath Batni
Director

Rangarajan V. R.
Director

Statement of Profit and Loss

in ₹,

Particulars	Note	Year ended December 31, 2013	Year ended December 31, 2012
Income from software services and products	2.13	683,98,15,689	556,16,57,986
Other income	2.14	9,29,82,429	7,26,36,937
Total revenue		693,27,98,118	563,42,94,923
Expenses			
Employee benefit expenses	2.15	546,72,53,428	432,78,42,830
Cost of technical sub-contractors	2.15	17,38,21,444	5,57,86,941
Travel expenses	2.15	25,13,47,114	21,29,07,962
Cost of software packages and others	2.15	87,43,626	83,93,348
Communication expenses	2.15	18,67,63,270	14,73,26,788
Professional charges		13,12,18,289	12,19,51,015
Interest expenses		–	26,99,134
Depreciation and amortization expenses		23,93,04,371	48,04,74,024
Other expenses	2.15	50,85,50,291	52,91,86,011
Total expenses		696,70,01,833	588,65,68,053
PROFIT BEFORE TAX		(3,42,03,715)	(25,22,73,130)
Tax expense			
Current tax	2.16	–	(7,86,47,059)
Deferred tax	2.16	(1,43,27,182)	(2,97,59,659)
PROFIT FOR THE PERIOD		(1,98,76,533)	(14,38,66,412)
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

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Director

Dheeshjith V. G.
Director

Bangalore
January 6, 2014

Srinath Batni
Director

Rangarajan V. R.
Director

Cash Flow Statement

in ₹

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	(3,42,03,715)	(25,22,73,130)
Adjustments to reconcile Profit Before Tax to cash provided by operating activities		
Depreciation and amortization expenses	23,93,04,371	48,04,74,024
Interest and dividend income	(73,70,904)	(35,73,755)
Effect of exchange differences on translation of assets / liabilities	16,35,37,640	6,36,03,594
Changes in assets and liabilities		
Trade receivables	(32,59,05,692)	16,16,00,297
Loans and advances and other assets	(24,85,17,819)	(9,03,87,281)
Liabilities and provisions	18,34,92,942	13,56,15,268
	(2,96,63,177)	49,50,59,017
Income taxes paid	9,88,32,608	6,15,34,475
NET CASH GENERATED BY OPERATING ACTIVITIES	6,91,69,431	55,65,93,492
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment towards capital expenditure (including intangible assets)	(8,73,02,441)	(20,01,24,742)
Interest and dividend received	73,70,904	35,73,755
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	(7,99,31,537)	(19,65,50,987)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loan from parent	–	(26,95,99,474)
	–	(26,95,99,474)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,07,62,106)	9,04,43,031
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	64,05,80,636	55,01,37,605
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	62,98,18,530	64,05,80,636

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Chandrashekar Kakal
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Prasad Thrikutam
Director

Dheeshjith V. G.
Director

Bangalore
January 6, 2014

Srinath Batni
Director

Rangarajan V. R.
Director

Significant accounting policies and notes on accounts

Company overview

Infosys Technologies (China) Co. Limited (Infosys China) is a wholly-owned subsidiary of Infosys Limited. The Company provides end-to-end business solutions that leverage technology, thereby enabling its clients to enhance business performance.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is the INR.

1.4. Previous period figures

The previous period's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

Revenue is primarily derived from software development and related services. Arrangements with customers for software development and related services are either on a fixed-price, fixed-timeframe or on a time-and-material basis.

Revenue on time-and-material contracts are recognized as the related services are performed and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues. Revenue from fixed-price and fixed-timeframe contracts, where there is no uncertainty as to measurement or collectability of consideration, is recognized based upon the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability revenue recognition is postponed until such uncertainty is resolved. Cost and earnings in excess of billings are classified as unbilled revenue while billings in excess of cost and earnings is classified as unearned revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates.

The Company accounts for volume discounts and pricing incentives to customers as a reduction of revenue based on the ratable allocation of the discount / incentive amount to each of the underlying revenue transactions that result in progress by the customer towards earning the discount / incentive. Also, when the level of discount varies with increases in levels of revenue transactions, the Company recognizes the liability based on its estimate of the customer's future purchases. If it is probable that the criteria for the discount will not be met, or if the amount thereof cannot be estimated reliably, then discount is not recognized until the payment is probable and the amount can be estimated reliably. The Company recognizes changes in the estimated amount of obligations for discounts using a cumulative catchup approach. The discounts are passed on to the customer either as direct payments or as a reduction of payments due from the customer.

The Company presents revenues net of value-added taxes in its Statement of Profit and Loss.

Profit on sale of investments is recorded on transfer of title from the Company and is determined as the difference between the sale price and carrying value of the investment. Lease rentals are recognized ratably on a straight-line basis over the lease term. Interest is recognized using the time-proportion method, based on rates implicit in the transaction. Dividend income is recognized when the Company's right to receive dividend is established.

1.7. Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by the best estimate of the outflow of economic benefits required to settle the obligation at the reporting date. Where no reliable estimate can be made, a disclosure is made as contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

1.8. Post-sales client support and warranties

The Company provides its clients with a fixed-period warranty for corrections of errors and telephone support on all its fixed-price, fixed-timeframe contracts. Costs associated with such support services are accrued at the time when related revenues are recorded and included in cost of sales. The Company estimates such costs based on historical experience and the estimates are reviewed annually for any material changes in assumptions.

1.9. Onerous contracts

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

1.10. Tangible assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises of the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

1.11. Depreciation and amortization

Depreciation on fixed assets is provided on the straight-line method over the useful lives of assets estimated by the Management. Depreciation for assets purchased / sold during a period is proportionately charged. Individual low cost assets (acquired for ₹5,000/- or less) are depreciated over a period of one year from the date of acquisition. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The Management estimates the useful lives for the other fixed assets as follows:

Buildings	15 years
Plant and machinery	5 years
Office equipment	5 years
Computer equipment	2-5 years
Furniture and fixtures	5 years
Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

1.12. Provision for impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and recognized as an expense in the income statement.

1.13. Retirement benefits to employees

Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

1.14. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.15. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. Tax benefits of deductions earned on exercise of employee share options in excess of compensation charged to Statement of Profit and Loss are credited to the share premium account.

1.16. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.17. Cash flow statement

Cash flows are reported using the indirect method, whereby Profit Before Tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

1.18. Leases

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Statement of Profit and Loss over the lease term.

1.19. Government grants

The Company recognizes government grants only when there is reasonable assurance that the conditions attached to them shall be complied with, and the grants will be received. Government grants related to depreciable assets are treated as deferred income and are recognized in the Statement of Profit and Loss on a systematic and rational basis over the useful life of the asset. Government grants related to revenue are recognized on a systematic basis in the Statement of Profit and Loss over the periods necessary to match them with the related costs which they are intended to compensate.

2. Notes on accounts for the year ended December 31, 2013

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at December 31,	
	2013	2012
Authorized		
23,000,000 (23,000,000) USD	110,46,10,000	110,46,10,000
Issued, subscribed and paid-up		
23,000,000 (23,000,000) USD	106,34,07,042	106,34,07,042
	106,34,07,042	106,34,07,042

2.2. Reserves and surplus

in ₹

Particulars	As at December 31,	
	2013	2012
Foreign currency translation reserve – opening balance	26,15,17,485	20,26,74,246
Add: Foreign currency translation during the year	22,93,88,107	5,88,43,239
Foreign currency translation reserve – closing balance	49,09,05,592	26,15,17,485
Surplus – opening balance	15,78,72,655	30,17,39,067
Add: Net profit after tax transferred from Statement of Profit and Loss	(1,98,76,533)	(14,38,66,412)
Surplus – closing balance	13,79,96,122	15,78,72,655
	62,89,01,714	41,93,90,140

2.3. Deferred taxes

in ₹

Particulars	As at December 31,	
	2013	2012
Deferred tax assets		
Fixed assets	5,44,89,240	6,16,76,949
Trade receivables	53,44,393	48,88,207
Unavailed leave	1,50,79,770	1,05,89,426
Computer software	71,75,982	71,64,206
Accrued compensation to employees	5,11,86,748	3,50,80,834
Accumulated losses	2,88,44,406	–
Others	1,83,28,142	2,49,42,354
	18,04,48,681	14,43,41,976

2.4. Trade payables[1]

in ₹

Particulars	As at December 31,	
	2013	2012
Trade payables	20,99,00,929	16,47,62,119
	20,99,00,929	16,47,62,119
[1] *Includes dues from holding company fellow subsidiaries (Refer to Note 2.18)*	4,56,58,986	3,99,33,595

2.5. Other current liabilities

in ₹

Particulars	As at December 31,	
	2013	2012
Accrued salaries and benefits		
Salaries and benefits	30,15,240	14,26,293
Bonus and incentives	40,64,78,742	27,92,20,379
Other liabilities		
Provision for expenses [1]	15,42,71,654	19,97,93,875
Retention monies	5,28,006	4,54,127
Withholding and other taxes payable	46,09,063	68,55,343
Unearned revenue	9,62,54,918	8,18,88,685
Other payables	90,26,921	1,22,29,831
	67,41,84,544	58,18,68,533
[1] *Includes provision from fellow subsidiaries (Refer to Note 2.18)*	76,90,809	2,55,036

2.6. Short-term provisions

in ₹

Particulars	As at December 31,	
	2013	2012
Provision for employee benefits		
Unavailed leave	12,06,38,159	8,47,15,404
Post-sales client support and warranties and other provisions	1,01,89,246	–
	13,08,27,405	8,47,15,404

The movement in provision for post-sales client support and warranties is as follows:

Particulars	As at December 31,	
	2013	2012
Balance at the beginning	–	–
Provision recognized (reversal)	86,17,811	–
Provision utilized	–	–
Exchange difference during the period	15,71,435	–
Balance at the end	1,01,89,246	–

2.7. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at January 1, 2013	Additions / acquisitions during year	Deductions / adjustments during year	As at December 31, 2013	As at January 1, 2013	For the year	Deductions / Adjustments during year	As at December 31, 2013	As at December 31, 2013	As at December 31, 2012
Tangible assets										
Leasehold improvements	87,00,75,483	37,20,480	14,21,87,614	101,59,83,577	82,66,26,765	4,70,19,173	13,93,11,758	101,29,57,696	30,25,881	4,34,48,718
Plant and equipment	22,71,26,180	4,43,535	3,69,59,735	26,45,29,450	8,23,72,521	5,22,31,287	1,67,36,739	15,13,40,547	11,31,88,903	14,47,53,658
Office equipment	15,92,20,559	1,96,38,760	2,65,85,544	20,54,44,863	9,14,45,567	2,86,60,195	1,68,41,120	13,69,46,882	6,84,97,981	6,77,74,992
Computer equipment	68,58,58,490	6,05,45,373	11,20,45,139	85,84,49,002	59,64,60,200	9,48,62,877	10,46,37,190	79,59,60,267	6,24,88,735	8,93,98,290
Furniture and fixtures	11,79,86,249	6,10,172	1,42,52,583	13,28,49,004	7,34,35,669	1,62,75,729	1,05,51,078	10,02,62,476	3,25,86,528	4,45,50,580
Vehicles	11,93,682	24,18,000	3,10,754	39,22,436	11,93,682	2,55,110	1,92,540	16,41,332	22,81,104	–
Total	206,14,60,643	8,73,76,320	33,23,41,369	248,11,78,332	167,15,34,404	23,93,04,371	28,82,70,425	219,91,09,200	28,20,69,132	38,99,26,238
Previous year	190,75,97,434	19,58,27,468	4,19,64,259	206,14,60,643	116,39,44,198	48,04,74,024	(2,71,16,183)	167,15,34,405	38,99,26,238	

2.8. Leases

Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the year and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Lease rentals recognized during the year	22,51,67,175	23,16,98,036

in ₹

Lease obligations payable	As at December 31,	
	2013	2012
Within one year of the Balance Sheet date	23,03,23,353	20,51,41,383
Due in a period between one year and five years	16,41,79,885	26,91,98,406
Due after five years	–	–

The operating lease arrangements, are renewable on a periodic basis and for most of the leases extend up to a maximum of 3 years from their respective dates of inception and relate to rented premises. Some of these lease agreements have price escalation clauses.

2.9. Long-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Rental deposits	6,55,21,931	5,28,75,327
Other loans and advances		
Advance income taxes (net of provisions)	–	9,88,32,608
	6,55,21,931	15,17,07,935

2.10. Trade receivables [1]

in ₹

Particulars	As at December 31,	
	2013	2012
Debts outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	2,72,83,036	3,90,67,559
Less: Provision for doubtful debts	2,72,83,036	3,90,67,559
	–	–
Other debts		
Unsecured		
Considered good	1,09,42,80,113	76,30,91,559
Less: Provision for doubtful debts	52,82,862	–
	1,08,89,97,251	76,30,91,559
[1] *Includes dues from fellow subsidiaries (Refer to Note 2.18)*	2,85,66,528	7,70,85,825

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer from the invoice date, as at the Balance Sheet date. The Company pursues the recovery of the dues, in part or full.

2.11. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2013	2012
Cash on hand	–	–
Balances with banks		
In current and deposit accounts	62,98,18,530	64,05,80,636
	62,98,18,530	64,05,80,636

The deposits maintained by the Company with banks and financial institutions comprise of time deposits, which can be withdrawn by the Company at any point without prior notice or penalty on the principal.

The details of balances as on Balance Sheet dates with banks are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
In current accounts		
RBS, China (U.S. dollar account)	2,18,45,014	1,69,97,123
RBS, China (RMB account)	56,31,58,550	59,12,26,062
Pudong Development Bank	3,80,90,828	2,61,28,149
Construction Bank, China	6,25,775	5,03,222
China Merchants Bank	46,10,816	57,26,080
Bank of Communication Dalian (RMB account)	14,87,548	–
Total cash and cash equivalents as per Balance Sheet	62,98,18,530	64,05,80,636

2.12. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Others		
Prepaid expenses	1,50,37,254	2,89,39,688
For supply of goods and rendering of services	–	30,765
Withholding and other taxes receivable	13,29,104	11,43,133
Others	27,02,419	37,37,256
	1,90,68,777	3,38,50,842
Unbilled revenues [1]	39,33,26,710	12,93,36,566
Salary advances	3,33,90,290	3,67,45,186
Electricity and other deposits	29,63,800	17,58,000
Rental deposits	1,16,16,532	2,27,94,394
	46,03,66,109	22,44,84,988
Unsecured, considered doubtful		
Loans and advances to employees	97,090	1,46,503
	46,04,63,199	22,46,31,491
Less: Provision for doubtful loans and advances to employees	97,090	1,36,597
	46,03,66,109	22,44,94,894
[1] *Unbilled revenues from fellow subsidiaries (Refer to Note 2.18)*	62,20,443	–

2.13. Income from software services and products

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from software services	672,94,07,757	547,17,71,048
Income from software products	11,04,07,932	8,98,86,938
	683,98,15,689	556,16,57,986

2.14. Other income

in ₹

Particulars	Year ended December 31,	
	2013	2012
Interest received on deposits with banks and others	73,70,904	35,73,755
Miscellaneous income, net	10,03,21,907	7,90,57,984
Gains / (losses) on foreign currency, net	(1,47,10,382)	(99,94,802)
	9,29,82,429	7,26,36,937

2.15. Expenses

in ₹

Particulars	Year ended December 31,	
	2013	2012
Employee benefit expenses		
Salaries and bonus	5,35,08,71,934	4,22,49,60,888
Staff welfare	11,63,81,494	10,28,81,942
	5,46,72,53,428	4,32,78,42,830
Cost of technical sub-contractors		
Technical sub-contractors – subsidiaries	8,36,95,033	1,47,11,155
Technical sub-contractors – others	9,01,26,411	4,10,75,786
	17,38,21,444	5,57,86,941
Travel expenses		
Travelling and conveyance	25,13,47,114	21,29,07,962
	25,13,47,114	21,29,07,962
Cost of software packages and others		
For own use	87,43,626	83,93,348
	87,43,626	83,93,348
Communication expenses		
Telephone charges	8,58,78,824	6,14,50,992
Communication expenses	10,08,84,446	8,58,75,796
	18,67,63,270	14,73,26,788
Other expenses		
Office maintenance	11,94,83,229	11,65,50,592
Power and fuel	5,93,54,206	5,85,21,687
Brand building	47,49,675	12,87,667
Rent	22,51,67,175	23,16,98,036
Rates and taxes, excluding taxes on income	40,90,775	40,96,433
Repairs to plant and machinery	1,77,14,191	94,89,539
Computer maintenance	4,54,46,221	3,47,55,395
Consumables	4,32,699	4,61,555
Insurance charges	46,170	10,30,780
Marketing expenses	95,62,289	1,73,34,326
Printing and stationery	88,21,823	68,65,458
Professional membership and seminar participation fees	14,05,065	17,93,900
Postage and courier	58,14,536	30,90,209
Advertisements	–	3,22,016
Provision for post-sales client support and warranties	86,17,811	(63,384)
Provision for bad and doubtful debts and advances	(75,83,741)	3,72,29,449
Auditor's remuneration		
Statutory audit fees	21,33,573	18,30,341
Miscellaneous expenses	32,94,594	28,92,012
	50,85,50,291	52,91,86,011

2.16. Tax expense

in ₹

Particulars	Year ended December 31,	
	2013	2012
Current tax		
Income taxes	–	(7,86,47,059)
Deferred taxes	(1,43,27,182)	(2,97,59,659)
	(1,43,27,182)	(10,84,06,718)

2.17. Contingent liabilities and commitments (to the extent not provided for)

in ₹

Particulars	As at December 31,	
	2013	2012
Commitments		
Estimated amount of unexecuted capital contracts (net of advances and deposits)	80,20,909	99,05,570

2.18. Related party transactions

List of related parties:

Name of Holding Company	Country	Holding as at December 31,	
		2013	2012
Infosys Limited	India	100%	100%

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Shanghai	China
Infosys Brasil	Brazil
Infosys Public Services	U.S.
Infosys Consulting India Limited (1)	India
Infosys Americas (2)	U.S.
Infosys BPO s. r. o (3)	Czech Republic
Infosys BPO (Poland) Sp. z o.o. (3)	Poland
Infosys McCamish Systems LLC (formerly known as McCamish Systems LLC) (3)	U.S.
Portland Group Pty. Ltd (3)(4)	Australia
Portland Procurement Services Pty. Ltd (10)	Australia
Infosys Australia (5)	Australia
Lodestone Holding AG (6)	Switzerland
Lodestone Management Consultants (Canada) Inc. (7)(13)	Canada
Lodestone Management Consultants Inc. (7)	U.S.
Lodestone Management Consultants Pty. Limited (7)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (7)(8)	Thailand
Lodestone Management Consultants AG (7)	Switzerland
Lodestone Augmentis AG (12)	Switzerland
Hafner Bauer & Ödman GmbH (7)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (9)	Belgium

Name of fellow subsidiaries	Country
Lodestone Management Consultants GmbH [7]	Germany
Lodestone Management Consultants Pte Ltd. [7]	Singapore
Lodestone Management Consultants SAS [7]	France
Lodestone Management Consultants s.r.o. [7]	Czech Republic
Lodestone Management Consultants GmbH [7]	Austria
Lodestone Management Consultants China Co., Ltd. [7]	China
Lodestone Management Consultants Ltd. [7]	U.K.
Lodestone Management Consultants B.V. [7]	Netherlands
Lodestone Management Consultants Ltda. [9]	Brazil
Lodestone Management Consultants sp. z o.o. [7]	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. [7]	Portugal
S.C. Lodestone Management Consultants S.R.L. [7]	Romania
Lodestone Management Consultants S.R.L. [7][11]	Argentina

(1) *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012*
(2) *Incorporated effective June 25, 2013*
(3) *Wholly-owned subsidiaries of Infosys BPO.*
(4) *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*
(5) *Under liquidation*
(6) *On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG*
(7) *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(8) *Liquidated effective February 14, 2013*
(9) *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(10) *Wholly-owned subsidiary of Portland Group Pty. Ltd. Under Liquidation*
(11) *Incorporated effective January 10, 2013*
(12) *Wholly-owned subsidiary of Lodestone Management Consultants AG*
(13) *Liquidated effective December 31, 2013*

The details of amounts due to or due from as at December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
Trade receivables		
Infosys Limited	2,85,66,528	7,70,85,825
Trade payables		
Infosys Limited	4,56,58,986	3,99,33,595
Other current assets		
Lodestone Management Consultants China Co., Ltd	62,20,443	–
Other current liabilities		
Infosys Limited	–	2,55,036
Lodestone Management Consultants China Co., Ltd	76,90,809	–

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Capital transactions		
Loans		
Infosys Limited	–	(26,95,99,474)
Revenue transactions		
Purchase of services		
Lodestone Management Consultants China Co., Ltd	2,83,33,215	–
Infosys Limited	5,53,61,818	1,47,11,155
Interest expense		
Infosys Limited	–	26,99,134
Sale of services		
Lodestone Management Consultants China Co., Ltd	58,55,937	–
Infosys Limited	235,41,19,433	252,27,13,510

2.19. Research and development expenditure

in ₹

Particulars	Year ended December 31,	
	2013	2012
R&D expenditure		
Revenue	5,54,59,120	12,73,15,528
	5,54,59,120	12,73,15,528

2.20. Segment reporting

The Company's operations predominantly relate to providing end-to-end business solutions thereby enabling clients to enhance business performance, delivered to customers globally operating in various industry segments. Effective quarter ended June 30, 2011, the Group reorganized its business to increase its client focus. Consequent to the internal reorganization there were changes effected in the reportable segments based on the "management approach", as laid down in AS 17, Segment reporting. The Chief Executive Officer evaluates the Group's performance and allocates resources based on an analysis of various performance indicators by industry classes and geographic segmentation of customers. Accordingly, segment information has been presented both along industry classes and geographic segmentation of customers, industry being the primary segment. The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the significant accounting policies.

Industry segments for the Group are primarily Financial Services and Insurance (FSI) comprising enterprises providing banking, finance and insurance services, enterprises in Manufacturing (MFG) and enterprises in Retail, Consumer Packaged Goods, Logistics and Life Sciences (RCL). Geographic segmentation is based on business sourced from that geographic region and delivered from both on-site and off-shore. North America comprises the United States of America, Canada and Mexico, Europe includes continental Europe (both the east and the west), Ireland and the United Kingdom, and the Rest of the World comprises all other places except those mentioned above and India. Consequent to the above change in the composition of reportable segments, the prior year comparatives have been restated.

Revenue and identifiable operating expenses in relation to segments are categorized based on items that are individually identifiable to that segment. Allocated expenses of segments include expenses incurred for rendering services from the Company's offshore software development centers and on-site expenses, which are categorized in relation to the associated turnover of the segment. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying assets are used interchangeably. Management believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and adjusted against the total income of the Group.

Fixed assets used in the Group's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. Accordingly, no disclosure relating to total segment assets and liabilities are made. Geographical information on revenue and industry revenue information is collated based on individual customers invoiced or in relation to which the revenue is otherwise recognized.

Industry segments

Year ended December 31, 2013 and *December 31, 2012* :

in ₹

Particulars	FSI	MFG	RCL	ECS	Total
Income from software services and products	133,07,08,977	299,12,80,347	172,92,48,161	78,85,78,204	683,98,15,689
	158,63,09,360	*208,07,14,968*	*144,12,13,776*	*45,34,19,881*	*556,16,57,986*
Identifiable operating expenses	67,90,11,835	172,74,09,599	97,39,00,574	38,19,12,630	376,22,34,638
	64,28,10,054	*107,26,46,546*	*64,57,96,076*	*20,88,22,118*	*257,00,74,793*
Allocated expenses	57,69,40,693	129,68,96,155	74,97,30,895	34,18,95,082	296,54,62,825
	80,81,26,320	*105,99,95,340*	*73,42,09,111*	*23,09,89,332*	*283,33,20,103*
Segmental operating income	7,47,56,449	(3,30,25,407)	56,16,693	647,70,492	11,21,18,227
	13,53,72,987	*(5,19,26,917)*	*6,12,08,590*	*1,36,08,431*	*15,82,63,091*
Unallocable expenses					23,93,04,371
					48,31,73,158
Other income, net					9,29,82,429
					7,26,36,937
Profit Before Tax					(3,42,03,715)
					(25,22,73,130)
Tax expense					(1,43,27,182)
					(10,84,06,718)
Profit for the period					(1,98,76,533)
					(14,38,66,412)

Geographic segments

Year ended December 31, 2013 and *December 31, 2012* :

in ₹

Particulars	North America	Europe	India	Rest of the World	Total
Income from software services and products	332,55,97,059	94,29,80,721	7,62,26,450	249,50,11,459	683,98,15,689
	303,23,50,016	*84,33,99,566*	*3,24,46,617*	*165,34,61,787*	*556,16,57,986*
Identifiable operating expenses	164,97,88,116	51,82,75,651	3,91,78,683	155,49,92,188	376,22,34,638
	129,78,38,252	*40,78,32,428*	*1,47,51,623*	*84,96,52,490*	*257,00,74,793*
Allocated expenses	144,18,42,134	40,88,37,665	3,30,48,654	108,17,34,372	296,54,62,825
	154,47,94,426	*42,96,59,816*	*1,65,29,541*	*84,23,36,320*	*283,33,20,102*
Segmental operating income	23,39,66,809	1,58,67,406	39,99,112	(14,17,15,101)	11,21,18,227
	18,97,17,338	*59,07,322*	*11,65,453*	*(3,85,27,023)*	*15,82,63,090*
Unallocable expenses					23,93,04,371
					48,31,73,158
Other income, net					9,29,82,429
					7,26,36,937
Profit Before Tax					(3,42,03,715)
					(25,22,73,130)
Tax expense					(1,43,27,182)
					(10,84,06,718)
Profit for the period					(1,98,76,533)
					(14,38,66,412)

2.21. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from software services and products	683,98,15,689	556,16,57,986
Software development expenses	553,35,87,605	436,33,82,701
GROSS PROFIT	130,62,28,084	119,82,75,285
Selling and marketing expenses	28,84,45,785	22,92,50,919
General and administration expenses	90,56,64,074	81,07,61,275
	119,41,09,858	104,00,12,194
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	11,21,18,226	15,82,63,091
Interest expense	–	26,99,134
Depreciation and amortization	23,93,04,371	48,04,74,024
OPERATING PROFIT	(12,71,86,145)	(32,49,10,067)
Other income	9,29,82,429	7,26,36,937
PROFIT BEFORE TAX	(3,42,03,715)	(25,22,73,130)
Tax expense		
Current tax	–	(7,86,47,059)
Deferred tax	(1,43,27,182)	(2,97,59,659)
PROFIT FOR THE PERIOD	(1,98,76,533)	(14,38,66,412)

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Chandrashekar Kakal
Chairman

Prasad Thrikutam
Director

Dheeshjith V. G.
Director

Bangalore
January 6, 2014

Srinath Batni
Director

Rangarajan V. R.
Director

Infosys Tecnologia do Brasil Ltda

Independent Auditors' Report

To the Members of Infosys Tecnologia do Brasil Ltda

Report on the Financial Statements

We have audited the accompanying financial statement of Infosys Tecnologia do Brasil Ltda ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bangalore
January 6, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31, 2013	As at December 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	108,54,71,562	103,11,71,561
Reserves and surplus	2.2	(75,77,53,015)	(42,85,78,620)
		32,77,18,547	60,25,92,941
CURRENT LIABILITIES			
Short-term borrowings	2.3	32,57,03,097	–
Trade payables		3,51,24,707	24,21,051
Other current liabilities	2.4	44,26,88,502	16,69,45,553
Short-term provisions	2.5	5,66,40,737	3,69,09,801
		86,01,57,043	20,62,76,405
		118,78,75,590	80,88,69,346
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.6	9,51,57,438	4,42,09,224
Capital work-in-progress		33,97,875	(535)
		9,85,55,313	4,42,08,689
Long-term loans and advances	2.8	15,21,84,833	7,57,45,531
		25,07,40,146	11,99,54,220
CURRENT ASSETS			
Trade receivables	2.9	43,45,04,847	27,15,49,368
Cash and cash equivalents	2.10	32,02,75,200	17,67,88,852
Short-term loans and advances	2.11	18,23,55,397	24,05,76,906
		93,71,35,444	68,89,15,126
		118,78,75,590	80,88,69,346
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Claudio Elsas
Legal Administrator

Bangalore
January 6, 2014

Statement of Profit and Loss

in ₹, except per share data

Particulars	Note	Year ended December 31,	
		2013	2012
Income from software services		187,43,75,873	109,39,35,933
Other income	2.12	49,51,147	1,09,06,678
Total revenue		187,93,27,020	110,48,42,611
Expenses			
Employee benefit expenses	2.13	160,57,52,900	96,12,54,257
Cost of technical sub-contractors	2.13	28,95,67,331	68,22,497
Travel expenses	2.13	7,90,35,983	11,06,79,005
Cost of software packages and others	2.13	2,02,651	–
Communication expenses	2.13	5,30,61,582	32,69,193
Professional charges		4,71,14,830	5,20,48,911
Interest expenses		92,35,378	17,01,396
Depreciation and amortization expenses	2.6	4,07,73,867	1,50,79,775
Other expenses	2.13	8,51,88,572	4,94,08,327
Total expenses		220,99,33,094	122,91,63,361
PROFIT BEFORE TAX		(33,06,06,074)	(12,43,20,750)
Tax expense			
Current tax		–	–
Deferred tax		–	–
PROFIT FOR THE PERIOD		(33,06,06,074)	(12,43,20,750)
EARNINGS PER EQUITY SHARE			
Shares of 1 BRL par value each			
Basic		(8.33)	(4.55)
Number of shares used in computing earnings per share			
Basic		3,96,66,667	2,72,97,814
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Claudio Elsas
Legal Administrator

Bangalore
January 6, 2014

Cash Flow Statement

in ₹

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	(33,06,06,074)	(12,43,20,750)
Adjustments to reconcile Profit Before Tax to cash provided by operating activities		
Depreciation and amortization expense	4,07,73,867	1,50,79,775
Interest and dividend income	(5,12,689)	(55,82,702)
Effect of exchange differences on translation of assets and liabilities	47,92,444	(3,13,14,507)
Changes in assets and liabilities		
Trade receivables	(16,29,55,479)	(11,62,15,062)
Loans and advances and other assets	5,53,54,378	(15,91,47,555)
Liabilities and provisions	32,81,77,541	6,58,07,992
	(6,49,76,012)	(35,56,92,809)
Income taxes paid	(6,79,34,885)	(1,93,40,445)
NET CASH GENERATED BY OPERATING ACTIVITIES	(13,29,10,897)	(37,50,33,254)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment towards capital expenditure (including intangible assets)	(10,47,01,905)	(3,37,13,661)
Interest and dividend received	10,96,052	49,99,339
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	(10,36,05,853)	(2,87,14,322)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution by parent	5,43,00,001	63,65,32,000
Loan received from parent	32,57,03,097	(13,95,92,652)
NET CASH USED IN FINANCING ACTIVITIES	38,00,03,098	49,69,39,348
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	14,34,86,348	9,31,91,772
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	17,67,88,852	8,35,97,080
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	32,02,75,200	17,67,88,852

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Claudio Elsas
Legal Administrator

Bangalore
January 6, 2014

Significant accounting policies and notes on accounts

Company overview

Infosys Tecnologia do Brasil Ltda (Infosys Brasil) is a wholly-owned subsidiary of Infosys Limited. The Company provides end-to-end business solutions that leverage technology, thereby enabling its clients to enhance business performance. The Company's operations are to provide solutions that span the entire software life cycle encompassing technical consulting, design, development, re engineering, maintenance, systems integration, package evaluation and implementation, testing and infrastructure management services.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous period figures

The previous period's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

Revenue is primarily derived from software development and related services. Arrangements with customers for software development and related services are either on a fixed-price, fixed-timeframe or on a time-and-material basis.

Revenue on time-and-material contracts are recognized as the related services are performed and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues. Revenue from fixed-price and fixed-timeframe contracts, where there is no uncertainty as to measurement or collectability of consideration, is recognized based upon the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability revenue recognition is postponed until such uncertainty is resolved. Cost and earnings in excess of billings are classified as unbilled revenue while billings in excess of cost and earnings is classified as unearned revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates.

The Company accounts for volume discounts and pricing incentives to customers as a reduction of revenue based on the ratable allocation of the discount / incentive amount to each of the underlying revenue transactions that result in progress by the customer towards earning the discount / incentive. Also, when the level of discount varies with increases in levels of revenue transactions, the Company recognizes the liability based on its estimate of the customer's future purchases. If it is probable that the criteria for the discount will not be met, or if the amount thereof cannot be estimated reliably, then discount is not recognized until the payment is probable and the amount can be estimated reliably. The Company recognizes changes in the estimated amount of obligations for discounts using a cumulative catchup approach. The discounts are passed on to the customer either as direct payments or as a reduction of payments due from the customer.

The Company presents revenues net of value-added taxes in its Statement of Profit and Loss

Profit on sale of investments is recorded on transfer of title from the Company and is determined as the difference between the sale price and carrying value of the investment. Lease rentals are recognized ratably on a straight-line basis over the lease term. Interest is recognized using the time-proportion method, based on rates implicit in the transaction. Dividend income is recognized when the Company's right to receive dividend is established.

1.7. Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by the best estimate of the outflow of economic benefits required to settle the obligation at the reporting date. Where no reliable estimate can be made, a disclosure is made as contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

1.8. Post-sales client support and warranties

The Company provides its clients with a fixed-period warranty for corrections of errors and telephone support on all its fixed-price, fixed timeframe contracts. Costs associated with such support services are accrued at the time when related revenues are recorded and included in cost of sales. The Company estimates such costs based on historical experience and the estimates are reviewed annually for any material changes in assumptions.

1.9. Onerous contracts

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

1.10. Tangible assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

1.11. Depreciation and amortization

Depreciation on fixed assets is provided on the straight-line method over the useful lives of assets estimated by the Management. Depreciation for assets purchased / sold during a period is proportionately charged. Individual low cost assets (acquired for ₹5,000/- or less) are depreciated over a period of one year from the date of acquisition. The Management estimates the useful lives for the other fixed assets as follows:

Buildings	15 years
Plant and machinery	5 years
Office equipment	5 years
Computer equipment	2-5 years
Furniture and fixtures	5 years
Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

1.12. Employee Benefits

Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

1.13. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.14. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date.

1.15. Earnings per share

Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period.

1.16. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations.

1.17. Leases

Lease payments under operating leases are recognized as an expense on a straight-line basis in the Profit and Loss account over the lease term.

2. Notes on accounts for the year ended December 31, 2013

The previous period figures have been regrouped / reclassified, wherever necessary to conform to the current period presentation.

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at December 31,	
	2013	2012
Authorized		
Shares of 1 BRL par value		
4,00,00,000 (4,00,00,000) shares	108,84,65,663	108,84,65,663
Issued, subscribed and paid-up		
Shares of 1 BRL par value		
4,00,00,000 (3,80,00,000) equity shares fully paid-up	108,54,71,562	103,11,71,561
	108,54,71,562	103,11,71,561

2.2. Reserves and surplus

in ₹

Particulars	As at December 31,	
	2013	2012
Foreign currency translation reserve - opening balance	(80,82,175)	1,67,25,004
Add: Foreign currency translation during the year	14,31,679	(2,48,07,179)
Foreign currency translation reserve - closing balance	(66,50,496)	(80,82,175)
Surplus - opening balance	(42,04,96,445)	(29,61,75,695)
Add: Net profit after tax transferred from Statement of Profit and Loss	(33,06,06,074)	(12,43,20,750)
Surplus - closing balance	(75,11,02,519)	(42,04,96,445)
	(75,77,53,015)	(42,85,78,620)

2.3. Short-term borrowings

in ₹

Particulars	As at December 31,	
	2013	2012
From related parties – Unsecured	32,57,03,097	–
(Refer to *Note* 2.14)	32,57,03,097	–

2.4. Other current liabilities

in ₹

Particulars	As at December 31,	
	2013	2012
Accrued salaries and benefits		
Salaries and benefits	–	9,65,319
Bonus and incentives	5,90,33,983	3,55,37,722
Other liabilities		
Provision for expenses	9,58,96,127	2,19,34,834
Withholding and other taxes payable	11,20,69,143	7,37,62,745
Unearned revenue	2,08,95,741	3,47,44,427
Other payables [(1)]	15,47,93,508	506
	44,26,88,502	16,69,45,553
[(1)] *Includes dues to fellow subsidiaries (Refer to Note 2.14)*	15,47,06,824	500

2.5. Short-term provisions

in ₹

Particulars	As at December 31,	
	2013	2012
Provision for employee benefits		
Unavailed leave	4,94,49,732	3,69,09,801
Others		
Post-sales client support and warranties and other provisions	71,91,005	–
	5,66,40,737	3,69,09,801

The movement in provision for post-sales client support and warranties are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
Balance at the beginning	–	–
Provision recognized (reversal)	74,16,954	–
Provision utilized	–	–
Exchange difference during the period	(2,25,949)	–
Balance at the end	71,91,005	–

2.6. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at January 1, 2013	Additions / acquisitions during the year	Deductions / adjustments during the year	As at December 31, 2013	As at January 1, 2013	For the year	Deductions / adjustments during the year	As at December 31, 2013	As at December 31, 2013	As at December 31, 2012
Tangible assets										
Plant and equipment	2,04,79,183	83,75,394	9,54,348	2,79,00,229	1,22,95,315	48,01,375	4,72,122	1,66,24,568	1,12,75,661	81,83,868
Office equipment	7,92,355	39,12,624	1,36,624	45,68,356	3,15,398	6,75,899	38,426	9,52,871	36,15,485	4,76,957
Computer equipment	6,76,34,136	3,83,36,609	27,27,271	10,32,43,473	5,85,20,992	1,88,93,467	20,72,949	7,53,41,510	2,79,01,963	91,13,144
Furniture and fixtures	6,58,61,218	4,44,58,219	36,92,469	10,66,26,967	3,94,25,963	1,64,03,126	15,66,451	5,42,62,638	5,23,64,329	2,64,35,255
Total	15,47,66,892	9,50,82,846	75,10,712	24,23,39,025	11,05,57,668	4,07,73,867	41,49,948	14,71,81,587	9,51,57,438	4,42,09,224
Previous year	12,11,31,553	3,37,14,196	78,857	15,47,66,892	10,20,64,077	1,50,79,775	65,86,185	11,05,57,668	4,42,09,224	

2.7. Leases

Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the year and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Lease rentals recognized during the year	4,56,25,932	2,34,86,957

in ₹

Lease obligations payable	Year ended December 31,	
	2013	2012
Within one year of the Balance Sheet date	5,08,63,138	2,66,07,689
Due in a period between one year and five years	3,90,85,987	3,97,70,535
Due after five years	–	–

The operating lease arrangements are renewable on a periodic basis and relate to rented premises. Some of these lease agreements have price escalation clauses.

2.8. Long-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Rental deposits	83,808	–
Electricity and other deposits	21,99,960	–
Other loans and advances		
Capital advance	62,20,649	–
Advance income taxes (net of provisions)	14,36,80,416	7,57,45,531
	15,21,84,833	7,57,45,531

2.9. Trade receivables [1]

in ₹

Particulars	As at December 31,	
	2013	2012
Debts outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	70,84,238	2,85,30,984
Less: Provision for doubtful debts	70,84,238	2,85,30,984
	–	–
Other debts		
Unsecured		
Considered good	43,54,85,104	27,15,49,368
	43,54,85,104	27,15,49,368
Less: Provision for doubtful debts (others)	980,257	–
	43,45,04,847	27,15,49,368
	43,45,04,847	27,15,49,368
[1] *Includes dues from fellow subsidiaries (Refer to Note 2.14)*	80,79,585	1,15,96,446

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer from the invoice date, as at the Balance Sheet date. The Company pursues the recovery of the dues, in part or full.

2.10. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2013	2012
Balances with banks		
In current and deposit accounts	32,02,75,200	17,67,88,852
	32,02,75,200	17,67,88,852

The deposits maintained by the Company with banks and financial institutions comprise time deposits, which can be withdrawn by the Company at any point without prior notice or penalty on the principal.

The details of balances as on Balance Sheet dates with banks are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
In current accounts		
Citibank SA	32,02,75,200	4,10,48,752
In current accounts	32,02,75,200	4,10,48,752

in ₹

Particulars	As at December 31,	
	2013	2012
In deposit accounts		
Citibank SA	–	13,57,40,100
Total cash and cash equivalents as per Balance Sheet	32,02,75,200	17,67,88,852

2.11. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Others		
Prepaid expenses	9,35,278	67,504
For supply of goods and rendering of services	2,44,69,658	80,89,238
Withholding and other taxes receivable	–	1,16,72,302
Others	38,54,268	55,09,539
	2,92,59,204	2,53,38,583
Intercompany advance paid (Refer to *Note* 2.14)	3,92,85,000	–
Inter company receivable others (Refer to *Note* 2.14)	3,16,35,056	500
Unbilled revenues	7,94,60,273	21,45,58,656
Interest accrued but not due	–	5,83,363
Loans and advances to employees		
Salary advances	27,15,864	10,172
Rental deposits	–	85,632
	18,23,55,397	24,05,76,906

2.12. Other income

in ₹

Particulars	Year ended December 31,	
	2013	2012
Interest received on deposits with banks and others	5,12,689	55,82,702
Miscellaneous income, net	–	3,63,762
Gains / (losses) on foreign currency, net	44,38,458	49,60,214
	49,51,147	1,09,06,678

2.13. Expenses

in ₹

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Employee benefit expenses		
Salaries and bonus	160,06,73,715	95,47,61,931
Staff welfare	50,79,185	64,92,326
	160,57,52,900	96,12,54,257
Cost of technical sub-contractors		
Technical sub-contractors – subsidiaries	28,16,18,696	68,22,497
Technical sub-contractors – others	79,48,635	–
	28,95,67,331	68,22,497
Travel expenses		
Travelling and conveyance	7,90,35,983	11,06,79,005
	7,90,35,983	11,06,79,005
Cost of software packages and others		
For own use	2,02,651	–
	2,02,651	–
Communication expenses		
Telephone charges	3,63,39,473	2,13,80,484
Communication expenses	1,67,22,109	1,07,88,709
	5,30,61,582	3,21,69,193
Other expenses		
Office maintenance	3,45,93,769	2,08,88,256
Power and fuel	29,47,818	8,31,060
Brand building	8,31,770	3,70,942
Rent	4,56,25,932	2,34,86,957
Rates and taxes, excluding taxes on income	41,540	7,32,249
Repairs to plant and machinery	98,935	2,722
Computer maintenance	23,94,829	7,02,892
Consumables	46,44,693	18,94,562
Insurance charges	6,87,021	3,07,178
Marketing expenses	21,26,770	8,03,069
Printing and stationery	12,62,947	1,64,640
Postage and courier	10,60,186	11,39,832
Provision for post-sales client support and warranties	74,16,954	2,20,703
Freight charges	16,738	13,068
Provision for bad and doubtful debts and advances	(1,87,71,470)	(22,87,545)
Books and periodicals	397	7,225
Auditor's remuneration		
Statutory audit fees	–	–
Bank charges	1,83,898	1,30,632
Miscellaneous expenses	25,845	(115)
	8,51,88,572	4,94,08,327

2.14. Related party transactions

List of related parties:

in ₹

Name of Holding Company	Country	Holding as at December 31, 2013	Holding as at December 31, 2012
Infosys Limited	India	100%	100%

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Shanghai	China
Infosys Public Services, Inc.	U.S.
Infosys Consulting India Limited (1)	India
Infosys Americas (2)	U.S.
Infosys BPO s. r. o (3)	Czech Republic
Infosys BPO (Poland) Sp. z o.o. (3)	Poland
Infosys McCamish Systems LLC (Formerly known as McCamish Systems LLC) (3)	U.S.
Portland Group Pty. Ltd (3)(4)	Australia
Portland Procurement Services Pty. Ltd(10)	Australia
Infosys Australia (5)	Australia
Lodestone Holding AG(6)	Switzerland
Lodestone Management Consultants (Canada) Inc. (7)(13)	Canada
Lodestone Management Consultants Inc. (7)	U.S.
Lodestone Management Consultants Pty. Limited (7)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (7)(8)	Thailand
Lodestone Management Consultants AG (7)	Switzerland
Lodestone Augmentis AG (12)	Switzerland
Hafner Bauer & Ödman GmbH (7)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (9)	Belgium
Lodestone Management Consultants GmbH (7)	Germany
Lodestone Management Consultants Pte Ltd. (7)	Singapore
Lodestone Management Consultants SAS (7)	France
Lodestone Management Consultants s.r.o. (7)	Czech Republic
Lodestone Management Consultants GmbH (7)	Austria
Lodestone Management Consultants China Co., Ltd. (7)	China
Lodestone Management Consultants Ltd. (7)	U.K.
Lodestone Management Consultants B.V. (7)	Netherlands
Lodestone Management Consultants Ltda. (9)	Brazil
Lodestone Management Consultants sp. z.o.o (7)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. (7)	Portugal
S.C. Lodestone Management Consultants S.R.L. (7)	Romania
Lodestone Management Consultants S.R.L. (7)(11)	Argentina

(1) *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012*

(2) *Incorporated effective June 25, 2013*

(3) *Wholly-owned subsidiaries of Infosys BPO.*

(4) *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*

(5) *Under liquidation*

(6) *On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG*

(7) *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

(8) *Liquidated effective February 14, 2013*

(9) *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

(10) *Wholly-owned subsidiary of Portland Group Pty. Ltd*

(11) *Incorporated effective January 10, 2013*

(12) *Wholly-owned subsidiary of Lodestone Management Consultants AG*

(13) *Liquidated effective December 31, 2013*

The details of amounts due to or due from as at December 31, 2013 and December 31, 2012 are as follows:

Particulars	As at December 31,	
	2013	2012
Loans		
Infosys Ltd	32,57,03,097	–
Advance paid		
Lodestone Brazil	3,92,85,000	–
Trade receivables		
Infosys Limited	80,79,585	1,15,96,446
Other receivables		
Infosys Limited	3,16,35,056	500
Trade payables		
Infosys Limited	3,52,27,306	2,11,577
Other payables		
Infosys Limited	–	500
Lodestone Brazil	15,47,06,824	–

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Capital transactions		
Financing transactions		
Infosys Limited	5,43,00,001	63,65,32,000
Loans		
Infosys Limited	32,57,03,097	(13,95,92,652)
Revenue transactions		
Purchase of services		
Infosys Limited	3,92,70,556	68,22,496
Lodestone Brazil	24,23,48,141	–
Interest expenses		
Infosys Limited	92,35,378	17,01,396
Sale of services		
Infosys Limited	3,70,52,737	1,64,32,168

2.15. Segment reporting

The Company's operations predominantly relate to providing end-to-end business solutions thereby enabling clients to enhance business performance, delivered to customers globally operating in various industry segments. Effective quarter ended June 30, 2011, the Group reorganized its business to increase its client focus. Consequent to the internal reorganization there were changes effected in the reportable segments based on the "management approach", as laid down in AS 17, Segment reporting. The Chief Executive Officer evaluates the Group's performance and allocates resources based on an analysis of various performance indicators by industry classes and geographic segmentation of customers. Accordingly, segment information has been presented both along industry classes and geographic segmentation of customers, industry being the primary segment. The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the significant accounting policies.

Industry segments for the Group are primarily Financial Services and Insurance (FSI) comprising enterprises providing banking, finance and insurance services, enterprises in Manufacturing (MFG), enterprises in the Energy & Utilities, Communications and Services (ECS) and enterprises in Retail, Consumer Packaged Goods, Logistics and Life Sciences (RCL). Geographic segmentation is based on business sourced from that geographic region and delivered from both on-site and off-shore. North America comprises the United States of America, Canada and Mexico, Europe includes continental Europe (both the east and the west), Ireland and the United Kingdom, and the Rest of the World comprising all other places except those mentioned above. Consequent to the above change in the composition of reportable segments, the prior year comparatives have been restated.

Revenue and identifiable operating expenses in relation to segments are categorized based on items that are individually identifiable to that segment. Allocated expenses of segments include expenses incurred for rendering services from the Company's offshore software development centers and onsite expenses, which are categorized in relation to the associated turnover of the segment. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying assets are used interchangeably. Management believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and adjusted against the total income of the Group.

Fixed assets used in the Group's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. Accordingly, no disclosure relating to total segment assets and liabilities are made. Geographical information on revenue and industry revenue information is collated based on individual customers invoiced or in relation to which the revenue is otherwise recognized.

Industry segments

Year ended December 31, 2013 and *December 31, 2012* :

in ₹

Particulars	FSI	MFG	ECS	RCL	Total
Income from software services and products	3,76,40,310	134,89,84,277	7,55,83,195	41,21,68,091	187,43,75,873
	17,09,329	*79,82,04,269*	*1,55,61,245*	*27,84,61,089*	*109,39,35,933*
Identifiable operating expenses	1,86,88,323	115,02,67,178	9,44,66,369	28,94,23,839	155,28,45,709
	21,76,928	*49,59,50,975*	*1,03,28,094*	*24,06,61,432*	*74,91,17,429*
Allocated expenses	1,21,91,049	43,69,12,830	2,44,80,098	13,34,94,163	60,70,78,140
	7,23,874	*33,80,27,026*	*65,89,944*	*11,79,23,917*	*46,32,64,761*
Segmental operating income	67,60,937	(23,81,95,731)	(4,33,63,272)	(1,07,49,911)	(28,55,47,976)
	(11,91,473)	*(3,57,73,731)*	*(13,56,793)*	*(8,01,24,260)*	*(11,84,46,257)*
Unallocable expenses					5,00,09,245
					1,67,81,171
Other income					49,51,147
					1,09,06,678
Profit Before Tax					(33,06,06,074)
					(12,43,20,750)
Tax expense					–
					–
Profit for the period					(33,06,06,074)
					(12,43,20,750)

Geographic segments

Year ended December 31, 2013 and *December 31, 2012* :

in ₹

Particulars	North America	Europe	Rest of the World	Total
Income from software services and products	36,46,13,953	72,37,66,955	78,59,94,965	187,43,75,873
	16,48,28,480	*26,49,36,908*	*66,41,70,546*	*109,39,35,933*
Identifiable operating expenses	22,73,87,531	57,20,70,401	75,33,87,777	155,28,45,709
	8,29,93,204	*18,72,63,347*	*47,88,60,878*	*74,91,17,429*
Allocated expenses	11,80,92,195	23,44,15,681	25,45,70,264	60,70,78,140
	6,98,02,284	*11,21,96,637*	*28,12,65,840*	*46,32,64,761*
Segmental operating income	1,91,34,227	(8,27,19,127)	(22,19,63,077)	(28,55,47,976)
	1,20,32,992	*(3,45,23,077)*	*(9,59,56,173)*	*(11,84,46,257)*
Unallocable expenses				5,00,09,245
				1,67,81,171
Other income, net				49,51,147
				1,09,06,678
Profit Before Tax				(33,06,06,074)
				(12,43,20,750)
Tax expense				–
				–
Profit for the period				(33,06,06,074)
				(12,43,20,750)

2.16. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from software services	187,43,75,873	109,39,35,933
Software development expenses	192,78,38,807	100,91,82,611
GROSS PROFIT	(5,34,62,934)	8,47,53,322
Selling and marketing expenses	5,92,93,507	3,76,57,495
General and administration expenses	17,27,91,535	16,55,42,084
	23,20,85,042	20,31,99,579
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	(28,55,47,976)	(11,84,46,257)
Interest expense	92,35,378	17,01,396
Depreciation and amortization	4,07,73,867	1,50,79,775
OPERATING PROFIT	(33,55,57,221)	(13,52,27,428)
Other income	49,51,147	1,09,06,678
PROFIT BEFORE TAX	(33,06,06,074)	(12,43,20,750)
Tax expense		
Current tax	–	–
Deferred tax	–	–
PROFIT FOR THE PERIOD	(33,06,06,074)	(12,43,20,750)

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Claudio Elsas
Legal Administrator

Bangalore
January 6, 2014

Infosys Technologies S. de R. L. de C. V.

Independent Auditors' Report

To the Members of Infosys Technologies S. de R. L. de C. V.

Report on the Financial Statements

We have audited the accompanying financial statement of Infosys Technologies S. de R. L. de C. V. ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Profit for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bangalore
January 6, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31, 2013	As at December 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	64,60,49,999	64,60,49,999
Reserves and surplus	2.2	17,09,53,540	8,39,42,995
		81,70,03,539	72,99,92,994
NON-CURRENT LIABILITIES			
Other long-term liabilities	2.4	78,76,520	54,21,932
		78,76,520	54,21,932
CURRENT LIABILITIES			
Trade payables		7,28,87,766	69,36,896
Other current liabilities	2.5	15,68,22,819	14,71,82,571
Short-term provisions	2.6	2,42,33,093	2,42,33,346
		25,39,43,678	17,83,52,813
		107,88,23,737	91,37,67,739
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	17,56,18,363	5,61,69,548
Capital work-in-progress		(9,837)	–
		17,56,08,526	5,61,69,548
Deferred tax assets, net	2.3	7,22,85,967	7,38,84,153
Long-term loans and advances	2.9	6,06,55,266	1,10,31,295
		30,85,49,759	14,10,84,996
CURRENT ASSETS			
Trade receivables	2.10	47,38,74,696	47,25,18,599
Cash and cash equivalents	2.11	3,28,55,701	22,21,35,075
Short-term loans and advances	2.12	26,35,43,581	7,80,29,069
		77,02,73,978	77,26,82,743
		107,88,23,737	91,37,67,739
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Balashankar
Legal Representative

Bangalore
January 6, 2014

Statement of Profit and Loss

in ₹

Particulars	Note	Year ended December 31,	
		2013	2012
Income from software services and products	2.13	216,52,78,835	160,45,70,599
Other income	2.14	(11,915,840)	(2,92,82,366)
Total revenue		215,33,62,995	157,52,88,233
Expenses			
Employee benefit expenses	2.15	167,17,83,023	114,91,95,117
Cost of technical sub-contractors	2.15	6,53,75,448	1,80,39,816
Travel expenses	2.15	5,88,12,217	5,66,40,225
Cost of software packages and others	2.15	13,61,995	31,81,976
Communication expenses	2.15	6,57,84,735	3,49,78,478
Professional charges		2,37,73,471	2,48,43,946
Depreciation and amortization expenses	2.7	7,04,81,891	4,45,80,721
Other expenses	2.15	15,82,91,217	13,46,00,902
Total expenses		211,56,63,997	146,60,61,181
PROFIT BEFORE TAX		3,76,98,998	10,92,27,052
Tax expense			
Current tax	2.16	1,89,96,915	2,81,28,490
Deferred tax	2.16	1,09,07,468	1,23,10,036
PROFIT FOR THE PERIOD		77,94,615	6,87,88,526
Equity shares of par value MXN 1 each			
Basic		0.04	0.39
Number of shares used in computing earnings per share			
Basic		17,50,00,000	17,50,00,000
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Balashankar
Legal Representative

Bangalore
January 6, 2014

Cash Flow Statement

in ₹

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	3,76,98,998	10,92,27,052
Adjustments to reconcile Profit Before Tax to cash provided by operating activities		
Depreciation and amortization expenses	7,04,81,891	4,45,80,721
Interest and dividend income	(13,31,429)	(33,90,100)
Other non-cash items		
Effect of exchange differences on translation of assets and liabilities	8,32,54,255	10,22,57,238
Changes in assets and liabilities		
Trade receivables	(13,56,097)	(18,46,33,702)
Loans and advances and other assets	(18,94,05,776)	1,98,52,859
Liabilities and provisions	7,35,82,266	1,22,44,337
	7,29,24,108	10,01,38,405
Income taxes paid	(8,21,78,959)	(3,42,02,756)
NET CASH GENERATED BY OPERATING ACTIVITIES	(92,54,851)	(6,59,35,649)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment towards capital expenditure (including intangible assets)	(18,14,53,540)	(6,22,30,642)
Interest and dividend received	14,29,017	32,96,418
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	(18,00,24,523)	(5,89,34,224)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital Contribution from Parent	–	9,92,50,000
NET CASH USED IN FINANCING ACTIVITIES	–	9,92,50,000
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(18,92,79,374)	10,62,51,425
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	22,21,35,075	11,58,83,650
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,28,55,701	22,21,35,075

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Balashankar
Legal Representative

Bangalore
January 6, 2014

Significant accounting policies and notes on accounts

Company overview

Infosys Technologies S. De. R.L. De C.V (Infosys Mexico) is a wholly-owned subsidiary of Infosys Limited. The Company provides end-to-end business solutions that leverage technology, thereby enabling its clients to enhance business performance. The Company's operations are to provide solutions that span the entire software lifecycle encompassing technical consulting, design, development, re-engineering, maintenance, systems integration, package evaluation and implementation, testing and infrastructure management services.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous period figures

The previous period's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

Revenue is primarily derived from software development and related services. Arrangements with customers for software development and related services are either on a fixed-price, fixed-timeframe or on a time-and-material basis.

Revenue on time-and-material contracts are recognized as the related services are performed and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues. Revenue from fixed-price and fixed-timeframe contracts, where there is no uncertainty as to measurement or collectability of consideration, is recognized based upon the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability revenue recognition is postponed until such uncertainty is resolved. Cost and earnings in excess of billings are classified as unbilled revenue while billings in excess of cost and earnings is classified as unearned revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates.

The Company accounts for volume discounts and pricing incentives to customers as a reduction of revenue, based on the ratable allocation of the discount / incentive amount to each of the underlying revenue transactions that result in progress by the customer towards earning the discount / incentive. Also, when the level of discount varies with increases in levels of revenue transactions, the Company recognizes the liability based on its estimate of the customer's future purchases. If it is probable that the criteria for the discount will not be met, or if the amount thereof cannot be estimated reliably, then discount is not recognized until the payment is probable and the amount can be estimated reliably. The Company recognizes changes in the estimated amount of obligations for discounts using a cumulative catchup approach. The discounts are passed on to the customer either as direct payments or as a reduction of payments due from the customer.

The Company presents revenues net of value-added taxes in its Statement of Profit and Loss

Profit on sale of investments is recorded on transfer of title from the Company and is determined as the difference between the sale price and carrying value of the investment. Lease rentals are recognized ratably on a straight-line basis over the lease term. Interest is recognized using the time-proportion method, based on rates implicit in the transaction. Dividend income is recognized when the Company's right to receive dividend is established.

1.7. Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by the best estimate of the outflow of economic benefits required to settle the obligation at the reporting date. Where no reliable estimate can be made, a disclosure is made as contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

1.8. Post-sales client support and warranties

The Company provides its clients with a fixed-period warranty for corrections of errors and telephone support on all its fixed-price, fixed-timeframe contracts. Costs associated with such support services are accrued at the time when related revenues are recorded and included in cost of sales. The Company estimates such costs based on historical experience and the estimates are reviewed annually for any material changes in assumptions.

1.9. Onerous contracts

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

1.10. Tangible assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises of the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

1.11. Depreciation and amortization

Depreciation on fixed assets is provided on the straight-line method over the useful lives of assets estimated by the Management. Depreciation for assets purchased / sold during a period is proportionately charged. Individual low cost assets (acquired for ₹5,000/- or less) are depreciated over a period of one year from the date of acquisition. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The Management estimates the useful lives for the other fixed assets as follows:

Buildings	15 years
Plants and machinery	5 years
Office equipment	5 years
Computer equipment	2-5 years
Furniture and fixtures	5 years
Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

1.12. Retirement benefits to employees

Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

1.13. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.14. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. Minimum alternate tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of tax credit against future income tax liability, is recognized as an asset in the Balance Sheet if there is convincing evidence that the Company will pay normal tax after the tax holiday period and the resultant asset can be measured reliably. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. Tax benefits of deductions earned on exercise of employee share options in excess of compensation charged to Statement of Profit and Loss are credited to the share premium account.

1.15. Earnings per share

Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value which is the average market value of the outstanding shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

The number of shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for any share splits and bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

1.16. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations.

1.17. Leases

Lease payments under operating leases are recognized as an expense on a straight-line basis in the Profit and Loss account over the lease term.

1.18. Government grants

The Company recognizes government grants only when there is reasonable assurance that the conditions attached to them shall be complied with, and the grants will be received. Government grants related to depreciable assets are treated as deferred income and are recognized in the Statement of Profit and Loss on a systematic and rational basis over the useful life of the asset. Government grants related to revenue are recognized on a systematic basis in the Statement of Profit and Loss over the periods necessary to match them with the related costs which they are intended to compensate.

