Relevance through innovation

Subsidiaries 2012-13

Infosys®

POWERED BY INTELLECT
DRIVEN BY VALUES

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"Innovation across borders is essential to accelerate the pace of world prosperity."

N. R. Narayana Murthy
Founder and Chairman Emeritus, Infosys Limited

Every day we ask ourselves how we can deliver greater value to our clients and shareholders. And look for ways to help our clients take on a future that is full of unknown challenges and yet brimming with opportunities to explore. We clearly see that tomorrow's enterprise will be nothing like today's. That is why our mission is to enable our clients to most effectively compete, not just today, but in the years ahead. As we go about our daily business, we keep relentlessly innovating in order to remain relevant to our clients and their customers.

This tireless commitment to new ideas is in our DNA. It has powered our success through the last three decades and continues to guide us as we go about building tomorrow's enterprise for our clients. We believe each great idea that we bring to life can change how business works, eventually cascading to change how the world works. We measure our success by how these solutions help drive the world — and its enterprises — forward.

Infosys — a company of relentless innovators on a mission.

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Contents

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 31 March 2013, 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

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"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

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

(i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013;

(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 proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
    c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
    d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956; and
    e. on the basis of written representations received from the directors as on 31 March 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013, 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.**
Chartered Accountants
Firm's Registration. No. 101248W

Natrajh Ramakrishna
Partner
Membership No. 32815

Bangalore
8th April, 2013

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 31 March 2013. 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 Rs 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 been regularly deposited during the year by the Company with the appropriate authorities. 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 31 March 2013 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 (Rs.)**	**Period to which the amount relates**	**Forum where dispute is pending**
Income Tax Act, 1961	Interest/ Tax Demands	4,502,275	AY 2006-07	Deputy Commissioner Income Tax, Bangalore
Income Tax Act, 1961	Interest/ Tax Demands	179,055*	AY 2010-11	Deputy Commissioner Income Tax, Bangalore
Income Tax Act, 1961	Tax deducted at source	11,912,344**	AY 2009-10	Commissioner of Income Tax(Appeals), Bangalore
Income Tax Act, 1961	Tax deducted at source	8,324,020	AY 2012-13	Assistant Commissioner of Income Tax(TDS), Bangalore
Income Tax Act, 1961	Tax deducted at source	194,910	AY 2011-12	Assistant Commissioner of Income Tax(TDS), Bangalore
Finance Act, 1994	Service tax demands/ Penalties	379,826,474	April 2007 to September 2010	Central Excise Service Tax Appellate Tribunal
Finance Act, 1994	Service tax demands/ Penalties	55,405,040	January 2005 to March 2007	Central Excise Service Tax Appellate Tribunal
Finance Act, 1994	Service tax demands/ Penalties	76,415,315	October 2010 to September 2011	Central Excise Service Tax Appellate Tribunal

*net of amounts paid Rs 8,890,900
**net of amounts paid of Rs 17,014,316

(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 debentureholders 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.**
Chartered Accountants
Firm's Registration. No. 101248W

Natrajh Ramakrishna
Partner
Membership No. 32815

Bangalore
8th April 2013

Infosys BPO Limited

(in ₹)

Balance Sheet as at	Note	March 31, 2013	March 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	33,82,77,510	33,82,77,510
Reserves and surplus	2.2	1839,13,02,397	1411,38,90,684
		1872,95,79,907	1445,21,68,194
NON-CURRENT LIABILITIES			
Other long-term liabilities	2.3	47,22,66,649	64,39,46,607
		47,22,66,649	64,39,46,607
CURRENT LIABILITIES			
Trade payables		42,98,84,164	3,91,35,385
Other current liabilities	2.4	436,76,81,439	367,41,72,076
Short-term provisions	2.5	46,79,22,108	40,53,60,897
		526,54,87,711	411,86,68,358
		2446,73,34,267	**1921,47,83,159**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.6	218,19,87,860	233,01,10,804
Intangible assets	2.6	19,03,70,324	19,03,70,324
Capital work-in-progress		1,21,54,846	1,99,41,000
		238,45,13,030	254,04,22,128
Non-current investments	2.7	579,22,30,869	562,77,50,869
Deferred tax assets, net	2.8	31,59,74,636	24,87,62,742
Long-term loans and advances	2.9	87,24,06,365	80,42,82,241
Other non-current assets	2.10	37,93,76,836	31,57,66,640
		735,99,88,706	699,65,62,492
CURRENT ASSETS			
Current investments	2.7	151,36,00,973	20,05,06,473
Trade receivables	2.11	382,26,13,017	264,08,67,908
Cash and cash equivalents	2.12	788,16,36,077	565,82,36,951
Short-term loans and advances	2.13	150,49,82,464	117,81,87,207
		1472,28,32,531	967,77,98,539
		2446,73,34,267	**1921,47,83,159**
SIGNIFICANT ACCOUNTING POLICIES	1		
NOTES ON ACCOUNTS	2		

As per our report attached
for B S R & Co.
Chartered Accountants
Firm Registration No: 101248W

Natrajh Ramakrishna *Partner* Membership No. 32815	V. Balakrishnan *Chairman and Director*	Gautam Thakkar *Managing Director and Chief Executive Officer*	Prof. Jayanth R.Varma *Director*
	Chandrashekar Kakal *Director*	Dr. Omkar Goswami *Director*	Abraham Mathews *Chief Financial Officer*
	A.G.S. Manikantha *Company Secretary*		

Bangalore
April 8, 2013

(in ₹)

Statement of Profit and Loss for the	Note	Year ended March 31,	
		2013	2012
INCOME			
Revenues from business process management services		1831,33,77,884	1312,41,06,485
Other income	2.14	139,24,12,604	47,22,33,990
		1970,57,90,488	1359,63,40,475
EXPENSES			
Employee benefit expenses	2.15	916,56,85,156	636,35,86,740
Cost of technical sub-contractors	2.15	84,24,08,481	7,53,19,667
Travel expenses	2.15	89,16,94,344	56,58,96,154
Cost of software packages	2.15	30,00,17,955	20,17,20,986
Communication expenses	2.15	33,31,63,910	26,30,08,209
Professional charges	2.15	50,74,04,534	42,36,17,234
Office expenses	2.15	40,74,63,326	33,89,45,942
Power and fuel	2.15	24,28,29,137	19,75,17,680
Insurance charges	2.15	8,58,39,729	8,71,65,444
Rent	2.15	57,11,89,312	43,82,76,358
Depreciation and amortisation expense	2.6	65,01,37,609	49,69,17,227
Other expenses	2.15	16,61,19,620	20,15,56,451
Total expenses		**1416,39,53,113**	**965,35,28,092**
PROFIT BEFORE TAX		**554,18,37,375**	**394,28,12,383**
Tax expense:	2.16		
Current tax		133,16,37,556	90,88,19,005
Deferred tax		(6,72,11,894)	(1,22,67,959)
		126,44,25,662	89,65,51,046
PROFIT FOR THE YEAR		**427,74,11,713**	**304,62,61,337**
EARNINGS PER SHARE			
Equity shares of par value ₹10 each			
Basic		126.45	90.05
Diluted		126