2. Notes on accounts for the year ended December 31, 2013

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at December 31,	
	2013	2012
Authorized		
17,50,00,000 (17,50,00,000) equity shares of MXN 1 par value	64,60,49,999	64,60,49,999
Issued, Subscribed and Paid-Up		
17,50,00,000 (17,50,00,000) equity shares of MXN 1 par value, fully paid	64,60,49,999	64,60,49,999
	64,60,49,999	64,60,49,999

2.2. Reserves and surplus

in ₹

Particulars	As at December 31,	
	2013	2012
Foreign currency translation reserve – opening balance	8,81,18,441	2,26,94,270
Add: Foreign currency translation during the year	7,92,15,930	6,54,24,171
Foreign currency translation reserve – closing balance	16,73,34,371	8,81,18,441
Surplus – opening balance	(41,75,446)	(7,29,63,972)
Add: Net profit after tax transferred from Statement of Profit and Loss	77,94,615	6,87,88,526
Surplus – closing balance	36,19,169	(41,75,446)
	17,09,53,540	8,39,42,995

2.3. Deferred taxes

in ₹

Particulars	As at December 31,	
	2013	2012
Deferred tax assets		
Fixed assets	4,74,20,339	1,35,10,326
Unavailed leave	74,55,328	96,93,340
Others	1,74,10,300	5,06,80,487
	7,22,85,967	7,38,84,153

2.4. Other long-term liabilities

in ₹

Particulars	As at December 31,	
	2013	2012
Gratuity obligation – unamortized amount relating to plan amendment	78,76,520	54,21,932
	78,76,520	54,21,932

2.5. Other current liabilities

in ₹

Particulars	As at December 31,	
	2013	2012
Accrued salaries and benefits		
Salaries and benefits	7,91,116	43,94,110
Bonus and incentives	1,97,86,971	2,65,38,709
Other liabilities		
Provision for expenses	2,94,28,494	1,85,94,464
Withholding and other taxes payable	8,55,73,470	7,20,68,337
Advances received from clients	12,08,903	–
Unearned revenue	1,87,41,102	2,60,60,747
Other Payables (1)	12,92,763	(4,73,796)
	15,68,22,819	14,71,82,571
(1) Includes dues to holding and fellow subsidiaries (Refer to Note 2.18)	4,42,320	3,245

2.6. Short-term provisions

in ₹

Particulars	As at December 31,	
	2013	2012
Provision for employee benefits		
Unavailed leave	1,86,38,321	2,42,33,346
Others		
Income taxes (net of advance tax and TDS)	44,63,187	–
Post-sales client support and warranties and other provisions	11,31,585	–
	2,42,33,093	2,42,33,346

Post-sales client support and warranties and other provisions

in ₹

Particulars	As at December 31,	
	2013	2012
Balance at the beginning	–	–
Provision recognized (reversal)	11,33,973	–
Provision Utilized	–	–
Exchange difference during the period	(2,388)	–
Balance at the end	11,31,585	–

2.7. Fixed assets

in ₹, except as otherwise stated

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at January 1, 2013	Additions / acquisitions during the year	Deductions / Retirement during the year	As at December 31, 2013	As at January 1, 2013	For the year	Deductions / Adjustments during the year	As at December 31, 2013	As at December 31, 2013	As at December 31, 2012
Tangible assets										
Plant and equipment	2,45,69,052	3,67,36,675	(36,31,500)	6,49,37,227	1,18,79,490	1,33,16,302	(17,12,796)	2,69,08,588	3,80,28,639	1,26,89,562
Office equipment	1,23,81,087	1,10,00,774	(17,36,652)	2,51,18,513	81,62,202	31,34,415	(10,67,311)	1,23,63,928	1,27,54,585	42,18,884
Computer equipment	12,22,33,275	6,34,51,989	(1,61,09,714)	20,17,94,978	11,40,59,522	2,69,15,196	(1,43,71,332)	15,53,46,050	4,64,48,928	81,73,753
Furniture and fixtures	12,06,88,003	7,02,73,940	(1,56,86,422)	20,66,48,364	8,96,00,653	2,71,15,978	(1,15,45,522)	12,82,62,153	7,83,86,211	3,10,87,349
Total	27,98,71,417	18,14,63,377	(3,71,64,288)	49,84,99,082	22,37,01,867	7,04,81,891	(2,86,96,961)	32,28,80,719	17,56,18,363	5,61,69,548
Previous year	24,18,29,483	7,29,66,876	3,49,24,942	27,98,71,417	19,30,48,296	4,45,80,722	(1,39,27,149)	22,37,01,868	5,61,69,548	

2.8. Leases

Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the year and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Lease rentals recognized during the year	11,14,73,257	7,92,43,749

in ₹

Lease obligations payable	Year ended December 31,	
	2013	2012
Within one year of the Balance Sheet date	57,78,938	7,17,76,322
Due in a period between one year and five years	10,50,87,871	–

The operating lease arrangements, are renewable on a periodic basis and for most of the leases extend up to a maximum of five years from their respective dates of inception and relate to rented premises. Some of these lease agreements have price escalation clauses.

2.9. Long-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Rental deposits	46,91,776	41,73,935
Electricity and other deposits	29,88,411	41,930
CWIP Capital Advances	3,29,354	–
Advance income taxes (net of provisions)	5,26,45,725	68,15,430
	6,06,55,266	1,10,31,295

2.10 Trade receivables

in ₹

Particulars	As at December 31,	
	2013	2012
Debts outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	(1,84,83,442)	2,11,66,941
Less: Provision for doubtful debts	71,52,997	2,11,66,941
	(2,56,36,439)	–
Other debts		
Unsecured		
Considered good [(1)]	50,55,36,963	47,25,18,599
Less: Provision for doubtful debts (others)	60,25,828	–
	49,95,11,135	47,25,18,599
	47,38,74,696	47,25,18,599
[(1)] *Includes dues from Holding and Subsidiaries (Refer to Note 2.18)*	1,08,47,182	83,21,858

2.11. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2013	2012
Balances with banks		
In current and deposit accounts	3,28,55,701	22,21,35,075
	3,28,55,701	22,21,35,075

in ₹

Particulars	As at December 31,	
	2013	2012
In current accounts		
Bank of America		
	1,69,62,290	5,41,77,965
Banamex	7,36,914	15,26,976
Citi Banamex	89,51,614	2,82,63,235
Citi Banamex – US dollar Account	62,04,883	1,15,66,899
In current accounts	3,28,55,701	9,55,35,075

in ₹

Particulars	As at December 31,	
	2013	2012
In deposit accounts		
Bank of America		
	–	12,66,00,000
Total cash and cash equivalents as per Balance Sheet	3,28,55,701	22,21,35,075

2.12. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Others		
Prepaid expenses	4,21,96,897	2,08,27,918
For supply of goods and rendering of services	15,88,248	12,63,669
Withholding and other taxes receivable	1,00,02,976	–
Others [(1)]	7,60,45,161	12,28,359
	12,98,33,282	2,33,19,946
Unbilled revenues	12,46,74,255	5,14,61,677
Interest accrued but not due	–	97,588
Loans and advances to employees		
Salary advances	90,36,044	31,48,940
Rental deposits	–	918
	26,35,43,581	7,80,29,069
Unsecured, considered doubtful		
Loans and advances to employees	1,03,058	–
	26,36,46,639	7,80,29,069
Less: Provision for doubtful loans and advances to employees	1,03,058	–
	26,35,43,581	7,80,29,069
[(1)] *Includes dues from Holding and fellow subsidiaries (Refer to Note 2.18)*	7,48,59,362	97,253

2.13. Income from software services and products

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from software services	2,04,51,77,534	1,44,68,55,068
Income from software products	12,01,01,301	15,77,15,531
	2,16,52,78,835	1,60,45,70,599

2.14. Other income

in ₹

Particulars	Year ended December 31,	
	2013	2012
Interest received on deposits with banks and others	13,31,429	33,90,100
Miscellaneous income, net	–	14,29,240
Gains / (losses) on foreign currency, net	(1,32,47,269)	(3,41,01,706)
	(1,19,15,840)	(2,92,82,366)

2.15. Expenses

in ₹

Particulars	Year ended December 31,	
	2013	2012
Employee benefit expenses		
Salaries and bonus	1,66,97,71,064	1,14,75,90,846
Staff welfare	20,11,959	16,04,271
	1,67,17,83,023	1,14,91,95,117
Cost of technical sub-contractors		
Subsidiaries	6,59,29,040	1,72,53,042
Others	(5,53,592)	7,86,774
	6,53,75,448	1,80,39,816
Travel expenses		
Travelling and conveyance	5,88,12,217	5,66,40,225
	5,88,12,217	5,66,40,225
Cost of software packages and others		
For own use	13,61,995	31,81,976
	13,61,995	31,81,976
Communication expenses		
Telephone charges	1,60,38,673	1,35,38,615
Communication expenses	4,97,46,062	2,14,39,863
	6,57,84,735	3,49,78,478

in ₹

Particulars	Year ended December 31,	
	2013	2012
Other expenses		
Office maintenance	3,13,11,063	2,03,29,923
Power and fuel	1,32,16,250	88,29,007
Brand building	16,01,420	11,22,862
Rent	11,14,73,257	7,92,43,749
Rates and taxes, excluding taxes on income	(53,818)	7,36,464
Repairs to building	1,40,759	–
Repairs to plant and machinery	12,49,457	17,02,579
Computer maintenance	46,50,149	42,39,067
Consumables	11,17,561	13,44,587
Insurance charges	7,41,249	6,26,012
Marketing expenses	1,45,637	11,74,243
Printing and Stationery	11,99,816	10,24,787
Professional membership and seminar participation fees	11,095	91,797
Postage and courier	4,73,095	4,02,553
Provision for post-sales client support and warranties	11,33,973	10,33,624
Provision for bad and doubtful debts and advances	(1,28,12,530)	99,61,448
Books and periodicals	6,98,567	6,22,034
Particulars	Year ended December 31,	
	2013	2012
Auditor's remuneration		
Statutory audit fees	14,50,880	12,61,310
Bank charges	5,43,554	5,29,156
Miscellaneous expenses	(217)	3,25,700
	15,82,91,217	13,46,00,902

2.16. Tax expense

in ₹

	Year ended December 31,	
	2013	2012
Current tax		
Income tax	1,89,96,915	2,81,28,490
Deferred tax	1,09,07,468	1,23,10,036
	2,99,04,383	4,04,38,526

2.17. Contingent liabilities and commitments (to the extent not provided for)

in ₹

Particulars	As at December 31,	
	2013	2012
Commitments		
Estimated amount of unexecuted capital contracts (net of advances and deposits)	2,63,03,472	2,05,38,252
	2,63,03,472	2,05,38,252

2.18. Related party transactions

Name of Holding Company	Country	Holding as at December 31,	
		2013	2012
Infosys Limited	India	100%	100%

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Sweden	Sweden
Infosys Shanghai	China
Infosys Brasil	Brazil
Infosys Public Services	U.S.
Infosys Consulting India Limited (1)	India
Infosys Americas (2)	U.S.
Infosys BPO s.r.o. (3)	Czech Republic
Infosys BPO (Poland) Sp. z o.o. (3)	Poland
Infosys McCamish Systems LLC (formerly known as McCamish Systems LLC) (3)	U.S.
Portland Group Pty. Ltd (3)(4)	Australia
Portland Procurement Services Pty. Ltd (10)	Australia
Infosys Australia (5)	Australia
Lodestone Holding AG (6)	Switzerland
Lodestone Management Consultants (Canada) Inc. (7)(13)	Canada
Lodestone Management Consultants Inc. (7)	U.S.
Lodestone Management Consultants Pty. Limited (7)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (7)(8)	Thailand
Lodestone Management Consultants AG (7)	Switzerland
Lodestone Augmentis AG (12)	Switzerland
Hafner Bauer & Ödman GmbH (7)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (9)	Belgium

Name of fellow subsidiaries	Country
Lodestone Management Consultants GmbH [7]	Germany
Lodestone Management Consultants Pte Ltd. [7]	Singapore
Lodestone Management Consultants SAS [7]	France
Lodestone Management Consultants s.r.o. [7]	Czech Republic
Lodestone Management Consultants GmbH [7]	Austria
Lodestone Management Consultants China Co., Ltd. [7]	China
Lodestone Management Consultants Ltd. [7]	U.K.
Lodestone Management Consultants B.V. [7]	Netherlands
Lodestone Management Consultants Ltda. [9]	Brazil
Lodestone Management Consultants sp. z o.o.. [7]	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. [7]	Portugal
S.C. Lodestone Management Consultants S.R.L. [7]	Romania
Lodestone Management Consultants S.R.L. [7][11]	Argentina

[1] *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012*
[2] *Incorporated effective June 25, 2013*
[3] *Wholly-owned subsidiaries of Infosys BPO.*
[4] *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*
[5] *Under liquidation*
[6] *On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG*
[7] *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
[8] *Liquidated effective February 14, 2013*
[9] *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
[10] *Wholly-owned subsidiary of Portland Group Pty. Ltd*
[11] *Incorporated effective January 10, 2013*
[12] *Wholly-owned subsidiary of Lodestone Management Consultants AG*
[13] *Liquidated effective December 31, 2013*

The details of amounts due to or due from as at December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
Trade receivables		
Infosys Limited	1,08,47,182	83,21,858
Other receivables		
Infosys Limited	7,48,59,362	97,253
Trade payables		
Infosys Limited	–	9,40,079
Other payables		
Infosys Limited	4,42,320	3,245
Provision for expenses		
Infosys Limited	–	10,092

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Capital transactions:		
Financing transactions		
Infosys Limited	–	9,92,50,000
Revenue transactions:		
Purchase of services		
Infosys Limited	6,59,29,040	1,72,53,042
Sale of services		
Infosys Limited	12,03,14,282	13,75,96,036

2.19. Research and development expenditure

in ₹

Particulars	Year ended December 31,	
	2013	2012
R&D Expenditure		
Revenue	5,07,151	5,75,025
	5,07,151	5,75,025

2.20. Segment reporting

The Company's operations predominantly relate to providing end-to-end business solutions thereby enabling clients to enhance business performance, delivered to customers globally operating in various industry segments. Effective quarter ended June 30, 2011, the Group reorganized its business to increase its client focus. Consequent to the internal reorganization there were changes effected in the reportable segments based on the "management approach", as laid down in AS 17, Segment reporting. The Chief Executive Officer evaluates the Group's performance and allocates resources based on an analysis of various performance indicators by industry classes and geographic segmentation of customers. Accordingly, segment information has been presented both along industry classes and geographic segmentation of customers, industry being the primary segment. The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the significant accounting policies.

Industry segments for the Group are primarily Financial Services and Insurance (FSI) comprising enterprises providing banking, finance and insurance services, enterprises in Manufacturing (MFG) and enterprises in Retail, Consumer Packaged Goods, Logistics and Life Sciences (RCL). Geographic segmentation is based on business sourced from that geographic region and delivered from both on-site and off-shore. North America comprises the United States of America, Canada and Mexico, Europe includes continental Europe (both the east and the west), Ireland and the United Kingdom, and the Rest of the World comprising all other places except those mentioned above and India. Consequent to the above change in the composition of reportable segments, the prior year comparatives have been restated.

Revenue and identifiable operating expenses in relation to segments are categorized based on items that are individually identifiable to that segment. Allocated expenses of segments include expenses incurred for rendering services from the Company's offshore software development centers and on-site expenses, which are categorized in relation to the associated turnover of the segment. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying assets are used interchangeably. The Management believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and adjusted against the total income of the group.

Fixed assets used in the Group's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. Accordingly, no disclosure relating to total segment assets and liabilities are made. Geographical information on revenue and industry revenue information is collated based on individual customers invoiced or in relation to which the revenue is otherwise recognized.

Industry segments

Year ended December 31, 2013 and *December 31, 2012* :

in ₹

Particulars	FSI	MFG	RCL	ECS	Total
Income from software services and products	91,51,57,224	21,11,77,878	99,66,18,910	4,23,24,823	2,16,52,78,835
	73,36,73,952	*19,44,81,915*	*66,75,40,529*	*88,74,203*	*1,60,45,70,599*
Identifiable operating expenses	55,55,35,219	12,71,32,200	54,08,31,906	2,12,05,176	1,24,47,04,501
	38,60,30,575	*9,51,17,727*	*33,62,79,635*	*26,44,576*	*82,00,72,513*
Allocated expenses	33,83,22,645	7,80,69,928	36,84,38,053	1,56,46,979	80,04,77,605
	27,49,87,803	*7,28,93,626*	*25,02,00,383*	*33,26,134*	*60,14,07,946*
Segmental operating income	2,12,99,360	59,75,750	8,73,48,951	54,72,667	12,00,96,728
	7,26,55,573	*2,64,70,562*	*8,10,60,511*	*29,03,493*	*18,30,90,141*
Unallocable expenses					7,04,81,891
					4,45,80,722
Other income					(1,19,15,839)
					(2,92,82,367)
Profit Before Tax					3,76,98,998
					10,92,27,052
Tax expense					2,99,04,383
					4,04,38,526
Profit for the period					77,94,615
					6,87,88,526

Geographic segments

Year ended December 31, 2013 and *December 31, 2012* :

in ₹

Particulars	North America	Europe	India	Rest of the World	Total
Income from software services and products	2,02,39,35,557	8,23,84,433	–	5,89,58,846	21,65,278,835
	1,45,52,79,779	*7,07,53,108*	–	*7,85,37,712*	*1,60,45,70,599*
Identifiable operating expenses	1,19,02,62,973	3,17,79,951	–	2,26,61,577	24,47,04,501
	76,33,88,846	*2,77,70,530*	–	*2,89,13,137*	*82,00,72,513*
Allocated expenses	74,82,24,691	3,04,56,536	–	2,17,96,378	80,04,77,605
	54,54,52,362	*2,65,18,921*	–	*2,94,36,663*	*60,14,07,946*
Segmental operating income	8,54,47,892	2,01,47,945	–	1,45,00,891	12,00,96,728
	14,64,38,571	*1,64,63,657*	–	*2,01,87,912*	*18,30,90,141*
Unallocable expenses					7,04,81,891
					4,45,80,722
Other income, net					(1,19,15,839)
					(2,92,82,367)
Profit Before Tax					3,76,98,998
					10,92,27,052
Tax expense					2,99,04,383
					4,04,38,526
Profit for the period					77,94,615
					6,87,88,526

2.21. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from software services and products	2,16,52,78,835	1,60,45,70,599
Software development expenses	1,80,59,37,940	1,22,60,13,722
GROSS PROFIT	35,93,40,895	37,85,56,877
Selling and marketing expenses	3,90,70,636	2,32,41,369
General and administration expenses	20,01,73,531	17,22,25,369
	23,92,44,167	19,54,66,738
OPERATING PROFIT BEFORE DEPRECIATION	12,00,96,728	18,30,90,139
Depreciation and amortization	7,04,81,891	4,45,80,721
OPERATING PROFIT	4,96,14,837	13,85,09,418
Other income	(1,19,15,839)	(2,92,82,366)
PROFIT BEFORE TAX	3,76,98,998	10,92,27,052
Tax expense		
Current tax	1,89,96,915	2,81,28,490
Deferred tax	1,09,07,468	1,23,10,036
PROFIT FOR THE PERIOD	77,94,615	6,87,88,526

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Balashankar
Legal Representative

Bangalore
January 6, 2014

Infosys Technologies (Shanghai) Co. Limited

Independent Auditors' Report

To the Members of Infosys Technologies (Shanghai) Co. Limited

Report on the Financial Statements

We have audited the accompanying financial statement of Infosys Technologies (Shanghai) Co. Limited ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number: 006673S

M. Rathnakar Kamath
Partner
Membership Number: 202841

Bangalore
January 6, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31, 2013	As at December 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	231,26,46,757	231,26,46,757
Reserves and surplus	2.2	37,98,82,986	8,23,53,480
		269,25,29,743	239,50,00,237
NON-CURRENT LIABILITIES			
Other long-term liabilities	2.3	47,95,43,126	28,59,68,164
		47,95,43,126	28,59,68,164
CURRENT LIABILITIES			
Trade payables		14,096	21,40,615
Other current liabilities	2.4	2,39,94,343	4,13,71,294
Short-term provisions	2.5	–	3,90,69,849
		2,40,08,439	8,25,81,758
		319,60,81,308	276,35,50,159
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.6	2,24,18,091	3,21,36,607
Intangible assets	2.6	68,82,69,783	60,43,67,172
		71,06,87,874	63,65,03,779
Long-term loans and advances	2.8	154,45,95,367	65,50,75,079
		225,52,83,241	129,15,78,858
CURRENT ASSETS			
Trade receivables	2.9	–	10,28,968
Cash and cash equivalents	2.10	86,29,56,850	144,27,34,727
Short-term loans and advances	2.11	7,78,41,217	2,82,07,606
		94,07,98,067	147,19,71,301
		319,60,81,308	276,35,50,159
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Chandrasekhar Kakal
Chairman

Rangarajan V. R.
Director

Bangalore
January 6, 2014

Srinath Batni
Director

Statement of Profit and Loss

in ₹

Particulars	Note	Year ended December 31,	
		2013	2012
Income from software services		–	89,61,031
Other income	2.12	8,41,72,533	1,86,28,472
Total revenue		8,41,72,533	2,75,89,503
Expenses			
Employee benefit expenses	2.13	3,32,83,575	6,10,17,627
Travel expenses	2.13	3,04,403	4,25,149
Communication expenses	2.13	95,11,482	34,48,828
Professional charges		1,61,61,954	41,83,615
Depreciation and amortization expenses		3,37,25,718	2,84,92,655
Other expenses	2.13	7,69,04,831	4,07,51,446
Total expenses		16,98,91,963	13,83,19,320
PROFIT BEFORE TAX		(8,57,19,430)	(11,07,29,817)
Tax expense			
Current tax	2.14	–	3,82,35,237
PROFIT FOR THE PERIOD		(8,57,19,430)	(14,89,65,054)
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Chandrasekhar Kakal
Chairman

Rangarajan V. R.
Director

Bangalore
January 6, 2014

Srinath Batni
Director

Cash Flow Statement

in ₹

Particulars	Year ended December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	(8,57,19,430)	(11,07,29,817)
Adjustments to reconcile Profit Before Tax to cash provided by operating activities		
Depreciation and amortization expenses	3,37,25,718	2,84,92,655
Interest and dividend income	(1,67,79,359)	–
Effect of exchange differences on translation of assets / liabilities	38,22,36,025	11,04,78,816
Changes in assets and liabilities		
Trade receivables	10,28,968	(10,28,968)
Loans and advances and other assets	(4,25,51,550)	(3,27,35,359)
Liabilities and provisions	19,52,11,880	30,30,63,119
	46,71,52,252	29,75,40,446
Income taxes paid	(3,82,35,237)	–
NET CASH GENERATED BY OPERATING ACTIVITIES	42,89,17,015	29,75,40,446
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment towards capital expenditure (including intangible assets)	(102,29,19,944)	(67,03,71,198)
Interest and dividend received	1,42,25,052	–
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	(100,86,94,892)	(67,03,71,198)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution by parent	–	138,11,84,895
NET CASH USED IN FINANCING ACTIVITIES	–	138,11,84,895
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(57,97,77,877)	100,83,54,143
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	144,27,34,727	434380,584
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	86,29,56,850	144,27,34,727

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Chandrasekhar Kakal
Chairman

Rangarajan V. R.
Director

Bangalore
January 6, 2014

Srinath Batni
Director

Significant accounting policies and notes on accounts

Company overview

Infosys Technologies (Shanghai) Co. Limited ('Infosys Shanghai') incorporated on February 21, 2011, is a wholly-owned subsidiary of Infosys Limited. The Company provides end-to-end business solutions that leverage technology, thereby enabling its clients to enhance business performance. The Company's operations are to provide solutions that span the entire software lifecycle encompassing technical consulting, design, development, re-engineering, maintenance, systems integration, package evaluation and implementation, testing, and infrastructure management services.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous period figures

The previous period's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements, in conformity with GAAP, requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include computation of percentage of completion, which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support, and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed only if the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

Revenue is primarily derived from software development and related services. Arrangements with customers for software development and related services are either on a fixed-price, fixed-timeframe, or on a time-and-material basis.

Revenue on time-and-material contracts are recognized as related services performed and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues. Revenue from fixed-price and fixed-timeframe contracts, where there is no uncertainty as to measurement or collectability of consideration, is recognized based upon the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Cost and earnings in excess of billings are classified as unbilled revenue while billings in excess of cost and earnings is classified as unearned revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates.

Annual Technical Services revenue and revenue from fixed-price maintenance contracts are recognized ratably over the period in which services are rendered. Revenue from the sale of user licenses for software applications is recognized on transfer of the title in the user license, except in case of multiple element contracts, which require significant implementation services, where revenue for the entire arrangement is recognized over the implementation period based upon the percentage-of-completion method. Revenue from client training, support and other services arising due to the sale of software products is recognized as the related services are performed.

The Company accounts for volume discounts and pricing incentives to customers as a reduction of revenue based on the ratable allocation of the discount / incentive amount to each of the underlying revenue transactions that result in progress by the customer towards earning the discount / incentive. Also, when the level of discount varies with increases in levels of revenue transactions, the Company recognizes the liability based on its estimate of the customer's future purchases. If it is probable that the criteria for the discount will not be met, or if the amount thereof cannot be estimated reliably, then discount is not recognized until the payment is probable and the amount can be estimated reliably. The Company recognizes changes in the estimated amount of obligations for discounts using a cumulative catchup approach. The discounts are passed on to the customer either as direct payments or as a reduction of payments due from the customer.

The Company presents revenues net of value-added taxes in its Statement of Profit and Loss

Profit on sale of investments is recorded on transfer of title from the Company and is determined as the difference between the sale price and carrying value of the investment. Lease rentals are recognized ratably on a straight-line basis over the lease term. Interest is recognized using the time-proportion method, based on rates implicit in the transaction. Dividend income is recognized when the Company's right to receive dividend is established.

1.7. Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by the best estimate of the outflow of economic benefits required to settle the obligation at the reporting date. Where no reliable estimate can be made, a disclosure is made as contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

1.8. Post-sales client support and warranties

The Company provides its clients with a fixed-period warranty for corrections of errors and telephone support on all its fixed-price, fixed-timeframe contracts. Costs associated with such support services are accrued at the time when related revenues are recorded and included in cost of sales. The Company estimates such costs based on historical experience and the estimates are reviewed annually for any material changes in assumptions.

1.9. Onerous contracts

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

1.10. Tangible assets, intangible assets and capital work-in-progress

Tangible assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises of the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

1.11. Depreciation and amortization

Depreciation on fixed assets is provided on the straight-line method over the useful lives of assets estimated by the Management. Depreciation for assets purchased / sold during a period is proportionately charged. Individual low cost assets (acquired for ₹ 5,000/- or less) are depreciated over a period of one year from the date of acquisition. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The Management estimates the useful lives for the other fixed assets as follows:

Buildings	15 years
Plant and machinery	5 years
Office equipment	5 years
Computer equipment	2-5 years
Furniture and fixtures	5 years
Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

1.12. Provision for impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and recognized as an expense in the income statement.

1.13. Retirement benefits to employees

Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

1.14. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.15. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. Tax benefits of deductions earned on exercise of employee share options in excess of compensation charged to Statement of Profit and Loss are credited to the share premium account.

1.16. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.17. Cash flow statement

Cash flows are reported using the indirect method, whereby Profit Before Tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

1.18. Leases

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Statement of Profit and Loss over the lease term.

1.19. Government grants

The Company recognizes government grants only when there is reasonable assurance that the conditions attached to them shall be complied with, and the grants will be received. Government grants related to depreciable assets are treated as deferred income and are recognized in the Statement of Profit and Loss on a systematic and rational basis over the useful life of the asset. Government grants related to revenue are recognized on a systematic basis in the Statement of Profit and Loss over the periods necessary to match them with the related costs which they are intended to compensate.

2. Notes on accounts for the year ended December 31, 2013

2.1. Share capital

in ₹

Particulars	As at December 31,	
	2013	2012
Authorized		
150,000,000 (150,000,000) USD	789,29,61,861	789,29,61,861
Issued, subscribed and paid-up		
46,000,000 (46,000,000) USD	231,26,46,757	231,26,46,757
	231,26,46,757	231,26,46,757

Shareholding in excess of 5%

Particulars	As at December 31,	
	2013	2012
Infosys Limited	100%	100%

2.2. Reserves and surplus

in ₹

Particulars	As at December 31,	
	2013	2012
Foreign currency translation reserve – opening balance	26,59,52,601	15,65,51,298
Add: Foreign currency translation during the year	38,32,48,936	10,94,01,303
Foreign currency translation reserve – closing balance	64,92,01,537	26,59,52,601
Surplus – opening balance	(18,35,99,121)	(3,46,34,067)
Add: Net profit after tax transferred from Statement of Profit and Loss	(8,57,19,430)	(14,89,65,054)
Surplus – closing balance	(26,93,18,551)	(18,35,99,121)
	37,98,82,986	8,23,53,480

2.3. Other long-term liabilities

in ₹

Particulars	As at December 31,	
	2013	2012
Deferred income – government grant on land use rights	47,95,43,126	28,59,68,164
	47,95,43,126	28,59,68,164

2.4. Other current liabilities

in ₹

Particulars	As at December 31,	
	2013	2012
Accrued salaries and benefits		
Bonus and incentives	–	29,44,425
Provision for expenses	1,68,42,529	55,20,006
Retention monies	–	2,19,75,000
Deferred income – government grant on land use rights	69,63,131	1,03,21,570
Other payables	1,88,683	6,10,293
	2,39,94,343	4,13,71,294

2.5. Short-term provisions

in ₹

Particulars	As at December 31,	
	2013	2012
Provision for employee benefits		
Unavailed leave	–	8,34,612
Income taxes (net of advance tax and TDS)	–	3,82,35,237
	–	3,90,69,849

2.6. Fixed assets

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at January 1, 2013	Additions / acquisitions during year	Deductions / retirement during year	As at December 31, 2013	As at January 1, 2013	For the year	Deductions / adjustments during year	As at December 31, 2013	As at December 31, 2013	As at December 31, 2012
Tangible assets										
Leasehold improvements	2,37,83,724	–	38,69,252	2,76,52,976	1,25,01,645	1,29,79,769	11,98,806	2,66,80,220	9,72,756	1,12,82,079
Plant and equipment	1,13,49,515	–	18,46,394	1,31,95,909	18,38,615	28,45,258	93,130	47,77,003	84,18,906	95,10,900
Office equipment	29,26,324	33,17,604	10,33,426	72,77,354	2,42,800	13,80,902	(79,621)	15,44,081	57,33,273	26,83,524
Computer equipment	73,42,493	–	11,94,513	85,37,006	28,90,463	43,53,184	1,69,374	74,13,021	11,23,985	44,52,030
Furniture and fixtures	54,92,013	27,07,097	9,72,527	91,71,637	12,83,938	16,46,996	71,532	30,02,466	61,69,171	42,08,074
	5,08,94,069	60,24,701	89,16,112	6,58,34,882	1,87,57,461	2,32,06,109	14,53,221	4,34,16,791	2,24,18,091	3,21,36,607
Intangible assets										
Land use rights	62,00,46,600	10,08,72,200	–	72,09,18,800	1,56,79,428	1,05,19,609	64,49,980	3,26,49,017	68,82,69,783	60,43,67,172
	62,00,46,600	10,08,72,200	–	72,09,18,800	1,56,79,428	1,05,19,609	64,49,980	3,26,49,017	68,82,69,783	60,43,67,172
Total	67,09,40,669	10,68,96,901	89,16,112	78,67,53,682	3,44,36,889	3,37,25,718	79,03,201	7,60,65,808	71,06,87,874	63,65,03,780
Previous year	61,94,28,527	5,15,12,142	–	67,09,40,669	48,66,721	2,84,92,655	(10,77,513)	3,44,36,889	63,65,03,780	

2.7. Leases

Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the year and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Lease rentals recognized during the year	5,67,05,057	2,14,12,271

in ₹

Lease obligations payable	As at December 31,	
	2013	2012
Within one year of the Balance Sheet date	3,52,63,211	5,19,92,780
Due in a period between one year and five years	–	3,03,29,121
Due after five years	–	–

The operating lease arrangements, are renewable on a periodic basis and for most of the leases extend up to a maximum of ten years from their respective dates of inception and relate to rented premises. Some of these lease agreements have price escalation clauses.

2.8. Long-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Rental deposits	–	45,27,755
Capital Advances	1,54,45,95,367	65,05,47,324
	1,54,45,95,367	65,50,75,079

2.9. Trade receivables

in ₹

Particulars	As at December 31,	
	2013	2012
Other debts		
Unsecured		
Considered good	–	10,28,968
	–	10,28,968

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer from the invoice date, as at the Balance Sheet date. The Company pursues the recovery of the dues, in part or full.

2.10. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2013	2012
Balances with banks		
In current and deposit accounts	86,29,56,850	144,27,34,727
	86,29,56,850	144,27,34,727

The deposits maintained by the Company with banks and financial institutions comprise of time deposits, which can be withdrawn by the Company at any point without prior notice or penalty on the principal.

The details of balances as on Balance Sheet date with banks are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
In current accounts		
BOC Shanghai – USD	4,23,552	3,79,700
BOC Shanghai – RMB	33,48,642	92,107
CITI Shanghai – RMB	23,22,595	26,68,07,584
CITI Special – RMB	31,49,38,737	116,70,84,536
CITI China – USD	2,58,529	2,79,830
CITI Shanghai Co – USD	4,795	80,90,970
	32,12,96,850	144,27,34,727
In deposit accounts		
RBS, China	54,16,60,000	–
	54,16,60,000	–
Total cash and cash equivalents as per Balance Sheet	86,29,56,850	144,27,34,727

2.11. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Prepaid expenses	57,55,116	49,49,850
Others	1,00,75,203	–
	1,58,30,319	49,49,850
Withholding and other taxes payable	5,41,07,094	2,21,16,259
Interest accrued but not due	25,54,307	–
Salary advances	85,144	11,41,497
Rental deposits	52,64,353	–
	7,78,41,217	2,82,07,606
Unsecured, considered doubtful		
Loans and advances to employees	2,04,523	–
	7,80,45,740	2,82,07,606
Less: Provision for doubtful loans and advances to employees	2,04,523	–
	7,78,41,217	2,82,07,606

2.12. Other income

in ₹

Particulars	Year ended December 31,	
	2013	2012
Interest received on deposits with bank	1,67,79,359	89,10,599
Miscellaneous income, net	6,85,75,699	2,75,93,241
Gains / (losses) on foreign currency, net	(11,82,525)	(1,78,75,368)
	8,41,72,533	1,86,28,472

2.13. Expenses

in ₹

Particulars	Year ended December 31,	
	2013	2012
Employee benefit expenses		
Salaries and bonus	3,31,05,884	6,03,04,000
Staff welfare	1,77,691	7,13,627
	3,32,83,575	6,10,17,627
Travel expenses		
Travelling and conveyance	3,04,403	4,25,149
	3,04,403	4,25,149
Communication expenses		
Communication expenses	95,11,482	34,48,828
	95,11,482	34,48,828

in ₹

Particulars	Year ended December 31,	
	2013	2012
Other expenses		
Office maintenance	1,28,48,529	1,11,09,024
Power and fuel	14,96,243	25,84,167
Brand building	2,60,924	–
Rent	5,67,05,057	2,14,12,271
Rates and taxes, excluding taxes on income	36,01,995	47,07,458
Repairs to plant and machinery	5,52,397	67,691
Computer maintenance	1,16,230	44,495
Consumables	–	3,273
Insurance charges	(41,014)	52,725
Marketing expenses	1,14,984	(2,61,228)
Printing and stationery	21,368	1,32,670
Professional membership and seminar participation fees	183	31,606
Postage and courier	1,095	549
Provision for bad and doubtful debts and advances	1,94,517	–
Auditor's remuneration		
Statutory audit fees	9,87,183	8,10,204
Bank charges	45,211	56,572
Miscellaneous expenses	(71)	(31)
	7,69,04,831	4,07,51,446

2.14. Tax expense

in ₹

Particulars	Year ended December 31,	
	2013	2012
Current tax		
Income taxes	–	3,82,35,237
	–	3,82,35,237

2.15. Contingent liabilities and commitments

(To the extent not provided for)

in ₹

Particulars	As at December 31,	
	2013	2012
Commitments:		
Estimated amount of unexecuted capital contracts (net of advances and deposits)	566,16,43,283	502,22,78,262

2.16. Related party transactions

List of related parties:

Name of Holding Company	As at December 31,	
	2013	2012
Infosys Limited	100%	100%

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Brasil	Brazil
Infosys Public Services, Inc.	U.S.
Infosys Consulting India Limited (1)	India
Infosys Americas (2)	U.S.
Infosys BPO s. r. o. (3)	Czech Republic
Infosys BPO (Poland) Sp. z o.o. (3)	Poland
Infosys McCamish Systems LLC (Formerly known as McCamish Systems LLC) (3)	U.S.
Portland Group Pty. Ltd (3)(4)	Australia
Portland Procurement Services Pty. Ltd(10)	Australia
Infosys Australia (5)	Australia
Lodestone Holding AG (6)	Switzerland
Lodestone Management Consultants (Canada) Inc. (7)(13)	Canada
Lodestone Management Consultants Inc. (7)	U.S.
Lodestone Management Consultants Pty. Limited (7)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (7)(8)	Thailand
Lodestone Management Consultants AG (7)	Switzerland
Lodestone Augmentis AG (12)	Switzerland
Hafner Bauer & Ödman GmbH (7)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (9)	Belgium
Lodestone Management Consultants GmbH (7)	Germany
Lodestone Management Consultants Pte Ltd. (7)	Singapore
Lodestone Management Consultants SAS (7)	France
Lodestone Management Consultants s.r.o. (7)	Czech Republic
Lodestone Management Consultants GmbH (7)	Austria
Lodestone Management Consultants China Co., Ltd. (7)	China
Lodestone Management Consultants Ltd. (7)	U.K.
Lodestone Management Consultants B.V. (7)	Netherlands
Lodestone Management Consultants Ltda. (9)	Brazil
Lodestone Management Consultants sp. z o.o. (7)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. (7)	Portugal
S.C. Lodestone Management Consultants S.R.L. (7)	Romania
Lodestone Management Consultants S.R.L. (7)(11)	Argentina

(1) *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012*

(2) *Incorporated effective June 25, 2013*

(3) *Wholly-owned subsidiaries of Infosys BPO.*

(4) *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*

(5) *Under liquidation*

(6) *On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG*

(7) *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

(8) *Liquidated effective February 14, 2013*

(9) *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

(10) *Wholly-owned subsidiary of Portland Group Pty. Ltd*

(11) *Incorporated effective January 10, 2013*

(12) *Wholly-owned subsidiary of Lodestone Management Consultants AG*

(13) *Liquidated effective December 31, 2013*

Related party transactions:

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Capital transactions:		
Infosys Limited	–	138,11,84,895

2.17. Segment reporting

The Company is engaged in providing services in a single geography and industry. Its operations are therefore considered to constitute a single segment in the context of Accounting Standard 17 Segment Reporting.

2.18. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from software services	–	89,61,031
Software development expenses	9,25,93,313	8,08,79,617
GROSS PROFIT	(9,25,93,313)	(7,19,18,586)
Selling and marketing expenses	1,57,62,378	(2,61,228)
General and administration expenses	2,78,10,554	2,92,08,276
	4,35,72,932	2,89,47,048
OPERATING PROFIT BEFORE DEPRECIATION	(13,61,66,245)	(10,08,65,634)
Depreciation and amortization	3,37,25,718	2,84,92,655
OPERATING PROFIT	(16,98,91,963)	(12,93,58,289)
Other income	8,41,72,533	1,86,28,472
PROFIT BEFORE TAX	(8,57,19,430)	(11,07,29,817)
Tax expense		
Current tax	–	3,82,35,237
PROFIT FOR THE PERIOD	(8,57,19,430)	(14,89,65,054)

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Chandrasekhar Kakal
Chairman

Rangarajan V. R.
Director

Bangalore
January 6, 2014

Srinath Batni
Director

Infosys Technologies (Sweden) AB

Independent Auditors' Report

To the Members of Infosys Technologies (Sweden) AB

Report on the Financial Statements

We have audited the accompanying financial statement of Infosys Technologies (Sweden) AB ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bangalore
January 7, 2014

Balance Sheet

in ₹ crore

Particulars	Note	As at December 31,	
		2013	2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	6,53,000	6,53,000
Reserves and surplus	2.2	99,26,033	1,21,36,042
		1,05,79,033	1,27,89,042
CURRENT LIABILITIES			
Other current liabilities	2.3	59,79,187	87,38,020
Short-term provisions	2.4	1,04,235	23,84,324
		60,83,422	1,11,22,344
		1,66,62,455	2,39,11,386
ASSETS			
NON-CURRENT ASSETS			
Long-term loans and advances	2.6	36,32,324	63,02,700
		36,32,324	63,02,700
CURRENT ASSETS			
Trade receivables	2.7	30,47,359	36,43,436
Cash and cash equivalents	2.8	87,57,849	1,28,62,324
Short-term loans and advances	2.9	12,24,923	11,02,926
		1,30,30,131	1,76,08,686
		1,66,62,455	2,39,11,386
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

S. D. Shibulal
Chairman

B. G. Srinivas
Director

Eric Stephen Paternoster
Director

Bangalore
January 7, 2014

Rajesh Krishnamurthy
Director

Statement of Profit and Loss

in ₹, except per share data

Particulars	Note	Year ended December 31,	
		2013	2012
Income from software services		2,93,55,813	7,59,24,144
Other income	2.10	(2,56,674)	(3,68,564)
Total revenue		2,90,99,139	7,55,55,580
Expenses			
Employee benefit expenses	2.11	2,04,89,757	6,54,53,260
Travel expenses	2.11	–	4,41,278
Communication expenses	2.11	31,897	56,671
Professional charges		69,45,201	56,12,059
Other expenses	2.11	21,49,061	18,18,294
Total expenses		2,96,15,916	7,33,81,562
PROFIT BEFORE TAX		(5,16,777)	21,74,018
Tax expense			
Current tax	2.12	32,71,764	23,09,661
LOSS FOR THE YEAR		(37,88,541)	(1,35,643)
LOSS PER EQUITY SHARE			
Equity shares of par value SEK 100 each			
Basic		(3,789)	(136)
Diluted		(3,789)	(136)
Number of shares used in computing earnings per share	2.16		
Basic		1,000	1,000
Diluted		1,000	1,000
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

S. D. Shibulal
Chairman

B. G. Srinivas
Director

Eric Stephen Paternoster
Director

Bangalore
January 7, 2014

Rajesh Krishnamurthy
Director

Cash Flow Statement

in ₹ crore

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	(5,16,777)	21,74,018
Adjustments to reconcile Profit Before Tax to cash provided by operating activities		
Interest and dividend income	(1,08,186)	(2,99,687)
Effect of exchange differences on translation of assets and liabilities	15,78,532	10,89,935
Changes in assets and liabilities		
Trade receivables	5,96,077	47,49,275
Loans and advances and other assets	(1,31,144)	39,41,690
Liabilities and provisions	(27,65,314)	(1,21,15,507)
	(13,46,812)	(4,60,276)
Income taxes paid	(28,68,070)	(73,18,912)
NET CASH GENERATED BY OPERATING ACTIVITIES	(42,14,882)	(77,79,188)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividend received	1,10,407	3,00,257
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	1,10,407	3,00,257
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(41,04,475)	(74,78,931)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,28,62,324	2,03,41,255
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	87,57,849	1,28,62,324

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

S. D. Shibulal
Chairman

B. G. Srinivas
Director

Eric Stephen Paternoster
Director

Bangalore
January 7, 2014

Rajesh Krishnamurthy
Director

Significant accounting policies and notes on accounts

Company overview

During March 2009, the holding company incorporated a wholly-owned subsidiary in Sweden. The subsidiary also has a branch in Norway as Infosys Technologies (Sweden) AB Norway branch. The Company provides end-to-end business solutions that leverage technology, thereby enabling its clients to enhance business performance. The Company's operations are to provide solutions that span the entire software lifecycle encompassing technical consulting, design, development, re-engineering, maintenance, systems integration, package evaluation and implementation, testing and infrastructure management services.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous period figures

The previous period's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

Revenue is primarily derived from software development and related services. Arrangements with customers for software development and related services are either on a fixed-price, fixed-timeframe or on a time-and-material basis.

Revenue on time-and-material contracts are recognized as the related services are performed and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues. Revenue from fixed-price and fixed-timeframe contracts, where there is no uncertainty as to measurement or collectability of consideration, is recognized based upon the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability revenue recognition is postponed until such uncertainty is resolved. Cost and earnings in excess of billings are classified as unbilled revenue while billings in excess of cost and earnings is classified as unearned revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates.

The Company accounts for volume discounts and pricing incentives to customers as a reduction of revenue, based on the ratable allocation of the discount / incentive amount to each of the underlying revenue transactions that result in progress by the customer towards earning the discount / incentive. Also, when the level of discount varies with increases in levels of revenue transactions, the Company recognizes the liability based on its estimate of the customer's future purchases. If it is probable that the criteria for the discount will not be met, or if the amount thereof cannot be estimated reliably, then discount is not recognized until the payment is probable and the amount can be estimated reliably. The Company recognizes changes in the estimated amount of obligations for discounts using a cumulative catchup approach. The discounts are passed on to the customer either as direct payments or as a reduction of payments due from the customer.

The Company presents revenues net of value-added taxes in its Statement of Profit and Loss.

Profit on sale of investments is recorded on transfer of title from the Company and is determined as the difference between the sale price and carrying value of the investment. Lease rentals are recognized ratably on a straight-line basis over the lease term. Interest is recognized using the time-proportion method, based on rates implicit in the transaction. Dividend income is recognized when the Company's right to receive dividend is established.

1.7. Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by the best estimate of the outflow of economic benefits required to settle the obligation at the reporting date. Where no reliable estimate can be made, a disclosure is made as contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

1.8. Onerous contracts

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

1.9. Tangible assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises of the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

1.10. Depreciation and amortization

Depreciation on fixed assets is provided on the straight-line method over the useful lives of assets estimated by the Management. Depreciation for assets purchased / sold during a period is proportionately charged. Individual low cost assets (acquired for ₹5,000/- or less) are depreciated over a period of one year from the date of acquisition. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use.

The Management estimates the useful lives for the other fixed assets as follows:

Buildings	15 years
Plant and machinery	5 years
Office equipment	5 years
Computer equipment	2-5 years
Furniture and fixtures	5 years
Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

1.11. Retirement benefits to employees

Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

1.12. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.13. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. Tax benefits of deductions earned on exercise of employee share options in excess of compensation charged to Statement of Profit and Loss are credited to the share premium account.

1.14. Earnings per share

Basic earnings per share is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the period.

1.15. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.16. Leases

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Statement of Profit and Loss over the lease term.

1.17. Government grants

The Company recognizes government grants only when there is reasonable assurance that the conditions attached to them shall be complied with, and the grants will be received. Government grants related to depreciable assets are treated as deferred income and are recognized in the Statement of Profit and Loss on a systematic and rational basis over the useful life of the asset. Government grants related to revenue are recognized on a systematic basis in the Statement of Profit and Loss over the periods necessary to match them with the related costs which they are intended to compensate.

2. Notes on accounts for the year ended December 31, 2013

2.1. Share capital

in ₹ crore

Particulars	As at December 31, 2013	As at December 31, 2012
Authorized		
4,000 shares of 100 SEK par value	26,12,000	26,12,000
Issued, subscribed and paid-up		
1,000 (1,000) shares of 100 SEK par value, fully paid	6,53,000	6,53,000
	6,53,000	6,53,000

2.2. Reserves and surplus

in ₹ crore

Particulars	As at December 31, 2013	As at December 31, 2012
Foreign currency translation reserve – opening balance	28,88,215	17,98,280
Add: Foreign currency translation during the year	15,78,532	10,89,935
Foreign currency translation reserve – closing balance	44,66,747	28,88,215
Surplus – opening balance	92,47,827	93,83,470
Add: Net profit after tax transferred from Statement of Profit and Loss	(37,88,541)	(1,35,643)
Surplus – closing balance	54,59,286	92,47,827
	99,26,033	1,21,36,042

2.3. Other current liabilities

in ₹ crore

Particulars	As at December 31, 2013	As at December 31, 2012
Accrued salaries and benefits		
Bonus and incentives	2,77,737	22,71,564
Other liabilities		
Provision for expenses	50,40,599	34,35,717
Withholding and other taxes payable	6,60,350	30,30,739
Other payables	501	–
	59,79,187	87,38,020

2.4. Short-term provisions

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Provision for employee benefits		
Unavailed leave	1,04,235	1,10,716
Others		
Provision for		
Income taxes (net of advance tax and TDS)	–	22,73,608
	1,04,235	23,84,324

2.5. Leases

Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the year and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Lease rentals recognized during the year	5,35,010	3,85,064

in ₹

Lease obligations payable	As at December 31, 2013	As at December 31, 2012
Within one year of the Balance Sheet date	1,14,347	4,18,631
Due in a period between one year and five years	–	2,09,315
Due after five years	–	–

The operating lease arrangements, are renewable on a periodic basis and for most of the leases extend up to a maximum of 10 years from their respective dates of inception and relate to rented premises. Some of these lease agreements have price escalation clauses.

2.6. Long-term loans and advances

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Unsecured, considered good		
Rental deposits	86,325	79,399
Other loans and advances		
Advance income taxes	35,45,999	62,23,301
	36,32,324	63,02,700

2.7. Trade receivables [1]

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Other debts	–	–
Unsecured		
Considered good [1]	30,47,359	36,43,436
	30,47,359	36,43,436
[1] *Includes dues from holding company (Refer to Note 2.14)*	30,47,359	36,43,436

2.8. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2013	2012
Cash on hand	–	–
Balances with banks		
In current and deposit accounts	87,57,849	1,28,62,324
	87,57,849	1,28,62,324

The deposits maintained by the Company with banks comprise of time deposits, which can be withdrawn by the Company at any point without prior notice or penalty on the principal.

The details of balances as on Balance Sheet date with banks are as follows:

in ₹ crore

Particulars	As at December 31,	
	2013	2012
In current accounts		
Nordbanken, Sweden	57,77,187	41,29,372
Svenska Handelsbanken, Sweden	39,204	1,342
BNP Paribus, Sweden	52,458	2,91,610
	58,68,849	44,22,324
In deposit accounts		
Nordbanken, Sweden	28,89,000	84,40,000
	28,89,000	84,40,000
Total cash and cash equivalents as per Balance Sheet	87,57,849	1,28,62,324

2.9. Short-term loans and advances

in ₹ crore

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	45,967	3,83,531
Withholding and other taxes receivable	11,78,715	7,16,933
	12,24,682	11,00,464
Interest accrued but not due	241	2,462
	12,24,923	11,02,926

2.10. Other income

in ₹ crore

Particulars	Year ended December 31,	
	2013	2012
Interest received on deposits with banks and others	1,08,186	2,99,687
Gains / (losses) on foreign currency, net	(3,64,860)	(6,68,251)
	(2,56,674)	(3,68,564)

2.11. Expenses

in ₹ crore

Particulars	Year ended December 31,	
	2013	2012
Employee benefit expenses		
Salaries and bonus	2,04,89,757	6,54,25,547
Staff welfare	–	27,713
	2,04,89,757	6,54,53,260
Travel expenses		
Travelling and Conveyance	–	4,41,278
	–	4,41,278

Particulars	Year ended December 31,	
	2013	2012
Communication expenses		
Telephone charges	31,897	56,671
	31,897	56,671

in ₹

Particulars	Year ended December 31,	
	2013	2012
Other expenses		
Office maintenance	9,225	5,190
Rent	5,35,010	3,85,064
Rates and taxes, excluding taxes on income	–	8,262
Insurance charges	33,601	29,670
Printing and stationery	–	4,507
Professional membership and seminar participation fees		
Postage and courier	36,286	33,235
Statutory audit fees	14,59,185	11,99,657
Bank charges	75,754	1,50,694
Others	–	2,015
	21,49,061	18,18,294

2.12. Tax expense

in ₹ crore

Particulars	Year ended December 31,	
	2013	2012
Current tax		
Income taxes	32,71,764	23,09,661
	32,71,764	23,09,661

2.13. Quantitative details

The Company is primarily engaged in the development and maintenance of computer software. The production and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5 (viii)(c) of general instructions for preparation of the Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.14. Related party transactions

List of related parties:

Name of Holding Company	Country	Holding as at December 31,	
		2013	2012
Infosys Limited	India	100%	100%

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Mexico	Mexico
Infosys Shanghai	China
Infosys Brasil	Brazil
Infosys Public Services, Inc.	U.S.
Infosys Consulting India Limited (1)	India
Infosys Americas (2)	U.S.
Infosys BPO s. r. o (3)	Czech Republic
Infosys BPO (Poland) Sp. z o.o. (3)	Poland
Infosys McCamish Systems LLC (formerly known as McCamish Systems LLC) (3)	U.S.
Portland Group Pty. Ltd (3)(4)	Australia
Portland Procurement Services Pty. Ltd (10)	Australia
Infosys Australia (5)	Australia
Lodestone Holding AG (6)	Switzerland

Name of fellow subsidiaries	Country
Lodestone Management Consultants (Canada) Inc. (7)(13)	Canada
Lodestone Management Consultants Inc. (7)	U.S.
Lodestone Management Consultants Pty. Limited (7)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (7)(8)	Thailand
Lodestone Management Consultants AG (7)	Switzerland
Lodestone Augmentis AG (12)	Switzerland
Hafner Bauer & Ödman GmbH (7)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (9)	Belgium
Lodestone Management Consultants GmbH (7)	Germany
Lodestone Management Consultants Pte Ltd. (7)	Singapore
Lodestone Management Consultants SAS (7)	France
Lodestone Management Consultants s.r.o. (7)	Czech Republic
Lodestone Management Consultants GmbH (7)	Austria
Lodestone Management Consultants China Co., Ltd. (7)	China
Lodestone Management Consultants Ltd. (7)	U.K.
Lodestone Management Consultants B.V. (7)	Netherlands
Lodestone Management Consultants Ltda. (9)	Brazil
Lodestone Management Consultants sp. z o.o. (7)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. (7)	Portugal
S.C. Lodestone Management Consultants S.R.L. (7)	Romania
Lodestone Management Consultants S.R.L. (7)(11)	Argentina

(1) *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012.*
(2) *Incorporated effective June 25, 2013*
(3) *Wholly-owned subsidiaries of Infosys BPO.*
(4) *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*
(5) *Under liquidation*
(6) *On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG*
(7) *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(8) *Liquidated effective February 14, 2013*
(9) *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(10) *Wholly-owned subsidiary of Portland Group Pty. Ltd*
(11) *Incorporated effective January 10, 2013*
(12) *Wholly-owned subsidiary of Lodestone Management Consultants AG*
(13) *Liquidated effective December 31, 2013*

The details of amounts due to or due from as at December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
Trade receivables		
Infosys Limited	30,47,359	36,43,436

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Revenue transactions		
Sale of services		
Infosys Limited	2,93,55,813	7,59,24,144

2.15. Segment reporting

The Company's operations predominantly relate to providing end-to-end business solutions thereby enabling clients to enhance business performance, delivered to customers globally operating in various industry segments. The Chief Executive Officer evaluates the Group's performance and allocates resources based on an analysis of various performance indicators by industry classes and geographic segmentation of customers. Accordingly, segment information has been presented both along industry classes and geographic segmentation of customers, industry being the primary segment. The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the significant accounting policies.

Industry segments for the Group are primarily Financial Services and Insurance (FSI) comprising enterprises providing banking, finance and insurance services, enterprises in Manufacturing (MFG), enterprises in the Energy & Utilities, Communications and Services (ECS) and enterprises in Retail, Consumer Packaged Goods, Logistics and Life Sciences (RCL). The entity operates in only one geographic segment in Europe. Hence the geographic segment disclosure are not applicable.

Revenue and identifiable operating expenses in relation to segments are categorized based on items that are individually identifiable to that segment. Allocated expenses of segments include expenses incurred for rendering services from the Company's offshore software development centers and on-site expenses, which are categorized in relation to the associated turnover of the segment. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying assets are used interchangeably. The Management believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and adjusted against the total income of the group.

Fixed assets used in the Group's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. Accordingly, no disclosure relating to total segment assets and liabilities are made. Industry revenue information is collated based on individual customers invoiced or in relation to which the revenue is otherwise recognized.

Industry Segments

Year ended December 31, 2013 and *December 31, 2012* :

in ₹

Particulars	FSI	MFG	ECS	RCL	Total
Income from software services and products	–	–	–	2,93,55,813	2,93,55,813
	–	–	*3,635,139*	*7,22,89,005*	*7,59,24,144*
Identifiable operating expenses	–	–	–	1,62,92,394	1,62,92,394
	–	–	*2,172,062*	*2,98,80,874*	*3,20,52,936*
Allocated expenses	–	–	–	1,33,23,522	1,33,23,522
	–	–	*1,978,755*	*3,93,49,870*	*4,13,28,625*
Segmental operating income	–	–	–	(2,60,103)	(2,60,103)
	–	–	*(515,678)*	*30,58,261*	*25,42,583*
Unallocable expenses					–
					–
Other income					(2,56,674)
					(3,68,564)
Profit Before Tax					(5,16,777)
					21,74,019
Tax expense					32,71,764
					23,09,661
Profit for the period					(37,88,541)
					(1,35,643)

2.16. Reconciliation of basic and diluted shares used in computing earnings per share

Particulars	Year ended December 31,	
	2013	2012
Number of shares considered as basic weighted average shares outstanding	1,000	1,000
Add : Effect of dilutive issues of shares / stock options	–	–
Number of shares considered as weighted average shares and potential shares outstanding	1,000	1,000

2.17. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from software services	2,93,55,813	7,59,24,144
Software development expenses	1,93,66,767	6,52,08,774
GROSS PROFIT	99,89,046	1,07,15,370
Selling and marketing expenses	16,58,000	10,72,845
General and administration expenses	85,91,149	70,99,943
	1,02,49,149	81,72,788
OPERATING PROFIT	(2,60,103)	25,42,582
Other income	(2,56,674)	(3,68,564)
PROFIT BEFORE TAX	(5,16,777)	21,74,018
Tax expense		
Current tax	32,71,764	23,09,661
LOSS FOR THE YEAR	(37,88,541)	(1,35,643)

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

S. D. Shibulal
Chairman

B. G. Srinivas
Director

Eric Stephen Paternoster
Director

Bangalore
January 7, 2014

Rajesh Krishnamurthy
Director

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Lodestone Holding AG

Independent Auditors' Report

To the Members of Lodestone Holding AG

Report on the Financial Statements

We have audited the accompanying financial statement of Lodestone Holding AG ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Profit for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number: 006673S

M. Rathnakar Kamath
Partner
Membership Number: 202841

Bangalore
January 7, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31, 2013	As at December 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	166,31,47,500	30,03,47,500
Reserves and surplus	2.2	116,61,69,383	68,55,61,948
		282,93,16,883	98,59,09,448
CURRENT LIABILITIES			
Unsecured loans	2.13 and 2.15	28,42,82,259	120,47,54,231
Other current liabilities	2.3	6,85,77,898	4,20,420
Short-term provisions	2.4	6,86,862	46,70,452
		35,35,47,019	120,98,45,103
		318,28,63,902	219,57,54,551
ASSETS			
NON-CURRENT ASSETS			
Non-current investments	2.5	43,93,70,639	36,92,43,789
Long-term loans and advances	2.6	16,30,334	11,23,813
		44,10,00,973	37,03,67,602
CURRENT ASSETS			
Cash and cash equivalents	2.7	23,86,659	9,39,04,689
Short-term loans and advances	2.8	273,94,76,270	173,14,82,260
		274,18,62,929	182,53,86,949
		318,28,63,902	219,57,54,551
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Chief Executing Officer

B. G. Srinivas
Director

Bangalore
January 7, 2014

U. B. Pravin Rao
Director

Statement of Profit and Loss

in ₹, except per share data

Particulars	Note	Year ended December 31, 2013	Year ended December 31, 2012
Income from consultancy services		–	–
Other income	2.9	41,49,11,632	75,40,21,776
Total revenue		41,49,11,632	75,40,21,776
Expenses			
Professional charges		17,73,867	1,05,95,874
Other expenses	2.10	2,05,67,079	5,01,46,965
Interest expense		5,82,39,718	2,49,32,617
Total expenses		8,05,80,664	8,56,75,456
PROFIT BEFORE TAX		33,43,30,968	66,83,46,320
Tax expense			
Current tax	2.11	(42,59,554)	17,34,641
PROFIT FOR THE YEAR		33,85,90,522	66,66,11,679
EARNINGS PER EQUITY SHARE			
A Equity shares of par value CHF 1000 each			
Basic		35,184	1,05,980
Number of A shares used in computing earnings per share			
Basic		6,683	3,350
B Equity shares of par value CHF 100 each			
Basic		3,518	10,598
Number of B shares used in computing earnings per share			
Basic		29,400	29,400
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Chief Executing Officer

B. G. Srinivas
Director

Bangalore
January 7, 2014

U. B. Pravin Rao
Director

Cash Flow Statement

in ₹

Particulars	Year ended December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	33,43,30,968	66,83,46,320
Adjustments to reconcile Profit Before Tax to cash provided by operating activities		
Interest and dividend income	(53,68,83,521)	(70,07,20,649)
Effect of exchange differences on translation of assets and liabilities	30,00,62,682	(14,14,63,826)
Changes in assets and liabilities		
Loans and advances and other assets	(8,18,718)	71,09,691
Liabilities and provisions	6,81,57,478	(44,34,834)
	16,48,48,889	(17,11,63,298)
Income taxes paid	(2,30,557)	(4,55,968)
NET CASH GENERATED BY OPERATING ACTIVITIES	16,46,18,332	(17,16,19,266)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in subsidiaries	(7,01,26,850)	(5,29,61,127)
Interest received from bank and dividend received	46,73,19,616	70,07,20,649
NET CASH PROVIDED BY INVESTING ACTIVITIES	39,71,92,766	64,77,59,522
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan given to subsidiary	(100,71,75,292)	(137,56,59,555)
Interest on loan given to subsidiary	6,95,63,905	–
Loan received from subsidiary	28,42,82,259	–
Loan received from holding company	–	120,47,54,231
Dividends paid including residual dividend	–	(21,13,61,951)
NET CASH USED IN FINANCING ACTIVITIES	(65,33,29,128)	(38,22,67,275)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,15,18,030)	9,38,72,981
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	9,39,04,689	31,708
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	23,86,659	9,39,04,689

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Chief Executing Officer

B. G. Srinivas
Director

U. B. Pravin Rao
Director

Bangalore
January 7, 2014

Significant accounting policies and notes on accounts

Company overview

Lodestone Holding AG renders professional management consulting services to domestic and international corporate clients, thereby enabling its clients to enhance business performance. The Company was incorporated on August 17, 2005 as Lodestone Management Consultants Ltd. and domiciled in Zurich, Switzerland.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous year figures

The previous year's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates may include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts and income taxes.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

The method for recognizing revenues and cost depends on the nature of the services rendered and on the substance of the contractual agreement. Revenues and costs generated under time-and-material contracts are recognized as services are rendered.

An expected project loss is recognized as an expense immediately.

Revenue comprises the invoiced value for the services and expense reimbursements, net of value added tax, rebates and discounts.

1.7. Impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and recognized as an expense in the income statement.

1.8. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.9. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

1.10. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.11. Earnings per share

Basic earnings per share is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the period.

2. Notes on accounts for the year ended December 31, 2013

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at December 31, 2013	2012
Authorized		
23,350 (3,350) of A equity shares of CHF 1,000 par value and 29,400 (29,400) of B equity shares of CHF 100 par value	166,31,47,500	30,03,47,500
Issued, Subscribed and Paid-Up		
23,350 (3,350) of A equity shares of CHF 1,000 par value and 29,400 (29,400) of B equity shares of CHF 100 par value	166,31,47,500	30,03,47,500
	166,31,47,500	30,03,47,500

2.2. Reserves and surplus

in ₹

Particulars	As at December 31, 2013	2012
Currency Translation Reserve – opening balance	(19,75,51,295)	(4,61,36,932)
Add: Movement during the year	14,20,16,913	(15,14,14,363)
	(5,55,34,382)	(19,75,51,295)
Legal reserve – opening balance	3,31,16,570	2,10,64,670
Add: Transferred from surplus	–	1,20,51,900
	3,31,16,570	3,31,16,570
Surplus – opening balance	84,99,96,673	40,68,00,767
Add: Net profit after tax transferred from Statement of Profit and Loss	33,85,90,522	66,66,11,679
Add: Amount transferred to (from) reserve for own share	–	(1,76,63,666)
Add: Transferred from Thailand subsidiary on liquidation	–	(1,76,65,588)
Amount available for appropriation	118,85,87,195	107,34,10,524
Appropriations		
Final dividend	–	21,13,61,951
Amount transferred to legal reserve	–	1,20,51,900
Surplus – closing balance	118,85,87,195	84,99,96,673
	116,61,69,383	68,55,61,948

2.3. Other current liabilities

in ₹

Particulars	As at December 31, 2013	2012
Accrued salaries and benefits		
Other liabilities		
Provision for expenses	8,32,560	4,20,420
Other payables [(1)]	6,77,45,338	–
	6,85,77,898	4,20,420
[(1)] *Includes dues to holding company and fellow subsidiaries (Refer to Note 2.13)*	5,68,77,863	–

2.4. Short-term provisions

in ₹

Particulars	As at December 31, 2013	2012
Provision for income taxes	6,86,862	46,70,452
	6,86,862	46,70,452

2.5. Investments

in ₹, except as otherwise stated

Particulars	As at December 31, 2013	2012
Non-current investments		
Others (unquoted)		
Investments in equity instruments of subsidiaries		
Lodestone Management Consultants GmbH 1,720 (1,720) equity shares of EUR 50 each, fully paid	1,83,19,383	1,83,19,383
Lodestone Management Consultants Portugal, Unipessoal, Lda.	4,05,11,835	4,05,11,835
Lodestone Management Consultants AG 1,200 (1,200) equity shares of CHF 100 each, fully paid	1,28,85,589	1,28,85,589
Lodestone Management Consultants sp. z o.o. 10,000 (10,000) equity shares of PLN 100 each, fully paid	2,61,52,019	2,61,52,019
Lodestone Management Consultants Pty. Limited 300 (300) equity shares of AUD 1 each, fully paid	5,44,51,700	5,44,51,700

Particulars	As at December 31, 2013	As at December 31, 2012
Lodestone Management Consultants Ltd. 50,000 (50,000) equity shares of GBP 1 par value, fully paid	117	117
Lodestone Management Consultants (Belgium) S.A. 999 (999) equity shares of EUR 489.32 each, fully paid	6,92,37,445	6,92,37,445
Lodestone Management Consultants (Canada) Inc.	–	54,96,020
S.C. Lodestone Management Consultants S.R.L. 14,000 (14,000) equity shares of RON 100 par value, fully paid	1,85,37,023	1,85,37,023
Lodestone Management Consultants Inc. 100 (100) equity shares of USD 1,000 par value, fully paid	62,07,500	62,07,500
Lodestone Management Consultants s.r.o. CZK 2,00,000 (2,00,000)	7,71,362	7,71,362
Lodestone Management Consultants Co., Ltd. USD 22,60,000 (13,60,000)	10,77,35,941	6,00,07,245
Lodestone Management Consultants SAS 8,000 (8,000) equity shares of EUR 10 par value, fully paid	52,73,472	52,73,472
Lodestone Management Consultants GmbH, Austria EUR 80,000	45,56,916	45,56,916
Lodestone Management Consultants Ltda. 1,50,000 (1,50,000) equity shares of BRL 1 par value, fully paid	35,63,409	35,63,409
Lodestone Management Consultants B.V.	41,41,463	41,41,463
Lodestone Management Consultants S.R.L. 28,000 (28,000) equity shares of ARS 100 par value, fully paid	2,78,94,174	–
Hafner Bauer & Ödman GmbH 480 (480) equity shares of CHF 100 par value, fully paid	50,90,265	50,90,265
Lodestone Management Consultants Pte Ltd. 1,00,000 (1,00,000) equity shares of SGD 1 par value, fully paid	3,40,41,026	3,40,41,026
	43,93,70,639	36,92,43,789

2.6. Long-term loans and advances

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Unsecured, considered good		
Other loans and advances		
Advance income taxes	16,30,334	11,23,813
	16,30,334	11,23,813

2.7. Cash and cash equivalents

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Balances with banks		
In current accounts	23,86,659	9,39,04,689
	23,86,659	9,39,04,689

The details of balances as on Balance Sheet dates with banks are as follows:

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
In current accounts		
UBS AG (CHF)	17,03,084	9,34,98,372
UBS AG (EURO)	5,67,456	3,99,209
UBS AG (USD)	1,16,119	7,108
	23,86,659	9,39,04,689
Total bank balances	23,86,659	9,39,04,689

2.8. Short-term loans and advances

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Unsecured, considered good		
Loans to subsidiary (Refer to *Note 2.14*)	273,71,14,807	172,99,39,515
Others		
Advances		
Withholding and other taxes receivable	2,24,117	15,43,487
Others (Refer to *Note 2.14*)	21,37,346	(742)
	273,94,76,270	173,14,82,260

2.9. Other income

in ₹

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Interest received on deposits with banks and others	6,616	1,54,649
Interest on loan given to subsidiary	6,95,63,905	3,79,92,806
Dividend received from subsidiary	46,73,13,000	70,05,66,000
Miscellaneous income, net	9,547	1,75,45,639
Gains / (losses) on foreign currency, net	(12,19,81,436)	(22,37,318)
	41,49,11,632	75,40,21,776

2.10. Expenses

in ₹

Particulars	Year ended December 31,	
	2013	2012
Other expenses		
Auditor's remuneration		
Statutory audit fees	10,47,847	33,28,203
Bank charges	1,69,684	1,54,161
Others	1,93,49,548	4,66,64,601
	2,05,67,079	5,01,46,965

2.11. Tax expense

in ₹

Particulars	Year ended December 31,	
	2013	2012
Current tax		
Income taxes	(42,59,554)	17,34,641
	(42,59,554)	17,34,641

2.12. Quantitative details

The Company is primarily engaged in the business of consultancy services. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5 (viii)(c) of general instructions for preparation of the Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.13. Related party transactions

List of related parties:

Name of Holding Company	Country
Infosys Limited [1]	India

[1] *Holding of Lodestone Holding AG from October 22, 2012*

Name of subsidiaries	Country	Holding as at December 31,	
		2013	2012
Lodestone Management Consultants (Canada) Inc. [6][12]	Canada	–	100%
Lodestone Management Consultants Inc. [6]	U.S.	100%	100%
Lodestone Management Consultants Pty. Limited [6]	Australia	100%	100%
Lodestone Management Consultants (Asia Pacific) Limited [6][7]	Thailand	–	–
Lodestone Management Consultants AG [6]	Switzerland	100%	100%
Lodestone Augmentis AG [11]	Switzerland	100%	100%
Hafner Bauer & Ödman GmbH [6]	Switzerland	100%	100%
Lodestone Management Consultants (Belgium) S.A. [8]	Belgium	99.9%	99.9%
Lodestone Management Consultants GmbH [6]	Germany	100%	100%
Lodestone Management Consultants Pte Ltd. [6]	Singapore	100%	100%
Lodestone Management Consultants SAS [6]	France	100%	100%
Lodestone Management Consultants s.r.o. [6]	Czech Republic	100%	100%
Lodestone Management Consultants GmbH [6]	Austria	100%	100%
Lodestone Management Consultants China Co., Ltd. [6]	China	100%	100%
Lodestone Management Consultants Ltd. [6]	U.K.	100%	100%
Lodestone Management Consultants B.V. [6]	Netherlands	100%	100%
Lodestone Management Consultants Ltda. [8]	Brazil	99.99%	99.99%
Lodestone Management Consultants sp. z o.o. [6]	Poland	100%	100%
Lodestone Management Consultants Portugal, Unipessoal, Lda. [6]	Portugal	100%	100%
S.C. Lodestone Management Consultants S.R.L. [6]	Romania	100%	100%
Lodestone Management Consultants S.R.L. [6][10]	Argentina	100%	–

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Shanghai	China
Infosys Brasil	Brazil
Infosys Public Services, Inc.	U.S.
Infosys Consulting India Limited [1]	India
Infosys Americas [2]	U.S.
Infosys BPO s. r. o [3]	Czech Republic
Infosys BPO (Poland) Sp. z o.o. [3]	Poland
Infosys McCamish Systems LLC (Formerly known as McCamish Systems LLC) [3]	U.S.
Portland Group Pty. Ltd [3][4]	Australia
Portland Procurement Services Pty. Ltd [10]	Australia
Infosys Australia [5]	Australia

[1] *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012.*
[2] *Incorporated effective June 25, 2013*
[3] *Wholly-owned subsidiaries of Infosys BPO.*
[4] *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*
[5] *Under liquidation*
[6] *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
[7] *Liquidated effective February 14, 2013*
[8] *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
[9] *Wholly-owned subsidiary of Portland Group Pty. Ltd.*
[10] *Incorporated effective January 10, 2013*
[11] *Wholly-owned subsidiary of Lodestone Management Consultants AG*
[12] *Liquidated effective December 31, 2013*

The details of amounts due to or due from as at December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured loans		
Infosys Limited	–	120,47,54,231
Lodestone Management Consultants Ltd.	28,42,82,259	–
Other current liabilities		
Infosys Limited	5,68,77,863	–
Loans and advances to subsidiaries		
Lodestone Management Consultants (Canada) Inc.	–	16,76,657
Lodestone Management Consultants Inc.	28,92,50,820	32,26,94,838
Lodestone Management Consultants Pty. Limited	37,32,86,434	38,65,49,803

Particulars	As at December 31,	
	2013	2012
Lodestone Management Consultants AG	58,40,19,659	15,49,10,903
Lodestone Management Consultants (Belgium) S.A.	11,29,64,646	6,29,95,434
Lodestone Management Consultants Pte Ltd.	36,10,14,671	28,87,08,687
Lodestone Management Consultants GmbH Austria	2,03,00,412	1,73,30,987
Lodestone Management Consultants Ltd.	–	15,47,15,057
Lodestone Management Consultants B.V.	5,85,33,082	5,83,97,689
Lodestone Management Consultants Ltda.	1,06,33,50,909	27,75,16,520
S.C. Lodestone Management Consultants S.R.L.	52,91,246	44,42,940
FX valuation on above	(13,08,97,072)	–

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Capital transactions		
Loans received		
Infosys Limited	–	120,47,54,231
Conversion of loan to equity		
Infosys Limited	120,47,54,231	–
Forex impact on conversion	15,80,45,769	–
Revenue transactions		
Dividend income		
Lodestone Management Consultants AG	46,73,13,000	70,05,66,000
Interest income		
Lodestone Management Consultants Pty. Limited	1,40,80,735	1,36,06,674
Lodestone Management Consultants Ltda.	3,05,62,544	68,24,608
Lodestone Management Consultants Ltd.	(1,17,522)	33,94,048
Lodestone Management Consultants sp. z o.o.	–	1,23,608
S.C. Lodestone Management Consultants S.R.L.	2,39,062	10,09,016
Lodestone Management Consultants Pte Ltd.	56,17,993	56,08,459
Lodestone Management Consultants (Asia Pacific) Limited	–	4,27,846
Lodestone Management Consultants Inc.	55,10,519	52,59,821
Lodestone Management Consultants AG	1,07,37,576	–
Lodestone Management Consultants (Canada) Inc.	36,838	–
Lodestone Management Consultants GmbH Austria	3,29,131	2,79,081
Lodestone Management Consultants (Belgium) S.A.	15,87,852	10,28,647
Lodestone Management Consultants B.V.	9,79,177	4,25,443
Interest expenses		
Infosys Limited	5,67,86,378	35,46,537
Lodestone Management Consultants Ltd.	14,46,511	–
Lodestone Management Consultants AG	–	2,13,86,080

2.14. Segment reporting

The Company is engaged in providing consultancy services in a single geography. Its operations are therefore considered to constitute a single segment in the context of Accounting Standard 17 Segment Reporting.

2.15. Unsecured loans

During the year 2012, the Company received an amount of ₹120,12,07,694 as unsecured loans from Infosys Limited, at an interest rate of 6.0% per annum for expansion of business operations. The loan was converted into equity during the year ended December 31, 2013.

2.16. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2013	2012
General and administration expenses	2,23,40,946	6,07,42,839
OPERATING LOSS BEFORE INTEREST	(2,23,40,946)	(6,07,42,839)
Interest	5,82,39,718	2,49,32,617
OPERATING LOSS	(8,05,80,664)	(8,56,75,456)
Other income	41,49,11,632	75,40,21,776
PROFIT BEFORE TAX	33,43,30,968	66,83,46,320
Tax expense		
Current tax	(42,59,554)	17,34,641
PROFIT FOR THE YEAR	33,85,90,522	66,66,11,679

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Chief Executing Officer

B. G. Srinivas
Director

Bangalore
January 7, 2014

U. B. Pravin Rao
Director

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Hafner Bauer & Ödman GmbH

Independent Auditors' Report

To the Members of Hafner Bauer & Ödman GmbH

Report on the Financial Statements

We have audited the accompanying financial statement of Hafner Bauer & Ödman GmbH ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number: 006673S

M. Rathnakar Kamath
Partner
Membership Number: 202841

Bangalore
January 7, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31, 2013	As at December 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	22,92,000	22,92,000
Reserves and surplus	2.2	(11,00,153)	(11,65,263)
		11,91,847	11,26,737
CURRENT LIABILITIES			
Other current liabilities	2.4	(1,116)	–
Short-term provisions	2.5	23,242	–
		22,126	–
		12,13,973	11,26,737
ASSETS			
NON-CURRENT ASSETS			
Deferred tax assets	2.3	–	15,964
Long-term loans and advances	2.6	139	727
		139	16,691
CURRENT ASSETS			
Cash and cash equivalents	2.7	12,13,834	11,10,046
		12,13,834	11,10,046
		12,13,973	11,26,737
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Partner

Jürgen Bauer
Partner

Bangalore
January 7, 2014

Peter Ödman
Partner

Statement of Profit and Loss

in ₹, except per share data

Particulars	Note	As at December 31, 2013	2012
Income from consultancy services		–	–
Other income		356	646
Total revenue		356	646
Expenses			
Other expenses	2.8	57,024	4,769
Total expenses		57,024	4,769
LOSS BEFORE TAX		(56,668)	(4,123)
Tax expense			
Current tax	2.9	27,890	4,372
Deferred tax	2.9	16,157	(5,444)
LOSS FOR THE YEAR		(1,00,715)	(3,051)
EARNINGS PER EQUITY SHARE			
Equity shares of par value CHF 100 each			
Basic		(210)	(6)
Number of shares used in computing earnings per share			
Basic		480	480
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Partner

Jürgen Bauer
Partner

Bangalore
January 7, 2014

Peter Ödman
Partner

Cash Flow Statement

in ₹,

Particulars	As at December 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss Before Tax	(56,668)	(4,123)
Adjustments to reconcile Profit Before Tax to cash provided by operating activities		
Interest and dividend income	(356)	(646)
Effect of exchange differences on translation of assets and liabilities	1,65,825	67,250
Changes in assets and liabilities		
Liabilities and provisions	(1,116)	–
	1,07,685	62,481
Income taxes paid	(4,253)	(3,898)
NET CASH GENERATED BY OPERATING ACTIVITIES	1,03,432	58,583
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividend received	356	646
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	356	646
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	1,03,788	59,229
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	11,10,046	10,50,817
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	12,13,834	11,10,046

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Partner

Jürgen Bauer
Partner

Bangalore
January 7, 2014

Peter Ödman
Partner

Significant accounting policies and notes on accounts

Company overview

Hafner Bauer & Ödman GmbH is a wholly-owned subsidiary of Lodestone Holding AG, Kloten (Switzerland). The Company renders professional management consulting services, thereby enabling its clients to enhance business performance.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to the existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous year figures

The previous year's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates may include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

The method for recognizing revenues and cost depends on the nature of the services rendered and on the substance of the contractual agreement. Revenues and costs generated under time-and-material contracts are recognized as services are rendered.

An expected project loss is recognized as an expense immediately.

Revenue comprises the invoiced value for the services and expense reimbursements, net of value added tax, rebates and discounts.

1.7. Tangible assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

1.8. Depreciation and amortization

Depreciation is calculated using the straight-line method based on the estimated useful lives. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use.

1.9. Impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and recognized as an expense in the income statement.

1.10. Benefits to employees

The Company operates various pension schemes, subject to specific local regulations. Contributions to pension plans are charged to the income statement in the period to which they relate, together with other personnel expenses.

1.11. Foreign currency transactions

Foreign currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.12. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

1.13. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.14. Earnings per share

Basic earnings per share are computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the period.

2. Notes on accounts for the year ended December 31, 2013

2.1. Share capital

in ₹

Particulars	As at December 31,	
	2013	2012
Authorized		
480 (480) equity shares of CHF 100 par value	22,92,000	22,92,000
Issued, Subscribed and Paid-Up		
480 (480) equity shares of CHF 100 par value	22,92,000	22,92,000
	22,92,000	22,92,000

2.2. Reserves and surplus

in ₹

Particulars	As at December 31,	
	2013	2012
Currency translation reserve	2,31,745	1,64,495
Add: Movement during the year	1,65,825	67,250
Currency translation reserve	3,97,570	2,31,745
Legal Reserve – opening balance	6,685	6,685
Add: Transferred from Surplus	–	–
	6,685	6,685
Surplus – opening balance	(14,03,693)	(14,00,642)
Add: Net profit after tax transferred from Statement of Profit and Loss	(1,00,715)	(3,051)
Surplus – closing balance	(15,04,408)	(14,03,693)
	(11,00,153)	(11,65,263)

2.3. Deferred taxes

in ₹

Particulars	As at December 31,	
	2013	2012
Deferred tax asset		
Accumulated losses	–	15,964
	–	15,964

2.4. Other current liabilities

in ₹

Particulars	As at December 31,	
	2013	2012
Other liabilities		
Withholding and other taxes payable	(1,116)	–
	(1,116)	–

2.5. Short-term provisions

in ₹

Particulars	As at December 31,	
	2013	2012
Others		
Income taxes	23,242	–
	23,242	–

2.6. Long-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Other loans and advances		
Advance income taxes	139	727
	139	727

2.7. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2013	2012
Balances with banks		
In current accounts	12,13,834	11,10,046
	12,13,834	11,10,046

The details of balances as on Balance Sheet dates with banks are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
In current accounts		
UBS AG (CHF)	12,13,834	11,10,046
	12,13,834	11,10,046
Total bank balances	12,13,834	11,10,046

2.8. Expenses

in ₹

Particulars	Year ended December 31,	
	2013	2012
Other expenses		
Bank charges	57,024	4,769
	57,024	4,769

2.9. Tax expense

in ₹

	Year ended December 31,	
	2013	2012
Current tax		
Income taxes	27,890	4,372
Deferred taxes	16,157	(5,444)
	44,047	(1,072)

2.10. Quantitative details

The Company is primarily engaged in the business of consultancy services. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5 (viii)(c) of general instructions for preparation of the Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.11. Related party transactions

List of related parties:

Name of Related Party	Country	Holding as at December 31,	
		2013	2012
Lodestone Holding AG[6]	Switzerland	100%	100%

Name of Ultimate Holding Company	Country
Infosys Limited [1]	India

[1] *Holding of Lodestone Holding AG from October 22, 2012*

Holding of Lodestone Holding AG from October 22, 2012

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Shanghai	China
Infosys Brasil	Brazil
Infosys Public Services, Inc.	U.S.
Infosys Consulting India Limited [1]	India
Infosys Americas [2]	U.S.
Infosys BPO s. r. o [3]	Czech Republic

Name of fellow subsidiaries	Country
Infosys BPO (Poland) Sp. z o.o.[3]	Poland
Infosys McCamish Systems LLC (Formerly known as McCamish Systems LLC) [3]	U.S.
Portland Group Pty. Ltd [3][4]	Australia
Portland Procurement Services Pty. Ltd [10]	Australia
Infosys Australia [5]	Australia
Lodestone Management Consultants (Canada) Inc. [7][13]	Canada
Lodestone Management Consultants Inc. [7]	U.S.
Lodestone Management Consultants Pty. Limited [7]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [7][8]	Thailand
Lodestone Management Consultants AG [7]	Switzerland
Lodestone Augmentis AG [12]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [9]	Belgium
Lodestone Management Consultants GmbH [7]	Germany
Lodestone Management Consultants Pte Ltd. [7]	Singapore
Lodestone Management Consultants SAS [7]	France
Lodestone Management Consultants s.r.o. [7]	Czech Republic
Lodestone Management Consultants GmbH [7]	Austria
Lodestone Management Consultants China Co., Ltd. [7]	China
Lodestone Management Consultants Ltd. [7]	U.K.
Lodestone Management Consultants B.V. [7]	Netherlands
Lodestone Management Consultants Ltda. [9]	Brazil
Lodestone Management Consultants sp. z o.o. [7]	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. [7]	Portugal
S.C. Lodestone Management Consultants S.R.L. [7]	Romania
Lodestone Management Consultants S.R.L. [7][11]	Argentina

[1] *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012.*
[2] *Incorporated effective June 25, 2013*
[3] *Wholly-owned subsidiaries of Infosys BPO.*
[4] *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*
[5] *Under liquidation*
[6] *On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG*
[7] *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
[8] *Liquidated effective February 14, 2013*
[9] *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
[10] *Wholly-owned subsidiary of Portland Group Pty. Ltd*
[11] *Incorporated effective January 10, 2013*
[12] *Wholly-owned subsidiary of Lodestone Management Consultants AG*
[13] *Liquidated effective December 31, 2013*

2.12. Segment reporting

The Company is engaged in providing consultancy services in a single geography. Its operations are therefore considered to constitute a single segment in the context of Accounting Standard 17 Segment Reporting.

2.13. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2013	2012
General and administration expenses	57,024	4,769
OPERATING LOSS	(57,024)	(4,769)
Other income	356	646
LOSS BEFORE TAX	(56,668)	(4,123)
Tax expense		
Current tax	27,890	4,372
Deferred tax	16,157	(5,444)
LOSS FOR THE YEAR	(1,00,715)	(3,051)

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Partner

Jürgen Bauer
Partner

Bangalore
January 7, 2014

Peter Ödman
Partner

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Lodestone Augmentis AG

Independent Auditors' Report

To the Members of Lodestone Augmentis AG

Report on the Financial Statements

We have audited the accompanying financial statement of Lodestone Augmentis AG ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Profit for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number: 006673S

M. Rathnakar Kamath
Partner
Membership Number: 202841

Bangalore
January 7, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31, 2013	As at December 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	47,75,000	47,75,000
Reserves and surplus	2.2	73,13,494	34,87,480
		1,20,88,494	82,62,480
CURRENT LIABILITIES			
Trade payables	2.3	97,59,308	(53,42,558)
Other current liabilities	2.4	32,77,021	53,65,569
Short-term provisions	2.5	21,23,734	10,21,811
		1,51,60,063	10,44,822
		2,72,48,557	93,07,302
ASSETS			
NON-CURRENT ASSETS			
Long-term loans and advances	2.7	281	276
		281	276
CURRENT ASSETS			
Trade receivables	2.8	2,35,10,461	56,30,805
Cash and cash equivalents	2.9	37,24,900	36,14,671
Short-term loans and advances	2.10	12,915	61,550
		2,72,48,276	93,07,026
		2,72,48,557	93,07,302
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Chief Executing Officer

Andrea Bertschinger
Head of Finance

Bangalore
January 7, 2014

Yvonne Felice Fernandez
Chief Human Relations Officer

Monika Fehr
Global Mobility Manager

Statement of Profit and Loss

in ₹, except per share data

Particulars	Note	Year ended December 31, 2013	Year ended December 31, 2012
Income from consultancy services	2.11	4,67,18,135	2,44,45,971
Other income	2.12	29,479	(34,747)
Total revenue		4,67,47,614	2,44,11,224
Expenses			
Employee benefit expenses	2.13	3,84,27,331	1,86,24,144
Travel expenses	2.13	41,03,065	15,37,068
Communication expenses	2.13	4,23,143	1,71,546
Professional charges		1,61,292	2,43,596
Interest expenses		4,644	1,819
Other expenses	2.13	2,11,828	1,46,001
Total expenses		4,33,31,303	2,07,24,174
PROFIT BEFORE TAX		34,16,311	36,87,050
Tax expense			
Current tax	2.14	9,08,502	9,16,929
Deferred tax	2.14	(1,01,009)	41,704
PROFIT FOR THE PERIOD		26,08,818	27,28,417
EARNINGS PER EQUITY SHARE			
Equity shares of par value CHF 100 each			
Basic		2,609	2,728
Number of shares used in computing earnings per share			
Basic		1,000	1,000
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Chief Executing Officer

Andrea Bertschinger
Head of Finance

Bangalore
January 7, 2014

Yvonne Felice Fernandez
Chief Human Relations Officer

Monika Fehr
Global Mobility Manager

Cash Flow Statement

in ₹,

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	34,16,311	36,87,050
Adjustments to reconcile profit before tax to cash provided by operating activities		
Interest and dividend income	–	(800)
Effect of exchange differences on translation of assets and liabilities	12,17,196	4,98,967
Changes in assets and liabilities		
Trade receivables	(1,78,79,656)	84,55,147
Loans and advances and other assets	48,635	6,09,188
Liabilities and provisions	1,33,20,059	(98,24,729)
	1,22,545	34,24,823
Income taxes paid	(12,316)	62,978
NET CASH GENERATED BY OPERATING ACTIVITIES	1,10,229	34,87,801
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividend received	–	800
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	–	800
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	1,10,229	34,88,601
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	36,14,671	1,26,070
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	37,24,900	36,14,671

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
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Bangalore
January 7, 2014

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Chief Human Relations Officer

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Global Mobility Manager

Significant accounting policies and notes on accounts

Company overview

Lodestone Augmentis AG is a wholly-owned subsidiary of Lodestone Holding AG, Kloten (Switzerland). The Company renders professional management consulting services, thereby enabling its clients to enhance business performance.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous year figures

The previous year's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates may include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

The method for recognizing revenues and cost depends on the nature of the services rendered and on the substance of the contractual agreement. Revenues and costs generated under time-and-material contracts are recognized as services are rendered.

An expected project loss is recognized as an expense immediately.

Revenue comprises the invoiced value for the services and expense reimbursements, net of value added tax, rebates and discounts.

1.7. Impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and recognized as an expense in the income statement.

1.8. Benefits to employees

The Company operates various pension schemes, subject to specific local regulations. Contributions to pension plans are charged to the income statement in the period to which they relate, together with other personnel expenses.

1.9. Foreign currency transactions

Foreign currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.10. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

1.11. Earnings per share

Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period.

1.12. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.13. Leases

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease in which significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Statement of Profit and Loss over the lease term.

2. Notes on accounts for the year ended December 31, 2013

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at December 31,	
	2013	2012
Authorized		
1,000 (1,000) equity shares of CHF 100 par value	47,75,000	47,75,000
Issued, subscribed and paid-up		
1,000 (1,000) equity shares of CHF 100 par value	47,75,000	47,75,000
	47,75,000	47,75,000

2.2. Reserves and surplus

In ₹

Particulars	As at December 31,	
	2013	2012
Foreign currency translation reserve – opening balance	12,43,708	7,44,741
Add: Foreign currency translation during the year	12,17,196	4,98,967
Foreign currency translation reserve – closing balance	24,60,904	12,43,708
Surplus – opening Balance	22,43,772	(4,84,645)
Add: Net profit after tax transferred from Statement of Profit and Loss	26,08,818	27,28,417
Surplus – closing balance	48,52,590	22,43,772
	73,13,494	34,87,480

2.3. Trade payables

in ₹

Particulars	As at December 31,	
	2013	2012
Trade payables [(1)]	97,59,308	(53,42,558)
	97,59,308	(53,42,558)
[(1)] *Includes dues from holding company and fellow subsidiaries*	97,59,308	(51,27,089)

2.4. Other current liabilities

in ₹

Particulars	As at December 31,	
	2013	2012
Accrued salaries and benefits		
Bonus and incentives	22,75,656	–
Other liabilities		
Provision for expenses	36,424	5,91,720
Withholding and other taxes payable	9,64,935	47,73,849
	32,77,015	53,65,569

2.5. Short-term provisions

in ₹

Particulars	As at December 31,	
	2013	2012
Provision for employee benefits		
Unavailed leave	3,06,741	–
Provision for Income taxes (net of advance tax and TDS)	18,16,993	10,21,811
	21,23,734	10,21,811

2.6. Leases

Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the year and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Lease rentals recognized during the year	1,40,915	1,04,672

2.7. Long-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Other loans and advances		
Advance income taxes (net of provisions)	281	276
	281	276

2.8. Trade receivables [(1)]

in ₹

Particulars	As at December 31,	
	2013	2012
Other debts		
Unsecured		
Considered good	2,35,10,461	56,30,805
	2,35,10,461	56,30,805
[(1)] *Includes dues to holding company and fellow subsidiaries*	2,35,10,461	56,30,805

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer from the invoice date, as at the Balance Sheet date. The Company pursues the recovery of the dues, in part or full.

2.9. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2013	2012
Balances with banks		
In current accounts	37,24,900	36,14,671
	37,24,900	36,14,671

The details of balances as on Balance Sheet dates with banks are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
In current accounts		
UBS AG (CHF)	37,24,900	36,14,671
Total cash and cash equivalents as per Balance Sheet	37,24,900	37,24,900

2.10. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Others		
Prepaid expenses	12,915	61,550
	12,915	61,550

2.11. Income from software services and products

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from consultancy services	4,67,18,135	2,44,45,971
	4,67,18,135	2,44,45,971

2.12. Other income

in ₹

Particulars	Year ended December 31,	
	2013	2012
Interest received on deposits with banks and others [(1)]	–	800
Gains / (losses) on foreign currency, net	29,479	(35,547)
	29,479	(34,747)

2.13. Expenses

in ₹

Particulars	Year ended December 31,	
	2013	2012
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	3,84,68,999	1,86,17,482
Staff welfare	(41,668)	6,662
	3,84,27,331	1,86,24,144
Travel expenses		
Overseas travel expenses	41,03,065	15,37,068
	41,03,065	15,37,068
Communication expenses		
Telephone charges	4,23,143	1,71,546
Communication expenses	–	–
	4,23,143	1,71,546
Other expenses		
Rent	1,40,915	1,04,672
Marketing expenses	10,477	–
Bank charges and commission	82,938	12,341
Miscellaneous expenses	(22,502)	28,988
	2,11,828	1,46,001

2.14. Tax expense

in ₹

Particulars	Year ended December 31,	
	2013	2012
Current tax		
Income taxes	9,08,502	9,16,929
Deferred taxes	(1,01,009)	41,704
	8,07,493	9,58,633

2.15. Related party transactions

List of related parties:

Name of Holding Company	Country	Holding as at December 31,	
		2013	2012
Lodestone Management Consultants AG [7]	Switzerland	100%	100%

Name of Ultimate Holding Company	Country
Infosys Limited	India

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Shanghai	China
Infosys Brasil	Brazil
Infosys Public Services, Inc.	U.S.
Infosys Consulting India Limited [1]	India
Infosys Americas [2]	U.S.
Infosys BPO s. r. o [3]	Czech Republic
Infosys BPO (Poland) Sp. z o.o. [3]	Poland
Infosys McCamish Systems LLC (Formerly known as McCamish Systems LLC) [3]	U.S.
Portland Group Pty. Ltd [3][4]	Australia
Portland Procurement Services Pty. Ltd [10]	Australia
Infosys Australia [5]	Australia
Lodestone Management Consultants (Canada) Inc. [7][13]	Canada
Lodestone Management Consultants Inc. [7]	U.S.
Lodestone Management Consultants Pty. Limited [7]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [7][8]	Thailand
Lodestone Holding AG	Switzerland
Hafner Bauer & Ödman GmbH [7]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [9]	Belgium
Lodestone Management Consultants GmbH [7]	Germany
Lodestone Management Consultants Pte Ltd. [7]	Singapore
Lodestone Management Consultants SAS [7]	France
Lodestone Management Consultants s.r.o. [7]	Czech Republic
Lodestone Management Consultants GmbH [7]	Austria
Lodestone Management Consultants China Co., Ltd. [7]	China
Lodestone Management Consultants Ltd. [7]	U.K.
Lodestone Management Consultants B.V. [7]	Netherlands
Lodestone Management Consultants Ltda. [9]	Brazil
Lodestone Management Consultants sp. z o.o. [7]	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. [7]	Portugal
S.C. Lodestone Management Consultants S.R.L. [7]	Romania
Lodestone Management Consultants S.R.L. [7][11]	Argentina

[1] *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012*

[2] *Incorporated effective June 25, 2013*

[3] *Wholly-owned subsidiaries of Infosys BPO.*

[4] *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*

[5] *Under liquidation*

[6] *On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG*

[7] *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

[8] *Liquidated effective February 14, 2013*

[9] *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

[10] *Wholly-owned subsidiary of Portland Group Pty. Ltd*

[11] *Incorporated effective January 10, 2013*

[12] *Wholly-owned subsidiary of Lodestone Management Consultants AG*

[13] *Liquidated effective December 31, 2013*

The details of amounts due to or due from as at December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
Trade receivables		
Lodestone Management Consultants AG	2,35,10,461	56,30,805
Trade payables		
Lodestone Management Consultants AG	97,98,302	(51,96,288)
Lodestone Management Consultants sp. z o.o.	(38,994)	15,059
FX valuation on above	–	54,140

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Revenue transactions		
Purchase of services		
Lodestone Management Consultants sp. z o.o.	50,786	–
Sale of services		
Lodestone Management Consultants AG	4,67,18,135	2,44,45,971

2.16. Segment reporting

The Company is engaged in providing consultancy services in a single geography. Its operations are therefore considered to constitute a single segment in the context of Accounting Standard 17 Segment Reporting.

2.17. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from consultancy services	4,67,18,135	2,44,45,971
Software development expenses	4,15,74,482	2,02,86,057
GROSS PROFIT	51,43,653	41,59,914
Selling and marketing expenses	9,565	–
General and administration expenses	17,42,612	4,36,298
	17,52,177	4,36,298
OPERATING PROFIT BEFORE INTEREST	33,91,476	37,23,616
Interest expenses	4,644	1,819
OPERATING PROFIT	33,86,832	37,21,797
Other income	29,479	(34,747)
PROFIT BEFORE TAX	34,16,311	36,87,050
Tax expense		
Current tax	9,08,502	9,16,929
Deferred tax	(1,01,009)	41,704
PROFIT FOR THE PERIOD	26,08,818	27,28,417

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Chief Executing Officer

Andrea Bertschinger
Head of Finance

Bangalore
January 7, 2014

Yvonne Felice Fernandez
Chief Human Relations Officer

Monika Fehr
Global Mobility Manager

Lodestone Management Consultants AG

Independent Auditors' Report

To the Members of Lodestone Management Consultants AG

Report on the Financial Statements

We have audited the accompanying financial statement of Lodestone Management Consultants AG ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Profit for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number: 006673S

M. Rathnakar Kamath
Partner
Membership Number: 202841

Bangalore
January 7, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31,	
		2013	2012
SHAREHOLDERS' FUNDS			
Share capital	2.1	57,30,000	57,30,000
Reserves and surplus	2.2	19,64,12,109	53,40,73,309
		20,21,42,109	53,98,03,309
NON-CURRENT LIABILITIES			
Other long-term liabilities	2.3	1,66,72,070	–
		1,66,72,070	–
CURRENT LIABILITIES			
Short-term borrowings	2.4	58,40,19,659	15,49,10,903
Trade payables	2.5	53,00,04,530	32,39,93,875
Other current liabilities	2.6	85,33,79,962	99,71,82,893
Short-term provisions	2.7	10,24,98,278	21,15,34,828
		206,99,02,429	168,76,22,499
		228,87,16,608	222,74,25,808
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.8	20,81,72,319	16,56,84,284
Intangible assets		3,83,828	7,25,66,894
		20,85,56,147	23,82,51,178
Non-current investments	2.10	58,05,145	47,75,000
Long-term loans and advances	2.11	63,83,238	4,79,99,218
		22,07,44,530	29,10,25,396
CURRENT ASSETS			
Trade receivables	2.12	161,13,34,342	130,90,01,383
Cash and cash equivalents	2.13	7,67,74,400	7,22,65,145
Short-term loans and advances	2.14	37,98,63,336	55,51,33,884
		206,79,72,078	193,64,00,412
		228,87,16,608	222,74,25,808
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Director

Bangalore
January 7, 2014

Statement of Profit and Loss

in ₹

Particulars	Note	Year ended December 31,	
		2013	2012
Income from consultancy services		746,17,27,751	651,44,55,914
Other income	2.15	19,20,70,600	46,03,526
Total revenue		765,37,98,351	651,90,59,440
Expenses			
Employee benefit expenses	2.16	320,22,65,139	238,47,33,240
Cost of technical sub-contractors	2.16	330,87,16,282	284,35,85,494
Travel expenses	2.16	49,29,83,838	39,68,52,221
Cost of software packages and others	2.16	5,40,46,127	4,02,42,609
Communication expenses	2.16	4,68,21,391	3,65,36,777
Professional charges		9,49,34,693	(3,56,98,081)
Depreciation and amortization expenses	2.8	14,23,07,211	13,31,78,860
Other expenses	2.16	19,26,66,375	19,22,25,805
Interest expense		2,33,43,805	2,68,32,865
Total expenses		755,80,84,861	601,84,89,790
PROFIT BEFORE TAX		9,57,13,490	50,05,69,650
Tax expense			
Current tax	2.17	5,03,574	6,22,18,159
PROFIT FOR THE YEAR		9,52,09,916	43,83,51,491
EARNINGS PER EQUITY SHARE			
Equity shares of par value CHF 100 each			
Basic		79,342	3,65,293
Number of shares used in computing earnings per share			
Basic		1,200	1,200
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Director

Bangalore
January 7, 2014

Cash Flow Statement

in ₹

Particulars	Year ended December 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	9,57,13,490	50,05,69,650
Adjustments to reconcile Profit Before Tax to cash provided by operating activities		
Depreciation and amortization expenses	14,23,07,211	13,31,78,860
Loss on sale of assets	70,18,125	–
Interest and dividend income	(7,86,221)	(2,21,18,369)
Effect of exchange differences on translation of assets and liabilities	58,02,748	(64,11,38,903)
Changes in assets and liabilities		
Trade receivables	(30,23,32,959)	50,02,36,320
Loans and advances and other assets	21,68,86,528	(7,08,88,434)
Liabilities and provisions	11,95,25,058	30,63,94,007
	28,41,33,980	70,62,33,131
Income taxes paid	(15,01,85,388)	(6,15,64,272)
NET CASH GENERATED BY OPERATING ACTIVITIES	13,39,48,592	64,46,68,859
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment towards capital expenditure	(10,81,69,148)	(7,84,75,849)
Proceeds from sale of assets	1,71,77,979	–
Investments in subsidiaries	(10,30,145)	–
Interest and dividend received	7,86,221	2,21,18,369
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	(9,12,35,093)	(5,63,57,480)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase / (decrease) in loan from parent	42,91,08,756	(56,37,36,494)
Dividends paid including residual dividend	(46,73,13,000)	–
NET CASH USED IN FINANCING ACTIVITIES	(3,82,04,244)	(56,37,36,494)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	45,09,255	2,45,74,885
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	7,22,65,145	4,76,90,260
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7,67,74,400	7,22,65,145

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Director

Bangalore
January 7, 2014

Significant accounting policies and notes on accounts

Company overview

Lodestone Management Consultants AG is a wholly-owned subsidiary of Lodestone Holding AG, Kloten (Switzerland). The Company renders professional management consulting services, thereby enabling its clients to enhance business performance.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous year figures

The previous year's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates may include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

The method for recognizing revenues and cost depends on the nature of the services rendered and on the substance of the contractual agreement. Revenues and costs generated under time-and-material contracts are recognized as services are rendered.

An expected project loss is recognized as an expense immediately.

Revenue comprises the invoiced value for the services and expense reimbursements, net of value added tax, rebates and discounts.

1.7. Tangible, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

1.8. Depreciation and amortization

Depreciation is calculated using the straight-line method based on the estimated useful lives. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The Management estimates the useful lives for the other fixed assets as follows:

Buildings	15 years
Plants and machinery	5 years
Office equipment	5 years
Computer equipment	2-5 years
Furniture and fixtures	5 years
Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

1.9. Impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and recognized as an expense in the income statement.

1.10. Benefits to employees

The Company operate various pension schemes, subject to specific local regulations. Contributions to pension plans are charged to the income statement in the period to which they relate, together with other personnel expenses.

1.11. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.12. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

1.13. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.14. Leases

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease in which significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Statement of Profit and Loss over the lease term.

1.15. Earnings per share

Basic earnings per share is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the period.

2. Notes on accounts for the year ended December 31, 2013

2.1. Share capital

in ₹

Particulars	As at December 31,	
	2013	2012
Authorized		
1,200 (1,200) equity shares of CHF 100 par value	57,30,000	57,30,000
Issued, subscribed and paid-up		
1,200 (1,200) equity shares of CHF 100 par value	57,30,000	57,30,000
	57,30,000	57,30,000

2.2. Reserves and surplus

in ₹

Particulars	As at December 31,	
	2013	2012
Currency translation reserve	13,53,47,481	10,09,05,597
Legal reserve	28,65,000	28,65,000
Surplus – opening balance	43,03,02,712	(80,48,779)
Add: Net profit after tax transferred from Statement of Profit and Loss	9,52,09,916	43,83,51,491
Amount available for appropriation	52,55,12,628	43,03,02,712
Dividend paid to holding company	46,73,13,000	–
Surplus – closing balance	5,81,99,628	43,03,02,712
	19,64,12,109	53,40,73,309

(1) The Company is required to appropriate 5% of the annual profit to legal reserve until this equals 20% of the paid-up shared capital. To the extent it does not exceed one-half of the share capital, the general reserve may be used only to cover losses or for measures designed to sustain the Company through difficult times, to prevent unemployment or mitigate its consequences.

2.3 Other long-term liabilities

in ₹

Particulars	As at December 31, 2013
Others	
Payable to employees	1,66,72,070
	1,66,72,070

2.4. Short-term borrowings

in ₹

Particulars	As at December 31,	
	2013	2012
Loan from related party-unsecured (Refer to *Note 2.19*)	58,40,19,659	15,49,10,903
	58,40,19,659	15,49,10,903

2.5. Trade payables

in ₹

Particulars	As at December 31,	
	2013	2012
Trade payables [1]	53,00,04,530	32,39,93,875
[1] Includes dues to holding company and fellow subsidiaries (Refer to Note 2.19)	45,59,46,945	11,49,00,863

2.6. Other current liabilities

in ₹

Particulars	As at December 31,	
	2013	2012
Accrued salaries and benefits		
Bonus and incentives	21,79,51,804	22,35,94,161
Other liabilities		
Provision for expenses [1]	16,11,53,055	13,77,16,179
Withholding and other taxes payable	28,37,02,332	50,63,07,417
Other payables	1,54,77,894	1,50,44,598
Advances received from clients	3,62,63,712	4,42,40,269
Unearned revenue	13,88,31,165	7,02,80,269
	85,33,79,962	99,71,82,893
[1] Includes dues to holding company and fellow subsidiaries (Refer to Note 2.19)	2,79,50,300	–

2.7. Short-term provisions

in ₹

Particulars	As at December 31,	
	2013	2012
Provision for employee benefits		
Unavailed leave	9,47,00,461	6,18,53,014
Provision for post sales client support and warranties	77,97,817	–
Provision for income taxes	–	14,96,81,814
	10,24,98,278	21,15,34,828

Provision for post sales client support and warranties

in ₹

Particulars	As at December 31,	
	2013	2012
Balance at the beginning	–	–
Provision recognized / (reversed)	76,44,379	–
Provision utilized	–	–
Exchange difference during the period	1,53,438	–
Balance at the end	77,97,817	–

Provision for post-sales client support are expected to be utilized over a period of six months to one year.

2.8. Fixed assets

in ₹

Particulars	Original cost					Depreciation and amortization					Net book value	
	As at January 1, 2013	Additions during the year	Deductions / retirement during the year	Foreign exchange difference	As at December 31, 2013	As at January 1, 2013	For the year	Deductions / adjustment during the year	Foreign exchange difference	As at December 31, 2013	As at December 31, 2013	As at December 31, 2012
Tangible assets												
Leasehold improvements	16,69,34,528	5,35,466	–	2,59,54,275	19,34,24,269	11,14,48,560	1,75,98,951	–	1,89,23,082	14,79,70,593	4,54,53,676	5,54,85,968
Office equipment	1,88,18,478	–	–	29,20,217	2,17,38,695	1,55,36,281	31,03,909	–	28,68,809	2,15,08,999	2,29,696	32,82,197
IT equipment	3,24,39,792	1,06,73,163	67,707	60,17,973	4,90,63,221	2,15,04,294	1,26,49,108	67,707	48,44,555	3,89,30,250	1,01,32,971	1,09,35,498
Furniture and fixtures	3,38,28,342	12,72,226	–	53,67,463	4,04,68,031	67,98,379	84,61,243	–	18,39,891	1,70,99,513	2,33,68,518	2,70,29,963
Vehicles	16,18,09,111	9,56,88,293	5,82,10,755	2,85,86,587	22,78,73,236	9,28,58,453	2,65,23,252	3,40,14,651	1,35,18,724	9,88,85,778	12,89,87,458	6,89,50,658
	41,38,30,251	10,81,69,148	5,82,78,462	6,88,46,515	53,25,67,452	24,81,45,967	6,83,36,463	3,40,82,358	4,19,95,061	32,43,95,133	20,81,72,319	16,56,84,284
Intangible assets												
IT software	15,10,93,194	–	–	2,34,46,363	17,45,39,557	7,85,26,300	7,39,70,748	–	2,16,58,681	17,41,55,729	3,83,828	7,25,66,894
Total	56,49,23,445	10,81,69,148	5,82,78,462	9,22,92,878	70,71,07,009	32,66,72,267	14,23,07,211	3,40,82,358	6,36,53,742	49,85,50,862	20,85,56,147	23,82,51,178
Previous year	48,47,67,158	9,61,77,974	1,60,21,687	–	56,49,23,445	19,18,12,969	13,31,78,860	(16,80,438)	–	32,66,72,267	23,82,51,178	

2.9. Leases

Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the period and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Lease rentals recognized during the period	5,94,90,143	5,51,68,463

in ₹

Lease obligations payable	As at December 31,	
	2013	2012
Within one year of the Balance Sheet date	6,85,99,489	5,93,84,337
Due in a period between one year and five years	5,14,49,617	10,38,00,567

2.10. Non-current investments

in ₹

Particulars	As at December 31,	
	2013	2012
Investment in equity instruments of subsidiaries		
Lodestone Augmentis AG	47,75,000	47,75,000
1,000 (1,000) equity shares of CHF 100 each, fully paid		
Lodestone Management Consultants S.R.L	10,30,145	–
1,000 (Nil) equity shares of ARS 100 each, fully paid		
	58,05,145	47,75,000

2.11. Long-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Rental deposits	–	2,21,666
Other loans and advances		
Advance income taxes (Net of provision)	63,83,238	60,057
Loans and advances to employees	–	4,77,17,495
	63,83,238	4,79,99,218

2.12. Trade receivables

in ₹

Particulars	As at December 31,	
	2013	2012
Other debts		
Unsecured		
Considered good (1)	161,13,34,342	130,90,01,383
	161,13,34,342	130,90,01,383
(1) *Includes dues from holding company and fellow subsidiaries (Refer to Note 2.19)*	26,93,50,550	15,46,25,126

2.13. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2013	2012
Cash on hand	53,270	76,183
Balances with banks		
In current accounts	7,67,21,130	7,21,88,962
	7,67,74,400	7,22,65,145

The details of balances as on Balance Sheet dates with banks are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
In current accounts		
UBS AG (CHF)	7,06,97,047	(63,41,871)
UBS AG (AUD)	30,018	16,148
UBS AG (USD)	9,55,046	1,91,27,688
UBS AG (ZAR)	(948)	2,80,584
UBS AG (GBP)	1,51,503	11,662
UBS AG (EURO)	48,88,464	5,90,94,751
	7,67,21,130	7,21,88,962
Total bank balances	7,67,21,130	7,21,88,962

2.14. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	3,18,12,281	3,58,55,254
Withholding and other taxes receivable	25,30,854	34,73,404
Others (1)	2,96,30,652	34,03,75,768
	6,39,73,787	37,97,04,426
Unbilled revenues	30,73,20,055	14,50,89,483
Loans and advances to employees		
Salary advances	72,24,893	2,97,26,777
Rental deposits	13,44,601	6,13,198
	37,98,63,336	55,51,33,884
(1) *Includes dues from holding company and fellow subsidiaries (Refer to Note 2.19)*	2,93,36,563	–

2.15. Other income

in ₹

Particulars	Year ended December 31,	
	2013	2012
Interest received on deposits with banks and others	7,86,221	2,21,18,369
Miscellaneous income, net	22,18,45,088	92,14,378
Gains / (losses) on foreign currency, net	(3,05,60,709)	(2,67,29,221)
	19,20,70,600	46,03,526

2.16. Expenses

in ₹

Particulars	Year ended December 31,	
	2013	2012
Employee benefit expenses		
Salaries and bonus	315,07,83,700	235,68,11,818
Staff welfare	5,14,81,439	2,79,21,422
	320,22,65,139	238,47,33,240
Cost of technical sub-contractors		
Subsidiaries	219,36,01,495	178,78,27,280
Others	111,51,14,787	105,57,58,214
	330,87,16,282	284,35,85,494
Travel expenses		
Traveling and conveyance	49,29,83,838	39,68,52,221
	49,29,83,838	39,68,52,221
Cost of software packages and others		
For own use	5,40,46,127	4,02,42,609
	5,40,46,127	4,02,42,609
Communication expenses		
Telephone charges	4,68,21,391	3,65,36,777
	4,68,21,391	3,65,36,777
Other expenses		
Office maintenance	64,73,699	66,97,628
Power and fuel	8,98,055	11,07,258
Brand building	2,62,35,277	2,47,59,363
Rent	5,94,90,143	5,51,68,463
Rates and taxes, excluding taxes on income	48,63,343	13,001
Computer maintenance	3,98,38,971	3,35,84,785
Insurance charges	96,39,452	42,89,474
Marketing expenses	2,43,09,040	1,65,28,189
Printing and stationery	21,60,515	27,95,596
Professional membership and seminar participation fees	13,36,704	10,99,286
Postage and courier	28,54,975	27,97,804
Advertisements	13,67,869	24,92,261
Provision for post-sales client support and warranties	76,44,379	–
Provision for bad and doubtful debts and advances	(41,95,512)	2,77,885
Books and periodicals	3,75,005	3,03,659
Auditor's remuneration		
Statutory audit fees	21,45,244	36,20,459
Bank charges	12,04,401	31,06,149
Others	60,24,815	3,35,84,545
	19,26,66,375	19,22,25,805

2.17. Tax expense

in ₹

Particulars	Year ended December 31,	
	2013	2012
Current tax		
Income taxes	5,03,574	6,22,18,159
	5,03,574	6,22,18,159

2.18. Quantitative details

The Company is primarily engaged in the business of consultancy services. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5 (viii)(c) of general instructions for preparation of the Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.19 Related party transactions

List of related parties:

Name of Holding Company	Country	Holding as at December 31,	
		2013	2012
Lodestone Holding AG (6)	Switzerland	100%	100%

Name of Ultimate Holding Company	Country
Infosys Limited (1)	India

(1) *Holding of Lodestone Holding AG from October 22, 2012*

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Shanghai	China
Infosys Brasil	Brazil
Infosys Public Services, Inc.	U.S.
Infosys Consulting India Limited (1)	India
Infosys Americas (2)	U.S.
Infosys BPO s. r. o (3)	Czech Republic
Infosys BPO (Poland) Sp. z o.o. (3)	Poland
Infosys McCamish Systems LLC (formerly known as McCamish Systems LLC) (3)	U.S.
Portland Group Pty. Ltd (3)(4)	Australia
Portland Procurement Services Pty. Ltd (10)	Australia
Infosys Australia (5)	Australia
Lodestone Management Consultants (Canada) Inc. (7)(13)	Canada
Lodestone Management Consultants Inc. (7)	U.S.
Lodestone Management Consultants Pty. Limited (7)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (7)(8)	Thailand
Lodestone Augmentis AG (12)	Switzerland
Hafner Bauer & Ödman GmbH (7)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (9)	Belgium
Lodestone Management Consultants GmbH (7)	Germany
Lodestone Management Consultants Pte Ltd. (7)	Singapore
Lodestone Management Consultants SAS (7)	France
Lodestone Management Consultants s.r.o. (7)	Czech Republic
Lodestone Management Consultants GmbH (7)	Austria
Lodestone Management Consultants China Co., Ltd. (7)	China
Lodestone Management Consultants Ltd. (7)	U.K.
Lodestone Management Consultants B.V. (7)	Netherlands
Lodestone Management Consultants Ltda. (9)	Brazil
Lodestone Management Consultants sp. z o.o. (7)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. (7)	Portugal
S.C. Lodestone Management Consultants S.R.L. (7)	Romania
Lodestone Management Consultants S.R.L. (7)(11)	Argentina

(1) *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012.*
(2) *Incorporated effective June 25, 2013*
(3) *Wholly-owned subsidiaries of Infosys BPO.*
(4) *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*
(5) *Under liquidation*
(6) *On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG*
(7) *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(8) *Liquidated effective February 14, 2013*
(9) *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(10) *Wholly-owned subsidiary of Portland Group Pty. Ltd*
(11) *Incorporated effective January 10, 2013*
(12) *Wholly-owned subsidiary of Lodestone Management Consultants AG*
(13) *Liquidated effective December 31, 2013*

The details of amounts due to or due from as at December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured loans		
Lodestone Holding AG	58,40,19,659	15,49,10,903
Trade receivables		
Lodestone Management Consultants (Canada) Inc.	–	13,20,489
Lodestone Management Consultants Inc.	98,70,946	4,94,01,687
Lodestone Management Consultants Pty. Limited	1,72,06,934	2,18,89,141
Lodestone Augmentis AG	97,98,419	(51,96,288)
Lodestone Management Consultants (Belgium) S.A.	2,93,51,867	9,06,216
Lodestone Management Consultants GmbH, Germany	5,51,44,730	4,58,18,853
Lodestone Management Consultants Pte Ltd.	–	97,005
Lodestone Management Consultants SAS	3,10,40,464	(13,08,107)
Lodestone Management Consultants China Co., Ltd.	13,90,065	11,43,679
Lodestone Management Consultants Ltd.	8,91,78,856	3,59,79,377
Lodestone Management Consultants B.V.	1,19,91,765	–
Lodestone Management Consultants Ltda.	21,23,174	–
Lodestone Management Consultants sp. z o.o.	95,27,400	42,88,044
Lodestone Management Consultants Portugal, Unipessoal, Lda.	26,62,754	–
S.C. Lodestone Management Consultants S.R.L.	17,473	–
FX valuation on above	45,703	2,85,030
Other receivables		
Infosys Limited	2,93,36,563	–
Trade payables	–	
Lodestone Management Consultants (Canada) Inc.	1,03,967	(74,60,757)
Lodestone Management Consultants Inc.	3,35,21,375	9,55,558
Lodestone Management Consultants Pty. Limited	12,18,339	9,79,889
Lodestone Augmentis AG	2,35,10,461	56,30,805
Lodestone Management Consultants (Belgium) S.A.	36,05,099	14,24,504
Lodestone Management Consultants GmbH, Germany	7,24,14,379	5,08,63,143
Lodestone Management Consultants Pte Ltd.	8,11,228	1,39,169
Lodestone Management Consultants SAS	27,12,675	1,10,03,921
Lodestone Management Consultants s.r.o.	8,98,668	90,60,931
Lodestone Management Consultants GmbH, Austria	–	3,03,770
Lodestone Management Consultants Ltd.	24,37,18,199	1,17,46,504
Lodestone Management Consultants B.V.	–	10,29,523
Lodestone Management Consultants Ltda.	28,72,339	–
Lodestone Management Consultants sp. z o.o.	4,47,88,429	2,03,04,672
Lodestone Management Consultants Portugal, Unipessoal, Lda.	79,73,631	45,81,740
S.C. Lodestone Management Consultants S.R.L.	1,52,53,060	46,85,287
FX valuation on above	25,45,096	(3,47,796)
Provision for expenses		
Lodestone Management Consultants Ltd.	2,79,50,300	–

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Capital transactions		
Loan received		
Lodestone Holding AG	42,91,08,756	–
Loan repaid		
Lodestone Holding AG	–	56,37,36,494
Revenue transactions		
Purchase of services		
Lodestone Management Consultants Pty. Limited	1,68,52,370	1,25,30,317
Lodestone Management Consultants (Belgium) S.A.	5,72,26,634	3,70,40,762
Lodestone Augmentis AG	4,67,18,135	2,15,77,877
Lodestone Management Consultants s.r.o.	4,18,50,355	2,43,21,751
Lodestone Management Consultants GmbH	79,37,68,792	66,78,00,351
Lodestone Management Consultants SAS	13,60,19,223	9,74,12,438
Lodestone Management Consultants Ltd.	39,59,83,827	18,09,29,548
Lodestone Management Consultants Ltda.	56,98,742	–
Lodestone Management Consultants (Canada) Inc.	1,46,29,507	–
Lodestone Management Consultants B.V.	16,036	1,67,08,959
Lodestone Management Consultants sp. z o.o.	27,93,08,263	28,11,83,273
Lodestone Management Consultants Portugal, Unipessoal, Lda.	15,61,73,699	7,32,45,638
S.C. Lodestone Management Consultants S.R.L.	7,67,95,343	4,38,97,852
Lodestone Management Consultants Pte Ltd.	81,74,538	1,25,46,430
Lodestone Management Consultants Inc.	16,92,90,985	15,07,53,774
Lodestone Management Consultants GmbH Austria	20,03,092	48,32,715
Lodestone Management Consultants China Co., Ltd.	–	9,55,191
Dividend paid to holding company		
Lodestone Holding AG	46,73,13,000	–
Interest expense		
Lodestone Holding AG	1,07,36,382	2,13,86,080
Sales of services		
Lodestone Management Consultants (Belgium) S.A.	5,96,14,274	3,11,46,796
Lodestone Management Consultants GmbH	65,56,53,462	59,95,27,070
Lodestone Management Consultants SAS	2,57,18,879	2,90,55,378
Lodestone Management Consultants Pty. Limited	1,71,99,494	–
Lodestone Management Consultants Ltd.	90,60,17,898	11,77,61,142
Lodestone Management Consultants Ltda.	13,07,948	–
Lodestone Management Consultants B.V.	1,78,98,988	–
Lodestone Management Consultants Inc.	18,20,17,862	9,14,75,347
Lodestone Management Consultants Pte Ltd.	–	17,09,149
Lodestone Management Consultants sp. z o.o.	91,56,281	1,40,10,217
Lodestone Management Consultants (Canada) Inc.	32,706	11,46,109

2.20. Segment reporting

The Company is engaged in providing consultancy services in a single geography. Its operations are therefore considered to constitute a single segment in the context of Accounting Standard 17 Segment Reporting.

2.21. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from consultancy services	746,17,27,751	651,44,55,914
Cost of Services	661,14,90,158	528,09,33,183
GROSS PROFIT	85,02,37,593	123,35,22,731
Selling and marketing expenses	4,92,60,114	4,12,87,552
General and administration expenses	73,16,83,573	53,62,57,330
	78,09,43,687	57,75,44,882
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	6,92,93,906	65,59,77,849
Interest	2,33,43,805	2,68,32,865
Depreciation and amortization	14,23,07,211	13,31,78,860
OPERATING PROFIT	(9,63,57,110)	49,59,66,124
Other income	19,20,70,600	46,03,526
PROFIT BEFORE TAX	9,57,13,490	50,05,69,650
Tax expense		
Current tax	5,03,574	6,22,18,159
PROFIT FOR THE YEAR	9,52,09,916	43,83,51,491

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Director

Bangalore
January 7, 2014

Lodestone Management Consultants (Belgium) S.A.

Independent Auditors' Report

To the Members of Lodestone Management Consultants (Belgium) S.A.

Report on the Financial Statements

We have audited the accompanying financial statement of Lodestone Management Consultants (Belgium) S.A. ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number: 006673S

M. Rathnakar Kamath
Partner
Membership Number: 202841

Bangalore
January 7, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31, 2013	As at December 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	3,44,75,106	3,44,75,106
Reserves and surplus	2.2	(5,55,85,115)	1,59,13,574
		(2,11,10,009)	5,03,88,680
CURRENT LIABILITIES			
Short-term borrowings	2.3	11,38,98,253	6,29,53,715
Trade payables	2.5	4,32,73,751	4,19,61,374
Other current liabilities	2.6	4,17,71,441	25,23,74,386
Short-term provisions	2.7	2,49,44,810	1,75,59,800
		22,38,88,255	37,48,49,275
		20,27,78,246	42,52,37,955
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.8	4,96,750	55,14,119
		4,96,750	55,14,119
Deferred tax assets	2.4	8,59,93,805	4,08,79,923
Long-term loans and advances	2.10	41,66,198	4,626
		9,06,56,753	4,63,98,668
CURRENT ASSETS			
Trade receivables	2.11	5,94,87,167	6,54,27,393
Cash and cash equivalents	2.12	3,22,42,679	7,52,96,844
Short-term loans and advances	2.13	2,03,91,647	23,81,15,050
		11,21,21,493	37,88,39,287
		20,27,78,246	42,52,37,955
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Director

Bangalore
January 7, 2014

Statement of Profit and Loss

in ₹

Particulars	Note	Year ended December 31,	
		2013	2012
Income from consultancy services		58,93,73,892	49,41,77,461
Other income	2.14	(47,40,754)	(5,06,426)
Total revenue		58,46,33,138	49,36,71,035
Expenses			
Employee benefit expenses	2.15	38,35,70,440	33,30,31,699
Cost of technical sub-contractors	2.15	20,27,03,173	9,87,98,431
Travel expenses	2.15	6,17,86,723	4,59,66,113
Communication expenses	2.15	38,38,660	30,65,388
Professional charges		1,45,43,858	1,45,39,302
Depreciation and amortization expense	2.8	58,31,932	32,00,746
Other expenses	2.15	1,27,91,811	1,10,84,803
Interest expense		39,95,697	32,66,495
Total expenses		68,90,62,294	51,29,52,977
LOSS BEFORE TAX		(10,44,29,156)	(1,92,81,942)
Tax expense			
Current tax	2.16	52,91,239	28,06,233
Deferred tax	2.16	(3,35,54,748)	(69,59,906)
LOSS FOR THE YEAR		(7,61,65,647)	(1,51,28,269)
LOSS PER EQUITY SHARE			
Equity shares of par value EUR 489.32 each			
Basic		(76,166)	(15,128)
Number of shares used in computing earnings per share			
Basic		1,000	1,000
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Director

Bangalore
January 7, 2014

Cash Flow Statement

in ₹

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss Before Tax	(10,44,29,156)	(1,92,81,942)
Adjustments to reconcile Profit Before Tax to cash provided by operating activities		
Depreciation and amortization expense	58,31,932	32,00,746
Interest and dividend income	(45,260)	(4,235)
Effect of exchange differences on translation of assets and liabilities	(73,32,216)	6,94,67,176
Changes in assets and liabilities		
Trade receivables	59,40,226	6,46,86,385
Loans and advances and other assets	21,35,61,831	(7,77,33,895)
Liabilities and provisions	(20,25,38,723)	(5,09,25,406)
	(8,90,11,366)	(1,05,91,171)
Income taxes paid	(46,58,074)	(52,83,428)
NET CASH GENERATED BY OPERATING ACTIVITIES	(9,36,69,440)	(1,58,74,599)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment towards capital expenditure	(3,74,523)	(3,24,391)
Interest and dividend received	45,260	4,235
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	(3,29,263)	(3,20,156)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	–	2,95,69,854
Increase / (decrease) in loan from parent	5,09,44,538	6,29,53,715
NET CASH USED IN FINANCING ACTIVITIES	5,09,44,538	9,25,23,569
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,30,54,165)	7,63,28,814
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	7,52,96,844	(10,31,970)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,22,42,679	7,52,96,844

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Director

Bangalore
January 7, 2014

Significant accounting policies and notes on accounts

Company overview

Lodestone Management Consultants (Belgium) S.A. is a majority-owned subsidiary of Lodestone Holding AG, Kloten (Switzerland). The Company renders professional management consulting services, thereby enabling its clients to enhance business performance.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous year figures

The previous year's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates may include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

The method for recognizing revenues and cost depends on the nature of the services rendered and on the substance of the contractual agreement. Revenues and costs generated under time-and-material contracts are recognized as services are rendered.

An expected project loss is recognized as an expense immediately.

Revenue comprises the invoiced value for the services and expense reimbursements, net of value added tax, rebates and discounts.

1.7. Tangible, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

1.8. Depreciation and amortization

Depreciation is calculated using the straight-line method based on the estimated useful lives. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The Management estimates the useful lives for the other fixed assets as follows:

Buildings	15 years
Plants and machinery	5 years
Office equipment	5 years
Computer equipment	2-5 years
Furniture and fixtures	5 years
Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

1.9. Impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and recognized as an expense in the income statement.

1.10. Benefits to employees

The Company operates various pension schemes, subject to specific local regulations. Contributions to pension plans are charged to the income statement in the period to which they relate, together with other personnel expenses.

1.11. Foreign currency transactions

Foreign currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.12. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

1.13. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.14. Leases

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as expense on a straight-line basis in the Statement of Profit and Loss over the lease term.

2. Notes on accounts for the year ended December 31, 2013

2.1. Share capital

in ₹

Particulars	As at December 31,	
	2013	2012
Authorized		
1,000 (1,000) equity shares of EUR 489.32 par value	3,44,75,106	3,44,75,106
Issued, subscribed and paid-up		
1,000 (1,000) equity shares of EUR 489.32 par value	3,44,75,106	3,44,75,106
	3,44,75,106	3,44,75,106

2.2. Reserves and surplus

in ₹

Particulars	As at December 31,	
	2013	2012
Currency translation reserve	7,25,42,069	6,78,75,111
Legal reserve – opening balance	3,29,207	1,59,390
Add: Transferred from surplus	(1,56,852)	1,69,817
	1,72,355	3,29,207
Surplus – opening balance	(5,22,90,744)	(3,69,92,658)
Add: Net loss after tax transferred from Statement of Profit and Loss	(7,61,65,647)	(1,51,28,269)
Amount available for appropriation	(12,84,56,391)	(5,21,20,927)
Appropriations:		
Amount transferred to Legal Reserve	(1,56,852)	1,69,817
Surplus – closing balance	(12,82,99,539)	(5,22,90,744)
	(5,55,85,115)	1,59,13,574

2.3. Short-term borrowings

in ₹

Particulars	As at December 31,	
	2013	2012
Loan from related party – unsecured	11,38,98,253	6,29,53,715
	11,38,98,253	6,29,53,715

2.4. Deferred taxes

in ₹

Particulars	As at December 31,	
	2013	2012
Deferred tax assets		
Accumulated losses	8,59,93,805	4,08,79,923
	8,59,93,805	4,08,79,923

2.5. Trade payables

in ₹

Particulars	As at December 31,	
	2013	2012
Trade payables (1)	4,32,73,751	4,19,61,374
	4,32,73,751	4,19,61,374
(1) *Includes dues to fellow subsidiaries (Refer to Note 2.18)*	3,47,67,834	77,29,968

2.6. Other current liabilities

in ₹

Particulars	As at December 31,	
	2013	2012
Accrued salaries and benefits		
Salaries and benefits	–	(69,316)
Bonus and incentives	2,92,13,362	2,68,57,527
Other liabilities		
Provision for expenses	1,25,58,079	1,62,68,291
Withholding and other taxes payable	–	20,83,88,015
Other payables	–	9,29,869
	4,17,71,441	25,23,74,386

2.7. Short-term provisions

in ₹

Particulars	As at December 31,	
	2013	2012
Provision for employee benefits		
Unavailed leave	2,43,11,645	1,75,59,800
Others		
Income taxes (Net of provisions)	6,33,165	–
	2,49,44,810	1,75,59,800

2.8. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization					Net book value	
	As at January 1, 2013	Additions during the year	Forex difference	As at December 31, 2013	As at January 1, 2013	For the year	Deductions / adjustment during the year	Forex difference	As at December 31, 2013	As at December 31, 2013	As at December 31, 2012
Tangible assets											
Leasehold Improvements	1,29,94,945	–	22,57,500	1,52,52,445	87,48,267	45,86,034	–	19,18,144	1,52,52,445	–	42,46,678
Office equipment	11,29,591	–	1,96,235	13,25,826	10,69,372	62,370	–	1,94,084	13,25,826	–	60,219
Computer equipment	26,04,838	3,74,523	4,84,389	34,63,750	20,49,213	6,76,591	–	4,55,015	31,80,819	2,82,931	5,55,625
Furniture and fixtures	16,74,835	–	2,90,954	19,65,789	10,23,238	5,06,937	–	2,21,795	17,51,970	2,13,819	6,51,597
	1,84,04,209	3,74,523	32,29,078	2,20,07,810	1,28,90,090	58,31,932	–	27,89,038	2,15,11,060	4,96,750	55,14,119
Intangible assets											
IT software	23,53,651	–	–	23,53,651	23,53,651	–	–	–	23,53,651	–	–
Total	2,07,57,860	3,74,523	32,29,078	2,43,61,461	1,52,43,741	58,31,932	-	27,89,038	2,38,64,711	4,96,750	55,14,119
Previous year	1,74,27,616	33,30,244		2,07,57,860	90,37,142	32,00,746	(30,05,853)		1,52,43,741	55,14,119	

2.9. Leases

Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the period and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Lease rentals recognized during the period	55,02,438	47,63,520

in ₹

Particulars	As at December 31,	
	2013	2012
Within one year of the Balance Sheet date	57,66,813	49,92,142
Due in a period between one year and five years	1,73,16,238	1,99,68,566
Due after five years	–	13,677

The operating lease arrangements, are renewable on a periodic basis and for most of the leases extend up to a maximum of five years from their respective dates of inception and relate to rented premises. Some of these lease agreements have price escalation clauses.

2.10. Long-term loans and advances

in ₹

Particulars	Year ended December 31,	
	2013	2012
Other loans and advances		
Advance income taxes	–	4,626
Advances to employees	41,66,198	–
	41,66,198	4,626

2.11. Trade receivables

in ₹

Particulars	As at December 31,	
	2013	2012
Debts outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	16,03,761	–
Less: Provision for doubtful debts	16,03,761	–
	–	–
Other debts		
Unsecured		
Considered good [1]	5,94,87,167	6,54,27,393
	5,94,87,167	6,54,27,393
	5,94,87,167	6,54,27,393
[1] *Includes dues from fellow subsidiaries (Refer to Note 2.18)*	4,29,90,425	78,29,474

2.12. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2013	2012
Balances with banks		
In current accounts	3,22,42,679	7,52,96,844
	3,22,42,679	7,52,96,844

The details of balances as on Balance Sheet date with banks are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
In current accounts		
ING	1,59,71,904	1,55,46,692
Landbouwkrediet	1,62,58,930	5,96,64,996
Fortis	–	83,965
Belfius Bank	11,845	1,191
	3,22,42,679	7,52,96,844
Total bank balances	3,22,42,679	7,52,96,844

2.13. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	–	10,07,803
Withholding and other taxes receivable	1,43,53,536	21,61,62,571
	1,43,53,536	21,71,70,374
Unbilled revenues	60,38,111	2,09,44,676
	2,03,91,647	23,81,15,050

2.14. Other income

in ₹

Particulars	Year ended December 31,	
	2013	2012
Interest received on deposits with banks and others	45,260	4,235
Miscellaneous income, net	41,955	2,38,232
Gains / (losses) on foreign currency, net	(48,27,969)	(7,48,893)
	(47,40,754)	(5,06,426)

2.15. Expenses

in ₹

Particulars	Year ended December 31, 2013	2012
Employee benefit expenses		
Salaries and bonus	37,71,68,930	33,14,29,135
Staff welfare	64,01,510	16,02,564
	38,35,70,440	33,30,31,699
Cost of technical sub-contractors		
Subsidiaries	16,27,00,317	5,66,06,995
Others	4,00,02,856	4,21,91,436
	20,27,03,173	9,87,98,431
Travel expenses		
Travelling and conveyance	6,17,86,723	4,59,66,113
	6,17,86,723	4,59,66,113
Communication expenses		
Telephone charges	38,38,660	30,65,388
	38,38,660	30,65,388
Other expenses		
Office maintenance	18,31,062	17,22,529
Brand building	19,134	53,581
Rent	55,02,438	47,63,520
Computer maintenance	1,09,268	22,704
Insurance charges	9,88,599	11,82,265
Marketing expenses	10,07,146	11,72,080
Printing and stationery	1,85,260	2,62,659
Postage and courier	1,07,738	1,90,290
Advertisements	5,42,512	17,020
Provision for bad and doubtful debts and advances	10,89,342	–
Books and periodicals	32,201	91,152
Auditor's remuneration		
Statutory audit fees	7,68,193	11,37,991
Bank charges	3,65,634	1,86,936
Others	2,43,284	2,82,076
	1,27,91,811	1,10,84,803

2.16. Tax expense

in ₹

Particulars	Year ended December 31, 2013	2012
Current tax		
Income taxes	52,91,239	28,06,233
Deferred taxes	(3,35,54,748)	(69,59,906)
	(2,82,63,509)	(41,53,673)

2.17. Quantitative details

The Company is primarily engaged in the business of consultancy services. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5 (viii)(c) of general instructions for preparation of the Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.18. Related party transactions

List of related parties:

Note of holding company	Country	Holding as at December 31, 2013	2012
Lodestone Holding AG[6]	Switzerland	99.90 %	99.90 %

Name of Ultimate Holding Company	Country
Infosys Limited [1]	India

[1] *Holding of Lodestone Holding AG from October 22, 2012*

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Shanghai	China
Infosys Brasil	Brazil
Infosys Public Services, Inc.	U.S.
Infosys Consulting India Limited [1]	India
Infosys Americas [2]	U.S.
Infosys BPO s. r. o [3]	Czech Republic
Infosys BPO (Poland) Sp. z o.o. [3]	Poland
Infosys McCamish Systems LLC (Formerly known as McCamish Systems LLC) [3]	U.S.
Portland Group Pty. Ltd [3][4]	Australia
Portland Procurement Services Pty. Ltd [10]	Australia
Infosys Australia [5]	Australia
Lodestone Management Consultants (Canada) Inc. [7][13]	Canada
Lodestone Management Consultants Inc. [7]	U.S.
Lodestone Management Consultants Pty. Limited [7]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [7][8]	Thailand
Lodestone Management Consultants AG [7]	Switzerland
Lodestone Augmentis AG [12]	Switzerland
Hafner Bauer & Ödman GmbH [7]	Switzerland
Lodestone Management Consultants GmbH [7]	Germany
Lodestone Management Consultants Pte Ltd. [7]	Singapore
Lodestone Management Consultants SAS [7]	France
Lodestone Management Consultants s.r.o. [7]	Czech Republic
Lodestone Management Consultants GmbH [7]	Austria
Lodestone Management Consultants China Co., Ltd. [7]	China
Lodestone Management Consultants Ltd. [7]	U.K.
Lodestone Management Consultants B.V. [7]	Netherlands
Lodestone Management Consultants Ltda. [9]	Brazil
Lodestone Management Consultants sp. z o.o. [7]	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. [7]	Portugal
S.C. Lodestone Management Consultants S.R.L. [7]	Romania
Lodestone Management Consultants S.R.L. [7][11]	Argentina

[1] *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012.*

[2] *Incorporated effective June 25, 2013*

[3] *Wholly-owned subsidiaries of Infosys BPO.*

[4] *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*

[5] *Under liquidation*

[6] *On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG*

[7] *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

[8] *Liquidated effective February 14, 2013*

[9] *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

[10] *Wholly-owned subsidiary of Portland Group Pty. Ltd.*

[11] *Incorporated effective January 10, 2013*

[12] *Wholly-owned subsidiary of Lodestone Management Consultants AG*

[13] *Liquidated effective December 31, 2013*

The details of amounts due to or due from as at December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured loans		
Lodestone Holding AG	11,38,98,253	6,29,53,715
Trade receivables		
Lodestone Management Consultants AG	36,14,464	14,21,677
Lodestone Management Consultants GmbH, Germany	11,61,144	11,22,672
Lodestone Management Consultants Ltd.	3,33,28,748	48,03,953
Lodestone Management Consultants Inc.	14,93,529	–
Lodestone Management Consultants B.V.	9,18,107	–
Lodestone Management Consultants sp. z o.o.	1,28,677	–
Lodestone Management Consultants SAS	23,45,756	4,81,172
Trade payables		
Lodestone Management Consultants AG	2,92,74,140	9,05,691
Lodestone Management Consultants GmbH, Germany	12,46,361	4,60,555
Lodestone Management Consultants sp. z o.o.	–	10,50,913
Lodestone Management Consultants Ltd.	28,78,662	–
Lodestone Management Consultants B.V.	12,73,678	–
S.C. Lodestone Management Consultants S.R.L.	–	47,08,396
Lodestone Management Consultants SAS	–	5,20,153
FX valuation on above	94,993	84,260

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Capital transactions		
Loan received		
Lodestone Holding AG	5,09,44,538	6,29,53,715
Capital contribution		
Lodestone Holding AG	–	2,95,69,854
Revenue transactions		
Purchase of services		
Lodestone Management Consultants AG	5,98,56,352	3,04,16,828
Lodestone Management Consultants Ltda.	(26,982)	–
Lodestone Management Consultants GmbH	77,29,751	1,32,92,501
Lodestone Management Consultants Ltd.	6,99,22,742	35,02,380
Lodestone Management Consultants B.V.	1,80,87,275	–
Lodestone Management Consultants sp. z o.o.	15,35,821	28,58,726
Lodestone Management Consultants Portugal, Unipessoal, Lda.	7,10,025	–
S.C. Lodestone Management Consultants S.R.L.	1,58,577	43,98,896
Lodestone Management Consultants SAS	55,23,050	21,37,664
Interest expense		
Lodestone Holding AG	16,04,469	10,31,284
Sale of services		
Lodestone Management Consultants AG	5,73,93,106	4,21,01,225
Lodestone Management Consultants GmbH	3,39,12,494	4,97,28,815
Lodestone Management Consultants SAS	37,63,968	82,92,613
Lodestone Management Consultants Ltd.	24,77,14,433	1,09,66,019
Lodestone Management Consultants Inc.	34,55,438	–
Lodestone Management Consultants B.V.	79,22,226	8,61,526

2.19. Segment reporting

The Company is engaged in providing consultancy services in a single geography. Its operations are therefore considered to constitute a single segment in the context of Accounting Standard 17 Segment Reporting.

2.20. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from consultancy services	58,93,73,892	49,41,77,461
Cost of services	63,29,88,760	47,18,24,719
GROSS PROFIT	(4,36,14,868)	2,23,52,742
Selling and marketing expenses	10,46,441	12,25,661
General and administration expenses	4,51,99,464	3,34,35,356
	4,62,45,905	3,46,61,017
OPERATING LOSS BEFORE INTEREST AND DEPRECIATION	(8,98,60,773)	(1,23,08,275)
Interest	39,95,697	32,66,495
Depreciation and amortization	58,31,932	32,00,746
OPERATING LOSS	(9,96,88,402)	(1,87,75,516)
Other income	(47,40,754)	(5,06,426)
LOSS BEFORE TAX	(10,44,29,156)	(1,92,81,942)
Tax expense		
Current tax	52,91,239	28,06,233
Deferred tax	(3,35,54,748)	(69,59,906)
LOSS FOR THE YEAR	(7,61,65,647)	(1,51,28,269)

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Director

Bangalore
January 7, 2014

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Lodestone Management Consultants B.V.

Independent Auditors' Report

To the Members of Lodestone Management Consultants B.V.

Report on the Financial Statements

We have audited the accompanying financial statement of Lodestone Management Consultants B.V. ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Profit for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bangalore
January 7, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31,	
		2013	2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	53,27,009	53,27,009
Reserves and surplus	2.2	(2,05,01,334)	(3,14,03,888)
		(1,51,74,325)	(2,60,76,879)
CURRENT LIABILITIES			
Short-term borrowings	2.3	5,93,59,084	5,83,59,015
Trade payables	2.4	6,04,47,798	78,89,590
Other current liabilities	2.5	2,88,81,891	1,15,65,544
Short-term provisions	2.6	36,03,999	15,55,485
		15,22,92,772	7,93,69,634
		13,71,18,447	5,32,92,755
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	12,73,560	9,26,206
		12,73,560	9,26,206
Deferred tax assets (net)	2.9	37,23,976	93,01,975
Long-term loans and advances	2.10	95,81,316	–
		1,45,78,852	1,02,28,181
CURRENT ASSETS			
Trade receivables	2.11	7,79,08,383	2,93,56,860
Cash and cash equivalents	2.12	1,20,67,698	64,09,279
Short-term loans and advances	2.13	3,25,63,514	72,98,435
		12,25,39,595	4,30,64,574
		13,71,18,447	5,32,92,755
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath	Ronald Hafner	Peter Ödman
Partner	*Director*	*Director*
Membership Number : 202841		

Bangalore
January 7, 2014

Statement of Profit and Loss

in ₹, except per share data

Particulars	Note	Year ended December 31, 2013	Year ended December 31, 2012
Income from consultancy services	2.14	33,53,78,737	10,12,94,352
Other income	2.15	(26,89,978)	(3,47,055)
Total revenue		33,26,88,759	10,09,47,297
Expenses			
Employee benefit expenses	2.16	11,39,50,664	5,83,39,113
Cost of technical sub-contractors	2.16	16,39,32,686	3,73,83,697
Travel expenses	2.16	1,91,98,672	1,24,41,569
Communication expenses	2.16	14,35,476	4,67,253
Professional charges		1,07,22,469	10,31,506
Interest expenses		10,81,450	4,27,779
Depreciation and amortization expenses	2.7	5,66,516	2,23,028
Other expenses	2.16	22,68,948	19,05,476
Total expenses		31,31,56,881	11,22,19,421
PROFIT BEFORE TAX		1,95,31,878	(1,12,72,124)
Tax expense			
Current tax	2.17	–	(1,71,746)
Deferred tax	2.17	30,45,448	(26,32,362)
PROFIT FOR THE PERIOD		1,64,86,430	(84,68,016)
EARNINGS PER EQUITY SHARE			
Equity shares of par value EURO 5 each			
Basic		916	(470)
Number of shares used in computing earnings per share			
Basic		18,000	18,000
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Director

Peter Ödman
Director

Bangalore
January 7, 2014

Cash Flow Statement

in ₹

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,95,31,878	(1,12,72,124)
Adjustments to reconcile profit before tax to cash provided by operating activities		
Depreciation and amortization expense	5,66,516	2,23,028
Interest and dividend income	(13,890)	(1,467)
Effect of exchange differences on translation of subsidiaries	(57,77,708)	(11,49,561)
Changes in assets and liabilities		
Trade receivables	(4,85,51,523)	(1,01,43,969)
Loans and advances and other assets	(2,52,65,079)	(20,90,201)
Liabilities and provisions	7,19,23,069	(3,10,17,652)
	1,24,13,263	(5,54,51,946)
Income taxes paid	(70,48,765)	(4,69,133)
NET CASH GENERATED BY OPERATING ACTIVITIES	53,64,498	(5,59,21,079)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment towards capital expenditure (including intangible assets)	(7,20,038)	(3,72,472)
Interest and dividend received	13,890	1,467
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	(7,06,148)	(3,71,005)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution by parent	–	43,42,348
Loan received from parent	10,00,069	5,83,59,015
Dividend tax paid	–	–
NET CASH USED IN FINANCING ACTIVITIES	10,00,069	6,27,01,363
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	56,58,419	64,09,279
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	64,09,279	–
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,20,67,698	64,09,279

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Director

Peter Ödman
Director

Bangalore
January 7, 2014

Significant accounting policies and notes on accounts

Company overview

Lodestone Management Consultant B.V. is a wholly-owned subsidiary of Lodestone Holding AG, Kloten (Switzerland). The Company renders professional management consulting services, thereby enabling its clients to enhance business performance.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous year figures

The previous year's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates may include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

The method for recognizing revenues and cost depends on the nature of the services rendered and on the substance of the contractual agreement. Revenues and costs generated under time-and-material contracts are recognized as services are rendered.

An expected project loss is recognized as an expense immediately.

Revenue comprises the invoiced value for the services and expense reimbursements, net of value added tax, rebates and discounts.

1.7. Tangible assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

1.8. Depreciation and amortization

Depreciation is calculated using the straight-line method based on the estimated useful lives. Gains and losses on disposal are determined by comparing proceeds with the carrying amount.

1.9. Impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and recognized as an expense in the income statement.

1.10. Benefits to employees

The Company operate various pension schemes, subject to specific local regulations. Contributions to pension plans are charged to the income statement in the period to which they relate, together with other personnel expenses.

1.11. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.12. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

1.13. Earnings per share

Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period.

1.14. Investments

Trade investments are the investments made to enhance the Company's business interests. Investments are either classified as current or long-term based on Management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value of each investment individually. Cost for overseas investments comprises the Indian Rupee value of the consideration paid for the investment translated at the exchange rate prevalent at the date of investment. Long-term investments are carried at cost less provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

1.15. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.16. Leases

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease in which significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Statement of Profit and Loss over the lease term.

2. Notes on accounts for the year ended December 31, 2013

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at December 31, 2013	As at December 31, 2012
Authorized		
18,000 (18,000) Common Stock, EURO 5 par value	53,27,009	53,27,009
Issued, Subscribed and Paid-Up		
18,000 (18,000) Common Stock, EURO 5 par value	53,27,009	53,27,009
	53,27,009	53,27,009

2.2. Reserves and surplus

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Foreign currency translation reserve – opening balance	(23,99,853)	(12,38,442)
Add: Foreign currency translation during the year	(55,83,876)	(11,49,561)
Foreign currency translation reserve – closing balance	(79,83,729)	(23,99,853)
Surplus – opening balance	(2,90,04,035)	(2,05,36,019)
Add: Net profit after tax transferred from Statement of Profit and Loss	1,64,86,430	(84,68,016)
Surplus – closing balance	(1,25,17,605)	(2,90,04,035)
	(2,05,01,334)	(3,14,03,888)

2.3. Short-term borrowings

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Trade payables [(1)]	5,93,59,084	5,83,59,015
	5,93,59,084	5,83,59,015
[(1)] *Refer note 2.18*	5,93,59,084	5,83,59,015

2.4. Trade payables

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Trade payables [(1)]	6,04,47,798	78,89,590
	6,04,47,798	78,89,590
[(1)] *Includes dues from holding company and fellow subsidiaries*	5,30,71,571	53,70,381

2.5. Other current liabilities

in ₹

Particulars	As at December 31,	
	2013	2012
Accrued salaries and benefits		
Bonus and incentives	1,22,07,090	56,19,093
Salaries and benefits	82,41,816	30,07,420
Other liabilities		
Provision for expenses	37,95,460	24,56,604
Withholding and other taxes payable	46,37,525	4,82,427
	2,88,81,891	1,15,65,544

2.6. Short-term provisions

in ₹

Particulars	As at December 31,	
	2013	2012
Provision for employee benefits		
Unavailed leave	36,03,999	15,55,485
	36,03,999	15,55,485

2.7. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at January 1, 2013	Additions / acquisitions during year	Deductions / retirement during year	As at December 31, 2013	As at January 1, 2013	For the year	Deductions / Adjustments during year	As at December 31, 2013	As at December 31, 2013	As at December 31, 2012
Tangible assets										
Office equipment	1,06,418	–	(18,488)	1,24,906	47,296	38,371	(11,482)	97,148	27,757	59,122
Computer equipment	5,31,358	7,20,038	(1,53,585)	14,04,981	1,39,480	4,52,982	(42,917)	6,35,379	7,69,602	3,91,878
Furniture and fixtures	5,55,884	–	(96,569)	6,52,453	80,678	75,163	(20,411)	1,76,252	4,76,201	4,75,206
Total	11,93,660	7,20,038	(2,68,641)	21,82,339	2,67,454	5,66,516	(74,809)	9,08,779	12,73,560	9,26,206
Previous year	8,21,188	3,72,472	–	11,93,660	32,576	2,23,028	(11,850)	2,67,454	9,26,206	

2.8. Leases

Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the year and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Lease rentals recognized during the year	13,65,960	9,18,611

in ₹

Lease obligations payable	Year ended December 31,	
	2013	2012
Within one year of the Balance Sheet date	14,16,459	5,07,270
Due in a period between one year and five years	48,39,246	–
Due after five years	–	–

The operating lease arrangements, are renewable on a periodic basis and for most of the leases extend up to a maximum of five years from their respective dates of inception and relate to rented premises. Some of these lease agreements have price escalation clauses.

2.9. Deferred taxes

in ₹

Particulars	As at December 31,	
	2013	2012
Deferred tax assets		
Accumulated losses	37,23,976	93,01,975
	37,23,976	93,01,975

2.10. Long-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Other loans and advances		
Advances to employees	95,81,316	–
	95,81,316	–

2.11. Trade receivables [1]

in ₹

Particulars	As at December 31,	
	2013	2012
Other debts		
Unsecured		
Considered good	7,79,08,383	2,93,56,860
	7,79,08,383	2,93,56,860
[1] *Includes dues from holding company and fellow subsidiaries*	1,45,16,558	16,94,512

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer from the invoice date, as at the Balance Sheet date. The Company pursues the recovery of the dues, in part or full.

2.12. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2013	2012
Cash on hand	–	–
Balances with banks		
In current accounts	1,20,67,698	64,09,279
	1,20,67,698	64,09,279

The details of balances as on Balance Sheet dates with banks are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
In current accounts		
ING (Euro)	1,20,67,698	64,09,279
Total cash and cash equivalents as per Balance Sheet	1,20,67,698	64,09,279

2.13. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Others		
Prepaid expenses	47,264	–
Withholding and other taxes receivable	77,95,031	47,16,549
	78,42,295	47,16,549
Unbilled revenues	2,43,25,376	22,44,632
Rental deposits	3,95,843	3,37,254
	3,25,63,514	72,98,435

2.14. Income from software services and products

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from consultancy services	33,53,78,737	10,12,94,352
	33,53,78,737	10,12,94,352

2.15. Other income

in ₹

Particulars	Year ended December 31,	
	2013	2012
Interest received on deposits with banks and others	13,890	1,467
Gains / (losses) on foreign currency, net	(27,03,868)	(3,48,522)
	(26,89,978)	(3,47,055)

2.16. Expenses

in ₹

Particulars	Year ended December 31,	
	2013	2012
Employee benefit expenses		
Salaries and bonus	11,17,42,578	5,83,06,758
Staff welfare	22,08,085	32,355
	11,39,50,663	5,83,39,113
Cost of technical sub-contractors		
Subsidiaries	12,98,34,994	2,64,06,995
Others	3,40,97,692	1,09,76,702
	16,39,32,686	3,73,83,697
Travel expenses		
Overseas travel expenses	1,91,98,672	1,24,41,569
	1,91,98,672	1,24,41,569

Particulars	Year ended December 31,	
	2013	2012
Communication expenses		
Telephone charges	14,35,476	4,67,253
	14,35,476	4,67,253
Other expenses		
Rent	13,65,960	9,18,611
Computer maintenance	40,518	–
Insurance charges	21,025	1,67,677
Marketing expenses	71,715	1,66,593
Printing and Stationery	–	14,381
Postage and courier	21,111	–
Books and periodicals	16,438	–
Bank charges and commission	88,804	36,842
Miscellaneous expenses	6,43,377	6,01,372
	22,68,948	19,05,476

2.17. Tax expense

in ₹

	Year ended December 31,	
	2013	2012
Current tax		
Income taxes	–	(1,71,746)
Deferred taxes	30,45,448	(26,32,362)
	30,45,448	(28,04,108)

2.18. Related party transactions

List of related parties:

Name of Holding Company	Country	Holding as at December 31,	
		2013	2012
Lodestone Holding AG	Switzerland	100%	100%

Name of Ultimate Holding Company	Country
Infosys Limited	India

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Shanghai	China
Infosys Brasil	Brazil
Infosys Public Services, Inc.	U.S.
Infosys Consulting India Limited (1)	India
Infosys Americas (2)	U.S.
Infosys BPO s. r. o (3)	Czech Republic
Infosys BPO (Poland) Sp. z o.o. (3)	Poland
Infosys McCamish Systems LLC (Formerly known as McCamish Systems LLC) (3)	U.S.
Portland Group Pty. Ltd (3)(4)	Australia
Portland Procurement Services Pty. Ltd (10)	Australia
Infosys Australia (5)	Australia
Lodestone Management Consultants (Canada) Inc. (7)(13)	Canada
Lodestone Management Consultants Inc. (7)	U.S.
Lodestone Management Consultants Pty. Limited (7)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (7)(8)	Thailand
Lodestone Management Consultants AG (7)	Switzerland
Lodestone Augmentis AG (12)	Switzerland
Hafner Bauer & Ödman GmbH (7)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (9)	Belgium

Name of fellow subsidiaries	Country
Lodestone Management Consultants GmbH [7]	Germany
Lodestone Management Consultants Pte Ltd. [7]	Singapore
Lodestone Management Consultants SAS [7]	France
Lodestone Management Consultants s.r.o. [7]	Czech Republic
Lodestone Management Consultants GmbH [7]	Austria
Lodestone Management Consultants China Co., Ltd. [7]	China
Lodestone Management Consultants Ltd. [7]	U.K.
Lodestone Management Consultants Ltda. [9]	Brazil
Lodestone Management Consultants sp. z o.o. [7]	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. [7]	Portugal
S.C. Lodestone Management Consultants S.R.L. [7]	Romania
Lodestone Management Consultants S.R.L. [7][11]	Argentina

[1] *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012*
[2] *Incorporated effective June 25, 2013*
[3] *Wholly-owned subsidiaries of Infosys BPO.*
[4] *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*
[5] *Under liquidation*
[6] *On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG*
[7] *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
[8] *Liquidated effective February 14, 2013*
[9] *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
[10] *Wholly-owned subsidiary of Portland Group Pty. Ltd*
[11] *Incorporated effective January 10, 2013*
[12] *Wholly-owned subsidiary of Lodestone Management Consultants AG*
[13] *Liquidated effective December 31, 2013*

The details of amounts due to or due from as at December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured loans		
Lodestone Holding AG	–	5,83,59,015
Trade receivables		
Lodestone Management Consultants (Belgium) S.A.	12,73,678	–
Lodestone Management Consultants Ltd.	79,82,540	–
Lodestone Management Consultants SAS	2,66,193	–
Lodestone Management Consultants AG	–	10,27,480
Lodestone Management Consultants GmbH, Germany	51,55,224	6,67,032
FX valuation	(1,61,076)	–
Trade payables		
Lodestone Management Consultants GmbH, Germany	2,04,50,538	33,93,666
Lodestone Management Consultants sp. z o.o.	74,34,407	6,86,446
Lodestone Management Consultants Ltd.	1,20,84,553	12,90,269
Lodestone Management Consultants AG	1,19,56,091	–
Lodestone Management Consultants (Belgium) S.A.	9,18,107	–
FX valuation	2,27,875	–

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Revenue transactions		
Purchase of services		
Lodestone Management Consultants (Belgium) S.A.	1,13,62,502	8,76,477
Lodestone Management Consultants AG	1,40,56,402	–
Lodestone Management Consultants GmbH	5,50,27,367	2,20,77,246
Lodestone Management Consultants Ltd.	3,10,44,276	12,52,781
Lodestone Management Consultants sp. z o.o.	1,84,87,942	22,00,492
S.C. Lodestone Management Consultants S.R.L.	33,67,310	–
Interest expense		
Lodestone Holding AG	9,87,581	4,27,779
Sale of services		
Lodestone Management Consultants (Belgium) S.A.	2,15,98,081	–
Lodestone Management Consultants AG	15,838	1,90,42,922
Lodestone Management Consultants GmbH	1,20,90,628	1,46,52,458
Lodestone Management Consultants SAS	2,43,404	–

2.19. Segment reporting

The Company is engaged in providing consultancy services in a single geography. Its operations are therefore considered to constitute a single segment in the context of Accounting Standard 17 Segment Reporting.

2.20. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from consultancy services	33,53,78,737	10,12,94,352
Software development expenses	29,31,53,462	10,70,78,197
GROSS PROFIT	4,22,25,275	(57,83,845)
Selling and marketing expenses	70,673	1,66,593
General and administration expenses	1,82,84,780	43,23,824
	1,83,55,453	44,90,417
OPERATING PROFIT BEFORE DEPRECIATION AND INTEREST	2,38,69,822	(1,02,74,262)
Interest expense	10,81,450	4,27,779
Depreciation and amortization	5,66,516	2,23,028
OPERATING PROFIT	2,22,21,856	(1,09,25,069)
Other income	(26,89,978)	(3,47,055)
PROFIT BEFORE TAX	1,95,31,878	(1,12,72,124)
Tax expense		
Current tax	–	(1,71,746)
Deferred tax	30,45,448	(26,32,362)
PROFIT FOR THE PERIOD	1,64,86,430	(84,68,016)

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Director

Peter Ödman
Director

Bangalore
January 7, 2014

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Lodestone Management Consultants
China Co., Ltd.

Independent Auditors' Report

To the Members of Lodestone Management Consultants China Co., Ltd.

Report on the Financial Statements

We have audited the accompanying financial statement of Lodestone Management Consultants China Co., Ltd. ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number: 006673S

M. Rathnakar Kamath
Partner
Membership Number: 202841

Bangalore
January 7, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31,	
		2013	2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	11,73,98,771	6,84,65,807
Reserves and surplus	2.2	(5,91,83,166)	(5,11,15,291)
		5,82,15,605	1,73,50,516
CURRENT LIABILITIES			
Trade payables	2.4	84,99,619	40,94,659
Other current liabilities	2.5	7,05,50,873	3,68,19,269
Short-term provisions	2.6	58,46,273	63,01,421
		8,48,96,765	4,72,15,349
		14,31,12,370	6,45,65,865
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	51,06,692	61,87,265
		51,06,693	61,87,265
Deferred tax assets	2.3	2,40,78,900	1,61,91,692
Long-term loans and advances	2.9	13,836	54,503
		2,91,99,428	2,24,33,460
CURRENT ASSETS			
Trade receivables	2.10	2,66,76,961	1,65,30,212
Cash and cash equivalents	2.11	5,91,27,064	86,97,672
Short-term loans and advances	2.12	2,81,08,917	1,69,04,521
		11,39,12,942	4,21,32,405
		14,31,12,370	6,45,65,865
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath	Peter Ödman	Lin Li
Partner	*Director*	*Director*
Membership Number : 202841		

Bangalore
January 7, 2014

Statement of Profit and Loss

in ₹

Particulars	Note	As at December 31,	
		2013	2012
Income from consultancy services		52,25,39,814	21,11,23,069
Other income	2.13	(10,28,177)	64,42,219
Total revenue		52,15,11,637	21,75,65,288
Expenses			
Employee benefit expenses	2.14	33,13,03,478	18,42,03,566
Cost of technical sub-contractors	2.14	9,27,07,979	1,18,28,546
Travel expenses	2.14	8,07,87,816	4,33,37,441
Communication expenses	2.14	30,57,692	17,97,861
Professional charges		89,74,002	44,52,773
Depreciation and amortization expenses	2.7	41,82,728	30,56,064
Other expenses	2.14	2,21,20,483	1,48,78,802
Total expenses		54,31,34,178	26,35,63,347
Interest expense		–	8,294
LOSS BEFORE TAX		(2,16,22,541)	(4,59,98,059)
Tax expense			
Current tax	2.15	–	65,57,699
Deferred tax	2.15	(43,65,838)	(1,13,11,760)
LOSS FOR THE YEAR		(1,72,56,703)	(4,12,43,998)
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Peter Ödman
Director

Lin Li
Director

Bangalore
January 7, 2014

Cash Flow Statement

in ₹

Particulars	Note	As at December 31,	
		2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss Before Tax		(2,16,22,541)	(4,59,98,059)
Adjustments to reconcile Profit Before Tax to cash provided by operating activities			
Depreciation and amortization expenses		41,82,728	30,56,064
Effect of exchange differences on translation of assets and liabilities		91,88,830	13,92,881
Changes in assets and liabilities			
Trade receivables		(1,01,46,749)	(77,15,197)
Loans and advances and other assets		(1,11,63,730)	(51,72,830)
Liabilities and provisions		3,76,81,416	3,40,20,004
		81,19,954	(2,04,17,137)
Income taxes paid		(35,21,370)	(78,19,664)
NET CASH GENERATED BY OPERATING ACTIVITIES		45,98,584	(2,82,36,801)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment towards capital expenditure		(31,02,156)	(27,37,420)
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES		(31,02,156)	(27,37,420)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital		4,89,32,964	3,31,24,073
NET CASH USED IN FINANCING ACTIVITIES		4,89,32,964	3,31,24,073
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		5,04,29,392	21,49,852
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		86,97,672	65,47,820
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		5,91,27,064	86,97,672

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Peter Ödman
Director

Lin Li
Director

Bangalore
January 7, 2014

Significant accounting policies and notes on accounts

Company overview

Lodestone Management Consultants Co. Ltd. is a wholly-owned subsidiary of Lodestone Holding AG, Kloten (Switzerland). The Company render professional management consulting services, thereby enabling its clients to enhance business performance.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to the existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous year figures

The previous year's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates may include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

The method for recognizing revenues and cost depends on the nature of the services rendered and on the substance of the contractual agreement. Revenues and costs generated under time-and-material contracts are recognized as services are rendered.

An expected project loss is recognized as an expense immediately.

Revenue comprises the invoiced value for the services and expense reimbursements, net of value added tax, rebates and discounts.

1.7. Tangible, intangible assets and capital work-in-progress

Tangible assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until tangible assets are ready for use. Capital work-in-progress comprises the cost of tangible assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

1.8. Depreciation and amortization

Depreciation is calculated using the straight-line method based on the estimated useful lives. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The Management estimates the useful lives for the other fixed assets as follows:

Buildings	15 years
Plants and machinery	5 years
Office equipment	5 years
Computer equipment	2-5 years
Furniture and fixtures	5 years
Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

1.9. Impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and recognized as an expense in the income statement.

1.10. Benefits to employees

The Company operates various pension schemes, subject to specific local regulations. Contributions to pension plans are charged to the income statement in the period to which they relate, together with other personnel expenses.

1.11. Foreign currency transactions

Foreign currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.12. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

1.13. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.14. Leases

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease in which significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Statement of Profit and Loss over the lease term.

2. Notes on accounts for the year ended December 31, 2013

2.1. Share capital

in ₹

Particulars	As at December 31,	
	2013	2012
Authorized capital	11,73,98,771	6,84,65,807
Issued, subscribed and paid-up		
USD 2,260,000 (1,360,000)	11,73,98,771	6,84,65,807
	11,73,98,771	6,84,65,807

2.2. Reserves and surplus

in ₹

Particulars	As at December 31,	
	2013	2012
Currency translation reserve	47,22,566	33,29,685
Add: Movement during the year	91,88,828	13,92,881
	1,39,11,394	47,22,566
Surplus – opening balance	(5,58,37,857)	(1,45,93,859)
Add: Net loss after tax transferred from Statement of Profit and Loss	(1,72,56,703)	(4,12,43,998)
Surplus – closing balance	(7,30,94,560)	(5,58,37,857)
	(5,91,83,166)	(5,11,15,291)

2.3. Deferred taxes

in ₹

Particulars	As at December 31,	
	2013	2012
Deferred tax assets		
Accumulated losses	2,40,78,900	1,61,91,692
	2,40,78,900	1,61,91,692

2.4. Trade payables

in ₹

Particulars	As at December 31,	
	2013	2012
Trade payables [1]	84,99,619	40,94,659
	84,99,619	40,94,659
[1] *Includes dues to holding company and fellow subsidiaries (Refer to Note 2.17)*	54,09,643	32,75,834

2.5. Other current liabilities

in ₹

Particulars	As at December 31,	
	2013	2012
Accrued salaries and benefits		
Salaries and benefits	63,63,074	–
Bonus and incentives	1,80,97,653	2,02,03,086
Other liabilities		
Provision for expenses [1]	1,79,86,180	1,01,82,790
Others [2]	2,34,21,013	4,02,113
Withholding and other taxes payable	31,12,942	60,31,280
Unearned revenue	15,70,011	–
	7,05,50,873	3,68,19,269
[1] *Includes dues to holding company and fellow subsidiaries (Refer to Note 2.17)*	62,20,448	–
[2] *Includes dues to holding company and fellow subsidiaries (Refer to Note 2.17)*	2,34,21,013	4,02,113

2.6. Short-term provisions

in ₹

Particulars	As at December 31,	
	2013	2012
Provision for employee benefits		
Unavailed leave	58,46,273	63,01,421
	58,46,273	63,01,421

2.7. Fixed assets

in ₹

Particulars	Original cost					Depreciation and amortization					Net book value	
	As at January 1, 2013	Additions during the year	Deductions / retirement during the year	Exchange difference	As at December 31, 2013	As at January 1, 2013	For the year	Deductions / adjustment during the year	Exchange difference	As at December 31, 2013	As at December 31, 2013	As at December 31, 2012
Tangible assets												
Leasehold improvements	50,09,288	–	–	7,95,296	58,04,584	22,46,219	18,14,956	–	4,76,521	45,37,696	12,66,888	27,63,069
Office equipment	2,71,516	6,32,556	–	(2,93,550)	6,10,522	1,19,533	1,50,840	–	25,283	2,95,656	3,14,866	1,51,983
IT equipment	51,12,511	19,21,672	3,84,491	13,54,574	80,04,266	18,40,298	22,16,932	29,497	4,51,595	44,79,327	35,24,938	32,72,213
Total	1,03,93,315	25,54,228	3,84,491	18,56,320	1,44,19,372	42,06,050	41,82,728	29,497	9,53,399	93,12,679	51,06,692	61,87,265
Previous year	75,16,716	28,76,599	–		1,03,93,315	10,10,807	30,56,064	(1,39,179)		42,06,050	61,87,265	

2.8. Leases

Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the period and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Lease rentals recognized during the period	93,02,796	82,83,678

in ₹

Lease obligations payable	As at December 31,	
	2013	2012
Within one year of the Balance Sheet date	74,11,486	85,73,815
Due in a period between one year and five years	–	64,12,744

2.9. Long-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Advance income taxes	13,836	54,503
	13,836	54,503

2.10. Trade receivables

in ₹

Particulars	As at December 31,	
	2013	2012
Other debts		
Unsecured		
Considered good [1]	2,66,76,961	1,65,30,212
	2,66,76,961	1,65,30,212
[1] *Includes dues from holding company and fellow subsidiaries (Refer to Note 2.17)*	33,01,217	

2.11. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2013	2012
Cash on hand	6,784	13,956
Balances with banks		
In current accounts	5,91,20,280	86,83,716
	5,91,27,064	86,97,672

The details of balances as on Balance Sheet dates with banks are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
In current accounts		
China Merchants Bank (CNY)	5,91,19,870	86,83,273
China Merchants Bank (USD)	410	443
	5,91,20,280	86,83,716
Total bank balances	5,91,20,280	86,83,716

2.12. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	28,68,719	67,96,318
Others	94,739	–
	29,63,458	67,96,318
Unbilled revenues [1]	2,12,17,689	42,35,868
Loans and advances to employees		
Salary advances	5,89,639	–
Rental deposits	33,38,131	58,72,335
	2,81,08,917	1,69,04,521
[1] *Includes dues from holding company and fellow subsidiaries (Refer to Note 2.17)*	45,76,454	–

2.13. Other income

in ₹

Particulars	Year ended December 31,	
	2013	2012
Interest received on deposits with banks and others	38,572	-
Miscellaneous income, net	110,981	6,728,946
Gains / (losses) on foreign currency, net	(1,177,730)	(286,727)
	(1,028,177)	6,442,219

2.14. Expenses

in ₹

Particulars	Year ended December 31,	
	2013	2012
Employee benefit expenses		
Salaries and bonus	32,48,91,018	18,25,47,369
Staff welfare	64,12,460	16,56,197
	33,13,03,478	18,42,03,566
Cost of technical sub-contractors		
Technical sub-contractors – subsidiaries	58,54,687	–
Technical sub-contractors – others	8,68,53,292	1,18,28,546
	9,27,07,979	1,18,28,546
Travel expenses		
Overseas travel expenses	8,07,87,816	4,33,37,441
	8,07,87,816	4,33,37,441
Communication expenses		
Telephone charges	30,57,692	17,97,861
	30,57,692	17,97,861
Other expenses		
Office maintenance	23,65,994	18,14,801
Brand building	6,33,873	7,20,875
Rent	93,02,796	82,83,678
Rates and taxes, excluding taxes on income	37,81,851	–
Repairs to plant and machinery	1,191	21,167
Computer maintenance	78,815	3,43,561
Insurance charges	2,82,688	2,36,639
Marketing expenses	45,08,350	28,96,169
Printing and stationery	2,06,556	2,00,002
Postage and courier	2,10,958	1,06,236
Books and periodicals	31,966	28,513
Auditor's remuneration		
Statutory audit fees	1,15,148	42,436
Bank charges	30,413	38,678
Others	5,69,884	1,46,047
	2,21,20,483	1,48,78,802

2.15. Tax expense

in ₹

Particulars	Year ended December 31,	
	2013	2012
Current tax		
Income taxes	–	65,57,699
Deferred taxes	(43,65,838)	(1,13,11,760)
	(43,65,838)	(47,54,061)

2.16. Quantitative details

The Company is primarily engaged in the business of consultancy services. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5 (viii)(c) of general instructions for preparation of the Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.17. Related party transactions

Name of Related Party	Country	Holding as at December 31,	
		2013	2012
Lodestone Holding AG	Switzerland	100%	100%

Name of Ultimate Holding Company	Country
Infosys Limited	India

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Shanghai	China
Infosys Brasil	Brazil
Infosys Public Services, Inc.	U.S.
Infosys Consulting India Limited (1)	India
Infosys Americas (2)	U.S.
Infosys BPO s. r. o (3)	Czech Republic
Infosys BPO (Poland) Sp. z o.o. (3)	Poland
Infosys McCamish Systems LLC (Formerly known as McCamish Systems LLC) (3)	U.S.
Portland Group Pty. Ltd (3)(4)	Australia
Portland Procurement Services Pty. Ltd (10)	Australia
Infosys Australia (5)	Australia
Lodestone Holding AG (6)	Switzerland
Lodestone Management Consultants (Canada) Inc. (7)(13)	Canada
Lodestone Management Consultants Inc. (7)	U.S.
Lodestone Management Consultants Pty. Limited (7)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (7)(8)	Thailand
Lodestone Management Consultants AG (7)	Switzerland
Lodestone Augmentis AG (12)	Switzerland
Hafner Bauer & Ödman GmbH (7)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (9)	Belgium
Lodestone Management Consultants GmbH (7)	Germany
Lodestone Management Consultants Pte Ltd. (7)	Singapore
Lodestone Management Consultants SAS (7)	France
Lodestone Management Consultants s.r.o. (7)	Czech Republic
Lodestone Management Consultants GmbH (7)	Austria
Lodestone Management Consultants Ltd. (7)	U.K.
Lodestone Management Consultants B.V. (7)	Netherlands
Lodestone Management Consultants Ltda. (9)	Brazil
Lodestone Management Consultants sp. z o.o. (7)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. (7)	Portugal
S.C. Lodestone Management Consultants S.R.L. (7)	Romania
Lodestone Management Consultants S.R.L. (7)(11)	Argentina

(1) The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012.
(2) Incorporated effective June 25, 2013
(3) Wholly-owned subsidiaries of Infosys BPO.
(4) On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd
(5) Under liquidation
(6) On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG
(7) Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012
(8) Liquidated effective February 14, 2013
(9) Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012
(10) Wholly-owned subsidiary of Portland Group Pty. Ltd.
(11) Incorporated effective January 10, 2013
(12) Wholly-owned subsidiary of Lodestone Management Consultants AG
(13) Liquidated effective December 31, 2013

The details of amounts due to or due from as at December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
Trade Receivables		
Infosys China	33,01,217	–
Trade Payables		
Lodestone Management Consultants AG	13,80,314	11,46,517
Lodestone Management Consultants sp. z o.o.	30,08,397	11,89,934
Lodestone Management Consultants Pte Ltd.	10,20,931	9,39,383
Other Current Liabilities		
Lodestone Management Consultants GmbH	1,08,72,622	4,02,113
Lodestone Management Consultants Pte Ltd.	13,156	–
Lodestone Management Consultants Ltd	1,25,35,235	–
Provisions for expenses		
Infosys China	62,20,448	–
Short-term loans and advances		
Infosys China	45,76,454	–

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Revenue transactions		
Purchase of services		
Lodestone Management Consultants sp. z o.o.	13,61,755	4,05,332
Infosys China	58,54,687	–
Sales of services		
Lodestone Management Consultants Pty. Limited	–	3,62,950

Particulars	Year ended December 31,	
	2013	2012
Lodestone Management Consultants AG	–	11,02,918
Lodestone Management Consultants Ltd	4,12,48,627	–
Lodestone Management Consultants GmbH	2,62,05,664	3,40,07,563
Lodestone Management Consultants SAS	–	8,12,628
Lodestone Management Consultants Pte Ltd.	–	72,91,580
Infosys China	3,95,34,490	–

2.18. Segment reporting

The Company is engaged in providing consultancy services in a single geography. Its operations are therefore considered to constitute a single segment in the context of Accounting Standard 17 Segment Reporting.

2.19. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from consultancy services	52,25,39,814	21,11,23,069
Cost of services	49,76,39,860	23,43,37,559
GROSS PROFIT	2,48,99,954	(2,32,14,490)
Selling and marketing expenses	51,61,269	36,17,044
General and administration expenses	3,61,50,321	2,25,44,386
	4,13,11,590	2,61,61,430
OPERATING LOSS BEFORE INTEREST AND DEPRECIATION	(1,64,11,636)	(4,93,75,920)
Interest	–	8,294
Depreciation and amortization	41,82,728	30,56,064
OPERATING LOSS	(2,05,94,364)	(5,24,40,278)
Other income	(10,28,177)	64,42,219
LOSS BEFORE TAX	(2,16,22,541)	(4,59,98,059)
Tax expense		
Current tax	–	65,57,699
Deferred tax	(43,65,838)	(1,13,11,760)
LOSS FOR THE YEAR	(1,72,56,703)	(4,12,43,998)

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath *Partner* Membership Number : 202841	Peter Ödman *Director*	Lin Li *Director*

Bangalore
January 7, 2014

Lodestone Management Consultants GmbH (Austria)

Independent Auditors' Report

To the Members of Lodestone Management Consultants GmbH

Report on the Financial Statements

We have audited the accompanying financial statement of Lodestone Management Consultants GmbH ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bangalore
January 7, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31, 2013	As at December 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	53,93,200	53,93,200
Reserves and surplus	2.2	(1,71,38,092)	(1,52,73,269)
		(1,17,44,892)	(98,80,069)
CURRENT LIABILITIES			
Short-term borrowings	2.4	2,06,88,966	1,73,19,511
Trade payables	2.5	(54,597)	48,882
Other current liabilities	2.6	69,29,448	59,35,468
Short-term provisions	2.7	5,88,147	7,29,445
		2,81,51,964	2,40,33,306
		1,64,07,072	1,41,53,237
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.8	20,813	2,30,485
		20,813	2,30,485
Deferred tax assets	2.3	61,18,035	51,82,000
Long-term loans and advances	2.9	1,30,118	–
		62,68,966	54,12,485
CURRENT ASSETS			
Trade receivables	2.10	52,53,108	21,78,489
Cash and cash equivalents	2.11	35,90,617	57,78,401
Short-term loans and advances	2.12	12,94,381	7,83,862
		1,01,38,106	87,40,752
		1,64,07,072	1,41,53,237
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Director

Peter Odman
Partner

Michael E. Graf
Partner

Karsten Oetschmann
Partner

Bangalore
January 7, 2014

Yvonne Felice Fernandez
Chief Human Relations Officer

Andrea Bertschinger
Head of Finance

Mario Pohl
HR & Operations Manager

Statement of Profit and Loss

in ₹,

Particulars	Note	Year ended December 31,	
		2013	2012
Income from consultancy services		5,57,94,342	2,88,06,448
Other income	2.13	(9,264)	303
Total revenue		5,57,85,078	2,88,06,751
Expenses			
Employee benefit expenses	2.14	4,03,60,955	3,50,16,621
Cost of technical sub-contractors	2.14	–	(1,128)
Travel expenses	2.14	1,34,19,677	63,86,039
Communication expenses	2.14	3,00,472	4,20,126
Professional charges		12,66,330	16,77,634
Interest expenses		3,32,842	2,79,601
Depreciation and amortization expenses		2,30,130	96,699
Other expenses	2.14	1,77,768	16,933
Total expenses		5,60,88,174	4,38,92,525
PROFIT BEFORE TAX		(3,03,096)	(1,50,85,774)
Tax expense			
Current tax	2.15	22,924	1,12,184
Deferred tax	2.15	(75,491)	(37,66,639)
PROFIT FOR THE PERIOD		(2,50,529)	(1,14,31,319)
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath *Partner* Membership Number : 202841	Ronald Hafner *Director*	Peter Odman *Partner*	Michael E. Graf *Partner*	Karsten Oetschmann *Partner*
Bangalore January 7, 2014	Yvonne Felice Fernandez *Chief Human Relations Officer*	Andrea Bertschinger *Head of Finance*	Mario Pohl *HR & Operations Manager*	

Cash Flow Statement

in ₹

Particulars	Year ended December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	(3,03,096)	(1,50,85,774)
Adjustments to reconcile Profit Before Tax to cash provided by operating activities		
Depreciation and amortization expense	2,30,130	96,699
Interest and dividend income	(4,219)	–
Effect of exchange differences on translation of assets and liabilities	(16,34,752)	(6,88,925)
Changes in assets and liabilities		
Trade receivables	(30,74,619)	(21,78,489)
Loans and advances and other assets	(5,10,519)	(4,33,347)
Liabilities and provisions	7,49,203	18,62,103
	(45,47,872)	(1,64,27,733)
Income taxes paid	(10,13,586)	(3,75,440)
NET CASH GENERATED BY OPERATING ACTIVITIES	(55,61,458)	(1,68,03,173)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment towards capital expenditure (including intangible assets)	–	(3,31,901)
Interest and dividend received	4,219	–
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	4,219	(3,31,901)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan received from parent	33,69,455	1,73,19,511
Capital contribution by parent	–	43,46,810
NET CASH USED IN FINANCING ACTIVITIES	33,69,455	2,16,66,321
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(21,87,784)	45,31,247
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	57,78,401	12,47,154
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	35,90,617	57,78,401

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ronald Hafner
Director

Peter Odman
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Partner

Bangalore
January 7, 2014

Yvonne Felice Fernandez
Chief Human Relations Officer

Andrea Bertschinger
Head of Finance

Mario Pohl
HR & Operations Manager

Significant accounting policies and notes on accounts

Company overview

Lodestone Management Consultants GmbH is a wholly-owned subsidiary of Lodestone Holding AG, Kloten (Switzerland). The Company renders professional management consulting services, thereby enabling its clients to enhance business performance.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous year figures

The previous year's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates may include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

The method for recognizing revenues and cost depends on the nature of the services rendered and on the substance of the contractual agreement. Revenues and costs generated under time-and-material contracts are recognized as services are rendered.

An expected project loss is recognized as an expense immediately.

Revenue comprises the invoiced value for the services and expense reimbursements, net of value added tax, rebates and discounts.

1.7. Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by the best estimate of the outflow of economic benefits required to settle the obligation at the reporting date. Where no reliable estimate can be made, a disclosure is made as contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

1.8. Post-sales client support and warranties

The Company provides its clients with a fixed-period warranty for corrections of errors and telephone support on all its fixed-price, fixed-time frame contracts. Costs associated with such support services are accrued at the time when related revenues are recorded and included in cost of sales. The Company estimates such costs based on historical experience and the estimates are reviewed annually for any material changes in assumptions.

1.9. Onerous contracts

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

1.10. Tangible assets, intangible assets and capital work-in-progress

Tangible assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

1.11. Depreciation and amortization

Depreciation is calculated using the straight-line method based on the estimated useful lives. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use.

1.12. Impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and recognized as an expense in the income statement.

1.13. Benefits to employees

The Company operates various pension schemes, subject to specific local regulations. Contributions to pension plans are charged to the income statement in the period to which they relate, together with other personnel expenses.

1.14. Research and development

Research costs are expensed as incurred. Software product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use or sell the software and the costs can be measured reliably.

1.15. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.16. Forward and options contracts in foreign currencies

The Company uses foreign exchange forward and options contracts to hedge its exposure to movements in foreign exchange rates. The use of these foreign exchange forward and options contracts reduce the risk or cost to the Company and the Company does not use those for trading or speculation purposes.

Effective April 1, 2008, the Company adopted AS 30, 'Financial Instruments: Recognition and Measurement', to the extent that the adoption did not conflict with existing accounting standards and other authoritative pronouncements of the Company Law and other regulatory requirements.

Forward and options contracts are fair valued at each reporting date. The resultant gain or loss from these transactions are recognized in the Statement of Profit and Loss. The Company records the gain or loss on effective hedges, if any, in the foreign currency fluctuation reserve until the transactions are complete. On completion, the gain or loss is transferred to the Statement of Profit and Loss of that period. To designate a forward or options contract as an effective hedge, the Management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. In the absence of a designation as effective hedge, a gain or loss is recognized in the Statement of Profit and Loss. Currently hedges undertaken by the Company are all ineffective in nature and the resultant gain or loss consequent to fair valuation is recognized in the Statement of Profit and Loss at each reporting date.

1.17. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally-enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally-enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

1.18. Earnings per share

Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value which is the average market value of the outstanding shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

The number of shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for any share splits and bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

1.19. Investments

Trade investments are the investments made to enhance the Company's business interests. Investments are either classified as current or long-term based on the Management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value of each investment individually. Cost for overseas investments comprises the Indian Rupee value of the consideration paid for the investment translated at the exchange rate prevalent at the date of investment. Long-term investments are carried at cost less provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

1.20. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.21. Cash flow statement

Cash flows are reported using the indirect method, whereby Profit Before Tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

1.22. Leases

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease in which significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Statement of Profit and Loss over the lease term.

1.23. Government grants

The Company recognizes government grants only when there is reasonable assurance that the conditions attached to them shall be complied with, and the grants will be received. Government grants related to depreciable assets are treated as deferred income and are recognized in the Statement of Profit and Loss on a systematic and rational basis over the useful life of the asset. Government grants related to revenue are recognized on a systematic basis in the Statement of Profit and Loss over the periods necessary to match them with the related costs which they are intended to compensate.

2. Notes on accounts for the year ended December 31, 2013

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at December 31, 2013	As at December 31, 2012
Authorized Capital		
EUR 80,000	53,93,200	53,93,200
Issued, subscribed and paid-up		
EUR 80,000	53,93,200	53,93,200
	53,93,200	53,93,200

2.2. Reserves and surplus

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Foreign currency translation reserve – opening balance	(5,27,397)	1,66,245
Add: Foreign currency translation during the year	(16,14,294)	(6,93,642)
Foreign currency translation reserve – closing balance	(21,41,691)	(5,27,397)
Surplus – opening balance	(1,47,45,872)	(33,14,553)
Add: Net profit after tax transferred from Statement of Profit and Loss	(2,50,529)	(1,14,31,319)
Surplus – closing balance	(1,49,96,401)	(1,47,45,872)
	(1,71,38,092)	(1,52,73,269)

2.3. Deferred taxes

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Deferred tax assets		
Accumulated losses	61,18,035	51,82,000
	61,18,035	51,82,000

2.4. Short-term borrowings [1]

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Unsecured Loans	2,06,88,966	1,73,19,511
	2,06,88,966	1,73,19,511
[1] *Includes dues to holding company and fellow subsidiaries (Refer to Note 2.17)*	2,06,88,966	1,73,19,511

2.5. Trade payables [1]

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Trade payables	(54,597)	48,882
	(54,597)	48,882
[1] *Includes dues to holding company and fellow subsidiaries (Refer to Note 2.17)*	(54,600)	50,368

2.6. Other current liabilities

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Accrued salaries and benefits		
Bonus and incentives	33,36,990	30,45,186
Other liabilities		
Provision for expenses	4,08,479	12,32,521
Withholding and other taxes payable	31,83,979	16,57,761
	69,29,448	59,35,468

2.7. Short-term provisions

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Provision for employee benefits		
Unavailed leave	5,88,147	7,29,445
	5,88,147	7,29,445

2.8. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at January 1, 2013	Additions / acquisitions during year	Deductions / adjustments during year	As at December 31, 2013	As at January 1, 2013	For the year	Deductions / adjustments during year	As at December 31, 2013	As at December 31, 2013	As at December 31, 2012
Tangible assets										
Computer equipment	3,31,901	–	(57,658)	3,89,559	1,01,416	2,30,130	(37,200)	3,68,746	20,813	2,30,485
Total	3,31,901	–	(57,658)	3,89,559	1,01,416	2,30,130	(37,200)	3,68,746	20,813	2,30,485
Previous year	–	3,31,901	–	3,31,901	–	96,699	(4,717)	1,01,416	2,30,485	

2.9. Long-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Other loans and advances		
Advance income taxes (net of provisions)	1,30,118	–
	1,30,118	–

2.10. Trade receivables [1]

in ₹

Particulars	As at December 31,	
	2013	2012
Other debts		
Unsecured		
Considered good	52,53,108	21,78,489
	52,53,108	21,78,489
[1] *Includes dues from holding company & fellow subsidiaries(ref Note 2.17)*	52,53,108	21,38,466

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer from the invoice date, as at the Balance Sheet date. The Company pursues the recovery of the dues, in part or full.

2.11. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2013	2012
Balances with banks		
In current account	35,90,617	57,78,401
	35,90,617	57,78,401

The deposits maintained by the Company with banks and financial institutions comprise time deposits, which can be withdrawn by the Company at any point without prior notice or penalty on the principal.

The details of balances as on Balance Sheet dates with banks are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
In current accounts		
Bank Austria	35,90,617	57,78,401
Total cash and cash equivalents as per Balance Sheet	35,90,617	57,78,401

2.12. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Others		
Prepaid expenses	7,03,492	1,01,506
Withholding and other taxes receivable	5,90,889	6,82,356
	12,94,381	7,83,862

2.13. Other income

in ₹

Particulars	Year ended December 31,	
	2013	2012
Interest received on deposits with banks and others	4,219	2,537
Gains / (losses) on foreign currency, net	(13,483)	(2,234)
	(9,264)	303

2.14. Expenses

in ₹

Particulars	Year ended December 31,	
	2013	2012
Employee benefit expenses		
Salaries and bonus	3,96,57,912	3,50,16,621
Staff welfare	7,03,043	–
	4,03,60,955	3,50,16,621
Cost of technical sub-contractors		
Subsidiaries	–	(1,128)
	–	(1,128)
Travel expenses		
Traveling and conveyance	1,34,19,677	63,86,039
	1,34,19,677	63,86,039
Communication expenses		
Telephone charges	3,00,472	4,20,126
	3,00,472	4,20,126
Other expenses		
Brand building	–	5,322
Computer maintenance	4,352	–
Insurance charges	–	1,44,431
Marketing expenses	20,855	3,342
Printing and Stationery	–	6,833
Provision for bad and doubtful debts and advances	(608)	–
Auditors remuneration		
Statutory audit fees	–	(3,16,898)
Bank charges	1,43,647	1,10,001
Miscellaneous expenses	9,522	63,902
	1,77,768	16,933

2.15. Tax expense

in ₹

Particulars	Year ended December 31,	
	2013	2012
Current tax		
Income taxes	22,924	1,12,184
Deferred taxes	(75,491)	(37,66,639)
	(52,567)	(36,54,455)

2.16. Quantitative details

The Company is primarily engaged in the business of consultancy services. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5 (viii)(c) of general instructions for preparation of the Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.17. Related party transactions

List of related parties :

Name of Holding Company	Country	Holding as at December 31,	
		2013	2012
Lodestone Holding AG	Switzerland	100%	100%

Name of Ultimate Holding Company	Country
Infosys Limited (1)	India

(1) *Holding of Lodestone Holding AG from October 22, 2012*

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Shanghai	China
Infosys Brasil	Brazil
Infosys Public Services, Inc.	U.S.
Infosys Consulting India Limited (1)	India
Infosys Americas (2)	U.S.
Infosys BPO s. r. o (3)	Czech Republic
Infosys BPO (Poland) Sp. z o.o. (3)	Poland
Infosys McCamish Systems LLC (Formerly known as McCamish Systems LLC) (3)	U.S.
Portland Group Pty. Ltd. (3)(4)	Australia
Portland Procurement Services Pty. Ltd. (10)	Australia
Infosys Australia(5)	Australia
Lodestone Management Consultants (Canada) Inc. (7)(13)	Canada
Lodestone Management Consultants Inc. (7)	U.S.
Lodestone Management Consultants Pty. Limited (7)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (7)(8)	Thailand
Lodestone Management Consultants AG (7)	Switzerland
Lodestone Augmentis AG (12)	Switzerland
Hafner Bauer & Ödman GmbH (7)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (9)	Belgium
Lodestone Management Consultants GmbH (7)	Germany
Lodestone Management Consultants Pte Ltd. (7)	Singapore
Lodestone Management Consultants SAS (7)	France
Lodestone Management Consultants s.r.o. (7)	Czech Republic
Lodestone Management Consultants China Co., Ltd. (7)	China
Lodestone Management Consultants Ltd. (7)	U.K.
Lodestone Management Consultants B.V. (7)	Netherlands
Lodestone Management Consultants Ltda. (9)	Brazil
Lodestone Management Consultants sp. z o.o. (7)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda (7)	Portugal
S.C. Lodestone Management Consultants S.R.L. (7)	Romania
Lodestone Management Consultants S.R.L. (7)(11)	Argentina

(1) *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012.*
(2) *Incorporated effective June 25, 2013*
(3) *Wholly-owned subsidiaries of Infosys BPO.*
(4) *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*
(5) *Under liquidation*
(6) *On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG*
(7) *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(8) *Liquidated effective February 14, 2013*
(9) *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(10) *Wholly-owned subsidiary of Portland Group Pty. Ltd.*
(11) *Incorporated effective January 10, 2013*
(12) *Wholly-owned subsidiary of Lodestone Management Consultants AG*
(13) *Liquidated effective December 31, 2013*

The details of amounts due to or due from as at December 31, 2013 and December 31, 2012 are as follows :

in ₹

Particulars	As at December 31,	
	2013	2012
Trade receivables		
Lodestone Management Consultants AG	–	3,03,167
Lodestone Management Consultants GmbH	45,03,724	11,67,451
Lodestone Management Consultants Ltd.	7,49,384	6,67,848
Trade payables		
Lodestone Management Consultants sp. z o.o.	(54,991)	50,130
FX valuation on above	391	238
Unsecured loans		
Lodestone Holding AG	2,06,88,966	1,73,19,511

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows :

in ₹

Particulars	Year ended December 31,	
	2013	2012
Capital transactions		
Financing transactions		
Lodestone Holding AG	33,69,455	1,73,19,511
Loan		
Lodestone Holding AG	–	43,46,810
Revenue transactions		
Interest expenses		
Lodestone Holding AG	3,32,842	2,79,601
Sale of services		
Lodestone Management Consultants AG	19,92,181	55,19,313
Lodestone Management Consultants GmbH	4,75,75,848	1,62,89,248
Lodestone Management Consultants Ltd.	58,56,000	15,35,295

2.18. Segment reporting

The Company is engaged in providing consultancy services in a single geography. Its operations are therefore considered to constitute a single segment in the context of Accounting Standard 17 Segment Reporting.

2.19. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from consultancy services	5,57,94,342	2,88,06,448
Software development expenses	5,37,32,436	4,16,78,736
GROSS PROFIT	20,61,907	(1,28,72,288)
Selling and marketing expenses	20,525	8,665
General and administration expenses	17,72,241	18,28,824
	17,92,766	18,37,489
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	2,69,141	(1,47,09,777)
Interest Expenses	3,32,842	2,79,601
Depreciation and amortization	2,30,130	96,699
OPERATING PROFIT	(2,93,831)	(1,50,86,077)
Other income	(9,264)	303
PROFIT BEFORE TAX	(3,03,095)	(1,50,85,774)
Tax expense		
Current tax	22,924	1,12,184
Deferred tax	(75,491)	(37,66,639)
PROFIT FOR THE PERIOD	(2,50,529)	(1,14,31,319)

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath *Partner* Membership Number : 202841	Ronald Hafner *Director*	Peter Odman *Partner*	Michael E. Graf *Partner*	Karsten Oetschmann *Partner*
Bangalore January 7, 2014	Yvonne Felice Fernandez *Chief Human Relations Officer*	Andrea Bertschinger *Head of Finance*	Mario Pohl *HR & Operations Manager*	

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Lodestone Management Consultants GmbH (Germany)

Independent Auditors' Report

To the Members of Lodestone Management Consultants GmbH

Report on the Financial Statements

We have audited the accompanying financial statement of Lodestone Management Consultants GmbH ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;

2) In the case of the Statement of Profit and Loss, of the Profit for the year ended on that date;

3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bangalore
January 7, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31, 2013	As at December 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	65,36,435	65,36,435
Reserves and surplus	2.2	54,87,04,458	32,74,24,843
		55,52,40,893	33,39,61,278
CURRENT LIABILITIES			
Trade payables	2.3	20,15,04,707	15,77,62,665
Other current liabilities	2.4	87,94,19,099	64,45,32,578
Short-term provisions	2.5	25,68,88,276	14,43,84,829
		1,33,78,12,082	94,66,80,072
		1,89,30,52,975	1,28,06,41,350
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.6	1,65,73,289	1,52,57,972
		1,65,73,289	1,52,57,972
Long-term loans and advances	2.8	4,224	2,96,04,022
		1,65,77,513	4,48,61,994
CURRENT ASSETS			
Trade receivables	2.9	1,09,10,75,513	97,89,47,744
Cash and cash equivalents	2.10	35,07,81,073	16,49,06,431
Short-term loans and advances	2.11	43,46,18,876	9,19,25,181
		1,87,64,75,462	1,23,57,79,356
		1,89,30,52,975	1,28,06,41,350
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Michael E. Graf
Partner

Stephan Kerner
Partner

Karsten Ötschmann
Partner

Stephan Bode
Partner

Thorsten Drechsler
Partner

Jochen Fortner
Partner

Bangalore
January 7, 2014

Rüdiger Frach
Partner

Alexander Pfanner
Partner

Martin Zirkel
Partner

Statement of Profit and Loss

in ₹

Particulars	Note	Year ended December 31, 2013	2012
Income from Consultancy Services		6,25,89,30,850	4,68,23,42,115
Other income	2.12	(39,09,747)	(1,28,27,228)
Total revenue		6,25,50,21,103	4,66,95,14,887
Expenses			
Employee benefit expenses	2.13	2,71,28,26,733	1,80,20,14,121
Cost of technical sub-contractors	2.13	2,37,12,93,684	1,84,48,48,877
Travel expenses	2.13	64,38,26,147	50,47,91,797
Cost of software packages and others	2.13	6,43,414	5,65,312
Communication expenses	2.13	5,75,53,352	4,17,86,723
Professional charges		15,65,11,616	15,49,56,965
Depreciation and amortization expense	2.6	1,50,17,210	74,65,119
Other expenses	2.13	6,94,44,390	6,05,43,859
Interest expense		69,508	2,49,173
Total expenses		6,02,71,86,054	4,41,72,21,946
PROFIT BEFORE TAX		22,78,35,049	25,22,92,941
Tax expense			
Current tax	2.14	6,69,01,938	8,19,54,036
Deferred tax	2.14	6,44,695	5,53,772
PROFIT FOR THE YEAR		16,02,88,416	16,97,85,133
EARNINGS PER EQUITY SHARE			
Equity shares of par value EUR 50/- each			
Basic		93,191	98,712
Diluted		93,191	98,712
Number of shares used in computing earnings per share			
Basic		1,720	1,720
Diluted		1,720	1,720
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath *Partner* Membership Number : 202841	Michael E. Graf *Partner*	Stephan Kerner *Partner*	Karsten Ötschmann *Partner*
	Stephan Bode *Partner*	Thorsten Drechsler *Partner*	Jochen Fortner *Partner*
Bangalore January 7, 2014	Rüdiger Frach *Partner*	Alexander Pfanner *Partner*	Martin Zirkel *Partner*

Cash Flow Statement

in ₹

Particulars	Year ended December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	22,78,35,049	25,22,92,941
Adjustments to reconcile Profit Before Tax to cash provided by operating activities		
Depreciation and amortization expense	1,50,17,210	74,65,119
Interest and dividend income	(15,952)	1,441
Effect of exchange differences on translation of assets and liabilities	5,87,33,974	2,79,42,355
Changes in assets and liabilities		
Trade receivables	(11,21,27,769)	(3,70,20,965)
Loans and advances and other assets	(31,30,89,673)	(4,90,40,299)
Liabilities and provisions	35,44,41,212	(9,24,73,328)
	23,07,94,051	10,91,67,264
Income taxes paid	(3,08,60,059)	(5,05,99,662)
NET CASH GENERATED BY OPERATING ACTIVITIES	19,99,33,992	5,85,67,602
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment towards capital expenditure	(1,40,75,302)	(65,01,394)
Interest and dividend received	15,952	(1,441)
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	(1,40,59,350)	(65,02,835)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	18,58,74,642	5,20,64,767
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	16,49,06,431	11,28,41,664
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	35,07,81,073	16,49,06,431

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number :006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Michael E. Graf
Partner

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Thorsten Drechsler
Partner

Jochen Fortner
Partner

Bangalore
January 7, 2014

Rüdiger Frach
Partner

Alexander Pfanner
Partner

Martin Zirkel
Partner

Significant accounting policies and notes on accounts

Company overview

Lodestone Management Consultants GmbH is a wholly-owned subsidiary of Lodestone Holding AG, Kloten (Switzerland). The Company renders professional management consulting services, thereby enabling its clients to enhance business performance.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous year figures

The previous year's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates may include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

The method for recognizing revenues and cost depends on the nature of the services rendered and on the substance of the contractual agreement. Revenues and costs generated under time-and-material contracts are recognized as services are rendered.

An expected project loss is recognized as an expense immediately.

Revenue comprises the invoiced value for the services and expense reimbursements, net of value added tax, rebates and discounts.

1.7. Tangible assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

1.8. Depreciation and amortization

Depreciation is calculated using the straight-line method based on the estimated useful lives. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The Management estimates the useful lives for the other fixed assets as follows:

Buildings	15 years
Plants and machinery	5 years
Office equipment	5 years
Computer equipment	2-5 years
Furniture and fixtures	5 years
Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

1.9. Impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and recognized as an expense in the income statement.

1.10. Benefits to employees

The Company operates various pension schemes, subject to specific local regulations. Contributions to pension plans are charged to the income statement in the period to which they relate, together with other personnel expenses.

1.11. Foreign currency transactions

Foreign currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.12. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

1.13. Earnings per share

Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value which is the average market value of the outstanding shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

The number of shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for any share splits and bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

1.14. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.15. Leases

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease in which significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Statement of Profit and Loss over the lease term.

2. Notes on accounts for the year ended December 31, 2013

2.1. Share capital

in ₹

Particulars	As at December 31,	
	2013	2012
Authorized		
1,720 (1,720) equity shares of EUR 50 par value	65,36,435	65,36,435
Issued, Subscribed and Paid-Up		
1,720 (1,720) equity shares of EUR 50 par value	65,36,435	65,36,435
	65,36,435	65,36,435

2.2. Reserves and surplus

in ₹

Particulars	As at December 31,	
	2013	2012
Currency translation reserve	8,30,72,722	2,20,81,523
Surplus – opening balance	30,53,43,320	13,55,58,187
Add: Net profit after tax transferred from Statement of Profit and Loss	16,02,88,416	16,97,85,133
Surplus – closing balance	46,56,31,736	30,53,43,320
	54,87,04,458	32,74,24,843

2.3. Trade payables

in ₹

Particulars	As at December 31,	
	2013	2012
Trade payables (1)	20,15,04,707	15,77,62,665
	20,15,04,707	15,77,62,665
(1) *Includes dues to holding company and fellow subsidiaries (Refer to Note 2.16)*	10,91,05,404	7,03,08,270

2.4. Other current liabilities

in ₹

Particulars	As at December 31,	
	2013	2012
Accrued salaries and benefits		
Salaries and benefits	1,43,30,801	14,10,904
Bonus and incentives	23,51,81,499	22,35,89,167
Other liabilities		
Provision for expenses (1)	33,11,36,385	16,95,06,000
Withholding and other taxes payable	12,62,46,128	10,69,26,138
Other payables (2)	1,92,312	21,45,135
Advances received from clients	15,68,78,584	13,36,67,097
Unearned revenue	1,54,53,390	72,88,137
	87,94,19,099	64,45,32,578
(1) *Includes dues to fellow subsidiaries(Refer to Note 2.16)*	4,12,75,884	–
(2) *Includes dues to fellow subsidiaries(Refer to Note 2.16)*	1,92,312	–

2.5. Short-term provisions

in ₹

Particulars	As at December 31,	
	2013	2012
Provision for employee benefits		
Unavailed leave	16,50,23,149	9,41,62,748
Provision for post sales client support and warranties	49,52,248	–
Provision for Income taxes (Net of advance tax and TDS)	8,69,12,879	5,02,22,081
	25,68,88,276	14,43,84,829

Provision for post-sales client support and warranties

The movement in the provision for post-sales client support and warranties is as follows:

in ₹ crore

Particulars	As at December 31,	
	2013	2012
Balance at the beginning	–	–
Provision recognized / (reversal)	49,42,937	–
Provision utilized	–	–
Exchange difference during the period	9,311	–
Balance at the end	49,52,248	–

Provision for post-sales client support is expected to be utilized over a period of six months to one year.

2.6. Fixed assets

in ₹

Particulars	Original cost					Depreciation and amortization					Net book value	
	As at January 1, 2013	Additions during the period	Deductions / Retirement during the period	Foreign exchange difference	As at December 3, 2013	As at January 1, 2013	For the period	Deductions / adjustment during the period	Foreign exchange difference	As at December 31, 2013	As at December 31, 2013	As at December 31, 2012
Tangible assets												
Office equipment	3,03,361	–	–	52,701	3,56,062	1,47,095	1,62,081	–	46,886	3,56,062	–	1,56,266
IT equipment	2,97,07,197	1,40,75,302	–	63,58,605	5,01,41,104	1,96,63,986	1,24,96,077	–	47,76,441	3,69,36,504	1,32,04,600	1,00,43,211
Furniture and fixtures	73,00,821	–	–	12,68,308	85,69,129	22,42,326	23,59,052	–	5,99,062	52,00,440	33,68,689	50,58,495
Total	3,73,11,379	1,40,75,302	–	76,79,614	5,90,66,295	2,20,53,407	1,50,17,210	–	54,22,389	4,24,93,006	1,65,73,289	1,52,57,972
Previous year	3,08,09,985	65,01,394	–	–	3,73,11,379	1,34,78,523	74,65,119	(11,09,765)	–	2,20,53,407	1,52,57,972	

2.7. Leases

Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the period and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Lease rentals recognized during the period	1,11,51,349	1,29,21,110

in ₹

Lease obligations payable	As at December 31,	
	2013	2012
Within one year of the Balance Sheet date	1,47,84,009	1,27,98,034
Due in a period between one year and five years	5,91,36,037	31,55,680
Due after five years	36,85,876	–

2.8. Long-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Advance income taxes (Net of provision)	4,224	–
Loans and advances to employees	–	2,96,04,022
	4,224	2,96,04,022

2.9. Trade receivables

in ₹

Particulars	As at December 31,	
	2013	2012
Other debts		
Unsecured		
Considered good [(1)]	1,09,10,75,513	97,89,47,744
	1,09,10,75,513	97,89,47,744
[(1)] *Includes dues from holding company and fellow subsidiaries (Refer to Note 2.16)*	23,13,00,118	8,26,87,473

2.10. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2013	2012
Cash on hand	11,784	547
Balances with banks		
In current accounts	35,07,69,289	16,49,05,884
	35,07,81,073	16,49,06,431

The details of balances as on Balance Sheet dates with banks are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
In current accounts		
Commerzbank (EURO)	35,07,38,384	16,49,00,702
Commerzbank (USD)	30,905	5,181
	35,07,69,289	16,49,05,883
Total bank balances	35,07,69,289	16,49,05,883

2.11. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Others	13,25,976	–
Advances		
Prepaid expenses	51,30,035	71,36,611
Withholding and other taxes receivable	20,99,37,057	12,08,941
Others	96,759	1,70,916
	21,64,89,827	85,16,468
Unbilled revenues	21,13,86,861	6,88,54,028
Loans and advances to employees		
Salary advances	3,08,628	–
Rental deposits	64,33,560	1,45,54,685
	43,46,18,876	9,19,25,181

2.12. Other income

in ₹

Particulars	Year ended December 31,	
	2013	2012
Interest received on deposits with banks and others	15,952	(1,441)
Miscellaneous income, net	77,74,395	12,86,428
Gains / (losses) on foreign currency, net	(1,17,00,094)	(1,41,12,215)
	(39,09,747)	(1,28,27,228)

2.13. Expenses

in ₹

Particulars	Year ended December 31,	
	2013	2012
Employee benefit expenses		
Salaries and bonus	2,67,31,26,749	1,79,04,98,785
Staff welfare	3,96,99,984	1,15,15,336
	2,71,28,26,733	1,80,20,14,121
Cost of technical sub-contractors		
Subsidiaries	1,09,10,18,044	85,89,68,261
Others	1,28,02,75,640	98,58,80,616
	2,37,12,93,684	1,84,48,48,877
Travel expenses		
Travelling and conveyance	64,38,26,147	50,47,91,797
	64,38,26,147	50,47,91,797
Cost of software packages and others		
For own use	6,43,414	5,65,312
	6,43,414	5,65,312
Communication expenses		
Telephone charges	5,75,53,352	4,17,86,723
	5,75,53,352	4,17,86,723
Other expenses		
Office maintenance	35,69,421	29,10,738
Power and fuel	10,59,054	8,55,939
Brand building	72,82,343	1,10,56,396
Rent	1,11,51,349	1,29,21,110
Rates and taxes, excluding taxes on income	29,54,347	14,89,259
Repairs to plant and machinery	53,342	6
Computer maintenance	15,74,114	6,83,547

Particulars	Year ended December 31,	
	2013	2012
Insurance charges	33,17,852	27,17,663
Marketing expenses	2,08,38,956	1,39,50,692
Printing and Stationery	16,40,722	6,58,513
Professional membership and seminar participation fees	1,76,328	1,56,186
Postage and courier	7,19,127	7,71,751
Advertisements	16,40,870	1,31,978
Provision for post-sales client support and warranties	49,42,937	–
Provision for bad and doubtful debts and advances	(17,46,030)	872
Books and periodicals	7,58,604	2,62,860
Auditor's remuneration		
Statutory audit fees	62,99,690	72,51,010
Bank charges	17,25,223	20,32,402
Others	14,86,141	26,92,937
	6,94,44,390	6,05,43,859

2.14. Tax expense

in ₹

Particulars	Year ended December 31,	
	2013	2012
Current tax		
Income taxes	6,69,01,938	8,19,54,036
Deferred taxes	6,44,695	5,53,772
	6,75,46,633	8,25,07,808

2.15. Quantitative details

The Company is primarily engaged in the business of consultancy services. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5 (viii)(c) of general instructions for preparation of the Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.16. Related party transactions

List of related parties:

Name of holding Company	Country	Holding As at December 31,	
		2013	2012
Lodestone Holding AG(6)	Switzerland	100%	100%

Name of Ultimate Holding Company	Country
Infosys Limited (1)	India

(1) *Holding of Lodestone Holding AG from October 22, 2012*

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Shanghai	China
Infosys Brasil	Brazil
Infosys Public Services, Inc.	U.S.
Infosys Consulting India Limited (1)	India
Infosys Americas (2)	U.S.
Infosys BPO s. r. o (3)	Czech Republic
Infosys BPO (Poland) Sp. z o.o. (3)	Poland
Infosys McCamish Systems LLC (Formerly known as McCamish Systems LLC) (3)	U.S.
Portland Group Pty. Ltd (3)(4)	Australia
Portland Procurement Services Pty. Ltd (10)	Australia
Infosys Australia (5)	Australia
Lodestone Management Consultants (Canada) Inc. (7)(13)	Canada
Lodestone Management Consultants Inc. (7)	U.S.
Lodestone Management Consultants Pty. Limited (7)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (7)(8)	Thailand
Lodestone Management Consultants AG (7)	Switzerland
Lodestone Augmentis AG (12)	Switzerland
Hafner Bauer & Ödman GmbH (7)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (9)	Belgium
Lodestone Management Consultants Pte Ltd. (7)	Singapore
Lodestone Management Consultants SAS (7)	France
Lodestone Management Consultants s.r.o. (7)	Czech Republic
Lodestone Management Consultants GmbH (7)	Austria
Lodestone Management Consultants China Co., Ltd. (7)	China
Lodestone Management Consultants Ltd. (7)	U.K.
Lodestone Management Consultants B.V. (7)	Netherlands
Lodestone Management Consultants Ltda. (9)	Brazil
Lodestone Management Consultants sp. z o.o. (7)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. (7)	Portugal
S.C. Lodestone Management Consultants S.R.L. (7)	Romania
Lodestone Management Consultants S.R.L. (7)(11)	Argentina

(1) *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012.*
(2) *Incorporated effective June 25, 2013*
(3) *Wholly-owned subsidiaries of Infosys BPO.*
(4) *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*
(5) *Under liquidation*
(6) *On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG*
(7) *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(8) *Liquidated effective February 14, 2013*
(9) *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(10) *Wholly-owned subsidiary of Portland Group Pty. Ltd.*
(11) *Incorporated effective January 10, 2013*
(12) *Wholly-owned subsidiary of Lodestone Management Consultants AG*
(13) *Liquidated effective December 31, 2013*

The details of amounts due to or due from as at December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
Trade receivables		
Lodestone Management Consultants (Canada) Inc.	–	20,67,557
Lodestone Management Consultants Inc.	38,14,546	2,26,89,802
Lodestone Management Consultants AG	7,21,66,262	5,08,33,122
Lodestone Management Consultants (Belgium) S.A.	12,46,361	4,60,555
Lodestone Management Consultants Pte Ltd.	–	11,80,852
Lodestone Management Consultants SAS	1,00,96,361	–
Lodestone Management Consultants China Co., Ltd.	1,13,32,262	8,87,713
Lodestone Management Consultants Ltd.	11,21,78,886	10,83,648
Lodestone Management Consultants B.V.	2,04,50,538	33,93,666
Lodestone Management Consultants sp. z o.o.	–	90,558
FX valuation on above	14,902	–

Particulars	As at December 31,	
	2013	2012
Trade payables		
Lodestone Management Consultants Inc.	50,81,629	–
Lodestone Management Consultants Pty. Limited	–	50,739
Lodestone Management Consultants AG	5,53,41,811	4,57,91,214
Lodestone Management Consultants (Belgium) S.A.	11,61,144	11,22,672
Lodestone Management Consultants Pte Ltd.	–	5,60,089
Lodestone Management Consultants s.r.o.	37,23,043	5,38,757
Lodestone Management Consultants GmbH	45,03,725	11,67,451
Lodestone Management Consultants Ltd.	72,57,518	53,13,276
Lodestone Management Consultants B.V.	51,55,224	6,67,032
Lodestone Management Consultants SAS	41,00,412	–
Lodestone Management Consultants sp. z o.o.	1,27,07,147	89,00,931
Lodestone Management Consultants Portugal, Unipessoal, Lda.	34,54,481	47,45,372
S.C. Lodestone Management Consultants S.R.L.	61,10,984	15,38,358
FX valuation on above	5,08,286	(87,621)
Other payables		
Infosys Limited	1,92,312	–
Provision for expenses		
Lodestone Management Consultants Ltd.	4,12,75,884	–

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Revenue transactions		
Purchase of services		
Lodestone Management Consultants Pty. Limited	–	1,20,58,378
Lodestone Management Consultants (Belgium) S.A.	3,39,12,494	4,49,62,583
Lodestone Management Consultants AG	65,86,67,974	53,76,32,960
Lodestone Management Consultants s.r.o.	3,57,02,262	1,87,84,100
Lodestone Management Consultants Ltd.	12,55,58,951	6,16,80,590
Lodestone Management Consultants B.V.	1,20,90,628	1,32,12,477
Lodestone Management Consultants sp. z o.o.	8,51,96,842	13,31,97,310
Lodestone Management Consultants Portugal, Unipessoal, Lda.	5,58,36,634	5,05,70,804
S.C. Lodestone Management Consultants S.R.L.	4,20,50,439	2,56,68,833
Lodestone Management Consultants Pte Ltd.	–	76,57,003
Lodestone Management Consultants Inc.	3,24,55,732	13,69,565
Lodestone Management Consultants GmbH	4,75,75,848	1,46,57,675
Lodestone Management Consultants (Canada) Inc.	3,86,499	9,20,711
Lodestone Management Consultants China Co., Ltd.	4,31,32,346	3,02,67,782
Lodestone Management Consultants SAS	40,74,296	97,98,050
Sales of services		
Lodestone Management Consultants (Belgium) S.A.	77,29,751	1,35,18,194
Lodestone Management Consultants AG	79,67,32,133	76,00,46,255
Lodestone Management Consultants SAS	99,84,736	33,98,656
Lodestone Management Consultants Ltd.	92,08,59,742	1,13,40,613
Lodestone Management Consultants Inc.	2,39,79,922	3,23,20,930
Lodestone Management Consultants Pte Ltd.	–	34,53,614
Lodestone Management Consultants B.V.	5,51,11,476	2,17,29,578
Lodestone Management Consultants (Canada) Inc.	83,706	19,74,650
Lodestone Management Consultants China Co., Ltd.	–	(2,23,853)

2.17. Segment reporting

The Company is engaged in providing consultancy services in a single geography. Its operations are therefore considered to constitute a single segment in the context of Accounting Standard 17 Segment Reporting.

2.18. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31, 2013	2012
Income from consultancy services	6,25,89,30,850	4,68,23,42,115
Cost of services	5,52,00,41,908	4,10,29,47,865
GROSS PROFIT	73,88,88,942	57,93,94,250
Selling and marketing expenses	2,38,86,925	2,50,07,088
General and administration expenses	46,81,70,503	28,15,52,701
	49,20,57,428	30,65,59,789
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	24,68,31,514	27,28,34,461
Interest	69,508	2,49,173
Depreciation and amortization	1,50,17,210	74,65,119
OPERATING PROFIT	23,17,44,796	26,51,20,169
Other income	(39,09,747)	(1,28,27,228)
PROFIT BEFORE TAX	22,78,35,049	25,22,92,941
Tax expense		
Current tax	6,69,01,938	8,19,54,036
Deferred tax	6,44,695	5,53,772
PROFIT FOR THE YEAR	16,02,88,416	16,97,85,133

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Michael E. Graf
Partner

Stephan Kerner
Partner

Karsten Ötschmann
Partner

Stephan Bode
Partner

Thorsten Drechsler
Partner

Jochen Fortner
Partner

Bangalore
January 7, 2014

Rüdiger Frach
Partner

Alexander Pfanner
Partner

Martin Zirkel
Partner

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Lodestone Management Consultants Inc.

Independent Auditors' Report

To the Members of Lodestone Management Consultants, Inc.

Report on the Financial Statements

We have audited the accompanying financial statement of Lodestone Management Consultants, Inc. ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Profit for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number: 006673S

M. Rathnakar Kamath
Partner
Membership Number: 202841

Bangalore
January 7, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31,	
		2013	2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	62,07,500	62,07,500
Reserves and surplus	2.2	7,02,21,231	(16,61,01,036)
		7,64,28,731	(15,98,93,536)
CURRENT LIABILITIES			
Short-term borrowings	2.4	27,40,02,931	32,22,12,277
Trade payables	2.5	7,72,73,592	9,29,08,516
Other current liabilities	2.6	16,64,27,943	6,81,11,330
Short-term provisions	2.7	1,29,15,813	1,01,95,165
		53,06,20,279	49,34,27,288
		60,70,49,010	33,35,33,752
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.8	13,68,145	17,97,913
		13,68,145	17,97,913
Deferred tax assets (net)	2.3	3,37,77,037	3,03,82,809
Long-term loans and advances	2.10	9,50,99,410	2,02,01,589
		13,02,44,592	5,23,82,311
CURRENT ASSETS			
Trade receivables	2.11	39,24,71,283	16,90,64,390
Cash and cash equivalents	2.12	3,76,76,231	6,08,29,063
Short-term loans and advances	2.13	4,66,56,904	5,12,57,988
		47,68,04,418	28,11,51,441
		60,70,49,010	33,35,33,752
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Jürgen Bauer
Director

Ronald Hafner
Director

Bangalore
January 7, 2014

Peter Ödman
Director

Jim Williams
Partner

Statement of Profit and Loss

in ₹, except per share data

Particulars	Note	Year ended December 31, 2013	Year ended December 31, 2012
Income from consultancy services		179,85,62,785	93,91,61,898
Other income	2.14	(61,88,360)	(21,37,109)
Total revenue		179,23,74,425	93,70,24,789
Expenses			
Employee benefit expenses	2.15	58,75,55,255	45,43,50,646
Cost of technical sub-contractors	2.15	69,65,64,224	22,77,17,248
Travel expenses	2.15	18,10,66,295	14,52,44,451
Communication expenses	2.15	57,65,749	56,43,748
Professional charges		5,07,56,501	4,42,83,400
Interest expenses		57,42,746	52,66,259
Depreciation and amortization expenses		22,02,094	16,62,097
Other expenses	2.15	91,09,386	1,58,00,029
Total expenses		153,87,62,250	89,99,67,878
PROFIT BEFORE TAX		25,36,12,175	3,70,56,911
Tax expense			
Current tax	2.16	3,37,823	(5,06,161)
Deferred tax	2.16	3,97,399	3,01,421
PROFIT FOR THE PERIOD		25,28,76,953	3,72,61,651
EARNINGS PER EQUITY SHARE			
Shares of 1000 USD par value each			
Basic		25,28,770	3,72,617
Number of shared used in computing earnings per share			
Basic		100	100
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Jürgen Bauer
Director

Ronald Hafner
Director

Bangalore
January 7, 2014

Peter Ödman
Director

Jim Williams
Partner

Cash Flow Statement

in ₹

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	25,36,12,175	3,70,56,911
Adjustments to reconcile Profit Before Tax to cash provided by operating activities		
Depreciation and amortization expense	22,02,094	16,62,097
Effect of exchange differences on translation of assets and liabilities	(1,65,77,370)	(43,42,306)
Changes in assets and liabilities		
Trade receivables	(22,34,06,893)	(1,47,96,611)
Loans and advances and other assets	(5,58,28,208)	(2,65,55,922)
Liabilities and provisions	8,58,74,929	(4,92,85,720)
	4,58,76,727	(5,62,61,551)
Income taxes paid	(1,90,70,571)	49,00,323
NET CASH GENERATED BY OPERATING ACTIVITIES	2,68,06,156	(5,13,61,228)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment towards capital expenditure (including intangible assets)	(17,49,642)	(7,43,899)
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	(17,49,642)	(7,43,899)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan received from parent	(4,82,09,346)	10,73,62,848
NET CASH USED IN FINANCING ACTIVITIES	(4,82,09,346)	10,73,62,848
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,31,52,832)	5,52,57,721
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	6,08,29,063	55,71,342
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,76,76,231	6,08,29,063

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Jürgen Bauer
Director

Ronald Hafner
Director

Bangalore
January 7, 2014

Peter Ödman
Director

Jim Williams
Partner

Significant accounting policies and notes on accounts

Company overview

Lodestone Management Consultants Inc. is a wholly-owned subsidiary of Lodestone Holding AG, Kloten (Switzerland). The Company renders professional management consulting services, thereby enabling its clients to enhance business performance.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous year figures

The previous year's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates may include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

The method for recognizing revenues and cost depends on the nature of the services rendered and on the substance of the contractual agreement. Revenues and costs generated under time-and-material contracts are recognized as services are rendered.

An expected project loss is recognized as an expense immediately.

Revenue comprises the invoiced value for the services and expense reimbursements, net of value added tax, rebates and discounts.

1.7. Tangible assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

1.8. Depreciation and amortization

Depreciation is calculated using the straight-line method based on the estimated useful lives. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use.

1.9. Impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and recognized as an expense in the income statement.

1.10. Benefits to employees

The Company operates various pension schemes, subject to specific local regulations. Contributions to pension plans are charged to the income statement in the period to which they relate, together with other personnel expenses.

1.11. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.12. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

1.13. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.14. Leases

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease in which significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Statement of Profit and Loss over the lease term.

2. Notes on accounts for the year ended December 31, 2013

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at December 31,	
	2013	2012
Authorized capital		
100 (100) equity shares of USD 1,000 par value	62,07,500	62,07,500
Issued, subscribed and paid-up		
100 (100) equity shares of USD 1,000 par value	62,07,500	62,07,500
	62,07,500	62,07,500

2.2. Reserves and surplus

in ₹

Particulars	As at December 31,	
	2013	2012
Foreign currency translation reserve – opening balance	(60,78,656)	(7,69,853)
Add: Foreign currency translation during the year	(1,65,54,686)	(53,08,803)
Foreign currency translation reserve – closing balance	(2,26,33,342)	(60,78,656)
Surplus – opening balance	(16,00,22,380)	(19,72,84,031)
Add: Net profit after tax transferred from Statement of Profit and Loss	25,28,76,953	3,72,61,651
Surplus – closing balance	9,28,54,573	(16,00,22,380)
	7,02,21,231	(16,61,01,036)

2.3. Deferred taxes

in ₹

Particulars	As at December 31,	
	2013	2012
Deferred tax assets		
Accumulated losses	3,37,77,037	3,03,82,809
	3,37,77,037	3,03,82,809

2.4. Short-term borrowings (1)

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured loans	27,40,02,931	32,22,12,277
	27,40,02,931	32,22,12,277
(1) *Includes dues to holding company & fellow subsidiaries (Refer to Note 2.18)*	27,40,02,931	32,22,12,277

2.5. Trade payables (1)

in ₹

Particulars	As at December 31,	
	2013	2012
Trade payables	7,72,73,592	9,29,08,516
	7,72,73,592	9,29,08,516
(1) *Includes dues to holding company & fellow subsidiaries (Refer to Note 2.18)*	1,71,66,749	8,25,39,212

2.6. Other current liabilities

in ₹

Particulars	As at December 31,	
	2013	2012
Accrued salaries and benefits		
Bonus and incentives	3,43,23,114	3,29,59,295
Other liabilities		
Provision for expenses	13,19,48,558	3,50,27,984
Unearned revenue	1,56,271	1,24,051
	16,64,27,943	6,81,11,330

2.7. Short-term provisions

in ₹

Particulars	As at December 31,	
	2013	2012
Provision for employee benefits		
Unavailed leave	1,29,15,813	97,22,573
Provision for income taxes (net of advance tax and TDS)	–	4,72,592
	1,29,15,813	1,01,95,165

2.8. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at January 1, 2013	Additions / acquisitions during year	Deductions / adjustments during year	As at December 31, 2013	As at January 1, 2013	For the year	Deductions / Adjustments during year	As at December 31, 2013,	As at December 31, 2013	As at December 31, 2012
Tangible assets										
Office equipment	82,414	–	(10,284)	92,698	18,314	51,463	(4,896)	74,673	18,025	64,100
Computer equipment	1,17,05,282	17,49,642	(14,60,679)	1,49,15,603	99,71,469	21,50,631	(14,43,383)	1,35,65,483	13,50,120	17,33,813
Total	1,17,87,696	17,49,642	(14,70,963)	1,50,08,301	99,89,783	22,02,094	(14,48,279)	1,36,40,156	13,68,145	17,97,913
Previous year	1,25,26,855	7,43,899	14,83,058	1,17,87,696	88,44,247	16,62,097	5,16,561	99,89,783	17,97,913	

2.9. Leases

Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the year and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Lease rentals recognized during the year	–	77,64,763

in ₹

Lease obligations payable	As at December 31,	
	2013	2012
Within one year of the Balance Sheet date	–	57,77,926
Due in a period between one year and five years	–	–
Due after five years	–	–

The operating lease arrangements, are renewable on a periodic basis and for most of the leases extend up to a maximum of 10 years from their respective dates of inception and relate to rented premises. Some of these lease agreements have price escalation clauses.

2.10. Long-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Other loans and advances		
Advances to employees - Non current	6,48,55,777	44,26,48,500
Advance income taxes (net of provisions)	3,02,43,633	1,57,75,104
	9,50,99,410	2,02,01,589

2.11. Trade receivables [1]

in ₹

Particulars	As at December 31,	
	2013	2012
Other debts		
Unsecured		
Considered good	39,24,71,283	16,90,64,390
	39,24,71,283	16,90,64,390
[1] *Includes dues from holding company and fellow subsidiaries (Refer to Note 2.18)*	18,52,92,235	84,82,662

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer from the invoice date, as at the Balance Sheet date. The Company pursues the recovery of the dues, in part or full.

2.12. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2013	2012
Balances with banks		
In current and deposit accounts	3,76,76,231	6,08,29,063
	3,76,76,231	6,08,29,063

The deposits maintained by the Company with banks and financial institutions comprise time deposits, which can be withdrawn by the Company at any point without prior notice or penalty on the principal.

The details of balances as on Balance Sheet date with banks are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
In current accounts		
Bank of America (USD)	3,76,76,231	6,08,29,063
Total cash and cash equivalents as per Balance Sheet	3,76,76,231	6,08,29,063

2.13. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Others		
Prepaid expenses	34,50,350	28,14,107
Others	–	2,46,73,708
	34,50,350	2,74,87,815
Unbilled revenues	4,10,48,226	1,87,61,358
Loans and advances to employees		
Salary advances	–	29,94,817
Rental deposits	21,58,328	20,13,998
	4,66,56,904	5,12,57,988

2.14. Other income

in ₹

Particulars	Year ended December 31,	
	2013	2012
Interest received on deposits with banks and others	–	20,199
Miscellaneous income, net	–	9,13,965
Gains / (losses) on foreign currency, net	(61,88,360)	(30,71,273)
	(61,88,360)	(21,37,109)

2.15. Expenses

in ₹

Particulars	Year ended December 31,	
	2013	2012
Employee benefit expenses		
Salaries and bonus	58,35,93,684	44,92,57,815
Staff welfare	39,61,571	50,92,831
	58,75,55,255	45,43,50,646
Cost of technical sub-contractors		
Subsidiaries	28,66,49,167	18,50,37,458
Others	40,99,15,057	4,26,79,790
	69,65,64,224	22,77,17,248
Travel expenses		
Travelling and conveyance	18,10,66,295	14,52,44,451
	18,10,66,295	14,52,44,451
Communication expenses		
Telephone charges	57,65,749	56,43,748
	57,65,749	56,43,748

in ₹

Particulars	Year ended December 31,	
	2013	2012
Other expenses		
Brand building	16,08,280	4,44,332
Rent	16,93,541	77,64,763
Computer maintenance	1,82,623	69,026
Insurance charges	2,94,482	8,63,792
Marketing expenses	18,73,940	30,97,273
Printing and stationery	4,00,158	2,54,339
Professional membership and seminar participation fees	4,43,531	3,99,708
Postage and courier	8,59,596	5,23,714
Advertisements	6,039	1,76,457
Books and periodicals	2,49,258	36,711
Bank charges	4,06,243	4,04,587
Miscellaneous expenses	10,91,695	17,65,327
	91,09,386	1,58,00,029

2.16. Tax expense

in ₹

Particulars	Year ended December 31,	
	2013	2012
Current taxes		
Income taxes	3,37,823	(5,06,161)
Deferred taxes	3,97,399	3,01,421
	7,35,222	(2,04,740)

2.17. Quantitative details

The Company is primarily engaged in the business of consultancy services. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5 (viii)(c) of general instructions for preparation of the Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.18. Related party transactions

List of related parties:

Name of Holding Company	Country	Holding as at December 31,	
		2013	2012
Lodestone Holding AG	Switzerland	100%	100%

Name of Ultimate Holding Company	Country
Infosys Limited [1]	India

[1] *Holding of Lodestone Holding AG from October 22, 2012*

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Shanghai	China
Infosys Brasil	Brazil
Infosys Public Services, Inc.	U.S.
Infosys Consulting India Limited [1]	India
Infosys Americas [2]	U.S.
Infosys BPO s. r. o [3]	Czech Republic

Name of fellow subsidiaries	Country
Infosys BPO (Poland) Sp. z o.o. (3)	Poland
Infosys McCamish Systems LLC (formerly known as McCamish Systems LLC) (3)	U.S.
Portland Group Pty. Ltd (3)(4)	Australia
Portland Procurement Services Pty. Ltd (10)	Australia
Infosys Australia (5)	Australia
Lodestone Management Consultants (Canada) Inc. (7)(13)	Canada
Lodestone Management Consultants Pty. Limited (7)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (7)(8)	Thailand
Lodestone Management Consultants AG (7)	Switzerland
Lodestone Augmentis AG (12)	Switzerland
Hafner Bauer & Ödman GmbH (7)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (9)	Belgium
Lodestone Management Consultants GmbH (7)	Germany
Lodestone Management Consultants Pte Ltd. (7)	Singapore
Lodestone Management Consultants SAS (7)	France
Lodestone Management Consultants s.r.o. (7)	Czech Republic
Lodestone Management Consultants GmbH (7)	Austria
Lodestone Management Consultants China Co., Ltd. (7)	China
Lodestone Management Consultants Ltd. (7)	U.K.
Lodestone Management Consultants B.V. (7)	Netherlands
Lodestone Management Consultants Ltda. (9)	Brazil
Lodestone Management Consultants sp. z o.o. (7)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. (7)	Portugal
S.C. Lodestone Management Consultants S.R.L. (7)	Romania
Lodestone Management Consultants S.R.L. (7)(11)	Argentina

(1) *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012.*
(2) *Incorporated effective June 25, 2013*
(3) *Wholly-owned subsidiaries of Infosys BPO.*
(4) *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*
(5) *Under liquidation*
(6) *On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG*
(7) *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(8) *Liquidated effective February 14, 2013*
(9) *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(10) *Wholly-owned subsidiary of Portland Group Pty. Ltd.*
(11) *Incorporated effective January 10, 2013*
(12) *Wholly-owned subsidiary of Lodestone Management Consultants AG*
(13) *Liquidated effective December 31, 2013*

The details of amounts due to or due from as at December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Trade receivables		
Lodestone Management Consultants AG	3,35,26,265	9,54,129
Lodestone Management Consultants Ltd.	14,66,67,363	75,28,533
Lodestone Management Consultants GmbH	50,98,607	–
Trade payables		
Lodestone Management Consultants AG	99,45,678	4,92,37,001
Lodestone Management Consultants (Canada) Inc.	7,80,987	49,43,918
Lodestone Management Consultants GmbH	38,27,292	2,19,59,778
Lodestone Management Consultants sp. z o.o.	28,973	5,26,823
S.C. Lodestone Management Consultants S.R.L.	–	13,15,458
Lodestone Management Consultants Ltd.	–	37,87,164
Lodestone Management Consultants Ltda.	12,30,616	–
Lodestone Management Consultants Belgium SA	14,98,519	–
FX valuation on above	(1,45,316)	7,69,070
Unsecured Loans		
Lodestone Holding AG	27,40,02,931	32,22,12,277

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Capital transactions		
Loan		
Lodestone Holding AG	(4,82,09,346)	10,73,62,848
Revenue transactions		
Interest expenses		
Lodestone Holding AG	57,42,746	51,76,018
Purchase of services		
Lodestone Management Consultants (Canada) Inc.	3,53,32,878	4,34,20,191
Lodestone Management Consultants AG	16,71,38,509	8,46,24,111
Lodestone Management Consultants GmbH	2,40,24,169	3,01,06,578
Lodestone Management Consultants Ltd.	2,37,15,918	2,90,81,413
Lodestone Management Consultants sp. z o.o.	1,52,43,877	46,51,483
Lodestone Management Consultants Portugal, Unipessoal, Lda.	32,22,945	12,60,462
S.C. Lodestone Management Consultants S.R.L.	1,41,37,305	89,81,215
Lodestone Management Consultants Ltda.	12,44,464	–
Lodestone Management Consultants (Belgium) S.A.	34,77,482	–
Sale of services		
Lodestone Management Consultants AG	16,99,06,217	17,21,44,753
Lodestone Management Consultants GmbH	3,69,41,461	15,21,774
Lodestone Management Consultants Ltd.	58,69,92,870	2,95,72,902

2.19. Segment reporting

The Company is engaged in providing consultancy services in a single geography. Its operations are therefore considered to constitute a single segment in the context of Accounting Standard 17 Segment Reporting.

2.20. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from consultancy services	179,85,62,785	93,91,61,898
Software development expenses	138,58,45,512	76,51,07,942
GROSS PROFIT	41,27,17,273	17,40,53,956
Selling and marketing expenses	33,53,072	35,41,604
General and administration expenses	14,16,18,826	12,43,89,976
	14,49,71,898	12,79,31,580
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	26,77,45,375	4,61,22,376
Interest expense	57,42,746	52,66,259
Depreciation and amortization	22,02,094	16,62,097
OPERATING PROFIT	25,98,00,535	3,91,94,020
Other income	(61,88,360)	(21,37,109)
PROFIT BEFORE TAX	25,36,12,175	3,70,56,911
Tax expense		
Current tax	3,37,823	(5,06,161)
Deferred tax	3,97,399	3,01,421
PROFIT FOR THE PERIOD	25,28,76,953	3,72,61,651

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath *Partner* Membership Number : 202841	Jürgen Bauer *Director*	Ronald Hafner *Director*
Bangalore January 7, 2014	Peter Ödman *Director*	Jim Williams *Partner*

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Lodestone Management Consultants Ltd.

Independent Auditors' Report

To the Members of Lodestone Management Consultants Ltd.

Report on the Financial Statements

We have audited the accompanying financial statement of Lodestone Management Consultants Ltd. ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Profit for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bangalore
January 7, 2014

Balance Sheet

in ₹

Balance Sheet	Note	As at December 31,	
		2013	2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	58,25,500	58,25,500
Reserves and surplus	2.2	18,35,41,495	(7,47,15,107)
		18,93,66,995	(6,88,89,607)
CURRENT LIABILITIES			
Short-term borrowings	2.4	–	15,47,73,631
Trade payables	2.5	64,96,99,581	8,55,26,352
Other current liabilities	2.6	142,69,72,633	13,03,25,670
Short-term provisions	2.7	22,95,04,009	74,64,526
		230,61,76,223	37,80,90,179
		249,55,43,218	30,92,00,572
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.8	1,31,85,005	1,04,33,092
Deferred tax assets, net	2.3	–	1,17,33,596
Long-term loans and advances	2.10	1,87,48,735	51,45,130
		3,19,33,740	2,73,11,818
CURRENT ASSETS			
Trade receivables	2.11	37,52,82,195	10,29,52,881
Cash and cash equivalents	2.12	48,33,86,448	36,58,914
Short-term loans and advances	2.13	160,49,40,835	17,52,76,959
		246,36,09,478	28,18,88,754
		249,55,43,218	30,92,00,572
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath *Partner* Membership Number : 202841	Harry Singh *Director*	Ronald Hafner *Director*	Brandon Bichler *Partner*
Bangalore January 7, 2014	Mandeep Kwatra *Partner*	Jeremy Milward *Partner*	Ian Stuart *Partner*

Statement of Profit and Loss

in ₹

Particulars	Note	Year ended December 31,	
		2013	2012
Income from consultancy services		6,07,22,21,106	1,05,31,90,633
Other income	2.14	(99,65,361)	85,58,410
Total revenue		6,06,22,55,745	1,06,17,49,043
Expenses			
Employee benefit expenses	2.15	3,63,67,51,994	57,29,25,135
Cost of technical sub-contractors	2.15	1,33,56,00,842	19,24,75,847
Travel expenses	2.15	53,75,54,182	11,41,57,723
Cost of software packages and others	2.15	3,47,216	–
Communication expenses	2.15	2,96,45,408	68,91,576
Professional charges		12,93,72,183	4,05,12,297
Interest expenses		–	34,81,888
Depreciation and amortization expenses	2.8	86,83,581	38,10,621
Other expenses	2.15	5,68,91,277	3,50,16,800
Total expenses		5,73,48,46,683	96,92,71,887
PROFIT BEFORE TAX		32,74,09,062	9,24,77,156
Tax expense	2.16		
Current tax		6,88,66,324	–
Deferred tax		1,37,41,099	(15,42,746)
PROFIT FOR THE PERIOD		24,48,01,639	9,40,19,902
EARNINGS PER EQUITY SHARE			
Equity shares of par value GBP 1 each			
Basic		4,896	1,880
Number of shares used in computing earnings per share			
Basic		50,000	50,000
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Harry Singh
Director

Ronald Hafner
Director

Brandon Bichler
Partner

Bangalore
January 7, 2014

Mandeep Kwatra
Partner

Jeremy Milward
Partner

Ian Stuart
Partner

Cash Flow Statement

in ₹

Particulars	Year ended December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	32,74,09,062	9,24,77,156
Adjustments to reconcile Profit Before Tax to cash provided by operating activities		
Depreciation and amortization expense	86,83,581	38,10,621
Interest and dividend income	(14,62,658)	–
Effect of exchange differences on translation of assets and liabilities	3,73,22,451	(1,04,14,640)
Changes in assets and liabilities		
Trade receivables	(27,23,29,314)	2,14,13,918
Loans and advances and other assets	(116,01,98,913)	(11,74,73,018)
Liabilities and provisions	2,01,39,81,533	(12,20,90,409)
	95,34,05,742	(13,22,76,372)
Income taxes paid	(2,74,70,380)	30,85,492
NET CASH GENERATED BY OPERATING ACTIVITIES	92,59,35,362	(12,91,90,880)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment towards capital expenditure (including intangible assets)	(1,34,95,502)	(18,49,754)
Proceeds from sale of fixed assets	36,67,215	3,14,344
Interest and dividend received	14,62,658	–
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	(83,65,629)	(15,35,410)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan repayment to parent	(15,47,73,631)	8,59,95,012
Loan to parent	(28,30,68,568)	–
NET CASH USED IN FINANCING ACTIVITIES	(43,78,42,199)	8,59,95,012
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	47,97,27,534	(4,47,31,278)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	36,58,914	4,83,90,192
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	48,33,86,448	36,58,914

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Harry Singh
Director

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Director

Brandon Bichler
Partner

Bangalore
January 7, 2014

Mandeep Kwatra
Partner

Jeremy Milward
Partner

Ian Stuart
Partner

Significant accounting policies and notes on accounts

Company overview

Lodestone Management Consultants Ltd. is a wholly-owned subsidiary of Lodestone Holding AG, Kloten (Switzerland). The Company renders professional management consulting services, thereby enabling its clients to enhance business performance.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous year figures

The previous year's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates may include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

The method for recognizing revenues and cost depends on the nature of the services rendered and on the substance of the contractual agreement. Revenues and costs generated under time-and-material contracts are recognized as services are rendered.

An expected project loss is recognized as an expense immediately.

Revenue comprises the invoiced value for the services and expense reimbursements, net of value added tax, rebates and discounts.

1.7. Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by the best estimate of the outflow of economic benefits required to settle the obligation at the reporting date. Where no reliable estimate can be made, a disclosure is made as contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

1.8. Post-sales client support and warranties

The Company provides its clients with a fixed-period warranty for corrections of errors and telephone support on all its fixed-price, fixed-time frame contracts. Costs associated with such support services are accrued at the time when related revenues are recorded and included in cost of sales. The Company estimates such costs based on historical experience and the estimates are reviewed annually for any material changes in assumptions.

1.9. Onerous contracts

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

1.10. Tangible assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

1.11. Depreciation and amortization

Depreciation is calculated using the straight-line method based on the estimated useful lives. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The Management estimates the useful lives for the other fixed assets as follows:

Buildings	15 years
Plants and machinery	5 years
Office equipment	5 years
Computer equipment	2-5 years
Furniture and fixtures	5 years
Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

1.12. Impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and recognized as an expense in the income statement.

1.13. Benefits to employees

The Company operates various pension schemes, subject to specific local regulations. Contributions to pension plans are charged to the income statement in the period to which they relate, together with other personnel expenses.

1.14. Research and development

Research costs are expensed as incurred. Software product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use or sell the software and the costs can be measured reliably.

1.15. Foreign currency transactions

Foreign currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.16. Forward and options contracts in foreign currencies

The Company uses foreign exchange forward and options contracts to hedge its exposure to movements in foreign exchange rates. The use of these foreign exchange forward and options contracts reduce the risk or cost to the Company and the Company does not use those for trading or speculation purposes.

Effective April 1, 2008, the Company adopted AS 30, Financial Instruments: Recognition and Measurement, to the extent that the adoption did not conflict with existing accounting standards and other authoritative pronouncements of the Company law and other regulatory requirements.

Forward and options contracts are fair valued at each reporting date. The resultant gain or loss from these transactions are recognized in the Statement of Profit and Loss. The Company records the gain or loss on effective hedges, if any, in the foreign currency fluctuation reserve until the transactions are complete. On completion, the gain or loss is transferred to the Statement of Profit and Loss of that period. To designate a forward or options contract as an effective hedge, the Management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. In the absence of a designation as effective hedge, a gain or loss is recognized in the Statement of Profit and Loss. Currently, hedges undertaken by the Company are all ineffective in nature and the resultant gain or loss consequent to fair valuation is recognized in the Statement of Profit and Loss at each reporting date.

1.17. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

1.18. Investments

Trade investments are the investments made to enhance the Company's business interests. Investments are either classified as current or long-term based on the Management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value of each investment individually. Cost for overseas investments comprises the Indian Rupee value of the consideration paid for the investment translated at the exchange rate prevalent at the date of investment. Long-term investments are carried at cost less provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

1.19. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.20. Cash flow statement

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

1.21. Leases

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease in which significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Statement of Profit and Loss over the lease term.

1.22. Earnings per share

Basic earnings per share is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the period.

1.23. Government grants

The Company recognizes government grants only when there is reasonable assurance that the conditions attached to them shall be complied with, and the grants will be received. Government grants related to depreciable assets are treated as deferred income and are recognized in the Statement of Profit and Loss on a systematic and rational basis over the useful life of the asset. Government grants related to revenue are recognized on a systematic basis in the Statement of Profit and Loss over the periods necessary to match them with the related costs which they are intended to compensate.

2. Notes on accounts for the year ended December 31, 2013

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at December 31,	
	2013	2012
Authorized share capital		
50,000 (50,000) equity shares of GBP 1 par value	58,25,500	58,25,500
	58,25,500	58,25,500
Issued, subscribed and paid-up		
50,000 (50,000) equity shares of GBP 1 par value	58,25,500	58,25,500
	58,25,500	58,25,500

2.2. Reserves and surplus

in ₹

Particulars	As at December 31,	
	2013	2012
Foreign currency translation reserve – opening balance	1,00,26,341	1,80,20,215
Add: Foreign currency translation during the year	1,34,54,963	(79,93,874)
Foreign currency translation reserve – closing balance	2,34,81,304	1,00,26,341
Surplus – opening balance	(8,47,41,448)	(17,87,61,350)
Add: Net profit after tax transferred from Statement of Profit and Loss	24,48,01,639	9,40,19,902
Surplus – closing balance	16,00,60,191	(8,47,41,448)
	18,35,41,495	(7,47,15,107)

2.3. Deferred taxes

in ₹

Particulars	As at December 31,	
	2013	2012
Deferred tax assets		
Accumulated losses	–	1,17,33,596
	–	1,17,33,596

2.4. Short-term borrowings

in ₹

Particulars	As at December 31,	
	2013	2012
Loan from related party – Unsecured (Refer to *Note 2.17*)	–	15,47,73,631
	–	15,47,73,631

2.5. Trade Payables

in ₹

Particulars	As at December 31,	
	2013	2012
Trade Payables (1)	64,96,99,581	8,55,26,352
	64,96,99,581	8,55,26,352
(1) Includes dues to holding & fellow Subsidiaries (Refer to Note 2.17)	37,63,68,082	6,22,87,406

2.6. Other current liabilities

in ₹

Particulars	As at December 31,	
	2013	2012
Accrued salaries and benefits		
Salaries and benefits	(16,15,880)	–
Bonus and incentives	19,44,97,910	4,30,11,626
Other liabilities (1)	108,80,39,486	–
Provision for expenses (2)	14,21,31,377	1,44,45,459
Withholding and other taxes payable	14,57,993	6,45,02,310
Unearned revenue	24,61,747	82,74,263
Other payables	–	92,012
	142,69,72,633	13,03,25,670
(1) Includes dues to holding and fellow subsidiaries (Refer to Note 2.17)	108,80,39,486	–
(2) Includes dues to holding and fellow subsidiaries (Refer to Note 2.17)	68,55,944	–

2.7. Short-term provisions

in ₹

Particulars	As at December 31,	
	2013	2012
Provision for employee benefits		
Unavailed leave	16,02,69,333	74,64,526
Others		
Income taxes (net of advance tax and TDS)	6,88,78,142	–
Post-sales client support and warranties and other provisions	3,56,534	–
	22,95,04,009	74,64,526

Provision for post-sales client support and warranties and other provisions.

The movement in the provision for post-sales client support and warranties and other provisions is as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
Balance at the beginning	–	–
Provision recognized / (reversal)	3,55,103	–
Provision utilized	–	–
Exchange difference during the period	1,431	–
Balance at the end	3,56,534	–

2.8. Fixed assets

in ₹,

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at January 1, 2013	Additions / acquisitions during year	Deductions/ adjustments during year	As at December 31, 2013	As at January 1, 2013	For the year	Deductions/ adjustments during year	As at December 31, 2013	As at December 31, 2013	As at December 31, 2012
Tangible assets										
Leasehold improvements	1,09,16,026	–	(16,33,844)	1,25,49,870	30,91,542	22,65,116	(7,08,601)	60,65,259	64,84,611	78,24,484
Computer equipment	55,79,585	1,34,95,502	17,84,673	1,72,90,414	29,70,977	64,18,465	(12,00,578)	1,05,90,020	67,00,394	26,08,608
Total	1,64,95,611	1,34,95,502	1,50,829	2,98,40,284	60,62,519	86,83,581	(19,09,179)	1,66,55,279	1,31,85,005	1,04,33,092
Previous year	1,46,45,857	18,49,754	–	1,64,95,611	19,37,554	38,10,621	(3,14,344)	60,62,519	1,04,33,092	

2.9. Leases

Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the year and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Lease rentals recognized during the year	3,10,36,590	87,14,085

in ₹

Lease obligations payable	Year ended December 31,	
	2013	2012
Within one year of the Balance Sheet date	34,55,799	83,99,415
Due in a period between one year and five years	–	1,98,13,415

The operating lease arrangements, are renewable on a periodic basis and for most of the leases extend up to a maximum of one year from their respective dates of inception and relate to rented premises. Some of these lease agreements have price escalation clauses.

2.10. Long-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Loans and advances to employees	1,87,48,735	51,45,130
	1,87,48,735	51,45,130

2.11. Trade receivables

in ₹

Particulars	As at December 31,	
	2013	2012
Other debts		
Unsecured		
Considered good	37,52,82,195	10,29,52,881
Considered doubtful (Others)	–	–
	37,52,82,195	10,29,52,881
Less: Provision for doubtful debts (others)	–	–
	37,52,82,195	10,29,52,881
	37,52,82,195	10,29,52,881
[(1)] *Includes dues from holding and fellow subsidiaries (Refer to Note 2.17)*	16,10,04,291	2,47,55,971

2.12. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2013	2012
Balances with banks		
In current and deposit accounts	48,33,86,448	36,58,914
	48,33,86,448	36,58,914

The details of balances as on Balance Sheet dates with banks are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
In current accounts		
Barclays (GBP)	48,33,86,448	36,58,914

2.13. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Others		
Prepaid expenses	43,63,563	31,40,152
Withholding and other taxes receivable	40,641	23,077
Others [(1)]	125,32,91,856	4,59,98,866
	125,76,96,060	4,91,62,095
Unbilled revenues [(2)]	5,80,57,376	12,29,57,015
Salary advances	14,92,369	1,10,122
Rental deposits	46,26,462	30,47,727
Loan to subsidiary	28,30,68,568	–
	160,49,40,835	17,52,76,959
[(1)] *Includes dues from holding and fellow subsidiaries (Refer to Note 2.17)*	124,81,84,858	–
[(2)] *Includes dues from holding and fellow subsidiaries (Refer to Note 2.17)*	1,91,04,840	–

2.14. Other income

in ₹

Particulars	Year ended December 31,	
	2013	2012
Interest received on deposits with banks and others	14,62,658	–
Miscellaneous income, net	6,11,251	–
Gains / (losses) on foreign currency, net	(1,20,39,270)	85,58,410
	(99,65,361)	85,58,410

2.15. Expenses

in ₹

Particulars	Year ended December 31,	
	2013	2012
Employee benefit expenses		
Salaries and bonus	359,94,29,008	56,87,35,248
Staff welfare	3,73,22,986	41,89,887
	363,67,51,994	57,29,25,135
Cost of technical sub-contractors		
Subsidiaries	54,88,10,592	17,47,12,098
Others	78,67,90,250	1,77,63,749
	133,56,00,842	19,24,75,847
Travel expenses		
Travelling and conveyance	53,75,54,182	11,41,57,723
	53,75,54,182	11,41,57,723
Cost of software packages and others		
For own use	3,47,216	–
	3,47,216	–
Communication expenses		
Telephone charges	2,96,45,408	68,91,576
	2,96,45,408	68,91,576
Other expenses		
Office maintenance	28,72,444	29,77,968
Brand building	3,14,873	1,76,212
Rent	3,10,36,590	87,14,085
Computer maintenance	8,41,729	–
Insurance charges	15,70,952	12,92,138
Marketing expenses	1,59,19,793	29,61,143
Printing and stationery	4,02,965	4,73,930
Professional membership and seminar participation fees	(14,464)	2,43,383

Particulars	Year ended December 31,	
	2013	2012
Postage and courier	81,743	7,367
Advertisements	–	33,630
Provision for post-sales client support and warranties	3,55,103	–
Books and periodicals	1,88,078	13,284
Auditor's remuneration		
Statutory audit fees	22,31,464	12,83,177
Bank charges	9,42,024	2,45,513
Miscellaneous expenses	1,47,983	1,65,94,970
	5,68,91,277	3,50,16,800

2.16. Tax expense

in ₹

Particulars	Year ended December 31,	
	2013	2012
Current tax		
Income taxes	6,88,66,324	–
Deferred taxes	1,37,41,099	(15,42,746)
	8,26,07,423	(15,42,746)

2.17. Related party transactions

List of related parties :

Name of the Holding Company	Country	Holding as at December 31,	
		2013	2012
Lodestone Holding AG	Switzerland	100%	100%

Name of Ultimate Holding Company	Country
Infosys Limited (1)	India

(1) Holding of Lodestone Holding AG from October 22, 2012

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Shanghai	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Brasil	Brazil
Infosys Public Services	U.S.
Infosys Consulting India Limited (1)	India
Infosys Americas (2)	U.S.
Infosys BPO s. r. o (3)	Czech Republic
Infosys BPO (Poland) Sp. z o.o. (3)	Poland
Infosys McCamish Systems LLC (formerly known as McCamish Systems LLC) (3)	U.S.
Portland Group Pty. Ltd (3)(4)	Australia
Portland Procurement Services Pty. Ltd (10)	Australia
Infosys Australia (5)	Australia
Lodestone Holding AG (6)	Switzerland
Lodestone Management Consultants (Canada) Inc. (7)(13)	Canada
Lodestone Management Consultants Inc. (7)	U.S.
Lodestone Management Consultants Pty. Limited (7)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (7)(8)	Thailand
Lodestone Management Consultants AG (7)	Switzerland
Lodestone Augmentis AG (12)	Switzerland
Hafner Bauer & Ödman GmbH (7)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (9)	Belgium
Lodestone Management Consultants GmbH (7)	Germany
Lodestone Management Consultants Pte Ltd. (7)	Singapore
Lodestone Management Consultants SAS (7)	France
Lodestone Management Consultants s.r.o. (7)	Czech Republic
Lodestone Management Consultants GmbH (7)	Austria
Lodestone Management Consultants China Co., Ltd. (7)	China
Lodestone Management Consultants B.V. (7)	Netherlands
Lodestone Management Consultants Ltda. (9)	Brazil
Lodestone Management Consultants sp. z o.o. (7)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. (7)	Portugal
S.C. Lodestone Management Consultants S.R.L. (7)	Romania
Lodestone Management Consultants S.R.L. (7)(11)	Argentina

(1) The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012
(2) Incorporated effective June 25, 2013
(3) Wholly-owned subsidiaries of Infosys BPO.
(4) On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd
(5) Under liquidation
(6) On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG
(7) Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012
(8) Liquidated effective February 14, 2013
(9) Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012
(10) Wholly-owned subsidiary of Portland Group Pty. Ltd
(11) Incorporated effective January 10, 2013
(12) Wholly-owned subsidiary of Lodestone Management Consultants AG
(13) Liquidated effective December 31, 2013

The details of amounts due to or due from as at December 31, 2013 and December 31, 2012 are as follows :

in ₹

Particulars	As at December 31,	
	2013	2012
Loans		
Lodestone Holding AG	–	15,47,73,631
Trade receivables		
Lodestone Management Consultants Inc.	1	38,05,718
Lodestone Management Consultants Pty. Limited	–	26,17,503
Lodestone Management Consultants AG	12,11,68,525	1,17,18,119
Lodestone Management Consultants GmbH, Germany	72,87,746	53,03,510
Lodestone Management Consultants SAS	53,553	19,545
Lodestone Management Consultants (Belgium) S.A.	28,90,686	–
Lodestone Management Consultants sp. z o.o.	10,214	–
Lodestone Management Consultants Pte Ltd.	1,49,10,992	–
Lodestone Management Consultants Ltda.	24,90,374	–
Lodestone Management Consultants B.V.	1,21,92,200	12,91,576
Other receivables		
Lodestone Management Consultants Pty. Limited	91,96,72,970	–
Lodestone Management Consultants AG	3,66,41,597	–
Lodestone Management Consultants Pte Ltd.	26,05,94,537	–
Lodestone Management Consultants SAS	1,81,04,574	–

Particulars	As at December 31, 2013	As at December 31, 2012
Lodestone Management Consultants China Co., Ltd.	1,31,71,180	–
Trade payables		
Lodestone Management Consultants Inc.	14,66,74,800	75,72,063
Lodestone Management Consultants Pty. Limited	–	49,51,445
Lodestone Management Consultants AG	–	3,59,19,703
Lodestone Management Consultants (Belgium) S.A.	3,33,28,750	47,71,378
Lodestone Management Consultants GmbH, Germany	11,21,82,382	10,81,657
Lodestone Management Consultants Pte Ltd.	–	24,00,803
Lodestone Management Consultants GmbH, Austria	7,52,513	6,67,848
Lodestone Management Consultants B.V.	78,70,387	–
Lodestone Management Consultants sp. z o.o.	25,81,926	7,26,647
Lodestone Management Consultants s.r.o.	57,682	–
S.C. Lodestone Management Consultants S.R.L.	17,96,531	–
Lodestone Management Consultants Ltda.	50,33,189	–
Lodestone Management Consultants Portugal, Unipessoal, Lda.	38,21,018	41,16,408
Infosys Limited	6,09,71,138	–
FX valuation on above	12,97,766	79,454
Other payables		
Lodestone Management Consultants Pty. Limited	2,64,821	–
Infosys Limited	108,77,74,665	–
Provision for expenses		
Infosys Limited	68,55,944	–
Unbilled revenues		
Infosys Limited	2	–
Infosys BPO Limited	1,91,04,838	–

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows:

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Capital transactions		
Loan given		
Lodestone Management Consultants AG	28,30,68,568	–
Loan repayment		
Lodestone Management Consultants AG	15,47,73,631	–
Revenue transactions		
Purchase of services		
Infosys Limited	1,27,95,045	14,69,145
Lodestone Management Consultants (Belgium) S.A.	1,99,37,846	1,08,41,536
Lodestone Management Consultants AG	27,69,82,178	11,54,72,281
Lodestone Management Consultants GmbH	8,33,05,736	1,11,96,951
Lodestone Management Consultants SAS	2,49,59,509	–
Lodestone Management Consultants sp. z o.o.	5,46,08,160	16,73,206
Lodestone Management Consultants Portugal, Unipessoal, Lda.	2,76,97,284	1,60,85,571
Lodestone Management Consultants Inc.	5,92,55,377	2,91,02,141
Lodestone Management Consultants GmbH	–	15,10,618
Lodestone Management Consultants s.r.o.	48,13,120	–
Lodestone Management Consultants Pty. Limited	4,25,16,648	46,79,982
S.C. Lodestone Management Consultants S.R.L.	20,32,247	–
Lodestone Management Consultants China Co., Ltd.	51,00,109	–
Lodestone Management Consultants Ltda.	51,99,151	–
Lodestone Management Consultants Pte Ltd.	4,22,14,412	1,11,92,719
Interest expense		
Lodestone Holding AG	–	33,95,376
Interest income		
Lodestone Holding AG	14,55,156	–
Lodestone Management Consultants AG	6,695	–
Sale of services		
Infosys Limited	467,73,23,814	1,61,71,999
Lodestone Management Consultants (Belgium) S.A.	6,99,36,444	35,80,900
Lodestone Management Consultants AG	37,01,25,350	20,70,23,611
Lodestone Management Consultants GmbH	8,52,76,700	6,86,75,360
Lodestone Management Consultants SAS	40,35,550	25,87,887
Lodestone Management Consultants Inc.	70,53,842	3,13,87,373
Lodestone Management Consultants Ltda.	24,74,571	–
Lodestone Management Consultants Pte Ltd.	5,15,79,516	–
Lodestone Management Consultants Pty. Limited	41,29,018	25,74,166
Lodestone Management Consultants Inc.	51,135	–
Lodestone Management Consultants sp. z o.o.	10,227	–
Lodestone Management Consultants B.V.	3,11,52,116	12,39,648

2.18. Segment reporting

The Company is engaged in providing consultancy services in a single geography. Its operations are therefore considered to constitute a single segment in the context of Accounting Standard 17 Segment Reporting.

2.19. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from consultancy services	607,22,21,106	105,31,90,633
Software development expenses	546,23,09,092	86,76,83,720
GROSS PROFIT	60,99,12,014	18,55,06,913
Selling and marketing expenses	1,56,46,642	31,37,355
General and administration expenses	24,82,07,368	9,11,58,303
	26,38,54,010	9,42,95,658
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	34,60,58,004	9,12,11,255
Interest expenses	–	34,81,888
Depreciation and amortization	86,83,581	38,10,621
OPERATING PROFIT	33,73,74,423	8,39,18,746
Other income	(99,65,361)	85,58,410
PROFIT BEFORE TAX	32,74,09,062	9,24,77,156
Tax expense		
Current tax	6,88,66,324	–
Deferred tax	1,37,41,099	(15,42,746)
PROFIT FOR THE PERIOD	24,48,01,639	9,40,19,902

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Harry Singh
Director

Ronald Hafner
Director

Brandon Bichler
Partner

Bangalore
January 7, 2014

Mandeep Kwatra
Partner

Jeremy Milward
Partner

Ian Stuart
Partner

Lodestone Management Consultants Ltda.

Independent Auditors' Report

To the Members of Lodestone Management Consultants Ltda.

Report on the Financial Statements

We have audited the accompanying financial statement of Lodestone Management Consultants Ltda. ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bangalore
January 7, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31,	
		2013	2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	39,65,645	39,65,645
Reserves and surplus	2.2	(46,04,36,506)	(10,13,33,795)
		(45,64,70,861)	(9,73,68,150)
CURRENT LIABILITIES			
Short-term borrowings	2.4	1,06,33,50,910	27,62,91,334
Trade payables		1,30,69,805	1,28,61,182
Other current liabilities	2.5	8,76,61,396	5,97,19,050
Short-term provisions	2.6	4,55,96,703	1,07,70,708
		1,20,96,78,814	35,96,42,274
		75,32,07,953	26,22,74,124
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	2,31,97,427	1,46,79,473
Intangible assets		10,06,749	22,57,961
		2,42,04,176	1,69,37,434
Deferred tax assets (net)	2.3	22,91,99,367	4,49,27,062
		25,34,03,543	6,18,64,496
CURRENT ASSETS			
Trade receivables	2.9	17,11,81,223	4,27,26,992
Cash and cash equivalents	2.10	5,51,21,347	75,20,020
Short-term loans and advances	2.11	27,35,01,840	15,01,62,616
		49,98,04,410	20,04,09,628
		75,32,07,953	2,62,27,41,24
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Claudio Elsas
Partner

Bangalore
January 7, 2014

Statement of Profit and Loss

in ₹

Particulars	Note	Year ended December 31,	
		2013	2012
Income from consultancy services		63,16,76,816	30,93,35,289
Other income	2.12	(14,93,91,241)	(1,91,81,877)
Total revenue		48,22,85,575	29,01,53,412
Expenses			
Employee benefit expenses	2.13	64,08,57,863	22,95,36,086
Cost of technical sub-contractors	2.13	16,97,02,358	10,81,93,172
Travel expenses	2.13	10,27,96,449	3,62,06,029
Cost of software packages and others	2.13	–	(3,20,968)
Communication expenses	2.13	40,67,380	19,74,128
Professional charges		1,80,82,982	51,14,216
Interest expenses		4,00,94,093	78,80,823
Depreciation and amortization expenses	2.7	62,28,258	43,72,412
Other expenses	2.13	6,76,47,306	2,73,99,392
Total expenses		1,04,94,76,689	42,03,55,290
PROFIT BEFORE TAX		(56,71,91,114)	(13,02,01,878)
Tax expense	2.14		
Current tax		17,07,456	4,05,343
Deferred tax		(19,51,00,757)	(3,93,31,090)
PROFIT FOR THE PERIOD		(37,37,97,813)	(9,12,76,131)
EARNINGS PER EQUITY SHARE			
Shares of 1 BRL par value each			
Basic		(2,491.99)	(608.51)
Number of shares used in computing earnings per share			
Basic		1,50,000	1,50,000
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Claudio Elsas
Partner

Bangalore
January 7, 2014

Cash Flow Statement

in ₹

Particulars	Year ended December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	(56,71,91,114)	(13,02,01,878)
Adjustments to reconcile profit before tax to cash provided by operating activities		
Depreciation and amortization expense	62,28,258	43,72,412
Effect of exchange differences on translation of assets and liabilities	1,54,12,918	9,037
Changes in assets and liabilities		
Trade receivables	(12,84,54,231)	(3,29,37,596)
Loans and advances and other assets	(12,33,39,224)	(13,41,11,302)
Liabilities and provisions	6,29,76,964	6,59,06,278
	(73,43,66,429)	(22,69,63,049)
Income taxes paid	91,20,996	(7,64,815)
NET CASH GENERATED BY OPERATING ACTIVITIES	(72,52,45,433)	(22,77,27,864)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment towards capital expenditure (including intangible assets)	(1,42,12,816)	(1,33,66,517)
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	(1,42,12,816)	(1,33,66,517)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan received	78,70,59,576	24,68,29,554
NET CASH USED IN FINANCING ACTIVITIES	78,70,59,576	24,68,29,554
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	4,76,01,327	57,35,173
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	75,20,020	17,84,847
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5,51,21,347	75,20,020

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Claudio Elsas
Partner

Bangalore
January 7, 2014

Significant accounting policies and notes on accounts

Company overview

Lodestone Management Consultants Ltda. is a majority-owned subsidiary of Lodestone Holding AG, Kloten (Switzerland). The Company renders professional management consulting services, thereby enabling its clients to enhance business performance.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous year figures

The previous year's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates may include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

The method for recognizing revenues and cost depends on the nature of the services rendered and on the substance of the contractual agreement. Revenues and costs generated under time-and-material contracts are recognized as services are rendered.

An expected project loss is recognized as an expense immediately.

Revenue comprises the invoiced value for the services and expense reimbursements, net of value added tax, rebates and discounts.

1.7. Tangible assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

1.8. Depreciation and amortization

Depreciation is calculated using the straight-line method based on the estimated useful lives. Gains and Losses on disposal are determined by comparing proceeds with the carrying amount. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use.

1.9. Impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and is recognized as an expense in the income statement.

1.10. Benefits to employees

Company operate various pension schemes, subject to specific local regulations. Contributions to pension plans are charged to the income statement in the period to which they relate, together with other personnel expenses.

1.11. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense, and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.12. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date.

1.13. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.14. Leases

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease in which significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Statement of Profit and Loss over the lease term.

1.15. Earnings per share

Basic earnings per share is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the period.

2. Notes on accounts for the year ended December 31, 2013

The previous period figures have been regrouped / reclassified, wherever necessary to conform to the current period presentation.

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at December 31, 2013	As at December 31, 2012
Authorized		
1,50,000 (1,50,000) equity shares of BRL 1 par value	39,65,645	39,65,645
Issued, Subscribed and Paid-Up		
1,50,000 (1,50,000) equity shares of BRL 1 par value	39,65,645	39,65,645
	39,65,645	39,65,645

2.2. Reserves and surplus

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Foreign currency translation reserve – Opening balance	(5,15,051)	(2,89,959)
Add: Foreign currency translation during the year	1,46,95,102	(2,25,092)
Foreign currency translation reserve – Closing balance	1,41,80,051	(5,15,051)
Surplus – Opening Balance	(10,08,18,744)	(95,42,613)
Add: Net profit after tax transferred from Statement of Profit and Loss	(37,37,97,813)	(9,12,76,131)
Surplus – Closing Balance	(47,46,16,557)	(10,08,18,744)
	(46,04,36,506)	(10,13,33,795)

2.3. Deferred taxes

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Deferred tax assets		
Accumulated losses	22,91,99,367	4,49,27,062
	22,91,99,367	4,49,27,062

2.4. Short-term borrowings

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
From related parties – Unsecured	1,06,33,50,910	27,62,91,334
(Refer to *Note* 2.16)	1,06,33,50,910	27,62,91,334

2.5. Other current liabilities

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Accrued salaries and benefits		
Salaries and benefits	25,407	–
Bonus and incentives	4,57,52,482	1,86,62,758
Other liabilities		
Withholding and other taxes payable	3,95,34,574	3,95,79,830
Other payables	23,48,933	14,76,462
	8,76,61,396	5,97,19,050

2.6. Short-term provisions

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Provision for employee benefits		
Unavailed leave	4,55,96,703	1,07,70,708
	4,55,96,703	1,07,70,708

2.7. Fixed assets

in ₹, except as otherwise stated

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at January 1, 2013	Additions / acquisitions during the year	Deductions / Adjustments during the year	As at December 31, 2013	As at January 1, 2013	For the year	Deductions / Adjustments during the year	As at December 31, 2013	As at December 31, 2013	As at December 31, 2012
Tangible assets										
Leasehold improvements	41,10,439	44,75,099	2,84,451	83,01,087	23,18,056	–	(2,0,52,305)	43,70,361	39,30,726	17.92,383
Office equipment	28,74,396	6,20,727	93,392	34,01,731	2,64,217	1,77,555	(1,01,936)	5,43,708	28,58,023	26.10,179
Computer equipment	65,93,622	50,15,285	3,49,901	1,12,59,006	7,81,939	13,92,344	(3,90,888)	25,65,171	86,93,835	58,11,683
Furniture and fixtures	49,83,306	41,01,705	2,89,175	87,95,836	5,18,078	34,23,474	28,60,560	10,80,992	77,14,844	44,65,228
	1,85,61,763	1,42,12,816	10,16,919	3,17,57,660	38,82,290	49,93,373	3,15,431	85,60,232	2,31,97,427	1,46,79,473
Intangible assets										
Capital Contracts	26,75,804	–	4,10,035	22,65,769	10,32,417	11,94,634	4,33,317	17,93,734	4,72,035	16,43,387
Software License	6,70,443	–	15,693	6,54,750	55,869	40,251	(23,916)	1,20,036	5,34,714	6,14,574
	6,70,443	–	15,693	29,20,519	10,88,286	12,34,885	4,09,401	19,13,770	10,06,749	6,14,574
Total	1,92,32,206	1,42,12,816	10,32,612	3,46,78,179	49,70,576	62,28,258	7,24,832	1,04,74,002	2,42,04,176	1,52,94,047
Previous year	85,41,493	1,33,66,517	–	2,19,08,010	3,64,035	43,72,412	(2,34,129)	49,70,576	1,69,37,434	

2.8. Leases

Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the year and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Lease rentals recognized during the year	1,22,64,465	34,97,910

in ₹

Lease obligations payable	Year ended December 31,	
	2013	2012
Within one year of the Balance Sheet date	1,93,13,727	33,05,039
Due in a period between one year and five years	1,12,17,836	–
Due after five years	–	–

The operating lease arrangements, are renewable on a periodic basis and relate to rented premises. Some of these lease agreements have price escalation clauses.

2.9. Trade receivables [1]

in ₹

Particulars	As at December 31,	
	2013	2012
Other debts		
Unsecured		
Considered good	17,11,81,223	4,27,26,992
	17,11,81,223	4,27,26,992
[1] *Includes dues from fellow subsidiaries (Refer to Note 2.16)*	11,54,21,824	–

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer from the invoice date, as at the Balance Sheet date. The Company pursues the recovery of the dues, in part or full.

2.10. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2013	2012
Cash on hand	2,811	9,516
Balances with banks		
In current and deposit accounts	5,51,18,536	75,10,504
	5,51,21,347	75,20,020

The deposits maintained by the Company with banks and financial institutions comprise of time deposits, which can be withdrawn by the Company at any point without prior notice or penalty on the principal.

The details of balances as at Balance Sheet dates with banks are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
In current accounts		
HSBC Bank Brasil S.A.	5,51,18,536	75,10,504
Total cash and cash equivalents as per Balance Sheet	5,51,21,347	75,20,020

2.11. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Others		
Prepaid expenses	–	2,00,07,238
Withholding and other taxes receivable	2,91,86,849	1,46,40,571
Others	1,56,78,650	43,39,274
	4,48,65,499	3,89,87,083
Unbilled revenues[1]	22,29,45,063	11,00,49,188
Salary advances	24,63,073	–
Rental deposits	32,28,205	11,26,345
	27,35,01,840	15,01,62,616
[1] *Includes dues from fellow subsidiaries (Refer to Note 2.16)*	6,59,49,029	–

2.12. Other income

in ₹

Particulars	Year ended December 31,	
	2013	2012
Miscellaneous income, net	47,650	–
Gains / (losses) on foreign currency, net	(14,94,38,891)	(1,91,81,877)
	(14,93,91,241)	(1,91,81,877)

2.13. Expenses

in ₹

Particulars	Year ended December 31,	
	2013	2012
Employee benefit expenses		
Salaries and bonus	63,91,57,464	22,82,30,993
Staff welfare	17,00,399	13,05,093
	64,08,57,863	22,95,36,086
Cost of technical sub-contractors		
Technical sub-contractors – subsidiaries	72,64,971	–
Technical sub-contractors – others	16,24,37,387	1,08,193,172
	16,97,02,358	1,08,193,172
Travel expenses		
Travelling and conveyance	10,27,96,449	36,206,029
	10,27,96,449	36,206,029
Cost of software packages and others		
For own use	–	(3,20,968)
		(3,20,968)
Communication expenses		
Telephone charges	40,67,380	19,74,128
	40,67,380	19,74,128

in ₹

Particulars	Year ended December 31,	
	2013	2012
Other expenses		
Office maintenance	27,04,167	1,15,526
Power and fuel	3,98,808	2,92,289
Brand building	21,14,848	6,67,948
Rent	1,22,64,465	34,97,910
Computer maintenance	1,71,184	–
Insurance charges	–	(1,31,736)
Marketing expenses	3,34,993	7,49,044
Postage and courier	2,95,885	1,98,987
Books and periodicals	–	22,761
Auditor's remuneration		
Statutory audit fees	–	–
Bank charges	18,81,789	2,06,628
Donations	2,53,260	–
Miscellaneous expenses	4,72,27,907	2,17,80,035
	6,76,47,306	2,73,99,392

2.14. Tax expense

in ₹

Particulars	Year ended December 31,	
	2013	2012
Current tax		
Income taxes	17,07,456	4,05,343
Deferred taxes	(19,51,00,757)	(3,93,31,090)
	(19,33,93,301)	(3,89,25,747)

2.15. Quantitative details

The Company is primarily engaged in the business of consultancy services. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5 (viii)(c) of general instructions for preparation of the Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.16. Related party transactions

List of related parties:

Name of Holding Company	Country	Holding as at December 31,	
		2013	2012
Lodestone Holding AG	Switzerland	99.99%	99.99%

Name of Ultimate Holding Company	Country
Infosys Limited [1]	India

[1] *Holding of Lodestone Holding AG from October 22, 2012*

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Brasil	Brazil
Infosys Public Services, Inc.	U.S.
Infosys Consulting India Limited [1]	India
Infosys Americas [2]	U.S.
Infosys BPO s. r. o [3]	Czech Republic
Infosys BPO (Poland) Sp. z o.o. [3]	Poland
Infosys McCamish Systems LLC (Formerly known as McCamish Systems LLC) [3]	U.S.
Portland Group Pty. Ltd. [3][4]	Australia
Portland Procurement Services Pty. Ltd [10]	Australia
Infosys Australia [5]	Australia
Lodestone Holding AG [6]	Switzerland
Lodestone Management Consultants (Canada) Inc. [7][13]	Canada
Lodestone Management Consultants Inc. [7]	U.S.
Lodestone Management Consultants Pty. Limited [7]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [7][8]	Thailand
Lodestone Management Consultants AG [7]	Switzerland
Lodestone Augmentis AG [12]	Switzerland
Hafner Bauer & Ödman GmbH [7]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [9]	Belgium
Lodestone Management Consultants GmbH [7]	Germany
Lodestone Management Consultants Pte Ltd. [7]	Singapore
Lodestone Management Consultants SAS [7]	France
Lodestone Management Consultants s.r.o. [7]	Czech Republic
Lodestone Management Consultants GmbH [7]	Austria
Lodestone Management Consultants China Co., Ltd. [7]	China
Lodestone Management Consultants Ltd. [7]	U.K.
Lodestone Management Consultants B.V. [7]	Netherlands
Lodestone Management Consultants sp. z o.o. [7]	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. [7]	Portugal
S.C. Lodestone Management Consultants S.R.L. [7]	Romania
Lodestone Management Consultants S.R.L. [7][11]	Argentina

[1] *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012*
[2] *Incorporated effective June 25, 2013*
[3] *Wholly-owned subsidiaries of Infosys BPO.*
[4] *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd.*
[5] *Under liquidation*
[6] *On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG*
[7] *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
[8] *Liquidated effective February 14, 2013*
[9] *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
[10] *Wholly-owned subsidiary of Portland Group Pty. Ltd.*
[11] *Incorporated effective January 10, 2013*
[12] *Wholly-owned subsidiary of Lodestone Management Consultants AG*
[13] *Liquidated effective December 31, 2013*

The details of amounts due to or due from as at December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
Loans		
Lodestone Holding AG	1,06,33,50,910	27,62,91,334
Trade receivables		
Infosys Technologia do Brasil Ltda	11,54,21,824	-
Unbilled revenues		
Infosys Technologia do Brasil Ltda	6,59,49,029	-
Trade payables		
Lodestone Management Consultants AG	38,72,743	-

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Capital transactions		
Revenue transactions		
Purchase of services		
Lodestone Management Consultants AG	25,65,963	–
Interest expenses		
Lodestone Holding AG	2,41,55,647	–
Lodestone Management Consultants AG	93,53,382	78,80,823
Sale of services		
Infosys Tecnologia do Brasil Ltda.	24,58,61,305	–
Lodestone Management Consultants AG	18,99,999	–
Lodestone Management Consultants (Belgium) S.A.	8,04,780	–
Lodestone Management Consultants Ltd.	(2,31,406)	–

2.17. Segment reporting

The Company is engaged in providing consultancy services in a single geography. Its operations are therefore considered to constitute a single segment in the context of Accounting Standard 17 Segment Reporting.

2.18. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from consultancy services	63,16,76,816	30,93,35,289
Software development expenses	88,12,66,935	35,88,35,818
GROSS PROFIT	(24,95,90,119)	(4,95,00,529)
Selling and marketing expenses	22,85,760	14,16,992
General and administration expenses	11,96,01,643	4,78,49,245
	12,18,87,403	4,92,66,237
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	(37,14,77,522)	(9,87,66,766)
Interest Expense	4,00,94,093	78,80,823
Depreciation and amortization	62,28,258	43,72,412
OPERATING PROFIT	(41,77,99,873)	(11,10,20,001)
Other income	(14,93,91,241)	(1,91,81,877)
PROFIT BEFORE TAX	(56,71,91,114)	(13,02,01,878)
Tax expense		
Current tax	17,07,456	4,05,343
Deferred tax	(19,51,00,757)	(3,93,31,090)
PROFIT FOR THE PERIOD	(37,37,97,813)	(9,12,76,131)

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number: 006673S

M. Rathnakar Kamath
Partner
Membership Number: 202841

Claudio Elsas
Partner

Bangalore
January 7, 2014

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Lodestone Management Consultants Portugal, Unipessoal, Lda.

Independent Auditors' Report

To the Members of Lodestone Management Consultants Portugal, Unipessoal, Lda.

Report on the Financial Statements

We have audited the accompanying financial statement of Lodestone Management Consultants Portugal, Unipessoal, Lda. ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bangalore
January 7, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31,	
		2013	2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	4,86,00,885	4,86,00,885
Reserves and surplus	2.2	(4,10,97,377)	(3,53,95,395)
		75,03,508	1,32,05,490
CURRENT LIABILITIES			
Trade payables	2.4	87,27,874	5,95,561
Other current liabilities	2.5	1,78,04,355	1,67,94,190
Short-term provisions	2.6	1,01,70,228	1,75,199
		3,67,02,457	1,75,64,950
		4,42,05,965	3,07,70,440
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	42,151	2,87,864
Deferred tax assets (net)	2.3	1,87,52,944	99,46,504
		1,87,95,095	1,02,34,368
CURRENT ASSETS			
Trade receivables	2.8	2,08,21,963	1,34,69,070
Cash and cash equivalents	2.9	17,79,113	60,87,424
Short-term loans and advances	2.10	28,09,794	9,79,578
		2,54,10,870	2,05,36,072
		4,42,05,965	3,07,70,440
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ralph Bäumle
Director

Bangalore
January 7, 2014

Statement of Profit and Loss

in ₹, except per share data

Particulars	Note	Year ended December 31,	
		2013	2012
Income from consultancy services		24,47,23,026	15,68,80,694
Other income	2.11	–	(69,334)
Total revenue		24,47,23,026	15,68,11,360
Expenses			
Employee benefit expenses	2.12	16,59,22,712	11,31,55,349
Travel expenses	2.12	8,70,62,279	6,35,92,568
Professional charges		10,37,117	9,13,064
Depreciation and amortization expenses		2,72,527	2,70,392
Other expenses	2.12	3,14,770	1,46,876
Total expenses		25,46,09,405	17,80,78,249
PROFIT BEFORE TAX		(98,86,379)	(2,12,66,889)
Tax expense			
Current tax	2.13	–	–
Deferred tax	2.13	(24,70,483)	(53,14,648)
PROFIT FOR THE PERIOD		(74,15,896)	(1,59,52,241)
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath

Chartered Accountants

Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ralph Bäumle
Director

Bangalore
January 7, 2014

Cash Flow Statement

in ₹

Particulars	Year ended December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	(98,86,379)	(2,12,66,889)
Adjustments to reconcile Profit Before Tax to cash provided by operating activities		
Depreciation and amortization expense	2,72,527	2,70,392
Effect of exchange differences on translation of assets and liabilities	16,87,100	9,61,837
Changes in assets and liabilities		
Trade receivables	(73,52,893)	2,91,35,437
Loans and advances and other assets	(18,30,216)	13,76,174
Liabilities and provisions	1,53,77,528	(6,10,19,696)
	(17,32,333)	(5,05,42,745)
Income taxes paid	(25,75,978)	(4,81,869)
NET CASH GENERATED BY OPERATING ACTIVITIES	(43,08,311)	(5,10,24,614)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment towards capital expenditure (including intangible assets)	–	(44,752)
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	–	(44,752)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution by parent	–	4,81,56,810
NET CASH USED IN FINANCING ACTIVITIES	–	4,81,56,810
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(43,08,311)	(29,12,556)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	60,87,424	89,99,980
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	17,79,113	60,87,424

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ralph Bäumle
Director

Bangalore
January 7, 2014

Significant accounting policies and notes on accounts

Company overview

Lodestone Management Consultants Portugal, Unipessoal, Lda. is a wholly-owned subsidiary of Lodestone Holding AG, Kloten (Switzerland). The Company renders professional management consulting services, thereby enabling its clients to enhance their business performance.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous year figures

The previous year's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates may include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee benefit plans, income taxes, post-sales customer support, and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

The method for recognizing revenues and cost depends on the nature of the services rendered and on the substance of the contractual agreement. Revenues and costs generated under time-and-material contracts are recognized as services are rendered.

An expected project loss is recognized as an expense immediately.

Revenue comprises the invoiced value for the services and expense reimbursements, net of value added tax, rebates, and discounts.

1.7. Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by the best estimate of the outflow of economic benefits required to settle the obligation at the reporting date. Where no reliable estimate can be made, a disclosure is made as contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

1.8. Onerous contracts

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

1.9. Tangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises the cost of fixed assets that are not yet ready for their intended use at the reporting date.

1.10. Depreciation and amortization

Depreciation is calculated using the straight-line method based on the estimated useful lives. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use.

1.11. Impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and recognized as an expense in the income statement.

1.12. Benefits to employees

The Company operates various pension schemes, subject to specific local regulations. Contributions to pension plans are charged to the income statement in the period to which they relate, together with other personnel expenses.

1.13. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.14. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date.

1.15. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.16. Cash flow statement

Cash flows are reported using the indirect method, whereby Profit Before Tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

1.17. Leases

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease in which significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Statement of Profit and Loss over the lease term.

2. Notes on accounts for the year ended December 31, 2013

The previous period figures have been regrouped / reclassified, wherever necessary to conform to the current period presentation.

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at December 31,	
	2013	2012
Authorized capital		
EUR 700,000	4,86,00,885	4,86,00,885
Issued, subscribed and paid-up		
EUR 700,000	4,86,00,885	4,86,00,885
	4,86,00,885	4,86,00,885

2.2. Reserves and surplus

in ₹

Particulars	As at December 31,	
	2013	2012
Foreign currency translation reserve – opening balance	(67,318)	(10,03,893)
Add: Foreign currency translation during the year	17,13,914	9,36,575
Foreign currency translation reserve – closing balance	16,46,596	(67,318)
Surplus – opening balance	(3,53,28,077)	(1,93,75,836)
Add: Net profit after tax transferred from Statement of Profit and Loss	(74,15,896)	(1,59,52,241)
Surplus – closing balance	(4,27,43,973)	(3,53,28,077)
	(4,10,97,377)	(3,53,95,395)

2.3. Deferred taxes

in ₹

Particulars	As at December 31,	
	2013	2012
Deferred tax assets		
Accumulated losses	1,87,52,944	99,46,504
	1,87,52,944	99,46,504

2.4. Trade payables [1]

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Trade payables	87,27,874	5,95,561
	87,27,874	5,95,561
[1] *Includes dues to holding company & fellow subsidiaries (Refer to Note 2.15)*	86,12,734	4,97,462

2.5. Other current liabilities

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Accrued salaries and benefits		
Bonus and incentives	70,68,636	79,86,363
Salary payable	35,73,932	23,13,872
Other liabilities		
Provision for expenses	83,860	16,59,567
Withholding and other taxes payable	70,77,927	48,34,388
	1,78,04,355	1,67,94,190

2.6. Short-term provisions

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Provision for employee benefits		
Unavailed leave	1,01,70,228	39,35,178
Provision for income taxes	–	(37,59,979)
	1,01,70,228	1,75,199

2.7. Fixed assets

in ₹, except as otherwise stated

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at January 1, 2013	Additions / acquisitions during year	Deductions / Adjustments during year	As at December 31, 2013	As at January 1, 2013	For the year	Deductions / Adjustments during year	As at December 31, 2013	As at December 31, 2013	As at December 31, 2012
Tangible assets										
Computer equipment	8,43,362	–	1,46,509	9,89,871	5,55,498	2,72,527	(1,19,695)	9,47,720	42,151	2,87,864
Total	8,43,362	–	1,46,509	9,89,871	5,55,498	2,72,527	(1,19,695)	9,47,720	42,151	2,87,864
Previous year	7,98,610	44,752	–	8,43,362	2,59,844	2,70,392	(25,262)	5,55,498	2,87,864	

2.8. Trade receivables [1]

in ₹

Particulars	As at December 31,	
	2013	2012
Other debts		
Considered good	2,08,21,963	1,34,69,070
	2,08,21,963	1,34,69,070
[1] *Includes dues from holding company and fellow subsidiaries (Refer to Note 2.15)*	2,08,21,963	1,34,69,070

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, and general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer from the invoice date, as at the Balance Sheet date. The Company pursues the recovery of the dues, in part or full.

2.9. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2013	2012
Balances with banks		
In current and deposit accounts	17,79,113	60,87,424
	17,79,113	60,87,424

The details of balances as on Balance Sheet date with banks are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
In current accounts		
Santander Totta	17,79,113	60,87,424
Total cash and cash equivalents as per Balance Sheet	17,79,113	60,87,424

2.10. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Others		
Prepaid expenses	15,35,743	6,70,505
Withholding and other taxes receivable	8,31,531	3,09,073
	23,67,274	9,79,578
Unbilled revenues	4,42,520	–
	28,09,794	9,79,578

2.11. Other income

in ₹

Particulars	Year ended December 31,	
	2013	2012
Miscellaneous income, net	–	23,537
Gains / (losses) on foreign currency, net	–	(92,871)
	–	(69,334)

2.12. Expenses

in ₹

Particulars	Year ended December 31,	
	2013	2012
Employee benefit expenses		
Salaries and bonus	16,32,82,910	11,31,16,066
Staff welfare	26,39,802	39,283
	16,59,22,712	11,31,55,349
Travel expenses		
Travelling and conveyance	8,70,62,279	6,35,92,568
	8,70,62,279	6,35,92,568
Other expenses		
Bank charges	3,14,770	1,46,876
	3,14,770	1,46,876

2.13. Tax expense

in ₹

Particulars	Year ended December 31,	
	2013	2012
Current tax	–	–
Deferred taxes	(24,70,483)	(53,14,648)
	(24,70,483)	(53,14,648)

2.14. Quantitative details

The Company is primarily engaged in the business of consultancy services. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5 (viii)(c) of general instructions for preparation of the Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.15. Related party transactions

List of related parties:

Name of Holding Company	Country	Holding as at December 31,	
		2013	2012
Lodestone Holding AG	Switzerland	100%	100%

Name of Ultimate Holding Company	Country
Infosys Limited [1]	India

[1] *Holding of Lodestone Holding AG from October 22, 2012*

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Shanghai	China
Infosys Brasil	Brazil
Infosys Public Services, Inc.	U.S.
Infosys Consulting India Limited [1]	India
Infosys Americas [2]	U.S.
Infosys BPO s. r. o [3]	Czech Republic
Infosys BPO (Poland) Sp. z o.o. [3]	Poland
Infosys McCamish Systems LLC (Formerly known as McCamish Systems LLC) [3]	U.S.
Portland Group Pty. Ltd [3][4]	Australia
Portland Procurement Services Pty. Ltd [10]	Australia
Infosys Australia [5]	Australia

Name of fellow subsidiaries	Country
Lodestone Management Consultants (Canada) Inc. (7)(13)	Canada
Lodestone Management Consultants Inc. (7)	U.S.
Lodestone Management Consultants Pty. Limited (7)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (7)(8)	Thailand
Lodestone Management Consultants AG (7)	Switzerland
Lodestone Augmentis AG (12)	Switzerland
Hafner Bauer & Ödman GmbH (7)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (9)	Belgium
Lodestone Management Consultants GmbH (7)	Germany
Lodestone Management Consultants Pte Ltd. (7)	Singapore
Lodestone Management Consultants SAS (7)	France
Lodestone Management Consultants s.r.o. (7)	Czech Republic
Lodestone Management Consultants GmbH (7)	Austria
Lodestone Management Consultants China Co., Ltd. (7)	China
Lodestone Management Consultants Ltd. (7)	U.K.
Lodestone Management Consultants B.V. (7)	Netherlands
Lodestone Management Consultants Ltda. (9)	Brazil
Lodestone Management Consultants sp. z o.o. (7)	Poland
S.C. Lodestone Management Consultants S.R.L. (7)	Romania
Lodestone Management Consultants S.R.L. (7)(11)	Argentina

(1) *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012.*
(2) *Incorporated effective June 25, 2013*
(3) *Wholly-owned subsidiaries of Infosys BPO.*
(4) *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*
(5) *Under liquidation*
(6) *On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG*
(7) *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(8) *Liquidated effective February 14, 2013*
(9) *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(10) *Wholly-owned subsidiary of Portland Group Pty. Ltd.*
(11) *Incorporated effective January 10, 2013*
(12) *Wholly-owned subsidiary of Lodestone Management Consultants AG*
(13) *Liquidated effective December 31, 2013*

The details of amounts due to or due from as at December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
Trade Receivables		
Lodestone Management Consultants AG	1,35,62,365	45,72,649
Lodestone Management Consultants GmbH, Germany	34,54,481	47,45,372
Lodestone Management Consultants Ltd.	38,05,117	41,51,049
Trade Payables		
Lodestone Management Consultants sp. z o.o.	4,18,480	4,97,462
Lodestone Management Consultants AG	81,94,254	–

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows:

Particulars	Year ended December 31,	
	2013	2012
Capital transactions		
Lodestone Holding AG	–	4,81,56,810
Revenue transactions		
Sale of services		
Lodestone Management Consultants AG	15,68,37,865	8,32,92,271
Lodestone Management Consultants GmbH	5,61,86,619	5,59,58,342
Lodestone Management Consultants Ltd.	2,73,25,461	1,62,78,066
Lodestone Management Consultants Inc.	32,23,489	13,52,015
Lodestone Management Consultants sp. z o.o.	(2,120)	–
Lodestone Management Consultants (Belgium) S.A.	7,10,024	–

2.16. Segment reporting

The Company is engaged in providing consultancy services in a single geography. Its operations are therefore considered to constitute a single segment in the context of Accounting Standard 17 Segment Reporting.

2.17. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from consultancy services	24,47,23,026	15,68,80,694
Software development expenses	25,31,66,062	17,61,62,443
GROSS PROFIT	(84,43,036)	(1,92,81,749)
Selling and marketing expenses	(2,90,354)	–
General and administration expenses	14,61,170	16,45,414
	11,70,816	16,45,414
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	(96,13,852)	(2,09,27,163)
Interest expense	–	–
Depreciation and amortization	2,72,527	2,70,392
OPERATING PROFIT	(98,86,379)	(2,11,97,555)
Other income	–	(69,334)
PROFIT BEFORE TAX	(98,86,379)	(2,12,66,889)
Tax expense		
Current tax	–	–
Deferred tax	(24,70,483)	(53,14,648)
PROFIT FOR THE PERIOD	(74,15,896)	(1,59,52,241)

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Ralph Bäumle
Director

Bangalore
January 7, 2014

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Lodestone Management Consultants Pte Ltd.

Independent Auditors' Report

To the Members of Lodestone Management Consultants Pte Ltd.

Report on the Financial Statements

We have audited the accompanying financial statement of Lodestone Management Consultants Pte Ltd. ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Profit for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bangalore
January 7, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31, 2013	As at December 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	34,44,208	34,44,208
Reserves and surplus	2.2	(21,99,33,229)	(20,65,54,929)
		(21,64,89,021)	(20,31,10,721)
CURRENT LIABILITIES			
Short-term borrowings	2.4	33,72,87,632	28,73,87,851
Trade payables	2.5	1,53,28,621	2,15,52,265
Other current liabilities	2.6	28,95,85,111	2,71,10,283
Short-term provisions	2.7	45,45,091	19,94,486
		64,67,46,455	33,80,44,885
		43,02,57,434	13,49,34,164
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.8	5,67,112	17,14,239
		5,67,112	17,14,239
Deferred tax assets	2.3	3,34,04,235	3,07,73,651
Long-term loans and advances	2.10	24,93,558	12,46,778
		3,64,64,905	3,37,34,668
CURRENT ASSETS			
Trade receivables	2.11	31,35,50,612	1,91,70,870
Cash and cash equivalents	2.12	1,43,08,990	1,21,42,483
Short-term loans and advances	2.13	6,59,32,927	6,98,86,143
		39,37,92,529	10,11,99,496
		43,02,57,434	13,49,34,164
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Peter Ödman
Director

Stephen Wise
Director

Bangalore
January 7, 2014

Statement of Profit and Loss

in ₹, except per share data

Particulars	Note	Year ended December 31,	
		2013	2012
Income from consultancy services		36,96,58,831	17,69,46,953
Other income	2.14	73,23,844	5,00,97,797
Total revenue		37,69,82,675	22,70,44,750
Expenses			
Employee benefit expenses	2.15	24,26,13,389	17,35,81,034
Cost of technical sub-contractors		8,27,01,862	4,86,32,373
Travel expenses	2.15	1,82,16,009	2,95,99,525
Cost of software packages and others	2.15	–	(27,944)
Communication expenses	2.15	36,89,288	27,13,574
Professional charges		1,09,63,343	22,05,797
Interest expenses		59,04,638	56,24,101
Depreciation and amortization expenses	2.8	14,87,561	15,26,321
Other expenses	2.15	59,01,414	1,31,08,685
Total expenses		37,14,77,504	27,69,63,466
PROFIT BEFORE TAX		55,05,171	(4,99,18,716)
Tax expense			
Deferred tax	2.16	14,90,471	(84,88,476)
PROFIT FOR THE YEAR		40,14,700	(4,14,30,240)
EARNINGS PER EQUITY SHARE			
Equity shares of par value SGD 1 each			
Basic		40	(414)
Number of shares used in computing earnings per share	2.19		
Basic		1,00,000	1,00,000
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath	Peter Ödman	Stephen Wise
Partner	*Director*	*Director*
Membership Number : 202841		

Bangalore
January 7, 2014

Cash Flow Statement

in ₹

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	55,05,171	(4,99,18,716)
Adjustments to reconcile Profit Before Tax to cash provided by operating activities		
Depreciation and amortization expense	14,87,561	15,26,321
Loss / (Profit) of sale of tangible assets	(2,45,223)	–
Interest and dividend income	(15,309)	(7,308)
Effect of exchange differences on translation of assets and liabilities	(1,74,12,509)	(1,26,65,202)
Changes in assets and liabilities		
Trade receivables	(29,43,79,742)	5,06,04,443
Loans and advances and other assets	28,09,114	(6,52,27,508)
Liabilities and provisions	25,79,85,799	(7,54,51,473)
	(4,42,65,138)	(15,11,39,443)
Income taxes paid	(34,07,743)	(26,35,947)
NET CASH USED IN OPERATING ACTIVITIES	(4,76,72,881)	(15,37,75,390)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment towards capital expenditure	(5,26,027)	(49,10,741)
Proceeds from sale of fixed assets	4,50,325	–
Sale of Investments in fellow subsidiaries	–	20,41,057
Interest and dividend received	15,309	7,308
NET CASH USED IN INVESTING ACTIVITIES	(60,393)	(28,62,376)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings taken over from fellow subsidiaries	4,98,99,781	16,39,00,795
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,98,99,781	16,39,00,795
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	21,66,507	72,63,029
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,21,42,483	48,79,454
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,43,08,990	1,21,42,483

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Peter Ödman
Director

Stephen Wise
Director

Bangalore
January 7, 2014

Significant accounting policies and notes on accounts

Company overview

Lodestone Management Consultants Pte Ltd. is a wholly-owned subsidiary of Lodestone Holding AG, Kloten (Switzerland). The Company renders professional management consulting services, thereby enabling its clients to enhance business performance.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous year figures

The previous year's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates may include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

The method for recognizing revenues and cost depends on the nature of the services rendered and on the substance of the contractual agreement. Revenues and costs generated under time-and-material contracts are recognized as services are rendered.

An expected project loss is recognized as an expense immediately.

Revenue comprises the invoiced value for the services and expense reimbursements, net of value added tax, rebates and discounts.

1.7. Tangible assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

1.8. Depreciation and amortization

Depreciation is calculated using the straight-line method based on the estimated useful lives. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use.

The Management estimates the useful lives for the other fixed assets as follows :

Buildings	15 years
Plant and machinery	5 years
Office equipment	5 years
Computer equipment	2-5 years
Furniture and fixtures	5 years
Vehicles	5 years

1.9. Impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and recognized as an expense in the income statement.

1.10. Benefits to employees

The Company operates various pension schemes, subject to specific local regulations. Contributions to pension plans are charged to the income statement in the period to which they relate, together with other personnel expenses.

1.11. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.12. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

1.13. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.14. Leases

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease in which significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Statement of Profit and Loss over the lease term.

1.15. Earnings per share

Basic earnings per share is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the period.

2. Notes on accounts for the year ended December 31, 2013

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at December 31,	
	2013	2012
Authorized		
Equity shares, SGD 1 par value		
1,00,000 (1,00,000) equity shares	34,44,208	34,44,208
Issued, subscribed and paid-up		
1,00,000 (1,00,000) equity shares of SGD 1 par value	34,44,208	34,44,208
	34,44,208	34,44,208

2.2. Reserves and surplus

in ₹

Particulars	As at December 31,	
	2013	2012
Foreign currency translation reserve – opening balance	(2,93,05,621)	(1,56,61,280)
Add: Foreign currency translation during the year	(1,73,93,000)	(1,36,44,341)
Foreign currency translation reserve – closing balance	(4,66,98,621)	(2,93,05,621)
Surplus – opening balance	(17,72,49,308)	(13,25,12,825)
Add: Net profit after tax transferred from Statement of Profit and Loss	40,14,700	(4,14,30,240)
Add: Received from Lodestone Augmentis Ltd.	–	(33,06,243)
Surplus – closing balance	(17,32,34,608)	(17,72,49,308)
	(21,99,33,229)	(20,65,54,929)

2.3. Deferred taxes

in ₹

Particulars	As at December 31,	
	2013	2012
Deferred tax assets		
Accumulated losses	3,34,04,235	3,07,73,651
	3,34,04,235	3,07,73,651

2.4. Short-term borrowings

in ₹

Particulars	As at December 31,	
	2013	2012
From related parties – Unsecured (1)	33,72,87,632	28,73,87,851
	33,72,87,632	28,73,87,851
(1) Includes dues to holding company (Refer to Note 2.17)	33,72,87,632	28,73,87,851

2.5. Trade payables

in ₹

Particulars	As at December 31,	
	2013	2012
Trade payables (1)	1,53,28,621	2,15,52,265
	1,53,28,621	2,15,52,265
(1) Includes dues to fellow subsidiaries (Refer to Note 2.17)	1,51,17,596	1,85,95,840

2.6. Other current liabilities

in ₹

Particulars	As at December 31,	
	2013	2012
Accrued salaries and benefits		
Salaries and benefits	81,424	(45,003)
Bonus and incentives	1,26,79,103	1,20,68,831
Other liabilities		
Provision for expenses (1)	60,42,215	49,76,895
Withholding and other taxes payable	2,66,45,002	89,86,568
Advances received from clients (2)	24,33,23,967	–
Unearned revenue	8,13,400	7,20,032
Other payables	–	4,02,960
	28,95,85,111	2,71,10,283
(1) Includes dues to holding company and fellow subsidiaries (Refer to Note 2.17)	11,91,969	–
(2) Includes advance received from fellow subsidiaries (Refer to Note 2.17)	24,33,23,967	–

2.7. Short-term provisions

in ₹

Particulars	As at December 31,	
	2013	2012
Provision for employee benefits		
Unavailed leave	37,14,868	19,94,486
Provision for		
Income taxes	8,15,990	–
Post-sales client support and warranties and other provisions	14,233	–
	45,45,091	19,94,486

Provision for post-sales client support and warranties and other provisions

The movement in the provision for post-sales client support and warranties and other provisions is as follows :

in ₹

Particulars	Year ended December 31,	
	2013	2012
Balance at the beginning	-	
Provision recognized / (reversal)	11,120	-
Exchange difference during the period	3,113	-
Balance at the end	14,233	-

Provision for post-sales client support and warranties and other provisions is expected to be utilized over a period of six months to one year.

2.8. Fixed assets

in ₹

Particulars	Original cost					Depreciation and amortization					Net book value	
	As at January 1, 2013	Additions / acquisitions during the year	Deductions / retirement during the year	Foreign exchange difference	As at December 31, 2013	As at January 1, 2013	For the year	Deductions / adjustments during the year	Foreign exchange difference	As at December 31, 2013	As at December 31, 2013	As at December 31, 2012
Tangible assets												
Office equipment	5,60,476	–	3,05,415	35,409	2,90,470	4,81,048	58,692	3,05,415	32,589	2,66,914	23,556	79,428
IT equipment	69,25,583	5,26,027	–	6,13,542	80,65,152	54,97,806	14,18,855	–	6,04,935	75,21,596	5,43,556	14,27,777
Furniture and fixtures	3,67,521	–	3,83,251	15,730	–	1,60,487	10,014	1,78,149	7,648	–	–	2,07,034
Leasehold improvements	33,80,738	–	36,69,729	2,88,991	–	33,80,738	–	36,69,729	2,88,991	–	–	–
	1,12,34,318	5,26,027	43,58,395	9,53,672	83,55,622	95,20,079	14,87,561	41,53,293	9,34,163	77,88,510	5,67,112	17,14,239
Intangible assets												
IT software	4,50,931	–	–	38,546	4,89,477	4,50,931	–	–	38,546	4,89,477	–	–
	4,50,931	–	–	38,546	4,89,477	4,50,931	–	–	38,546	4,89,477	–	–
Total	1,16,85,249	5,26,027	43,58,395	9,92,218	88,45,099	99,71,010	14,87,561	41,53,293	9,72,709	82,77,987	5,67,112	17,14,239
Previous year	67,74,981	49,10,741	–	(473)	1,16,85,249	41,59,780	15,26,321	–	42,84,909	99,71,010	17,14,239	

2.9. Leases

Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the year and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Lease rentals recognized during the year	12,62,067	60,87,979

in ₹

Lease obligations payable	As at December 31,	
	2013	2012
Within one year of the Balance Sheet date	–	12,44,195
Due in a period between one year and five years	–	–
Due after five years	–	–

The operating lease arrangements, are renewable on a periodic basis and for most of the leases extend up to a maximum of ten years from their respective dates of inception and relate to rented premises. Some of these lease agreements have price escalation clauses.

2.10. Long-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Other loans and advances		
Advance income taxes	(62,838)	(1,65,516)
Loans and advances to employees	25,56,396	14,12,294
	24,93,558	12,46,778

2.11. Trade receivables [(1)]

in ₹

Particulars	As at December 31,	
	2013	2012
Other debts		
Unsecured		
Considered good [(1)]	31,35,50,612	1,91,70,870
	31,35,50,612	1,91,70,870
[(1)] *Includes dues from ultimate holding company and fellow subsidiaries (Refer to Note 2.17)*	30,96,05,557	80,16,084

2.12. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2013	2012
Cash on hand	26,549	48,968
Balances with banks		
In current accounts	1,42,82,441	1,20,93,515
	1,43,08,990	1,21,42,483

The details of balances as on Balance Sheet dates with banks are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
In current accounts		
Citibank (SGD)	1,42,00,398	1,20,77,824
Citibank (USD)	82,043	15,691
Total cash and cash equivalents as per Balance Sheet	1,42,82,441	1,20,93,515

2.13. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	11,59,359	5,72,171
Withholding and other taxes receivable	–	6,74,756
Others	6,29,96,146	5,80,35,197
	6,41,55,505	5,92,82,124
Unbilled revenues	14,11,047	94,17,453
Salary advances	3,66,375	–
Rental deposits	–	11,86,566
	6,59,32,927	6,98,86,143

2.14. Other income

in ₹

Particulars	Year ended December 31,	
	2013	2012
Interest received on deposits with banks and others	15,309	7,308
Miscellaneous income, net	68,81,142	4,85,50,805
Gains / (losses) on foreign currency, net	4,27,393	15,39,684
	73,23,844	5,00,97,797

2.15. Expenses

in ₹

Particulars	Year ended December 31,	
	2013	2012
Employee benefit expenses		
Salaries and bonus	23,98,45,858	17,28,67,114
Staff welfare	27,67,531	7,13,920
	24,26,13,389	17,35,81,034
Travel expenses		
Travelling and conveyance	1,82,16,009	2,95,99,525
	1,82,16,009	2,95,99,525
Cost of software packages and others		
For own use	–	(27,944)
	–	(27,944)
Communication expenses		
Telephone charges	36,89,288	27,13,574
	36,89,288	27,13,574

in ₹

Particulars	Year ended December 31,	
	2013	2012
Other expenses		
Office maintenance	2,93,325	8,02,537
Brand building	93,641	4,62,723
Rent	12,62,067	60,87,979
Rates and taxes, excluding taxes on income	–	1,06,283
Repairs to plant and machinery	54,749	53,694
Computer maintenance	60,103	–
Insurance charges	2,40,349	19,97,652
Marketing expenses	19,50,383	13,10,285
Printing and stationery	49,675	1,10,985
Professional membership and seminar participation fees	40,485	96,794
Postage and courier	81,749	1,66,412

Particulars	Year ended December 31,	
	2013	2012
Provision for post-sales client support and warranties	11,120	–
Books and periodicals	41,550	19,646
Statutory audit fees	10,22,588	14,99,951
Bank charges	2,84,142	3,72,396
Miscellaneous expenses	4,15,488	21,348
	59,01,414	1,31,08,685

2.16. Tax expense

in ₹

Particulars	Year ended December 31,	
	2013	2012
Current tax		
Deferred taxes	14,90,471	(84,88,476)
	14,90,471	(84,88,476)

2.17. Related party transactions

List of related parties:

Name of the Holding Company	Country	Holding as at December 31,	
		2013	2012
Lodestone Holding AG	Switzerland	100%	100%

Name of Ultimate Holding Company	Country
Infosys Limited	India

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Shanghai	China
Infosys Brasil	Brazil
Infosys Public Services, Inc.	U.S.
Infosys Consulting India Limited (1)	India
Infosys Americas (2)	U.S.
Infosys BPO s. r. o (3)	Czech Republic
Infosys BPO (Poland) Sp. z o.o. (3)	Poland
Infosys McCamish Systems LLC (formerly known as McCamish Systems LLC) (3)	U.S.
Portland Group Pty. Ltd (3)(4)	Australia
Portland Procurement Services Pty. Ltd (10)	Australia
Infosys Australia (5)	Australia
Lodestone Management Consultants (Canada) Inc. (6)(12)	Canada
Lodestone Management Consultants Inc. (6)	U.S.
Lodestone Management Consultants Pty. Limited (6)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (6)(7)	Thailand
Lodestone Management Consultants AG (6)	Switzerland
Lodestone Augmentis AG (11)	Switzerland
Hafner Bauer & Ödman GmbH (6)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (8)	Belgium
Lodestone Management Consultants GmbH (6)	Germany
Lodestone Management Consultants Pte Ltd. (6)	Singapore
Lodestone Management Consultants SAS (6)	France
Lodestone Management Consultants s.r.o. (6)	Czech Republic
Lodestone Management Consultants GmbH (6)	Austria
Lodestone Management Consultants China Co., Ltd. (6)	China
Lodestone Management Consultants Ltd. (6)	U.K.
Lodestone Management Consultants B.V. (6)	Netherlands
Lodestone Management Consultants Ltda. (8)	Brazil
Lodestone Management Consultants sp. z o.o. (6)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. (6)	Portugal
S.C. Lodestone Management Consultants S.R.L. (6)	Romania
Lodestone Management Consultants S.R.L. (6)(10)	Argentina

(1) *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012.*
(2) *Incorporated effective June 25, 2013*
(3) *Wholly-owned subsidiaries of Infosys BPO.*
(4) *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*
(5) *Under liquidation*
(6) *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(7) *Liquidated effective February 14, 2013*
(8) *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(9) *Wholly-owned subsidiary of Portland Group Pty. Ltd*
(10) *Incorporated effective January 10, 2013*
(11) *Wholly-owned subsidiary of Lodestone Management Consultants AG*
(12) *Liquidated effective December 31, 2013*

The details of amounts due to or due from as at December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
Short-term borrowings		
Lodestone Holding AG	33,72,87,632	28,87,50,295
FX valuation on above	–	(13,62,444)
Trade receivables		
Lodestone Management Consultants AG	8,17,460	1,36,592
Lodestone Management Consultants Pty. Limited	52,44,585	38,89,659
Lodestone Management Consultants GmbH, Germany	–	5,63,600
Lodestone Management Consultants Ltd.	–	24,10,747
Lodestone Management Consultants China Co., Ltd.	10,34,088	9,40,533
Infosys Limited	30,13,00,722	–
FX valuation on above	12,08,702	74,953
Trade payables		
Lodestone Management Consultants AG	–	95,123
Lodestone Management Consultants Pty. Limited	–	1,56,01,667
Lodestone Management Consultants sp. z o.o.	1,75,468	9,12,889
Lodestone Management Consultants Ltd.	1,47,22,168	–
Lodestone Management Consultants GmbH	–	11,19,065
Lodestone Management Consultants SAS	–	57,427
FX valuation on above	2,19,960	8,09,669
Provision for expense		
Infosys limited	11,91,969	–
Advance received		
Lodestone Management Consultants Ltd.	24,33,23,967	–

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Revenue transactions:		
Purchase of services		
Lodestone Management Consultants Pty. Limited	1,40,35,096	1,08,86,415
Lodestone Management Consultants sp. z o.o.	5,91,306	6,94,007
Lodestone Augmentis Ltd.	–	44,34,809
Lodestone Management Consultants Ltd.	5,16,97,959	–
Lodestone Management Consultants AG	–	14,62,597
Lodestone Management Consultants China Co., Ltd.	–	61,92,901
Lodestone Management Consultants GmbH	–	29,75,815
Lodestone Management Consultants SAS	–	48,389
Infosys Limited	11,96,361	–
Interest expense		
Lodestone Holding AG	59,04,027	56,10,983
Sale of services		
Lodestone Management Consultants Pty. Limited	65,79,570	4,35,04,435
Lodestone Management Consultants AG	82,03,365	1,43,00,528
Lodestone Management Consultants China Co., Ltd.	–	–
Lodestone Management Consultants GmbH	–	84,92,445
Lodestone Augmentis Ltd.	–	4,76,708
Lodestone Management Consultants (Asia Pacific) Limited	–	–
Lodestone Management Consultants Ltd.	4,13,94,685	1,13,53,006
Infosys Limited	27,28,21,717	–

2.18. Segment reporting

The Company is engaged in providing consultancy services in a single geography. Its operations are therefore considered to constitute a single segment in the context of Accounting Standard 17 Segment Reporting.

2.19. Reconciliation of basic and diluted shares used in computing earnings per share

Particulars	Year ended December 31,	
	2013	2012
Number of shares considered as basic weighted average shares outstanding	1,00,000	1,00,000
Add: Effect of dilutive issues of shares / stock options	–	–
Number of shares considered as weighted average shares and potential shares outstanding	1,00,000	1,00,000

2.20. Function-wise classification of Statement of Profit and Loss

Particulars	Year ended December 31,	
	2013	2012
Income from consultany services	36,96,58,831	17,69,46,953
Cost of services	32,03,02,785	22,52,40,726
GROSS PROFIT	4,93,56,046	(4,82,93,773)
Selling and marketing expenses	21,09,895	17,73,008
General and administration expenses	4,75,77,263	4,84,23,411
	4,96,87,158	5,01,96,419
OPERATING PROFIT BEFORE DEPRECIATION	(3,31,112)	(9,84,90,192)
Depreciation and amortization	14,87,561	15,26,321
OPERATING PROFIT	(18,18,673)	(10,00,16,513)
Other income	73,23,844	5,00,97,797
PROFIT BEFORE TAX	55,05,171	(4,99,18,716)
Tax expense		
Current tax	–	–
Deferred tax	14,90,471	(84,88,476)
PROFIT FOR THE YEAR	40,14,700	(4,14,30,240)

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number: 006673S

M. Rathnakar Kamath
Partner
Membership Number: 202841

Peter Ödman
Director

Stephen Wise
Director

Bangalore
January 7, 2014

Lodestone Management Consultants
Pty. Limited

Independent Auditors' Report

To the Members of Lodestone Management Consultants Pty. Limited

Report on the Financial Statements

We have audited the accompanying financial statement of Lodestone Management Consultants Pty. Limited ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Profit for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bangalore
January 7, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31, 2013	As at December 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	14,914	14,914
Reserves and surplus	2.2	(8,38,56,392)	(21,60,67,168)
		(8,38,41,478)	(21,60,52,254)
CURRENT LIABILITIES			
Short-term borrowings	2.4	27,81,24,409	38,56,86,047
Trade payables		5,07,24,542	3,47,33,942
Other current liabilities	2.5	1,05,51,30,729	7,25,76,794
Short-term provisions	2.6	9,98,63,013	24,09,768
		1,48,38,42,693	49,54,06,551
		1,40,00,01,215	27,93,54,297
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	2,78,80,630	3,05,37,862
Intangible assets	2.7	–	85,467
		2,78,80,630	3,06,23,329
Deferred tax assets	2.3	10,59,31,360	10,00,06,049
Long-term loans and advances	2.9	99,16,613	96,53,761
		14,37,28,603	14,02,83,139
CURRENT ASSETS			
Trade receivables	2.10	1,18,54,59,482	9,67,35,739
Cash and cash equivalents	2.11	1,72,19,655	2,09,26,288
Short-term loans and advances	2.12	5,35,93,475	2,14,09,131
		1,25,62,72,612	13,90,71,158
		1,40,00,01,215	27,93,54,297
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Peter Ödman
Director

Ronald Hafner
Director

Joost Hoeve
Director

Bangalore
January 7, 2014

Statement of Profit and Loss

in ₹, except per share data

Particulars	Note	Year ended December 31,	
		2013	2012
Income from consultancy services		143,71,08,790	46,03,29,440
Other income	2.13	74,56,905	(33,40,187)
Total revenue		144,45,65,695	45,69,89,253
Expenses			
Employee benefit expenses	2.14	65,66,56,920	46,32,36,798
Cost of technical sub-contractors	2.14	45,34,76,833	15,47,85,925
Travel expenses	2.14	4,10,40,049	4,57,41,173
Cost of software packages and others	2.14	7,37,852	9,29,707
Communication expenses	2.14	1,27,58,239	86,49,319
Professional charges		4,11,29,829	2,51,20,277
Interest expenses	2.14	1,62,70,819	1,36,68,067
Depreciation and amortization expenses	2.7	1,13,92,037	47,05,823
Other expenses	2.14	2,79,74,052	3,01,60,639
Total expenses		126,14,36,630	74,69,97,728
PROFIT BEFORE TAX		18,31,29,065	(29,00,08,475)
Tax expense			
Current tax	2.15	(64,24,816)	–
Deferred tax	2.15	6,43,75,965	(8,41,56,290)
PROFIT FOR THE PERIOD		12,51,77,916	(20,58,52,185)
EARNINGS PER EQUITY SHARE			
Equity shares of par value AUD 1 each			
Basic		4,17,260	(6,86,174)
Number of shares used in computing earnings per share			
Basic		300	300
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath	Peter Ödman	Ronald Hafner	Joost Hoeve
Partner	*Director*	*Director*	*Director*

Membership Number : 202841

Bangalore
January 7, 2014

Cash Flow Statement

in ₹

Particulars	Year ended December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	18,31,29,065	(29,00,08,475)
Adjustments to reconcile Profit Before Tax to cash provided by operating activities		
Depreciation and amortization expense	1,13,92,037	47,05,823
Interest income	(4,91,988)	(78,583)
Loss / (Profit) of sale of tangible assets	2,09,442	–
Effect of exchange differences on translation of assets and liabilities	6,65,04,403	(16,43,36,839)
Changes in assets and liabilities		
Trade receivables	(108,87,23,743)	9,77,71,759
Loans and advances and other assets	(3,21,84,344)	3,81,19,624
Liabilities and provisions	102,62,86,801	20,87,93,870
	16,61,21,673	(10,50,32,821)
Income taxes paid	(5,28,78,987)	15,52,41,701
NET CASH GENERATED BY OPERATING ACTIVITIES	11,32,42,686	5,02,08,880
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment towards capital expenditure (including intangible assets)	(1,01,69,775)	(3,23,67,515)
Proceeds from sale of fixed assets	2,90,106	5,46,292
Interest received	4,91,988	78,583
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	(93,87,681)	(3,17,42,640)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan repayment to parent	(10,75,61,638)	–
Loan received from parent	–	26,29,42,238
NET CASH FLOWS FROM FINANCING ACTIVITIES	(10,75,61,638)	26,29,42,238
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(37,06,633)	1,84,66,240
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,09,26,288	24,60,048
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,72,19,655	2,09,26,288

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Peter Ödman
Director

Ronald Hafner
Director

Joost Hoeve
Director

Bangalore
January 7, 2014

Significant accounting policies and notes on accounts

Company overview

Lodestone Management Consultants Pty. Limited is a wholly-owned subsidiary of Lodestone Holding AG, Kloten (Switzerland). The Company renders professional management consulting services, thereby enabling its clients to enhance business performance.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous year figures

The previous year's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates may include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

The method for recognizing revenues and cost depends on the nature of the services rendered and on the substance of the contractual agreement. Revenues and costs generated under time-and-material contracts are recognized as services are rendered.

An expected project loss is recognized as an expense immediately.

Revenue comprises the invoiced value for the services and expense reimbursements, net of value added tax, rebates and discounts.

1.7. Tangible assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

1.8. Depreciation and amortization

Depreciation is calculated using the straight-line method based on the estimated useful lives. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The Management estimates the useful lives for the other fixed assets as follows:

Buildings	15 years
Plants and machinery	5 years
Office equipment	5 years
Computer equipment	2-5 years
Furniture and fixtures	5 years
Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

1.9. Impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and recognized as an expense in the income statement.

1.10. Benefits to employees

The Company operates various pension schemes, subject to specific local regulations. Contributions to pension plans are charged to the income statement in the period to which they relate, together with other personnel expenses.

1.11. Foreign currency transactions

Foreign currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.12. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

1.13. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.14. Leases

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease in which significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Statement of Profit and Loss over the lease term.

1.15. Earnings per share

Basic earnings per share is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the period.

2. Notes on accounts for the year ended December 31, 2013

2.1. Share capital

in ₹

Particulars	As at December 31, 2013	2012
Authorized		
Issued, subscribed and paid-up		
300 equity shares of AUD 1 par value	14,914	14,914
Issued, subscribed and paid-up		
300 equity shares of AUD 1 par value	14,914	14,914
	14,914	14,914

2.2. Reserves and surplus

in ₹

Particulars	As at December 31, 2013	2012
Foreign currency translation reserve – opening balance	(1,01,01,474)	(1,01,01,474)
Add: Foreign currency translation during the year	70,32,860	–
Foreign currency translation reserve – closing balance	(30,68,614)	(1,01,01,474)
Surplus – opening balance	(20,59,65,694)	(1,13,509)
Add: Net profit after tax transferred from Statement of Profit and Loss	12,51,77,916	(20,58,52,185)
Amount available for appropriation	(8,07,87,778)	(20,59,65,694)
Surplus – closing balance	(8,07,87,778)	(20,59,65,694)
	(8,38,56,392)	(21,60,67,168)

2.3. Deferred taxes

in ₹

Particulars	As at December 31,	
	2013	2012
Deferred tax assets		
Accumulated losses	10,59,31,360	10,00,06,049
	10,59,31,360	10,00,06,049

2.4. Short-term borrowings

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured		
From parent company (Refer to *Note 2.16*)	27,81,24,409	38,56,86,047
	27,81,24,409	38,56,86,047

2.5. Other current liabilities

in ₹

Particulars	As at December 31,	
	2013	2012
Accrued salaries and benefits		
Salaries and benefits	2,16,033	–
Bonus and incentives	3,94,84,339	1,95,20,643
Other liabilities		
Provision for expenses [1]	5,00,36,561	2,12,58,828
Withholding and other taxes payable	10,58,59,412	2,84,54,874
Unearned revenue	2,52,70,800	31,86,362
Other payables [2]	83,42,63,584	1,56,087
	1,05,51,30,729	7,25,76,794
[1] *Includes dues to holding and fellow subsidiaries (Refer to Note 2.16)*	1,39,11,187	–
[2] *Includes dues to holding and fellow subsidiaries (Refer to Note 2.16)*	83,42,63,584	–

2.6. Short-term provisions

in ₹

Particulars	As at December 31,	
	2013	2012
Provision for employee benefits		
Unavailed leave	4,10,20,265	1,38,99,884
Income taxes (net of advance tax and TDS)	5,82,20,863	(1,14,90,116)
Post-sales client support and warranties and other provisions	6,21,885	–
	9,98,63,013	24,09,768

Provision for post-sales client support and warranties and other provisions

The movement in the provision for post-sales client support and warranties and other provisions is as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
Balance at the beginning	–	–
Provision recognized / (reversal)	6,25,523	–
Provision utilized	–	–
Exchange difference during the period	(3,638)	–
Balance at the end	6,21,885	–

2.7. Fixed assets

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at January 1, 2013	Additions / acquisitions during year	Deductions / retirement during year	As at December 31, 2013	As at January 1, 2013	For the year	Deductions / adjustments during year	As at December 31, 2013	As at December 31, 2013	As at December 31, 2012
Tangible assets										
Leasehold improvements	3,10,67,174	–	12,96,422	2,97,70,752	27,63,569	61,02,236	3,88,188	84,77,617	2,12,93,135	2,83,03,605
Office equipment	3,65,682	81,41,021	2,73,112	82,33,591	3,65,682	30,52,026	1,55,028	32,62,680	49,70,911	–
Computer equipment	1,06,42,914	19,71,757	22,10,468	1,04,04,203	86,02,924	21,01,622	18,48,770	88,55,776	15,48,427	20,39,990
Furniture and fixtures	16,27,762	56,997	3,58,253	13,26,506	14,33,495	53,063	2,28,209	12,58,349	68,157	1,94,267
	4,37,03,532	1,01,69,775	41,38,255	4,97,35,052	1,31,65,670	1,13,08,947	26,20,195	2,18,54,422	2,78,80,630	3,05,37,862
Intangible assets										
Software	6,82,000		23,271	6,58,729	5,96,533	83,090	20,894	6,58,729	–	85,467
	6,82,000	–	23,271	6,58,729	5,96,533	83,090	20,894	6,58,729	–	85,467
Total	4,43,85,532	1,01,69,775	41,61,526	5,03,93,781	1,37,62,203	1,13,92,037	26,41,089	2,25,13,151	2,78,80,630	3,06,23,329
Previous year	1,20,43,543	3,23,67,515	25,526	4,43,85,532	85,35,614	47,05,823	(5,20,766)	1,37,62,203	3,06,23,329	

2.8. Leases

Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the year and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
Lease rentals recognized during the year	1,47,07,863	74,68,152

in ₹

Lease obligations payable	As at December 31,	
	2013	2012
Within one year of the Balance Sheet date	1,28,61,179	1,39,63,669
Due in a period between one year and five years	1,82,93,224	2,57,02,321

2.9. Long-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Other loans and advances		
Advance income taxes (net of provisions)	99,16,613	96,53,761
	99,16,613	96,53,761

2.10. Trade receivables

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured		
Considered good (1)	1,18,54,59,482	9,67,35,739
	1,18,54,59,482	9,67,35,739
(1) Includes dues from holding and fellow Subsidiaries (Refer to Note 2.16)	1,09,31,83,179	2,17,05,038

2.11. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2013	2012
Cash on hand	–	28,423
Balances with banks		
In current and deposit accounts	1,72,19,655	2,08,97,865
	1,72,19,655	2,09,26,288

The details of balances as on Balance Sheet date with banks are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
In current accounts		
Westpac, Australia	1,72,19,655	2,08,97,865

2.12. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Prepaid expenses	15,49,487	76,93,243
Withholding and other taxes receivable	1,30,54,184	31,45,929
Others (1)	10,02,999	–
	1,56,06,670	1,08,39,172
Unbilled revenues (2)	3,30,15,475	49,21,084
Rental deposits	49,71,330	56,48,875
	5,35,93,475	2,14,09,131
(2) Includes dues from holding and fellow Subsidiaries (Refer to Note 2.16)	10,02,999	–
(2) Includes dues from holding and fellow subsidiaries (Refer to Note 2.16)	3,25,46,912	–

2.13. Other income

in ₹

Particulars	Year ended December 31,	
	2013	2012
Interest received on deposits with banks and others	4,91,988	78,583
Miscellaneous income, net	1,23,804	(54,099)
Gains / (losses) on foreign currency, net	68,41,113	(33,64,671)
	74,56,905	(33,40,187)

2.14. Expenses

in ₹

Particulars	Year ended December 31,	
	2013	2012
Employee benefit expenses		
Salaries and bonus	65,26,13,815	45,92,32,715
Staff welfare	40,43,105	40,04,083
	65,66,56,920	46,32,36,798
Travel expenses		
Travelling and Conveyance	4,10,40,049	4,57,41,173
	4,10,40,049	4,57,41,173
Cost of software packages and others		
For own use	7,37,852	9,29,707
	7,37,852	9,29,707
Communication expenses		
Telephone charges	1,27,58,239	86,49,319
	1,27,58,239	86,49,319
Cost of technical sub-contractors		
Others	43,53,59,464	11,33,09,641
Subsidiaries	1,81,17,369	4,14,76,284
	45,34,76,833	15,47,85,925
Interest expenses		
Bank interest	3,11,656	–
Interest on loan from subsidiaries	1,59,59,163	1,36,68,067
	1,62,70,819	1,36,68,067

Particulars	Year ended December 31,	
	2013	2012
Other expenses		
Office maintenance	8,68,369	16,69,334
Power and fuel	7,01,119	6,51,809
Brand building	2,27,480	62,552
Rent	1,47,07,863	74,68,152
Rates and taxes, excluding taxes on income	23,623	6,629
Repairs to plant and machinery	–	3,639
Computer maintenance	12,80,707	21,89,915
Insurance charges	14,66,852	13,06,708
Marketing expenses	14,82,701	17,00,355
Printing and stationery	15,27,785	13,60,235
Professional membership and seminar participation fees	8,62,168	1,84,698
Postage and courier	1,74,919	3,20,985
Advertisements	2,57,004	8,36,906
Provision for bad and doubtful debts and advances	–	(1,47,871)
Books and periodicals	1,35,102	36,338
Statutory audit fees	10,43,109	29,22,009
Bank charges	60,450	2,46,325
Provision for post-sales customer support	6,25,523	–
Miscellaneous expenses	25,29,278	93,41,921
	2,79,74,052	3,01,60,639

2.15. Tax expense

in ₹

Particulars	Year ended December 31,	
	2013	2012
Current tax		
Income taxes	(64,24,816)	–
Deferred taxes	6,43,75,965	(8,41,56,290)
	5,79,51,149	(8,41,56,290)

2.16. Related party transactions

List of related parties:

Name of the Holding Company	Country	Holding as at December 31,	
		2013	2012
Lodestone Holding AG	Switzerland	100%	100%

Name of the Ultimate Holding Company	Country
Infosys Limited	India

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Shanghai	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Brasil	Brazil
Infosys Public Services	U.S.
Infosys Consulting India Limited (1)	India
Infosys Americas (2)	U.S.
Infosys BPO s. r. o (3)	Czech Republic
Infosys BPO (Poland) Sp. z o.o.(3)	Poland
Infosys McCamish Systems LLC (Formerly known as McCamish Systems LLC) (3)	U.S.
Portland Group Pty. Ltd (3)(4)	Australia
Portland Procurement Services Pty. Ltd (10)	Australia
Infosys Australia (5)	Australia
Lodestone Holding AG (6)	Switzerland
Lodestone Management Consultants (Canada) Inc. (7)(13)	Canada
Lodestone Management Consultants Inc. (7)	U.S.
Lodestone Management Consultants (Asia Pacific) Limited (7)(8)	Thailand
Lodestone Management Consultants AG (7)	Switzerland
Lodestone Augmentis AG (12)	Switzerland
Hafner Bauer & Ödman GmbH (7)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (9)	Belgium
Lodestone Management Consultants GmbH (7)	Germany
Lodestone Management Consultants Pte Ltd. (7)	Singapore
Lodestone Management Consultants SAS (7)	France
Lodestone Management Consultants s.r.o. (7)	Czech Republic
Lodestone Management Consultants GmbH (7)	Austria
Lodestone Management Consultants China Co., Ltd. (7)	China
Lodestone Management Consultants Ltd. (7)	U.K.
Lodestone Management Consultants B.V. (7)	Netherlands
Lodestone Management Consultants Ltda. (9)	Brazil
Lodestone Management Consultants sp. z o.o. (7)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. (7)	Portugal
S.C. Lodestone Management Consultants S.R.L. (7)	Romania
Lodestone Management Consultants S.R.L. (7)(11)	Argentina

(1) *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012*

(2) *Incorporated effective June 25, 2013*

(3) *Wholly-owned subsidiaries of Infosys BPO.*

(4) *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*

(5) *Under liquidation*

(6) *On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG*

(7) *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

(8) *Liquidated effective February 14, 2013*

(9) *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

(10) *Wholly-owned subsidiary of Portland Group Pty. Ltd*

(11) *Incorporated effective January 10, 2013*

(12) *Wholly-owned subsidiary of Lodestone Management Consultants AG*

(13) *Liquidated effective December 31, 2013*

The details of amounts due to or due from as at December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured loans		
Lodestone Holding AG	27,81,24,409	38,56,86,047
Trade receivables		
Lodestone Management Consultants AG	12,26,134	9,74,483
Lodestone Management Consultants GmbH, Germany	–	49,622
Lodestone Management Consultants Pte Ltd.	–	1,53,14,961
Lodestone Management Consultants Ltd.	–	48,97,985
Infosys Limited	1,08,29,61,852	–
FX valuation on above	89,95,193	4,67,987
Other payables		
Lodestone Management Consultants Ltd, U.K.	83,42,63,584	–
Trade payables		
Lodestone Management Consultants AG	1,72,10,916	2,13,35,477
Lodestone Management Consultants sp. z o.o.	–	11,92,364
Lodestone Management Consultants Pte Ltd, Singapore	52,51,033	38,61,935
Lodestone Management Consultants Ltd.	–	25,71,924
Lodestone Management Consultants SAS	–	3,54,838
FX valuation on above	10,53,517	17,46,574
Other receivables		
Lodestone Management Consultants sp. z o.o.	7,38,277	–
Lodestone Management Consultants Ltd.	2,64,722	–
Provision for expenses		
Infosys Limited	1,04,15,789	–
Infosys BPO	34,95,398	–
Unbilled revenue		
Infosys BPO	3,25,46,912	–

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Revenue transactions		
Purchase of services		
Lodestone Management Consultants sp. z o.o.	10,05,800	11,50,034
Lodestone Management Consultants Pte Ltd.	–	3,75,07,572
Lodestone Management Consultants Ltd.		22,10,770
Lodestone Management Consultants SAS	–	2,99,013
Lodestone Management Consultants Ltd, U.K.	1,68,60,851	–
Lodestone Management Consultants Pte Ltd, Singapore	65,65,131	–
Lodestone Management Consultants AG	1,71,95,295	
Lodestone Management Consultants China Co., Ltd.	–	3,08,895
Interest expense		
Lodestone Holding AG	1,59,59,163	1,36,68,067
Sale of services		
Lodestone Management Consultants AG	1,71,48,764	1,16,36,696
Lodestone Management Consultants GmbH	–	1,08,96,789
Lodestone Management Consultants Pte Ltd.	–	1,03,09,251
Lodestone Management Consultants Ltd.	7,18,29,756	38,67,721
Infosys Limited	1,01,74,39,670	–
Lodestone Management Consultants Pte Ltd, Singapore	1,40,97,436	–

2.17. Segment reporting

The Company is engaged in providing consultancy services in a single geography. Its operations are therefore considered to constitute a single segment in the context of Accounting Standard 17 Segment Reporting.

2.18. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from consultancy services	143,71,08,790	46,03,29,440
Cost of services	113,55,85,364	64,29,30,506
GROSS PROFIT	30,15,23,426	(18,26,01,066)
Selling and marketing expenses	17,32,342	17,62,907
General and administration expenses	9,64,56,068	8,39,30,425
	9,81,88,410	8,56,93,332
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	20,33,35,016	(26,82,94,398)
Depreciation and amortization	1,13,92,037	47,05,823
Interest	1,62,70,819	1,36,68,067
OPERATING PROFIT	17,56,72,160	(28,66,68,288)
Other income	74,56,905	(33,40,187)
PROFIT BEFORE TAX	18,31,29,065	(29,00,08,475)
Tax expense		
Current tax	(64,24,816)	–
Deferred tax	6,43,75,965	(8,41,56,290)
PROFIT FOR THE PERIOD	12,51,77,916	(20,58,52,185)

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Peter Ödman
Director

Ronald Hafner
Director

Joost Hoeve
Director

Bangalore
January 7, 2014

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Lodestone Management Consultants SAS

Independent Auditors' Report

To the Members of Lodestone Management Consultants SAS

Report on the Financial Statements

We have audited the accompanying financial statement of Lodestone Management Consultants SAS ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bangalore
January 7, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31, 2013	As at December 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	52,79,504	52,79,504
Reserves and surplus	2.2	(9,67,34,446)	(1,85,61,524)
		(9,14,54,942)	(1,32,82,020)
CURRENT LIABILITIES			
Trade payables	2.4	7,48,51,547	13,37,722
Other current liabilities	2.5	17,59,87,049	4,53,45,181
Short-term provisions	2.6	6,87,47,123	81,00,799
		31,95,85,719	5,47,83,702
		22,81,30,777	4,15,01,682
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	17,93,059	59,504
		17,93,059	59,504
Deferred tax assets	2.3	4,57,21,286	77,51,598
		4,75,14,345	78,11,102
CURRENT ASSETS			
Trade receivables	2.8	11,22,72,532	1,77,49,538
Cash and cash equivalents	2.9	43,92,558	1,34,18,998
Short-term loans and advances	2.10	6,39,51,342	25,22,044
		18,06,16,432	3,36,90,580
		22,81,30,777	4,15,01,682
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Peter Ödman
President

Yvonne Felice Fernandez
Chief Human Relations Officer

Bangalore
January 7, 2014

Rolf Gmünder
Partner

Jacques Le Ny
Partner

Statement of Profit and Loss

in ₹, except per share data

Particulars	Note	Year ended December 31,	
		2013	2012
Income from consultancy services		45,06,72,831	20,67,10,684
Other income	2.11	16,47,073	(12,22,932)
Total revenue		45,23,19,904	20,54,87,752
Expenses			
Employee benefit expenses	2.12	41,66,51,433	12,24,50,071
Cost of technical sub-contractors		10,43,74,449	5,65,62,768
Travel expenses	2.12	2,73,35,645	1,80,36,510
Communication expenses	2.12	22,56,826	12,14,620
Professional charges		1,11,20,011	29,28,091
Depreciation and amortization expenses	2.7	6,60,482	55,642
Other expenses	2.12	27,48,605	15,66,352
Total expenses		56,51,47,451	20,28,14,054
LOSS BEFORE TAX		(11,28,27,547)	26,73,698
Tax expense			
Current tax	2.13	(26,158)	22,49,394
Deferred tax	2.13	(3,59,68,915)	(9,14,827)
LOSS FOR THE YEAR		(7,68,32,474)	13,39,131
LOSS PER EQUITY SHARE			
Equity shares of par value EURO 10 each			
Basic		(9,604.06)	167.39
Number of shares used in computing earnings per share	2.16		
Basic		8,000	8,000
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Peter Ödman
President

Yvonne Felice Fernandez
Chief Human Relations Officer

Bangalore
January 7, 2014

Rolf Gmünder
Partner

Jacques Le Ny
Partner

Cash Flow Statement

in ₹

Particulars	Year ended December 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss Before Tax	(11,28,27,547)	26,73,698
Adjustments to reconcile Profit Before Tax to cash provided by operating activities		
Depreciation and amortization expense	6,60,482	55,642
Effect of exchange differences on translation of assets and liabilities	(15,26,064)	(11,80,821)
Changes in assets and liabilities		
Trade receivables	(9,45,22,994)	12,10,80,173
Loans and advances and other assets	(6,14,29,298)	(12,86,115)
Liabilities and provisions	26,48,02,017	(10,89,69,057)
	(48,43,404)	1,23,73,520
Income taxes paid	(19,74,615)	(28,05,720)
NET CASH GENERATED BY OPERATING ACTIVITIES	(68,18,019)	95,67,800
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment towards capital expenditure (including intangible assets)	(22,08,421)	(12,663)
NET CASH USED IN INVESTING ACTIVITIES	(22,08,421)	(12,663)
CASH FLOWS FROM FINANCING ACTIVITIES		
NET CASH USED IN FINANCING ACTIVITIES	–	–
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(90,26,440)	95,55,137
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,34,18,998	38,63,861
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	43,92,558	1,34,18,998

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Peter Ödman
President

Yvonne Felice Fernandez
Chief Human Relations Officer

Bangalore
January 7, 2014

Rolf Gmünder
Partner

Jacques Le Ny
Partner

Significant accounting policies and notes on accounts

Company overview

Lodestone Management Consultants SAS is a wholly-owned subsidiary of Lodestone Holding AG, Kloten (Switzerland). The Company renders professional management consulting services, thereby enabling its clients to enhance business performance.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous year figures

The previous year's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates may include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

The method for recognizing revenues and cost depends on the nature of the services rendered and on the substance of the contractual agreement. Revenues and costs generated under time-and-material contracts are recognized as services are rendered.

An expected project loss is recognized as an expense immediately.

Revenue comprises the invoiced value for the services and expense reimbursements, net of value added tax, rebates and discounts.

1.7. Tangible assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

1.8. Depreciation and amortization

Depreciation is calculated using the straight-line method based on the estimated useful lives. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use.

The Management estimates the useful lives for the other fixed assets as follows :

Buildings	15 years
Plant and machinery	5 years
Office equipment	5 years
Computer equipment	2-5 years
Furniture and fixtures	5 years
Vehicles	5 years

1.9. Impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and recognized as an expense in the income statement.

1.10. Benefits to employees

The Company operates various pension schemes, subject to specific local regulations. Contributions to pension plans are charged to the income statement in the period to which they relate, together with other personnel expenses.

1.11. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary

liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.12. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

1.13. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

2. Notes on accounts for the year ended December 31, 2013

2.1. Share capital

in ₹, except stated otherwise

Particulars	As at December 31, 2013	As at December 31, 2012
Authorized		
Equity shares, Euro 10 par value		
8,000 (8,000) equity shares	52,79,504	52,79,504
Issued, subscribed and paid-up		
8,000 (8,000) equity shares of Euro 10 par value	52,79,504	52,79,504
	52,79,504	52,79,504

2.2. Reserves and surplus

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Foreign currency translation reserve – opening balance	(10,96,468)	93,487
Add: Foreign currency translation during the year	(13,40,448)	(11,89,955)
Foreign currency translation reserve – closing balance	(24,36,916)	(10,96,468)
Surplus – opening balance	(1,74,65,056)	(1,88,04,187)
Add: Net profit after tax transferred from Statement of Profit and Loss	(7,68,32,474)	13,39,131
Surplus – closing balance	(9,42,97,530)	(1,74,65,056)
	(9,67,34,446)	(1,85,61,524)

2.3. Deferred taxes

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Deferred tax assets		
Accumulated losses	4,57,21,286	77,51,598
	4,57,21,286	77,51,598
Deferred tax asset after set off	4,57,21,286	77,51,598

2.4. Trade payables

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Trade payables (1)	7,48,51,547	13,37,722
	7,48,51,547	13,37,722
(1) *Includes dues to fellow subsidiaries (Refer to Note 2.14)*	6,95,53,980	3,19,743

2.5. Other current liabilities

in ₹

Particulars	As at December 31,	
	2013	2012
Accrued salaries and benefits		
Salaries and benefits	73,864	–
Bonus and incentives	3,09,27,744	1,09,11,917
Other liabilities		
Provision for expenses [1]	93,01,079	86,97,070
Withholding and other taxes payable	10,61,24,452	1,62,62,963
Advances received from clients [2]	1,75,45,336	11,62,358
Unearned revenue	1,13,50,415	75,45,582
Other payables [3]	6,64,159	7,65,291
	17,59,87,049	4,53,45,181
[1] Includes dues to holding company and fellow subsidiaries (Refer to Note 2.14)	39,29,141	–
[2] Includes dues to holding company and fellow subsidiaries (Refer to Note 2.14)	1,75,45,336	
[3] Includes dues to holding company and fellow subsidiaries (Refer to Note 2.14)	6,64,159	–

2.6. Short-term provisions

in ₹

Particulars	As at December 31,	
	2013	2012
Provision for employee benefits		
Unavailed leave	6,87,47,123	81,00,799
	6,87,47,123	81,00,799

2.7. Fixed assets

in ₹

Particulars	Original cost					Depreciation and amortization					Net book value	
	As at January 1, 2013	Additions / during the year acquisitions	Retirement during the year	Foreign exchange difference	As at December 31, 2013	As at January 1, 2013	For the year	Deductions / adjustments during the year	Foreign exchange difference	As at December 31, 2013	As at December 31, 2013	As at December 31, 2012
Tangible assets												
Computer equipment	2,38,645	22,08,421	–	2,29,399	26,76,465	1,79,141	6,60,482	–	43,783	8,83,406	17,93,059	59,504
Total	2,38,645	22,08,421	–	2,29,399	26,76,465	1,79,141	6,60,482	–	43,783	8,83,406	17,93,059	59,504
Previous year	2,25,982	12,663	–	–	2,38,645	1,14,365	55,642	(9,134)	–	1,79,141	59,504	

2.8. Trade receivables [1]

in ₹

Particulars	As at December 31, 2013	2012
Other debts		
Unsecured		
Considered good [1]	11,22,72,532	1,77,49,538
	11,22,72,532	1,77,49,538
[1] *Includes dues from fellow subsidiaries (Refer to Note 2.14)*	63,11,413	1,19,38,585

2.9. Cash and cash equivalents

in ₹

Particulars	As at December 31, 2013	2012
Cash on hand	–	–
Balances with banks		
In current account	43,92,558	1,34,18,998
	43,92,558	1,34,18,998

The details of balances as on Balance Sheet date with banks are as follows:

in ₹

Particulars	As at December 31, 2013	2012
In current accounts		
CIC (Euro)	43,92,558	1,34,18,998
	43,92,558	1,34,18,998
Total cash and cash equivalents as per Balance Sheet	43,92,558	1,34,18,998

2.10. Short-term loans and advances

in ₹

Particulars	As at December 31, 2013	2012
Unsecured, considered good		
Others		
Prepaid expenses	–	1,48,060
Withholding and other taxes receivable	37,50,714	17,044
Others [1]	5,85,83,728	3,89,784
	6,23,34,442	5,54,888
Unbilled revenues	16,16,900	19,67,156
	6,39,51,342	25,22,044
[1] *Includes dues to holding company and fellow subsidiaries (Refer to Note 2.16)*	5,76,68,903	–

2.11. Other income

in ₹

Particulars	Year ended December 31, 2013	2012
Miscellaneous income, net	33,88,400	170
Gains / (losses) on foreign currency, net	(17,41,327)	(12,23,102)
	16,47,073	(12,22,932)

2.12. Expenses

in ₹

Particulars	Year ended December 31, 2013	2012
Employee benefit expenses		
Salaries and bonus	40,66,45,278	12,24,18,936
Staff welfare	1,00,06,155	31,135
	41,66,51,433	12,24,50,071

Particulars	Year ended December 31, 2013	2012
Travel expenses		
Travelling and conveyance	2,73,35,645	1,80,36,510
	2,73,35,645	1,80,36,510
Communication expenses		
Telephone charges	22,56,826	12,14,620
	22,56,826	12,14,620

in ₹

Particulars	Year ended December 31, 2013	2012
Other expenses		
Office maintenance	42,536	–
Brand building	–	22,454
Rent	94,111	83,512
Rates and taxes, excluding taxes on income	–	18,695
Computer maintenance	2,59,985	–
Insurance charges	1,55,885	1,40,621
Marketing expenses	10,85,846	3,97,836
Printing and stationery	–	2,664
Books and periodicals	10,146	375
Statutory audit fees	7,25,816	5,51,019
Bank charges	3,75,731	3,49,306
Miscellaneous expenses	(1,451)	(130)
	27,48,605	15,66,352

2.13. Tax expense

in ₹

	Year ended December 31, 2013	2012
Current tax		
Income taxes	(26,158)	22,49,394
Deferred taxes	(3,59,68,915)	(9,14,827)
	(3,59,95,073)	13,34,567

2.14. Related party transactions

List of related parties:

Name of the Holding Company	Country	Holding as at December 31, 2013	2012
Lodestone Holding AG	Switzerland	100%	100%

Name of Ultimate Holding Company	Country
Infosys Limited [1]	India

[1] *Holding of Lodestone Holding AG from October 22, 2012*

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Shanghai	China
Infosys Brasil	Brazil
Infosys Public Services	U.S.
Infosys Consulting India Limited [1]	India
Infosys Americas [2]	U.S.
Infosys BPO s. r. o [3]	Czech Republic
Infosys BPO (Poland) Sp. z o.o. [3]	Poland
Infosys McCamish Systems LLC (Formerly known as McCamish Systems LLC) [3]	U.S.
Portland Group Pty. Ltd [3][4]	Australia
Portland Procurement Services Pty. Ltd [10]	Australia
Infosys Australia [5]	Australia

Name of fellow subsidiaries	Country
Lodestone Management Consultants (Canada) Inc. (6)(12)	Canada
Lodestone Management Consultants Inc. (6)	U.S.
Lodestone Management Consultants Pty. Limited (6)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (6)(7)	Thailand
Lodestone Management Consultants AG (6)	Switzerland
Lodestone Augmentis AG (11)	Switzerland
Hafner Bauer & Ödman GmbH (6)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (8)	Belgium
Lodestone Management Consultants GmbH (6)	Germany
Lodestone Management Consultants Pte Ltd. (6)	Singapore
Lodestone Management Consultants SAS (6)	France
Lodestone Management Consultants s.r.o. (6)	Czech Republic
Lodestone Management Consultants GmbH (6)	Austria
Lodestone Management Consultants China Co., Ltd. (6)	China
Lodestone Management Consultants Ltd. (6)	U.K.
Lodestone Management Consultants B.V. (6)	Netherlands
Lodestone Management Consultants Ltda. (8)	Brazil
Lodestone Management Consultants sp. z o.o. (6)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. (6)	Portugal
S.C. Lodestone Management Consultants S.R.L. (6)	Romania
Lodestone Management Consultants S.R.L. (6)(10)	Argentina

(1) *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012.*
(2) *Incorporated effective June 25, 2013*
(3) *Wholly-owned subsidiaries of Infosys BPO.*
(4) *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*
(5) *Under liquidation*
(6) *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(7) *Liquidated effective February 14, 2013*
(8) *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(9) *Wholly-owned subsidiary of Portland Group Pty. Ltd*
(10) *Incorporated effective January 10, 2013*
(11) *Wholly-owned subsidiary of Lodestone Management Consultants AG*
(12) *Liquidated effective December 31, 2013*

The details of amounts due to or due from as at December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
Trade receivables		
Lodestone Management Consultants AG	27,95,795	1,09,97,543
Lodestone Management Consultants GmbH	41,00,412	–
Lodestone Management Consultants Pty. Limited	–	3,62,160
Lodestone Management Consultants (Belgium) S.A.	–	5,20,153
Lodestone Management Consultants Pte Ltd.	–	58,729
FX valuation on above	(5,84,794)	–
Other receivables		
Infosys Limited	5,76,68,903	–
Trade payables		
Lodestone Management Consultants AG	3,09,36,683	(13,07,580)
Lodestone Management Consultants (Belgium) S.A.	23,45,756	4,81,172
Lodestone Management Consultants GmbH	1,00,96,361	–
Lodestone Management Consultants s.r.o.	76,63,504	–
Lodestone Management Consultants sp. z o.o.	1,49,47,132	10,55,638
S.C. Lodestone Management Consultants S.R.L.	30,72,984	–
Lodestone Management Consultants Ltd.	53,330	19,581
Lodestone Management Consultants B.V.	2,66,193	–
FX valuation on above	1,72,036	70,932
Other payables		
Infosys Limited	6,64,159	–
Advance received		
Lodestone Management Consultants Ltd.	1,75,45,336	–
Provision for expense		
Infosys Limited	39,29,141	–

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Revenue transactions		
Purchase of services		
Lodestone Management Consultants (Belgium) S.A.	37,63,968	81,11,167
Lodestone Management Consultants AG	2,58,01,440	2,81,87,230
Lodestone Management Consultants s.r.o.	75,19,948	–
Lodestone Management Consultants GmbH	99,84,736	33,19,866
Lodestone Management Consultants Ltd.	40,33,567	25,14,442
Lodestone Management Consultants B.V.	2,43,404	–
Lodestone Management Consultants sp. z o.o.	1,47,87,821	3,85,366
S.C. Lodestone Management Consultants S.R.L.	30,60,594	–
Lodestone Management Consultants China Co., Ltd.	–	7,82,430
Sale of services		
Lodestone Management Consultants AG	13,63,55,862	11,14,20,971
Lodestone Management Consultants Ltd.	13,50,18,934	–
Lodestone Management Consultants Pty. Limited	–	3,48,036
Lodestone Management Consultants (Belgium) S.A.	55,23,050	21,84,795
Lodestone Management Consultants GmbH	40,74,296	1,09,05,214
Lodestone Management Consultants Pte Ltd.	–	56,438

2.15. Segment reporting

The Company is engaged in providing consultancy services in a single geography. Its operations are therefore considered to constitute a single segment in the context of Accounting Standard 17 Segment Reporting.

2.16. Reconciliation of basic and diluted shares used in computing earnings per share

Particulars	Year ended December 31,	
	2013	2012
Number of shares considered as basic weighted average shares outstanding	8,000	8,000
Add: Effect of dilutive issues of shares / stock options	–	–
Number of shares considered as weighted average shares and potential shares outstanding	8,000	8,000

2.17. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from consultany services	45,06,72,831	20,67,10,684
Cost of services	54,19,28,076	19,79,35,070
GROSS LOSS	(9,12,55,245)	87,75,614
Selling and marketing expenses	10,53,995	4,20,290
General and administration expenses	2,15,04,898	44,03,052
	2,25,58,893	48,23,342
OPERATING LOSS BEFORE DEPRECIATION	(11,38,14,138)	39,52,272
Depreciation and amortization	6,60,482	55,642
OPERATING LOSS	(11,44,74,620)	38,96,630
Other income	16,47,073	(12,22,932)
LOSS BEFORE TAX	(11,28,27,547)	26,73,698
Tax expense		
Current tax	(26,158)	22,49,394
Deferred tax	(3,59,68,915)	(9,14,827)
LOSS FOR THE YEAR	(7,68,32,474)	13,39,131

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number: 006673S

M. Rathnakar Kamath
Partner
Membership Number: 202841

Peter Ödman
President

Yvonne Felice Fernandez
Chief Human Relations Officer

Bangalore
January 7, 2014

Rolf Gmünder
Partner

Jacques Le Ny
Partner

Lodestone Management Consultants S.R.L

Independent Auditors' Report

To the Members of Lodestone Management Consultants S.R.L

Report on the Financial Statements

We have audited the accompanying financial statement of Lodestone Management Consultants S.R.L ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number: 006673S

M. Rathnakar Kamath
Partner
Membership Number: 202841

Bangalore
January 7, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31, 2013
EQUITY AND LIABILITIES		
SHAREHOLDERS' FUNDS		
Share capital	2.1	3,13,48,000
Reserves and surplus	2.2	(41,89,648)
		2,71,58,352
CURRENT LIABILITIES		
Trade payables		12,17,978
Other current liabilities	2.3	48,89,138
Short-term provisions	2.4	3,92,487
		64,99,603
		3,36,57,955
ASSETS		
NON-CURRENT ASSETS		
Tangible assets	2.5	6,45,934
		6,45,934
CURRENT ASSETS		
Trade receivables	2.6	1,45,39,687
Cash and cash equivalents	2.7	39,35,592
Short-term loans and advances	2.8	1,45,36,742
		3,30,12,021
		3,36,57,955
SIGNIFICANT ACCOUNTING POLICIES	1	

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Martin De Pablo
Director

Bangalore
January 7, 2014

Statement of Profit and Loss

in ₹, except per share data

Particulars	Note	Year ended December 31, 2013
Income from consultancy services		1,93,09,824
Other income	2.9	10,36,436
Total revenue		2,03,46,260
Expenses		
Employee benefit expenses	2.10	77,23,855
Cost of technical sub-contractors		46,11,005
Travel expenses	2.10	3,05,447
Communication expenses	2.10	1,38,966
Professional charges		43,02,732
Depreciation and amortization expenses	2.5	1,44,339
Other expenses	2.10	38,09,968
Total expenses		2,10,36,312
LOSS BEFORE TAX		(6,90,052)
Tax expense		
Current tax	2.11	4,13,238
Deferred tax	2.11	(2,36,190)
LOSS FOR THE YEAR		(8,67,100)
LOSS PER EQUITY SHARE		
Equity shares of par value ARS 100 each		
Basic		(91.27)
Number of shares used in computing earnings per share		
Basic		9,500
SIGNIFICANT ACCOUNTING POLICIES	1	

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Martin De Pablo
Director

Bangalore
January 7, 2014

Cash Flow Statement

in ₹

Particulars	Year ended December 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss Before Tax	(6,90,052)
Adjustments to reconcile Profit Before Tax to cash provided by operating activities	
Depreciation and amortization expense	1,44,339
Effect of exchange differences on translation of assets and liabilities	(32,39,222)
Changes in assets and liabilities	
Trade receivables	(1,45,39,687)
Loans and advances and other assets	(1,45,36,742)
Liabilities and provisions	64,74,222
	(2,63,87,142)
Income taxes paid	(1,51,667)
NET CASH GENERATED BY OPERATING ACTIVITIES	(2,65,38,809)
CASH FLOWS FROM INVESTING ACTIVITIES	
Payment towards capital expenditure	(8,73,599)
NET CASH USED IN INVESTING ACTIVITIES	(8,73,599)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issuance of share capital	3,13,48,000
NET CASH USED IN FINANCING ACTIVITIES	3,13,48,000
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	39,35,592
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	–
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	39,35,592

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Martin De Pablo
Director

Bangalore
January 7, 2014

Significant accounting policies and notes on accounts

Company overview

Lodestone Management Consultants S.R.L. is a wholly-owned subsidiary of Lodestone Holding AG, Kloten (Switzerland) incorporated on January 10, 2013. The Company renders professional management consulting services, thereby enabling its clients to enhance business performance.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates may include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.5. Revenue recognition

The method for recognizing revenues and cost depends on the nature of the services rendered and on the substance of the contractual agreement. Revenues and costs generated under time-and-material contracts are recognized as services are rendered.

An expected project loss is recognized as an expense immediately.

Revenue comprises the invoiced value for the services and expense reimbursements, net of value added tax, rebates and discounts.

1.6. Tangible assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises the cost of fixed assets that are not yet ready for their intended use at the reporting date.

1.7. Depreciation and amortization

Depreciation is calculated using the straight-line method based on the estimated useful lives. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use.

The Management estimates the useful lives for the other fixed assets as follows:

Buildings	15 years
Plant and machinery	5 years
Office equipment	5 years
Computer equipment	2-5 years
Furniture and fixtures	5 years
Vehicles	5 years

1.8. Impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and recognized as an expense in the income statement.

1.9. Benefits to employees

Company operate various pension schemes, subject to specific local regulations. Contributions to pension plans are charged to the income statement in the period to which they relate, together with other personnel expenses.

1.10. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary

liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.11. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

1.12. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.13. Leases

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease in which significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Statement of Profit and Loss over the lease term.

1.14. Earnings per share

Basic earnings per share is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the period.

2. Notes on accounts for the year ended December 31, 2013

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at December 31, 2013
Authorized	
Equity shares, ARS 100 par value	
29,000 (Nil) equity shares	3,13,48,000
Issued, subscribed and paid-up	
29,000 (Nil) equity shares of ARS 100 par value	3,13,48,000
	3,13,48,000

2.2. Reserves and surplus

in ₹

Particulars	As at December 31, 2013
Foreign currency translation reserve – opening balance	–
Add : Foreign currency translation during the year	(33,22,548)
Foreign currency translation reserve – closing balance	(33,22,548)
Surplus – opening balance	–
Add : Net profit after tax transferred from Statement of Profit and Loss	(8,67,100)
Surplus – closing balance	(8,67,100)
	(41,89,648)

2.3. Other current liabilities

in ₹

Particulars	As at December 31, 2013
Accrued salaries and benefits	
Bonus and incentives	2,79,382
Other liabilities	
Provision for expenses	22,77,773
Withholding and other taxes payable	23,31,983
	48,89,138

2.4. Short-term provisions

in ₹

Particulars	As at December 31, 2013
Provision for employee benefits	
Unavailed leave	3,67,106
Provision for	
Income taxes	25,381
	3,92,487

2.5. Fixed assets

in ₹

Particulars	Original cost					Depreciation and amortization					Net book value
	As at January 1, 2013	Additions / acquisitions during the year	Retirement during the year	Foreign exchange difference	As at December 31, 2013	As at January 1, 2013	For the year	Deductions during the year	Foreign exchange difference	As at December 31, 2013	As at December 31, 2013
Tangible assets											
Computer equipment	–	8,62,525	–	(98,965)	7,63,560	–	1,43,983	–	(16,881)	1,27,102	6,36,458
Furniture and fixtures	–	11,074	–	(1,271)	9,803	–	356	–	(29)	327	9,476
Total		8,73,599		(1,00,236)	7,73,363		1,44,339		(16,910)	1,27,429	6,45,934

2.6. Trade receivables

in ₹

Particulars	As at December 31, 2013
Other debts	
Unsecured	
Considered good	1,45,39,687
Considered doubtful	–
	1,45,39,687
Less : Provision for doubtful debts	–
	1,45,39,687

2.7. Cash and cash equivalents

in ₹

Particulars	As at December 31, 2013
Cash on hand	37,964
Balances with banks	
In current and deposit accounts	38,97,628
Others	
Deposits with financial institutions	–
	39,35,592

The details of balances as on Balance Sheet date with banks are as follows :

in ₹

Particulars	As at December 31, 2013
In current accounts	
Banco Santander Rio ARS	38,97,628

2.8. Short-term loans and advances

in ₹

Particulars	As at December 31, 2013
Unsecured, considered good	
Others	
Advances	
Prepaid expenses	62,49,608
Withholding and other taxes receivable	18,12,851
Others	–
	80,62,459
Unbilled revenues	64,74,283
	1,45,36,742

2.9. Other income

in ₹

Particulars	Year ended December 31, 2013
Gains / (losses) on foreign currency, net	10,36,436
	10,36,436

2.10. Expenses

in ₹

Particulars	Year ended December 31, 2013
Employee benefit expenses	
Salaries and bonus	77,23,855
	77,23,855
Travel expenses	
Travelling and conveyance	3,05,447
	3,05,447
Communication expenses	
Telephone charges	1,38,966
	1,38,966

in ₹

Particulars	Year ended December 31, 2013
Other expenses	
Rent	25,31,997
Computer maintenance	36,450
Insurance charges	44,314
Research grants	–
Marketing expenses	55,297
Postage and courier	21,808
Bank charges	4,67,280
Miscellaneous expenses	6,52,822
	38,09,968

2.11. Tax expense

in ₹

Particulars	Year ended December 31, 2013
Current tax	
Income taxes	4,13,238
Deferred taxes	(2,36,190)
	1,77,048

2.12. Related party transactions

List of related parties :

Name of the Holding Company	Country	Holding as at December 31, 2013
Lodestone Holding AG	Switzerland	100%

Name of Ultimate Holding Company	Country
Infosys Limited [1]	India

[1] *Holding of Lodestone Holding AG from October 22, 2012*

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Shanghai	China
Infosys Brasil	Brazil
Infosys Public Services	U.S.
Infosys Consulting India Limited [1]	India
Infosys Americas [2]	U.S.
Infosys BPO s. r. o [3]	Czech Republic
Infosys BPO (Poland) Sp. z o.o. [3]	Poland
Infosys McCamish Systems LLC (formerly known as McCamish Systems LLC) [3]	U.S.
Portland Group Pty. Ltd [3][4]	Australia
Portland Procurement Services Pty. Ltd [10]	Australia
Infosys Australia [5]	Australia
Lodestone Management Consultants (Canada) Inc. [6][11]	Canada
Lodestone Management Consultants Inc. [6]	U.S.
Lodestone Management Consultants Pty. Limited [6]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [6][7]	Thailand
Lodestone Management Consultants AG [6]	Switzerland
Lodestone Augmentis AG [10]	Switzerland
Hafner Bauer & Ödman GmbH [6]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [8]	Belgium
Lodestone Management Consultants GmbH [6]	Germany
Lodestone Management Consultants Pte Ltd. [6]	Singapore
Lodestone Management Consultants SAS [6]	France
Lodestone Management Consultants s.r.o. [6]	Czech Republic
Lodestone Management Consultants GmbH [6]	Austria
Lodestone Management Consultants China Co., Ltd. [6]	China
Lodestone Management Consultants Ltd. [6]	U.K.
Lodestone Management Consultants B.V. [6]	Netherlands
Lodestone Management Consultants Ltda. [8]	Brazil
Lodestone Management Consultants sp. z o.o. [6]	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. [6]	Portugal
S.C. Lodestone Management Consultants S.R.L. [6]	Romania

[1] *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012.*
[2] *Incorporated effective June 25, 2013*
[3] *Wholly-owned subsidiaries of Infosys BPO.*
[4] *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*
[5] *Under liquidation*
[6] *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
[7] *Liquidated effective February 14, 2013*
[8] *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
[9] *Wholly-owned subsidiary of Portland Group Pty. Ltd*
[10] *Wholly-owned subsidiary of Lodestone Management Consultants AG*
[11] *Liquidated effective December 31, 2013*

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 are as follows :

in ₹

Particulars	Year ended December 31, 2013
Capital transactions	
Capital contribution by parent	
Lodestone Holding AG	3,13,48,000

2.13. Segment reporting

The Company is engaged in providing consultancy services in a single geography. Its operations are therefore considered to constitute a single segment in the context of Accounting Standard 17 Segment Reporting.

2.14. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31, 2013
Income from consultancy services	1,93,09,824
Cost of services	43,82,649
GROSS PROFIT	1,49,27,175
Selling and marketing expenses	52,500
General and administration expenses	1,64,56,824
	1,65,09,324
OPERATING LOSS BEFORE DEPRECIATION	(15,82,149)
Depreciation and amortization	1,44,339
OPERATING LOSS	(17,26,488)
Other income	10,36,436
LOSS BEFORE TAX	(6,90,052)
Tax expense	
Current tax	4,13,238
Deferred tax	(2,36,190)
LOSS FOR THE YEAR	(8,67,100)

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Martin De Pablo
Director

Bangalore
January 7, 2014

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Lodestone Management Consultants sp. z o.o

Independent Auditors' Report

To the Members of Lodestone Management Consultants sp. z o.o.

Report on the Financial Statements

We have audited the accompanying financial statement of Lodestone Management Consultants sp. z o.o. ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statements ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bangalore
January 7, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31, 2013	As at December 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	3,09,88,260	3,09,88,260
Reserves and surplus	2.2	(4,51,55,573)	(2,49,43,580)
		(1,41,67,313)	60,44,680
CURRENT LIABILITIES			
Trade payables	2.4	11,29,03,647	3,11,62,681
Other current liabilities	2.5	4,01,89,612	4,94,43,681
Short-term provisions	2.6	1,28,52,557	60,91,783
		16,59,45,816	8,66,98,145
		15,17,78,503	9,27,42,825
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	23,91,645	30,18,276
Deferred tax assets, net	2.3	1,45,43,685	1,05,48,612
		1,69,35,330	1,35,66,888
CURRENT ASSETS			
Trade receivables	2.9	8,81,54,630	4,10,91,690
Cash and cash equivalents	2.10	2,70,67,123	3,03,77,799
Short-term loans and advances	2.11	1,96,21,420	77,06,448
		13,48,43,173	7,91,75,937
		15,17,78,503	9,27,42,825
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Peter Fischer
Director

Robert Boreczek
Director

Bangalore
January 7, 2014

Statement of Profit and Loss

in ₹, except per share data

Particulars	Note	Year ended December 31,	
		2013	2012
Income from consultancy services		47,02,25,983	49,53,78,914
Other income	2.12	58,80,333	35,22,877
Total revenue		47,61,06,316	49,89,01,791
Expenses			
Employee benefit expenses	2.13	30,02,69,727	24,60,79,551
Cost of technical sub-contractors		7,10,47,344	13,19,42,661
Travel expenses	2.13	9,18,46,213	8,21,50,336
Cost of software packages and others	2.13	–	33,233
Communication expenses	2.13	53,84,658	43,10,778
Professional charges		1,56,76,532	2,09,80,542
Interest expenses	2.13	6,768	1,24,450
Depreciation and amortization expenses	2.7	27,85,687	18,24,993
Other expenses	2.13	1,17,57,907	1,01,44,089
Total expenses		49,87,74,836	49,75,90,633
PROFIT BEFORE TAX		(2,26,68,520)	13,11,158
Tax expense			
Deferred tax	2.14	(20,23,105)	10,16,465
PROFIT FOR THE PERIOD		(2,06,45,415)	2,94,693
EARNINGS PER EQUITY SHARE			
Equity shares of par value ₹100/- each			
Basic		(2,065)	29
Number of shares used in computing earnings per share			
Basic		10,000	10,000
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Peter Fischer
Director

Robert Boreczek
Director

Bangalore
January 7, 2014

Cash Flow Statement

in ₹

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	(2,26,68,520)	13,11,158
Adjustments to reconcile Profit Before Tax to cash provided by operating activities		
Depreciation and amortization expense	27,85,687	18,24,993
Interest and dividend income	(28,118)	(51,597)
Loss / (Profit) of sale of tangible assets	9,303	–
Effect of exchange differences on translation of assets and liabilities	(58,27,485)	(14,37,378)
Changes in assets and liabilities		
Trade receivables	(4,70,62,940)	4,96,09,962
Loans and advances and other assets	(1,19,14,972)	1,57,53,861
Liabilities and provisions	7,92,47,671	(9,11,32,526)
	(54,59,374)	(2,41,21,527)
Income taxes paid	40,46,210	–
NET CASH USED IN OPERATING ACTIVITIES	(14,13,164)	(2,41,21,527)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment towards capital expenditure (including intangible assets)	(26,51,155)	(18,91,429)
Sale proceeds from fixed assets	7,25,525	3,92,796
Interest and dividend received	28,118	51,597
NET CASH USED IN INVESTING ACTIVITIES	(18,97,512)	(14,47,036)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution from parent	–	2,87,91,760
NET CASH USED IN FINANCING ACTIVITIES	–	2,87,91,760
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(33,10,676)	32,23,197
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,03,77,799	2,71,54,602
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2,70,67,123	3,03,77,799

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Peter Fischer
Director

Robert Boreczek
Director

Bangalore
January 7, 2014

Significant accounting policies and notes on accounts

Company overview

Lodestone Management Consultants sp. z o.o. is a wholly-owned subsidiary of Lodestone Holding AG, Kloten (Switzerland). The Company renders professional management consulting services, thereby enabling its clients to enhance business performance.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR

1.4. Previous year figures

The previous year's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates may include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

The method for recognizing revenues and cost depends on the nature of the services rendered and on the substance of the contractual agreement. Revenues and costs generated under time-and-material contracts are recognized as services are rendered.

An expected project loss is recognized as an expense immediately.

Revenue comprises the invoiced value for the services and expense reimbursements, net of value added tax, rebates and discounts.

1.7. Tangible assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

1.8. Depreciation and amortization

Depreciation is calculated using the straight-line method based on the estimated useful lives. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The Management estimates the useful lives for the other fixed assets as follows:

Buildings	15 years
Plants and machinery	5 years
Office equipment	5 years
Computer equipment	2-5 years
Furniture and fixtures	5 years
Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

1.9. Impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and recognized as an expense in the income statement.

1.10. Benefits to employees

The Company operates various pension schemes, subject to specific local regulations. Contributions to pension plans are charged to the income statement in the period to which they relate, together with other personnel expenses.

1.11. Foreign currency transactions

Foreign currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary

liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.12. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

1.13. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.14 Leases

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease in which significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Statement of Profit and Loss over the lease term.

2. Notes on accounts for the year ended December 31, 2013

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at December 31,	
	2013	2012
Authorized share capital		
10,000 equity shares at ₹ 100/- each	3,09,88,260	3,09,88,260
Issued, subscribed and paid-up		
10,000 Equity Shares @ ₹ 100/- each	3,09,88,260	3,09,88,260
	3,09,88,260	3,09,88,260

2.2. Reserves and surplus

in ₹

Particulars	As at December 31,	
	2013	2012
Foreign currency translation reserve – opening balance	62,51,713	–
Add: Foreign currency translation during the year	4,33,422	62,51,713
Foreign currency translation reserve – closing balance	66,85,135	62,51,713
Surplus – opening balance	(3,11,95,293)	(3,14,89,986)
Add: Net profit after tax transferred from Statement of Profit and Loss	(2,06,45,415)	2,94,693
Surplus – closing balance	(5,18,40,708)	(3,11,95,293)
	(4,51,55,573)	(2,49,43,580)

2.3. Deferred taxes

in ₹

Particulars	As at December 31,	
	2013	2012
Deferred tax assets		
Accumulated losses	1,45,43,685	1,05,48,612
	1,45,43,685	1,05,48,612

2.4. Trade Payables

in ₹

Particulars	As at December 31,	
	2013	2012
Trade Payables (1)	11,29,03,647	3,11,62,681
	11,29,03,647	3,11,62,681
(1) *Includes dues to holding and fellow subsidiaries (Refer to Note 2.15)*	8,82,84,417	43,83,137

2.5. Other current liabilities

in ₹

Particulars	As at December 31,	
	2013	2012
Accrued salaries and benefits		
Salaries and benefits	(16,94,673)	1,27,93,379
Bonus and incentives	1,96,56,204	2,83,86,001
Other liabilities		
Provision for expenses	2,29,13,187	64,19,765
Withholding and other taxes payable	(20,99,518)	–
Other payables [1]	14,14,412	18,44,536
	4,01,89,612	4,94,43,681
[1] *Includes dues to holding and fellow subsidiaries (Refer to Note 2.15)*	14,31,380	–

2.6. Short-term provisions

in ₹

Particulars	As at December 31,	
	2013	2012
Provision for employee benefits		
Unavailed leave	1,28,52,557	60,91,783
	1,28,52,557	60,91,783

2.7. Fixed assets

in ₹, except as otherwise stated

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at January 1, 2013	Additions / acquisitions during the year	Deductions / Retirement during the year	As at December 31, 2013	As at January 1, 2013	For the year	Deductions / Adjustments during the year	As at December 31, 2013	As at December 31, 2013	As at December 31, 2012
Tangible assets										
Leasehold improvements	64,072	–	(10,052)	74,124	34,291	19,742	(7,399)	61,432	12,692	29,781
IT equipment	65,71,432	26,51,155	2,22,881	89,99,706	36,64,059	27,23,953	(2,80,315)	66,68,327	23,31,379	29,07,373
Furniture and fixtures	1,58,058	–	(24,810)	1,82,868	76,936	41,992	(16,366)	1,35,294	47,574	81,122
Total	67,93,562	26,51,155	1,88,019	92,56,698	37,75,286	27,85,687	(3,04,080)	68,65,053	23,91,645	30,18,276
Previous year	51,05,654	18,91,429	2,03,521	67,93,562	17,61,018	18,24,993	(1,89,275)	37,75,286	30,18,276	

2.8. Leases

Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the year and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Lease rentals recognized during the year	67,02,616	61,01,272

in ₹

Lease obligations payable	Year ended December 31,	
	2013	2012
Within one year of the Balance Sheet date	17,62,651	15,25,869

2.9. Trade receivables

Particulars	As at December 31,	
	2013	2012
Other debts		
Unsecured		
Considered good [(1)]	8,81,54,630	4,10,91,690
	8,81,54,630	4,10,91,690
[(1)] *Includes dues from holding and fellow subsidiaries (Refer to Note 2.15)*	8,70,21,402	3,73,98,374

2.10. Cash and cash equivalents

Particulars	As at December 31,	
	2013	2012
In current and deposit accounts	2,70,67,123	3,03,77,799
	2,70,67,123	3,03,77,799

The details of balances as on Balance Sheet date with banks are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
In current accounts		
Bank Zachodni WBK S.A. (PLN)	2,48,47,713	3,01,66,698
Bank Zachodni WBK S.A. (EURO)	12,26,887	2,11,101
Bank – Zachodni Social Fund	9,92,523	–

2.11. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Prepaid expenses	8,25,674	11,28,384
Withholding and other taxes receivable	1,82,89,648	60,75,382
	1,91,15,322	72,03,766
Unbilled revenues	2,193	67,134
Electricity deposits	4,983	–
Rental deposits	4,98,922	4,35,548
	1,96,21,420	77,06,448

2.12. Other income

in ₹

Particulars	Year ended December 31,	
	2013	2012
Interest received on deposits with banks and others	28,118	51,597
Miscellaneous income, net	70,63,295	11,95,036
Gains / (losses) on foreign currency, net	(12,11,080)	22,76,244
	58,80,333	35,22,877

2.13. Expenses

Particulars	Year ended December 31,	
	2013	2012
Employee benefit expenses		
Salaries and bonus	28,54,14,874	24,46,50,473
Staff welfare	1,48,54,853	14,29,078
	30,02,69,727	24,60,79,551
Travel expenses		
Travelling and conveyance	9,18,46,213	8,21,50,336
	9,18,46,213	8,21,50,336
Cost of software packages and others		
For own use	–	33,233
	–	33,233
Communication expenses		
Telephone charges	53,84,658	43,10,778
	53,84,658	43,10,778
Interest expenses		
Interest on loan from parent	–	1,24,450
Bank interest	6,768	–
	6,768	1,24,450

in ₹

Particulars	Year ended December 31,	
	2013	2012
Other expenses		
Office maintenance	4,87,463	4,64,210
Power and fuel	1,98,274	1,37,649
Rent	67,02,616	61,01,272
Rates and taxes, excluding taxes on income	2,47,389	2,74,311
Computer maintenance	12,58,234	18,652
Insurance charges	69,850	71,281
Marketing expenses	9,65,579	6,80,790
Printing and stationery	3,26,267	1,63,522
Postage and courier	4,45,626	2,87,595
Books and periodicals	90,704	59,264
Auditor's remuneration		
Statutory audit fees	7,15,750	6,04,282
Bank charges	2,08,223	1,89,944
Miscellaneous expenses	41,932	10,91,317
	1,17,57,907	1,01,44,089

2.14. Tax expense

Particulars	Year ended December 31,	
	2013	2012
Deferred taxes	(20,23,105)	10,16,465
	(20,23,105)	10,16,465

2.15. Related party transactions

List of related parties:

Name of the Holding Company	Country	Holding as at December 31, 2013	Holding as at December 31, 2012
Lodestone Holding AG	Switzerland	100%	100%

Name of the Ultimate Holding Company	Country
Infosys Limited	India

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Shanghai	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Brasil	Brazil
Infosys Public Services	U.S.
Infosys Consulting India Limited (1)	India
Infosys Americas (2)	U.S.
Infosys BPO s. r. o (3)	Czech Republic
Infosys BPO (Poland) Sp. z o.o. (3)	Poland
Infosys McCamish Systems LLC (Formerly known as McCamish Systems LLC) (3)	U.S.
Portland Group Pty. Ltd (3)(4)	Australia
Portland Procurement Services Pty. Ltd (10)	Australia
Infosys Australia (5)	Australia
Lodestone Management Consultants (Canada) Inc. (7)(13)	Canada
Lodestone Management Consultants Inc. (7)	U.S.
Lodestone Management Consultants Pty. Limited (7)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (7)(8)	Thailand
Lodestone Management Consultants AG (7)	Switzerland
Lodestone Augmentis AG (12)	Switzerland
Hafner Bauer & Ödman GmbH (7)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (9)	Belgium
Lodestone Management Consultants GmbH (7)	Germany
Lodestone Management Consultants Pte Ltd. (7)	Singapore
Lodestone Management Consultants SAS (7)	France
Lodestone Management Consultants s.r.o. (7)	Czech Republic
Lodestone Management Consultants GmbH (7)	Austria
Lodestone Management Consultants China Co., Ltd. (7)	China
Lodestone Management Consultants Ltd. (7)	U.K.
Lodestone Management Consultants B.V. (7)	Netherlands
Lodestone Management Consultants Ltda. (9)	Brazil
Lodestone Management Consultants Portugal, Unipessoal, Lda. (7)	Portugal
S.C. Lodestone Management Consultants S.R.L. (7)	Romania
Lodestone Management Consultants S.R.L. (7)(11)	Argentina

(1) *The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012*

(2) *Incorporated effective June 25, 2013*

(3) *Wholly-owned subsidiaries of Infosys BPO.*

(4) *On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd*

(5) *Under liquidation*

(6) *On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG*

(7) *Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

(8) *Liquidated effective February 14, 2013*

(9) *Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

(10) *Wholly-owned subsidiary of Portland Group Pty. Ltd*

(11) *Incorporated effective January 10, 2013*

(12) *Wholly-owned subsidiary of Lodestone Management Consultants AG*

(13) *Liquidated effective December 31, 2013*

The details of amounts due to or due from as at December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	As at December 31, 2013	As at December 31, 2012
Trade receivables		
Lodestone Management Consultants (Canada) Inc.	–	67,920
Lodestone Management Consultants Inc.	25,626	5,22,494
Lodestone Management Consultants Pty. Limited	–	12,45,491
Lodestone Management Consultants AG	4,51,29,467	2,02,86,295
Lodestone Augmentis AG	–	15,154
Lodestone Management Consultants (Belgium) S.A.	–	10,60,743
Lodestone Management Consultants GmbH, Germany	–	88,99,553
Lodestone Management Consultants Pte Ltd.	2,06,604	9,37,666
Lodestone Management Consultants SAS	1,53,02,113	11,28,193
Lodestone Management Consultants s.r.o.	–	34,651
Lodestone Management Consultants GmbH, Austria	1,28,14,430	50,463
Lodestone Management Consultants China Co., Ltd.	30,08,397	11,92,442
Lodestone Management Consultants Ltd.	25,96,400	7,36,058
Lodestone Management Consultants B.V.	75,18,965	6,87,732
Lodestone Management Consultants Portugal, Unipessoal, Lda.	4,19,400	5,33,519
Trade payables		
Lodestone Management Consultants AG	96,20,591	42,85,183
Lodestone Management Consultants GmbH, Germany	–	91,914
Lodestone Management Consultants Ltd.	10,158	–
Infosys BPO (Poland) Sp. z o.o.	6,88,89,484	–
Lodestone Management Consultants Sp. z o.o.	98,57,318	–
FX Valuation on above	(93,134)	6,040
Other liabilities		
Lodestone Management Consultants Pty. Limited	7,45,428	–
Lodestone Management Consultants GmbH, Germany	54,599	–
Lodestone Management Consultants (Belgium) S.A.	1,23,448	–
Lodestone Augmentis AG	39,112	–
Lodestone Management Consultants s.r.o.	1,43,409	–
S.C. Lodestone Management Consultants S.R.L.	3,09,897	–

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
Revenue transactions		
Purchase of services		
Lodestone Management Consultants Portugal, Unipessoal, Lda.	983	–
S.C. Lodestone Management Consultants S.R.L.	63,430	–
Lodestone Management Consultants Ltd, U.K.	6,46,31,800	–
Lodestone Management Consultants AG	91,88,577	1,44,80,050
Interest expenses		
Lodestone Holding AG	–	1,24,450
Sale of services		
Lodestone Management Consultants Pty. Limited	10,09,046	13,29,084
Lodestone Management Consultants (Belgium) S.A.	15,42,761	29,01,016
Lodestone Management Consultants AG	28,10,03,583	31,93,36,469
Lodestone Augmentis AG	51,405	3,677
Lodestone Management Consultants SAS	1,48,58,338	3,93,664
Lodestone Management Consultants Ltd.	62,39,980	16,91,032
Lodestone Management Consultants Pte Ltd.	5,93,641	8,03,706
Lodestone Management Consultants Inc.	8,92,773	49,82,870
Lodestone Management Consultants (Canada) Inc.	55,830	63,843
Lodestone Management Consultants Ltda.	–	4,71,402
Lodestone Management Consultants China Co., Ltd.	13,75,010	11,21,720
Lodestone Management Consultants s.r.o.	2,12,919	1,61,679
Lodestone Management Consultants B.V.	2,04,423	21,61,184
Lodestone Management Consultants Portugal, Unipessoal, Lda.	5,56,512	5,01,906
Lodestone Management Consultants GmbH	8,55,76,081	14,73,17,658
Lodestone Management Consultants B.V.	1,83,26,094	–
Lodestone Management Consultants Inc, U.S.	1,44,09,056	–
Lodestone Management Consultants Ltd, U.K.	4,41,67,174	–
S.C. Lodestone Management Consultants S.R.L.	3,83,584	3,68,841

2.16. Segment reporting

The Company is engaged in providing consultancy services in a single geography. Its operations are therefore considered to constitute a single segment in the context of Accounting Standard 17 Segment Reporting.

2.17. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from consultancy services	47,02,25,983	49,53,78,914
Software development expenses	45,67,71,723	45,69,49,009
GROSS PROFIT	1,34,54,260	3,84,29,905
Selling and marketing expenses	10,07,211	6,80,790
General and administration expenses	3,82,03,447	3,80,11,391
	3,92,10,658	3,86,92,181
OPERATING PROFIT BEFORE DEPRECIATION	(2,57,56,398)	(2,62,276)
Depreciation and amortization	27,85,687	18,24,993
Interest	6,768	1,24,450
OPERATING PROFIT	(2,85,48,853)	(22,11,719)
Other income	58,80,333	35,22,877
PROFIT BEFORE TAX	(2,26,68,520)	13,11,158
Tax expense		
Deferred tax	(20,23,105)	10,16,465
PROFIT FOR THE YEAR	(2,06,45,415)	2,94,693

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Peter Fischer
Director

Robert Boreczek
Director

Bangalore
January 7, 2014

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Lodestone Management Consultants s.r.o.

Independent Auditors' Report

To the Members of Lodestone Management Consultants s.r.o.

Report on the Financial Statements

We have audited the accompanying financial statement of Lodestone Management Consultants s.r.o. ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Profit for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number: 006673S

M. Rathnakar Kamath
Partner
Membership Number: 202841

Bangalore
January 7, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31, 2013	As at December 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	7,89,777	7,89,777
Reserves and surplus	2.2	81,85,089	17,64,327
		89,74,866	25,54,104
CURRENT LIABILITIES			
Trade payables	2.4	1,67,644	34,642
Other current liabilities	2.5	80,95,396	84,84,535
Short-term provisions	2.6	34,94,507	24,27,088
		1,17,57,547	1,09,46,265
		2,07,32,413	1,35,00,369
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	–	–
Deferred tax assets (net)	2.3	–	2,26,416
Long-term loans and advances	2.9	15,511	9,757
		15,511	2,36,173
CURRENT ASSETS			
Trade receivables	2.10	1,20,91,031	96,38,798
Cash and cash equivalents	2.11	78,96,880	31,84,993
Short-term loans and advances	2.12	7,28,991	4,40,405
		2,07,16,902	1,32,64,196
		2,07,32,413	1,35,00,369
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Peter Fischer
Director

Robert Boreczek
Director

Bangalore
January 7, 2014

Statement of Profit and Loss

in ₹, except per share data

Particulars	Note	Year ended December 31,	
		2013	2012
Income from consultancy services		8,95,69,370	4,86,66,313
Other income	2.13	(13,162)	(17,193)
Total revenue		8,95,56,208	4,86,49,120
Expenses			
Employee benefit expenses	2.14	5,67,04,846	2,80,64,225
Cost of technical sub-contractors		2,19,498	1,65,255
Travel expenses	2.14	2,23,17,660	1,48,18,498
Communication expenses	2.14	37,424	10,354
Professional charges		17,22,718	19,34,838
Interest expenses	2.14	(498)	–
Depreciation and amortization expenses	2.7	6,056	–
Other expenses	2.14	6,42,944	5,35,816
Total expenses		8,16,50,648	4,55,28,986
PROFIT BEFORE TAX		79,05,560	31,20,134
Tax expense			
Current tax	2.15	17,77,754	6,14,327
Deferred tax	2.15	1,35,415	7,598
PROFIT FOR THE PERIOD		59,92,391	24,98,209
EARNINGS PER EQUITY SHARE			
Equity shares of par value CZK 1 each			
Basic		30	12
Number of shares used in computing earnings per share			
Basic		2,00,000	2,00,000
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Peter Fischer
Director

Robert Boreczek
Director

Bangalore
January 7, 2014

Cash Flow Statement

in ₹

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	79,05,560	31,20,134
Adjustments to reconcile Profit Before Tax to cash provided by operating activities		
Depreciation and amortization expense	6,056	–
Interest and dividend income	–	(189)
Effect of exchange differences on translation of assets and liabilities	5,19,878	1,78,473
Changes in assets and liabilities		
Trade receivables	(24,52,233)	(79,83,693)
Loans and advances and other assets	(1,45,099)	11,52,194
Liabilities and provisions	(2,22,798)	67,09,661
	56,11,364	31,76,580
Income taxes paid	(8,92,915)	8,224
NET CASH GENERATED BY OPERATING ACTIVITIES	47,18,449	31,84,804
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment towards capital expenditure (including intangible assets)	(13,124)	–
Proceeds from sale of fixed assets	6,562	
Interest and dividend income as per profit and loss account	–	189
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	(6,562)	189
NET CASH FLOWS FROM FINANCING ACTIVITIES	–	–
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	47,11,887	31,84,993
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	31,84,993	–
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	78,96,880	31,84,993

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Peter Fischer
Director

Robert Boreczek
Director

Bangalore
January 7, 2014

Significant accounting policies and notes on accounts

Company overview

Lodestone Management Consultants s.r.o is a wholly-owned subsidiary of Lodestone Holding AG, Kloten (Switzerland). The Company renders professional management consulting services, thereby enabling its clients to enhance business performance.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous year figures

The previous year's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates may include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

The method for recognizing revenues and cost depends on the nature of the services rendered and on the substance of the contractual agreement. Revenues and costs generated under time-and-material contracts are recognized as services are rendered.

An expected project loss is recognized as an expense immediately.

Revenue comprises the invoiced value for the services and expense reimbursements, net of value added tax, rebates and discounts.

1.7. Tangible assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

1.8. Depreciation and amortization

Depreciation is calculated using the straight-line method based on the estimated useful lives. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The Management estimates the useful lives for the other fixed assets as follows:

Computer equipment	2-5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

1.9. Impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and recognized as an expense in the income statement.

1.10. Benefits to employees

The Company operates various pension schemes, subject to specific local regulations. Contributions to pension plans are charged to the income statement in the period to which they relate, together with other personnel expenses.

1.11. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.12. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

1.13. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

2. Notes on accounts for the year ended December 31, 2013

2.1. Share capital

in ₹

Particulars	As at December 31, 2013	2012
Authorized		
200,000 (2,00,000) equity shares at CZK 1 each	7,89,777	7,89,777
Issued, subscribed and paid-up		
200,000 (2,00,000) equity shares at CZK 1 each	7,89,777	7,89,777
	7,89,777	7,89,777

2.2. Reserves and surplus

in ₹

Particulars	As at December 31, 2013	2012
Foreign currency translation reserve – opening balance	2,25,246	(36,591)
Add: Foreign currency translation during the year	3,69,907	2,61,837
Foreign currency translation reserve – closing balance	5,95,153	2,25,246
Other reserves [(1)]	58,464	–
Add: Transferred from surplus	–	58,464
	58,464	58,464
Surplus – opening balance	15,39,081	(9,00,664)
Add: Inter-company dividend	–	
Add: Net profit after tax transferred from Statement of Profit and Loss	59,92,391	24,98,209
Amount available for appropriation	75,31,472	15,97,545
Amount transferred to other reserves	–	58,464
Surplus – closing balance	75,31,472	15,39,081
	81,85,089	17,64,327

(1) The Company is required to appropriate 5% of the annual profit to legal reserve until this equals 20% of the paid-up shared capital. To the extent it does not exceed one-half of the share capital, the general reserve may be used only to cover losses or for measures designed to sustain the Company through difficult times, to prevent unemployment or mitigate its consequences.

2.3. Deferred taxes

in ₹

Particulars	As at December 31, 2013	2012
Deferred tax assets		
Accumulated losses	–	2,26,416
	–	2,26,416

2.4. Trade payables

in ₹

Particulars	As at December 31, 2013	2012
Trade Payables [(1)]	1,67,644	34,642
	1,67,644	34,642
(1) Includes dues to holding and fellow subsidiaries (Refer to Note 2.16)	–	34,642

2.5. Other current liabilities

in ₹

Particulars	As at December 31, 2013	2012
Accrued salaries and benefits		
Salaries and benefits	16,98,959	16,10,278
Bonus and incentives	40,61,198	28,04,931
Other liabilities		
Provision for expenses	9,610	29,55,235
Withholding and other taxes payable	22,76,676	10,88,325
Other payables	48,953	25,766
	80,95,396	84,84,535

2.6. Short-term provisions

in ₹

Particulars	As at December 31, 2013	2012
Provision for employee benefits		
Unavailed leave	21,13,782	19,36,956
Others		
Income taxes (net of advance tax and TDS)	13,80,725	4,90,132
	34,94,507	24,27,088

2.7. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at January 1 2013,	Additions / acquisitions during the year	Deductions / retirement during the year	As at December 31, 2013	As at January 1, 2013	For the year	Deductions / adjustments during the year	As at December 31, 2013	As at December 31, 2013	As at December 31, 2012
Tangible assets										
Computer equipment		13,124	6,299	6,825		6,056	(769)	6,825	–	–
Total	–	13,124	6,299	6,825	–	6,056	(769)	6,825	–	–

2.8. Leases

Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the year and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	Year ended December 31, 2013	2012
Lease rentals recognized during the year	1,52,591	1,07,263

2.9. Long-term loans and advances

in ₹

Particulars	As at December 31, 2013	2012
Advance income taxes	15,511	9,757
	15,511	9,757

2.10. Trade receivables

in ₹

Particulars	As at December 31, 2013	2012
Other debts		
Considered good [(1)]	1,20,91,031	96,38,798
	1,20,91,031	96,38,798
[(1)] *Includes dues from holding and fellow subsidiaries (Refer to Note 2.16)*	1,20,91,031	96,38,798

2.11. Cash and cash equivalents

in ₹

Particulars	As at December 31, 2013	2012
Balances with banks		
In current accounts	78,96,880	31,84,993

The details of balances as on Balance Sheet date with banks are as follows:

in ₹

Particulars	As at December 31, 2013	2012
In current accounts		
Raiffeisenbank a.s. (CZK)	78,96,880	31,84,993
	78,96,880	31,84,993

2.12. Short-term loans and advances

in ₹

Particulars	As at December 31, 2013	2012
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	3,74,466	1,02,241
Withholding and other taxes receivable	1,62,998	2,92,970
	5,37,464	3,95,211
Salary advances	–	807
Rental deposits	48,040	44,387
Others[(1)]	1,43,487	–
	1,91,527	45,194
	7,28,991	4,40,405
[(1)] *Includes dues from holding and fellow subsidiaries (Refer to Note 2.16)*	1,43,487	–

2.13. Other income

in ₹

Particulars	Year ended December 31, 2013	2012
Interest received on deposits with banks and others	–	189
Miscellaneous income, net	5	2
Gains / (losses) on foreign currency, net	(13,167)	(17,384)
	(13,162)	(17,193)

2.14. Expenses

in ₹

Particulars	Year ended December 31,	
	2013	2012
Employee benefit expenses		
Salaries and bonus	5,60,37,246	2,80,07,071
Staff welfare	6,67,600	57,154
	5,67,04,846	2,80,64,225
Travel expenses		
Travelling and conveyance	2,23,17,660	1,48,18,498
	2,23,17,660	1,48,18,498
Communication expenses		
Telephone charges	37,424	10,354
	37,424	10,354
Interest Expenses		
Bank interest	(498)	–
	(498)	–

in ₹

Particulars	Year ended December 31,	
	2013	2012
Other expenses		
Office maintenance	1,21,832	3,26,658
Rent	1,52,591	1,07,263
Computer maintenance	8,025	–
Insurance charges	69,497	65,962
Marketing expenses	2,27,915	–
Postage and courier	10,497	5,187
Bank charges	46,630	30,753
Miscellaneous expenses	5,957	(7)
	6,42,944	5,35,816

2.15. Tax expense

in ₹

Particulars	Year ended December 31,	
	2013	2012
Current tax		
Income taxes	17,77,754	6,14,327
Deferred taxes	1,35,415	7,598
	19,13,169	6,21,925

2.16. Related party transactions

List of related parties:

Name of the Holding Company	Country	Holding as at December 31,	
		2013	2012
Lodestone Holding AG	Switzerland	100%	100%

Name of the Ultimate Holding Company	Country
Infosys Limited	India

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Shanghai	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Brasil	Brazil
Infosys Public Services	U.S.
Infosys Consulting India Limited (1)	India
Infosys Americas (2)	U.S.
Infosys BPO s. r. o (3)	Czech Republic
Infosys BPO (Poland) Sp. z o.o. (3)	Poland
Infosys McCamish Systems LLC (Formerly known as McCamish Systems LLC) (3)	U.S.
Portland Group Pty. Ltd (3)(4)	Australia
Portland Procurement Services Pty. Ltd (10)	Australia
Infosys Australia (5)	Australia
Lodestone Holding AG (6)	Switzerland
Lodestone Management Consultants (Canada) Inc. (7)(13)	Canada
Lodestone Management Consultants Inc. (7)	U.S.
Lodestone Management Consultants Pty. Limited (7)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (7)(8)	Thailand
Lodestone Management Consultants AG (7)	Switzerland
Lodestone Augmentis AG (12)	Switzerland
Hafner Bauer & Ödman GmbH (7)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (9)	Belgium
Lodestone Management Consultants GmbH (7)	Germany
Lodestone Management Consultants Pte Ltd. (7)	Singapore
Lodestone Management Consultants SAS (7)	France
Lodestone Management Consultants GmbH (7)	Austria
Lodestone Management Consultants China Co., Ltd. (7)	China
Lodestone Management Consultants Ltd. (7)	U.K.
Lodestone Management Consultants B.V. (7)	Netherlands
Lodestone Management Consultants Ltda. (9)	Brazil
Lodestone Management Consultants sp. z o.o. (7)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. (7)	Portugal
S.C. Lodestone Management Consultants S.R.L. (7)	Romania
Lodestone Management Consultants S.R.L. (7)(11)	Argentina

(1) The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012
(2) Incorporated effective June 25, 2013
(3) Wholly-owned subsidiaries of Infosys BPO.
(4) On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd
(5) Under liquidation
(6) On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG
(7) Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012
(8) Liquidated effective February 14, 2013
(9) Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012
(10) Wholly-owned subsidiary of Portland Group Pty. Ltd.
(11) Incorporated effective January 10, 2013
(12) Wholly-owned subsidiary of Lodestone Management Consultants AG
(13) Liquidated effective December 31, 2013

The details of amounts due to or due from as at December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Trade receivables		
Lodestone Management Consultants AG	9,06,596	90,97,834
Lodestone Management Consultants Ltd	57,800	–
Lodestone Management Consultants SAS, France	73,80,475	–
Lodestone Management Consultants GmbH, Germany	37,46,160	5,40,963
Trade payables		
Lodestone Management Consultants sp. z o.o.	–	34,766
FX valuation on above	–	(123)
Other receivables		
Lodestone Management Consultants sp. z o.o.	1,33,643	–
FX valuation on above	9,844	–

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Revenue transactions		
Purchase of services		
Lodestone Management Consultants sp. z o.o.	91,805	1,65,255
Lodestone Management Consultants Ltd	1,27,693	–
Sale of services		
Lodestone Management Consultants SAS, France	74,74,788	–
Lodestone Management Consultants Ltd, U.K.	53,70,896	–
Lodestone Management Consultants AG	4,18,02,267	2,77,85,269
Lodestone Management Consultants GmbH	3,49,21,419	2,08,81,044

2.17. Segment reporting

The Company is engaged in providing consultancy services in a single geography. Its operations are therefore considered to constitute a single segment in the context of Accounting Standard 17 Segment Reporting.

2.18. Function-wise classification of Statement of Profit And Loss

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from consultancy services	8,95,69,370	4,86,66,313
Software development expenses	7,92,55,530	4,30,54,661
GROSS PROFIT	1,03,13,840	56,11,652
Selling and marketing expenses	2,15,714	–
General and administration expenses	21,73,846	24,74,325
	23,89,560	24,74,325
OPERATING PROFIT BEFORE DEPRECIATION	79,24,280	31,37,327
Depreciation and amortization	6,056	–
Interest	(498)	–
OPERATING PROFIT	79,18,722	31,37,327
Other income	(13,162)	(17,193)
PROFIT BEFORE TAX	79,05,560	31,20,134
Tax expense		
Current tax	17,77,754	6,14,327
Deferred tax	1,35,415	7,598
PROFIT FOR THE PERIOD	59,92,391	24,98,209

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number: 006673S

M. Rathnakar Kamath
Partner
Membership Number: 202841

Peter Fischer
Director

Robert Boreczek
Director

Bangalore
January 7, 2014

S.C. Lodestone Management Consultants S.R.L.

Independent Auditors' Report

To the Members of S.C. Lodestone Management Consultants S.R.L.

Report on the Financial Statements

We have audited the accompanying financial statement of S.C. Lodestone Management Consultants S.R.L. ('the Company') which comprises the Balance Sheet as at December 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement ('financial statements') of the Company for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility included the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the 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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :

1) In the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
2) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date;
3) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 227(3) of the Act, we report that;

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/201 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Bangalore
January 7, 2014

Balance Sheet

in ₹

Particulars	Note	As at December 31,	
		2013	2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	2,18,49,784	2,18,49,784
Reserves and surplus	2.2	(87,03,483)	(1,15,87,075)
		1,31,46,301	1,02,62,709
CURRENT LIABILITIES			
Short-term borrowings	2.4	54,60,034	44,40,126
Trade payables		2,93,182	–
Other current liabilities	2.5	1,44,25,315	1,00,10,047
Short-term provisions	2.6	67,06,474	43,41,329
		2,68,85,005	1,87,91,502
		4,00,31,306	2,90,54,211
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	14,69,732	6,50,567
		14,69,732	6,50,567
Deferred tax assets (net)	2.3	–	21,94,403
		14,69,732	28,44,970
CURRENT ASSETS			
Trade receivables	2.9	2,65,39,042	1,23,59,407
Cash and cash equivalents	2.10	46,50,711	1,07,08,328
Short-term loans and advances	2.11	73,71,821	31,41,506
		3,85,61,574	2,62,09,241
		4,00,31,306	2,90,54,211
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Peter Fischer
Director

Robert Boreczek
Director

Bangalore
January 7, 2014

Cristin Florescu
Director

Statement of Profit and Loss

in ₹

Particulars	Note	Year ended December 31,	
		2013	2012
Income from consultancy services		14,04,79,139	9,27,41,757
Other income	2.12	(2,95,881)	(12,74,139)
Total revenue		14,01,83,258	9,14,67,618
Expenses			
Employee benefit expenses	2.13	9,89,31,736	6,16,86,429
Travel expenses	2.13	2,60,25,431	2,37,44,713
Professional charges		11,13,117	10,47,686
Interest expenses		2,43,337	10,02,874
Depreciation and amortization expenses	2.7	7,09,830	4,98,736
Other expenses	2.13	1,06,47,531	53,78,411
Total expenses		13,76,70,982	9,33,58,849
PROFIT BEFORE TAX		25,12,276	(18,91,231)
Tax expense	2.14		
Current tax		2,89,824	–
Deferred tax		25,10,589	(3,05,803)
PROFIT FOR THE PERIOD		(2,88,137)	(15,85,428)
EARNINGS PER EQUITY SHARE			
Shares of 100 RON par value each			
Basic		(20.58)	(113.24)
Number of shares used in computing earnings per share			
Basic		14,000	14,000
SIGNIFICANT ACCOUNTING POLICIES	1		

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Peter Fischer
Director

Robert Boreczek
Director

Bangalore
January 7, 2014

Cristin Florescu
Director

Cash Flow Statement

in ₹

Particulars	Year ended December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	25,12,276	(18,91,231)
Adjustments to reconcile Profit Before Tax to cash provided by operating activities		
Depreciation and amortization expense	7,09,830	4,98,736
Interest and dividend income	–	(4,373)
Effect of exchange differences on translation of assets and liabilities	29,97,997	11,55,680
Changes in assets and liabilities		
Trade receivables	(1,41,79,635)	34,20,221
Loans and advances and other assets	(42,30,315)	(12,39,472)
Liabilities and provisions	73,94,494	23,98,440
	(47,95,353)	43,38,001
Income taxes paid	(9,26,909)	2,78,514
NET CASH GENERATED BY OPERATING ACTIVITIES	(57,22,262)	46,16,515
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment towards capital expenditure (including intangible assets)	(13,55,263)	(8,08,057)
Interest and dividend received	–	4,373
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	(13,55,263)	(8,03,684)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution by parent	–	1,97,21,787
Loan received from parent	10,19,908	(1,84,84,223)
NET CASH USED IN FINANCING ACTIVITIES	10,19,908	12,37,564
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(60,57,617)	50,50,395
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,07,08,328	56,57,933
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	46,50,711	1,07,08,328

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number : 006673S

M. Rathnakar Kamath
Partner
Membership Number : 202841

Peter Fischer
Director

Robert Boreczek
Director

Bangalore
January 7, 2014

Cristin Florescu
Director

Significant accounting policies and notes on accounts

Company overview

S.C. Lodestone Management Consultants S.R.L. is a wholly-owned subsidiary of Lodestone Holding AG, Kloten (Switzerland). The Company renders professional management consulting services, thereby enabling its clients to enhance business performance.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

1.2. Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.3. Reporting currency

The Company's reporting currency is INR.

1.4. Previous year figures

The previous year's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

1.5. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates may include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.6. Revenue recognition

The method for recognizing revenues and cost depends on the nature of the services rendered and on the substance of the contractual agreement. Revenues and costs generated under time-and-material contracts are recognized as services are rendered.

An expected project loss is recognized as an expense immediately.

Revenue comprises the invoiced value for the services and expense reimbursements, net of value added tax, rebates and discounts.

1.7. Tangible assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

1.8. Depreciation and amortization

Depreciation is calculated using the straight-line method based on the estimated useful lives. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use.

1.9. Impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item-by-item basis and recognized as an expense in the income statement.

1.10. Benefits to employees

The Company operates various pension schemes, subject to specific local regulations. Contributions to pension plans are charged to the income statement in the period to which they relate, together with other personnel expenses.

1.11. Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of Profit and Loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

The translation of financial statements to INR is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under reserves and surplus.

1.12. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

1.13. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.14. Leases

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease in which significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Statement of Profit and Loss over the lease term.

2. Notes on accounts for the year ended December 31, 2013

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at December 31,	
	2013	2012
Authorized		
14,000 (14,000) equity shares of RON 100 par value, fully paid	2,18,49,784	2,18,49,784
Issued, subscribed and paid-up		
14,000 (14,000) equity shares of RON 100 par value, fully paid	2,18,49,784	2,18,49,784
	2,18,49,784	2,18,49,784

2.2. Reserves and surplus

in ₹

Particulars	As at December 31,	
	2013	2012
Foreign currency translation reserve – opening balance	41,09,742	29,85,915
Add: Foreign currency translation during the year	31,71,729	11,23,827
Foreign currency translation reserve – closing balance	72,81,471	41,09,742
Other reserves [(1)]	4,00,479	4,00,479
Surplus – opening balance	(1,60,97,296)	(1,41,11,389)
Add: Net profit after tax transferred from Statement of Profit and Loss	(2,88,137)	(15,85,428)
Amount transferred to legal reserve	–	4,00,479
Surplus – closing balance	(1,63,85,433)	(1,60,97,296)
	(87,03,483)	(1,15,87,075)

[(1)] *The Company is required to appropriate 5% of the annual profit to legal reserve until this equals 20% of the paid up share capital. To the extent it does not exceed one-half of the share capital, the general reserve may be used only to cover losses or for measures designed to sustain the Company through difficult times, to prevent unemployment or to mitigate its consequences.*

2.3. Deferred taxes

in ₹

Particulars	As at December 31,	
	2013	2012
Deferred tax assets		
Accumulated losses	–	21,94,403
	–	21,94,403

2.4. Short-term borrowings

in ₹

Particulars	As at December 31,	
	2013	2012
From related parties – Unsecured	54,60,034	44,40,126
(Refer to *Note* 2.16)	54,60,034	44,40,126

2.5. Other current liabilities

in ₹

Particulars	As at December 31,	
	2013	2012
Accrued salaries and benefits		
Bonus and incentives	92,33,356	64,43,751
Provision for expenses	11,67,890	19,11,753
Withholding and other taxes payable	40,24,069	16,54,543
	1,44,25,315	1,00,10,047

2.6. Short-term provisions

in ₹

Particulars	As at December 31,	
	2013	2012
Provision for employee benefits		
Unavailed leave	67,06,474	40,20,430
Others		
Income taxes (net of advance tax and TDS)	–	3,20,899
	67,06,474	43,41,329

2.7. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at January 1, 2013	Additions / acquisitions during year	Deductions / retirement during year	As at December 31, 2013	As at January 1, 2013	For the year	Deductions / Adjustments during year	As at December 31, 2013	As at December 31, 2013	As at December 31, 2012
Tangible assets										
Computer equipment	14,21,788	13,55,263	(3,57,588)	31,34,639	7,71,221	7,09,830	(1,83,856)	16,64,907	14,69,732	6,50,567
	14,21,788	13,55,263	(3,57,588)	31,34,639	7,71,221	7,09,830	(1,83,856)	16,64,907	14,69,732	6,50,567
Intangible assets										
Intellectual property rights	16,580	–	(2,962)	19,542	16,580	–	(2,962)	19,542	–	–
	16,580	–	(2,962)	19,542	16,580	–	(2,962)	19,542	–	–
Total	14,38,368	13,55,263	(3,60,550)	31,54,181	7,87,801	7,09,830	(1,86,818)	16,84,449	14,69,732	6,50,567
Previous year	6,30,311	8,08,057	–	14,38,368	2,57,212	4,98,736	(31,853)	7,87,801	6,50,567	

2.8. Leases

Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the year and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Lease rentals recognized during the year	18,67,537	16,55,285

in ₹

Lease obligations payable	Year ended December 31,	
	2013	2012
Within one year of the Balance Sheet date	4,22,119	3,65,415
Due in a period between one year and five years	–	–
Due after five years	–	–

The operating lease arrangements, are renewable on a periodic basis and relate to rented premises. Some of these lease agreements have price escalation clauses.

2.9. Trade receivables [(1)]

in ₹

Particulars	As at December 31,	
	2013	2012
Other debts		
Unsecured		
Considered good	2,65,39,042	1,23,59,407
	2,65,39,042	1,23,59,407
Less: Provision for doubtful debts (others)	–	–
	2,65,39,042	1,23,59,407
	2,65,39,042	1,23,59,407
[(1)] *Includes dues from fellow subsidiaries (Refer to Note 2.16)*	2,65,39,042	1,23,59,277

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer from the invoice date, as at the Balance Sheet date. The Company pursues the recovery of the dues, in part or full.

2.10. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2013	2012
Cash on hand	437	373
Balances with banks		
In current and deposit accounts	46,50,274	1,07,07,955
	46,50,711	1,07,08,328

The details of balances as on Balance Sheet dates with banks are as follows:

in ₹

Particulars	As at December 31,	
	2013	2012
In current accounts		
Raiffeisen Bank S.A. (RON)	46,50,274	1,07,07,955
Total cash and cash equivalents as per Balance Sheet	46,50,711	1,07,08,328

2.11. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured, considered good		
Others		
Prepaid expenses	24,50,154	4,02,849
Withholding and other taxes receivable	40,30,809	26,18,541
Others	–	4,521
	64,80,963	30,25,911
Salary advances	7,54,370	–
Rental deposits	1,36,488	1,15,595
	73,71,821	31,41,506

2.12. Other income

in ₹

Particulars	Year ended December 31,	
	2013	2012
Interest received on deposits with banks and others	–	4,373
Miscellaneous income, net	21,996	–
Gains / (losses) on foreign currency, net	(3,17,877)	(12,78,512)
	(2,95,881)	(12,74,139)

2.13. Expenses

in ₹

Particulars	Year ended December 31,	
	2013	2012
Employee benefit expenses		
Salaries and bonus	9,62,90,232	6,15,18,739
Staff welfare	26,41,504	1,67,690
	9,89,31,736	6,16,86,429
Travel expenses		
Travelling and conveyance	2,60,25,431	2,37,44,713
	2,60,25,431	2,37,44,713
Other expenses		
Rent	18,67,537	16,55,285
Marketing expenses	3,49,396	–
Printing and stationery	80,837	48,163
Postage and courier	20,28,884	10,90,307
Auditor's remuneration		
Statutory audit fees	–	–
Bank charges	3,54,892	2,42,592
Miscellaneous expenses	59,65,985	23,42,064
	1,06,47,531	53,78,411

2.14. Tax expense

in ₹

Particulars	Year ended December 31,	
	2013	2012
Current tax		
Income taxes	2,89,824	–
Deferred taxes	25,10,589	(3,05,803)
	28,00,413	(3,05,803)

2.15. Quantitative details

The Company is primarily engaged in the business of consultancy services. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5 (viii)(c) of general instructions for preparation of the Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.16. Related party transactions

List of related parties :

Name of Holding Company	Country	Holding as at December 31,	
		2013	2012
Lodestone Holding AG	Switzerland	100%	100%

Name of Ultimate Holding Company	Country
Infosys Limited[(1)]	India

(1) Holding of Lodestone Holding AG from October 22, 2012

Name of fellow subsidiaries	Country
Infosys BPO	India
Infosys China	China
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Shanghai	China
Infosys Brasil	Brazil
Infosys Public Services	U.S.
Infosys Consulting India Limited [(1)]	India
Infosys Americas [(2)]	U.S.
Infosys BPO s. r. o. [(3)]	Czech Republic
Infosys BPO (Poland) Sp. z o.o.[(3)]	Poland
Infosys McCamish Systems LLC (formerly known as McCamish Systems LLC) [(3)]	U.S.
Portland Group Pty. Ltd [(3)(4)]	Australia
Portland Procurement Services Pty. Ltd [(10)]	Australia
Infosys Australia [(5)]	Australia
Lodestone Holding AG [(6)]	Switzerland
Lodestone Management Consultants (Canada) Inc. [(7)(13)]	Canada
Lodestone Management Consultants Inc. [(7)]	U.S.
Lodestone Management Consultants Pty. Limited [(7)]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [(7)(8)]	Thailand
Lodestone Management Consultants AG [(7)]	Switzerland
Lodestone Augmentis AG [(12)]	Switzerland
Hafner Bauer & Ödman GmbH [(7)]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [(9)]	Belgium
Lodestone Management Consultants GmbH [(7)]	Germany
Lodestone Management Consultants Pte Ltd. [(7)]	Singapore
Lodestone Management Consultants SAS [(7)]	France
Lodestone Management Consultants s.r.o. [(7)]	Czech Republic
Lodestone Management Consultants GmbH [(7)]	Austria
Lodestone Management Consultants China Co., Ltd. [(7)]	China
Lodestone Management Consultants Ltd. [(7)]	U.K.
Lodestone Management Consultants B.V. [(7)]	Netherlands
Lodestone Management Consultants Ltda. [(9)]	Brazil
Lodestone Management Consultants sp. z o.o. [(7)]	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. [(7)]	Portugal
Lodestone Management Consultants S.R.L. [(7)(11)]	Argentina

(1) The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012
(2) Incorporated effective June 25, 2013
(3) Wholly-owned subsidiaries of Infosys BPO.
(4) On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty. Ltd
(5) Under liquidation
(6) On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG
(7) Wholly-owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012
(8) Liquidated effective February 14, 2013
(9) Majority-owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012
(10) Wholly-owned subsidiary of Portland Group Pty. Ltd
(11) Incorporated effective January 10, 2013
(12) Wholly-owned subsidiary of Lodestone Management Consultants AG
(13) Liquidated effective December 31, 2013

The details of amounts due to or due from as at December 31, 2013 and December 31, 2012 are as follows :

in ₹

Particulars	As at December 31,	
	2013	2012
Unsecured loans		
Lodestone Holding AG	54,60,034	44,40,126
Trade receivables		
Lodestone Management Consultants AG	1,52,43,878	47,08,605
Lodestone Management Consultants (Belgium) S.A.	–	47,78,236
Lodestone Management Consultants GmbH, Germany	61,23,793	15,49,088
Lodestone Management Consultants Inc.	–	13,23,348
Lodestone Management Consultants SAS	30,68,995	–
Lodestone Management Consultants sp. z o.o.	3,09,567	–
Lodestone Management Consultants Ltd.	17,92,809	–
Trade payables		
Lodestone Management Consultants AG	17,528	–

The details of the related party transactions entered into by the Company for the year ended December 31, 2013 and December 31, 2012 are as follows:

in ₹

Particulars	Year ended December 31,	
	2013	2012
Capital transactions		
Revenue transactions		
Interest expense		
Lodestone Holding AG	–	10,02,874
Sale of services		
Lodestone Management Consultants (Belgium) S.A.	1,57,365	44,85,049
Lodestone Management Consultants AG	7,65,82,711	5,00,89,672
Lodestone Management Consultants GmbH	4,16,70,897	2,85,00,539
Lodestone Management Consultants SAS	30,52,462	–
Lodestone Management Consultants B.V.	29,50,082	–
Lodestone Management Consultants sp. z o.o.	2,088	–
Lodestone Management Consultants Ltd.	20,26,250	–
Lodestone Management Consultants Inc.	1,40,37,281	96,66,497

2.17. Segment reporting

The Company is engaged in providing consultancy services in a single geography. Its operations are therefore considered to constitute a single segment in the context of Accounting Standard 17 Segment Reporting.

2.18. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2013	2012
Income from consultancy services	14,04,79,139	9,27,41,757
Software development expenses	12,43,85,499	8,54,13,136
GROSS PROFIT	1,60,93,640	73,28,621
Selling and marketing expenses	3,32,986	–
General and administration expenses	1,19,99,331	64,44,103
	1,23,32,317	64,44,103
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	37,61,323	8,84,518
Interest expense	2,43,337	10,02,874
Depreciation and amortization	7,09,830	4,98,736
OPERATING PROFIT	28,08,156	(6,17,092)
Other income	(2,95,881)	(12,74,139)
PROFIT BEFORE TAX	25,12,275	(18,91,231)
Tax expense		
Current tax	2,89,824	–
Deferred tax	25,10,588	(3,05,803)
PROFIT FOR THE PERIOD	(2,88,137)	(15,85,428)

As per our report attached

for Shenoy & Kamath
Chartered Accountants
Firm's Registration Number: 006673S

M. Rathnakar Kamath
Partner
Membership Number: 202841

Peter Fischer
Director

Robert Boreczek
Director

Bangalore
January 7, 2014

Cristin Florescu
Director

Global presence – Infosys Limited

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Perth
Level 18, Central Park Building
152-158 St. Georges Terrace
Perth WA 6000
Tel: 61 8 9288 1750
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Level 3 and 10, 77 Pacific Highway
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P. O. Box 1885
Tel: 61 2 8912 1500
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Hong Kong

01-03, 66 / F, The Center
99 Queen's Road Central, Hong Kong
Tel: 852 3965 3350
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Japan

Aichi
Regus Hirokoji Garden Avenue Centre
4th FL. Hirokoji Garden Avenue
4-24-16 Meieki, Nakamura-ku
Nagoya city, Aichi, Japan 450 0002
Tel: 81 52 856 9535
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Tokyo
Izumi Garden Wing 2F
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Tel: 81 3 5545 3251
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Malaysia

Kuala Lumpur
Level 13A – 1 Mercu UEM
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Kuala Lumpur Sentral
Kuala Lumpur 50470
Tel: 603 2772 1200
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Mauritius

4th Floor, B Wing, Ebène Cyber Towers
Reduit, Mauritius
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Fax: 230 464 1318

New Zealand

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Level 7, 92 Albert Street
Auckland NZ 1010, P.O. Box 91397
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Wellington
Level 7, 16 Willis Street
PO Box 11289 Manners Street
Wellington, New Zealand
Fax: 64 4 472 4616

Philippines

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6 / F, Cyber One Building,
11, Eastwood Avenue, Eastwood City
Cyberpark, Bagumbayan, Libis
Quezon City, Manila
Tel: 00 632 464 9300
Fax: 00 632 464 9301

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05-01 / 06, 1 Changi Business Park
Crescent, Singapore 486025
Tel: 65 6671 2200
Fax: 65 6671 2205

Level 43, Unit 02, Suntec Tower 2
9 Temasek Blvd., Singapore 038989
Tel: 65 6572 8400
Fax: 65 6572 8405

South Korea

Seoul
Centre no 555
18th Floor, Kyoung Am Building
157-27, Samsung–dong,
Gangnam-gu, Seoul 135090
Republic of South Korea
Tel: 82 2 3450 1500
Fax: 82 2 3450 1510

Taiwan

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Centre No. 1372
Shin Kong Manhattan Building
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110 Taipei, Taiwan
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United Arab Emirates

Dubai
506 and 805, Liberty House, DIFC
P. O. Box 506846, Dubai
Tel: 971 4 508 0200
Fax: 971 4 508 0225

Sharjah
Z3 Office 11, SAIF Zone
P. O. Box 8230, Sharjah
Tel: 971 6 557 1068
Fax: 971 6 557 3768

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Belgium

Brussels
Regus Park Atrium
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Czech Republic

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Regus Business Center
Prague Stock Exchange
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Fax: 420 222 191 700

Denmark

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Regus Copenhagen
Larsbjoernsstraede 3, 1454 Copenhagen
Tel: 45 33 3772 94
Fax: 45 33 3243 70

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Regus Mannerheimintie 12 B
00100 Helsinki
Tel: 358 925 166 239
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92 914 Paris La Defense 9
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Germany

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Fax: 49 0 89 5908 1200

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Regus Prembroke House
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Infosys Limited Regus
Via Torino 2, 20123, Milano, Italy
Tel: 39 02 7254 6456
Fax: 39 02 7254 6400

Norway

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Russia

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Moscow 125047
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Fax: 421 0 2 5939 6200

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CUZCO IV, Paseo de la Castellana 141-8
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Fax: 34 91 572 6606

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Planta 6, Barcelona 08017, Spain
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Fax: 34 93 228 78 99

Sweden

Stockholm
Regus Gardet, Tegeluddsvagen 76
2nd Floor, 115 28 Stockholm, Sweden
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Fax: 46 (0) 8 5050 24 01

Switzerland

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Regus Basel City Centre
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18, Avenue Louis-Casai, 1209 Geneva
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Fax: 41 22 747 7900

Zurich
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8048 Zurich
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The Netherlands

Amsterdam
World Trade Center, H – Tower
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1077 XV Amsterdam
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Fax: 31 20 796 5501

United Kingdom

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14th and 15th Floor
10 Upper Bank Street
Canary Wharf, London E 14 5NP
Tel: 44 20 7715 3300
Fax: 44 20 7715 3301

Swindon
Windmill Hill Business Park,
Whitehill Way, Swindon
Wiltshire, SN5 6QR
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Fax: 44 207 715 3301

Global presence – Infosys Limited *(contd.)*

India

Ahmedabad
Regus Business Center
101-104, GCP Business Center
Opposite Memnagar Fire Station
Vijay Cross Road, Memnagar
Ahmedabad, Gujarat - 380014
Tel: 91 79 6134 4960
Fax: 91 79 6134 4949

Bangalore
Electronics City, Hosur Road
Bangalore 560 100
Tel: 91 80 2852 0261
Fax: 91 80 2852 0362

Infosys – Center Point
Offshore Development Center
Plot No. 26A, Electronics City
Hosur Road, Bangalore 560 100
Tel: 91 80 2852 0261
Fax: 91 80 2852 0362

Reddy Building
K 310, 1st Main, 5th Block
Koramangala, Bangalore 560 095
Tel: 91 80 2553 2591
Fax: 91 80 2553 0391

Salarpuria Infozone
3rd and 4th Floor, Wing A
No. 39 (P), No. 41 (P) and No. 42 (P)
Electronics City, Hosur Road
Bangalore 560 100
Tel: 91 80 2852 0261
Fax: 91 80 2852 0362

Manipal Center
N 403. 405, North block
Manipal Center, Dickenson Road
Bangalore 560 042
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Fax: 9180 2559 2087

Bagmane Constructions Pvt. Ltd SEZ
Mahadevpura, Doddanekundi Village
Krishnarajpuram Hobli
Bangalore East Taluk, Bangalore 560 048
Tel: 91 80 3361 3970
Fax: 91 80 3361 3091

JP IT Park
Plot No. 25 and 23
Konappana Agrahara Village
Begur Hobli, Electronics City
Bangalore 560 100
Tel: 91 80 2852 0261
Fax: 91 80 2852 0362

Mohan Chambers
Infosys Limited Towers – 4
31, Sarakki Industrial Area
No. 27, SJR Towers, 3rd Phase
J. P. Nagar, Bangalore 560 076
Tel: 91 80 2852 0261
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M&C Building, Plot No. 52 and 53,
Doddathogur Village, Begur Hobli,
Electronics City, Hosur Road
Bangalore 560 100
Tel: 91 80 2852 0261
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Bhubaneswar
Plot No. E / 4, Info City
Bhubaneswar 751 024
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Chandigarh
Block A and B, Ground Floor
DLF Building, Plot No. 2
Rajiv Gandhi Technology Park,
Chandigarh 160 101
Tel: 91 172 502 1100
Fax: 91 172 504 6222

Plot No. 1, Rajiv Gandhi Technology Park
Chandigarh 160 101
Tel: 91 172 503 8000
Fax: 91 172 504 6860

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Sholinganallur, Chennai 600 119
Tel: 91 44 2450 9530
Fax: 91 44 2450 0390

Mahindra Industrial Park
TP 1/1, Central Avenue, Techno Park SEZ
Mahindra World City, Natham Sub Post
Chengelpet, Kancheepuram District
Chennai 603 002
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Fax: 91 44 4741 5151

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Infosys Limited, 7th Floor, Tower-B
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Fax: 91 124 400 4356

Hyderabad
Survey No. 210, Manikonda Village
Lingampally, Rangareddy (Dist.)
Hyderabad 500 032
Tel: 91 40 6642 0000
Fax: 91 40 2300 5223

SEZ Survey No. 41(pt), 50(pt)
Pocharam Village
Singapore Township PO
Ghatkesar Mandal, Rangareddy District
Hyderabad 500 088
Tel: 91 40 4060 0000
Fax: 91 40 6634 1356

Jaipur
3rd and 4th Floor of Building
No. 1 Plot No. IT-A-001-A1
Mahindra World City (SEZ)
Village Kalwara, Tehsil Sanganer
Ajmer Road District Jaipur, Rajasthan
Tel: 91 141 395 6000
Fax: 91 141 395 6100

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Kottara, Mangalore 575 006
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Fax: 91 824 245 1504

Kamblapadavu
Kurnad Post, Pajeeru Village
Bantwal Taluk 574 153
Dakshina Kannada (Dist.)
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Fax: 91 824 228 4491

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85, 'C' Mittal Towers, 8th Floor,
Nariman Point, Mumbai 400 021
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Fax: 91 22 2284 6489

Mysore
No. 350, Hebbal Electronics City
Mysore 570 027
Tel: 91 821 240 4101
Fax: 91 821 240 4200

No. 347 A, Hebbal Electronics City
Mysore 570 027
Tel: 91 821 240 4101
Fax: 91 821 240 4200

Pune
Plot No. 1, Rajiv Gandhi Infotech Park
Hinjawadi, Taluka Mulshi,
Pune 411 057
Tel: 91 20 2293 2800
Fax: 91 20 2293 2832

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Phase II, Village Maan
Taluka Mulshi, Pune 411 057
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Thiruvananthapuram
3rd Floor, Bhavani Technopark
Thiruvananthapuram 695 581
Tel: 91 471 398 2222
Fax: 91 471 270 0889

Plot No. 1, Technopark Campus II
Attipara Village,
Thiruvananthapuram 695 581
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Fax: 91 471 270 0889

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Fax: 1 403 444 6699

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Tel: 1 514 448 2157 / 7471
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Suite 1400 Toronto
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Bentonville, AR 72712
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Wilmington, DW 19801
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Fax: 302 295 4801

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Houston
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Houston, TX 77072
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Fax: 1 281 454 0301

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Fax: 1 630 505 9144

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Fax: 414 353 3101

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Minneapolis, MN 55402
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Tel: 1 646 254 3100
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Global presence – Infosys Limited *(contd.)*

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Braintree, Quincy, MA 02169
Tel : 1 781 356 3100
Fax : 1 781 356 3150

Reston
12021 Sunset Hills Road
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Southfield
3000 Town Center, Suite 2850,
Southfield, MI 48075
Tel : 1 248 603 4300
Fax : 1 248 208 3315

South Africa

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West Towers, 2nd Floor
Maude Street, Sandton
Johannesburg, 2195, South Africa
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Fax : 27 0 11 881 5611

Global presence – Subsidiaries of Infosys Limited

Edgeverve Systems Limited

India

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Fax : 91 80 2852 1300

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Tel : 91 80 2852 2405
Fax : 91 80 2852 2411

Salarpuria Infozone
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Electronics City, Hosur Road,
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Fax : 91 80 4067 0034

27, SJR Towers,
Bannerghatta Road, J. P. Nagar
III Phase, Bangalore 560 078
Tel : 91 80 5103 2000
Fax : 91 80 2658 8676

Chennai
Unit of Ramanujam IT city SEZ
Hardy towers, 3rd and 4th floor
TRIL Infopark Ltd,Taramani
Rajiv Gandhi Salai (OMR),
Chennai 600113
Tel : 91 44 6685 5111
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Gurgaon
7th floor Tower A, B and C
Building No. 6, DLF Cyber City
Developer Limited
Special Economic Zone
Sector 24 and 25 DLF PH-3, Gurgaon
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Fax : 91 124 4583 701

Jaipur
IT-A-001
Mahindra World City
Special Economic Zone
Village Kalwara, Tahsil Sanganer,
Jaipur 302 029
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Pune
Plot No. 24 / 3
Rajiv Gandhi Infotech Park,
Phase II, Village Maan
Taluka Mulshi, Pune 411 057
Tel : 91 20 4023 2001
Fax : 91 20 3981 5352

Plot No. 24 / 2
Rajiv Gandhi Infotech Park,
Phase II, Village Maan,
Taluka Mulshi, Pune 411 057
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Fax : 91 20 2293 4540

Plot No. 1, Building No. 4
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Pune 411 057
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Fax : 91 20 2293 4540

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Market, Bonifacio Global City,
Fort Bonifacio Taguig City,
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Muntinlupa City
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Cyberzone, Filinvest Corporate City,
Alabang, Muntinlupa City, Philippines
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Global presence – Subsidiaries of Infosys Limited *(contd.)*

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Dalian
10 / F, Ascendas Software Park Phase 2
No. 7, Hui Xian Yuan,
Dalian Hi-tech Industrial Zone,
Dalian 116025, China
Tel: 86 411 3998 1001

Hangzhou
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No. 301 Binxing Road,
Binjiang District, Hangzhou 310052
Tel: 86 571 8793 0011
Fax: 86 571 8793 0001

Nanjing
Room 1807
No. 281 North Zhongshan Road,
Nanjing, China

Shanghai
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Zhangjiang Hi-Tech Park,
Shanghai 201203
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Fax: 86 21 5884 3001

Infosys Technologies (Shanghai) Co. Limited

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Infosys Technologies (Sweden) AB

Sweden

Östersund
Regus Östersund,
Stortorget 2-4, 831 30, Östersund,
Sweden

Linköping
Regus Linköping,
Teknikringen, 8, 583 30, Linköping,
Mjardevi, Sweden

Infosys Technologies S. de R. L. de C. V.

Mexico

Monterrey
Corporativo Santa Maria
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Monterrey, Mexico CP 64650
Tel: 521 81 8850 9300
Fax: 521 81 8850 9301

Mexico City
Citi Center Building, Avenida
Insurgentes Sur,
No. 1602, 12th Floor,
Colonia Crédito Constructor Mexico
Distrito Federal, Mexico CP 03940
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Lodestone Holding AG

Switzerland

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Subsidiaries of Infosys BPO Limited

Infosys BPO s.r.o

Czech Republic

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Holandka 9, 63900, Brno
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Infosys BPO Poland Sp. z o.o.

Poland

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Infosys BPO S. de R.L. de C.V.

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16 Santa Maria Monterrey,
Monterrey Nuevo Leon 64650
Mexico

Infosys McCamish Systems LLC

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Des Moines, IA 50309
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Fax: 61 7 3009 8123

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Fax: 61 3 8825 3898

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Subsidiary of Portland Group Pty. Limited

Portland Procurement Services Pty. Limited

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Fax : 61 2 9210 4398

Global presence – Subsidiaries of Infosys Limited *(contd.)*

Subsidiaries of Lodestone Holding AG

Lodestone Management Consultants GmbH

Austria

Vienna
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1160 Vienna
Austria

Lodestone Management Consultants AG

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Basel
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Lodestone Management Consultants SAS

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Lodestone Management Consultants GmbH

Germany

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Fax : 49 89 30 76 67 6-99

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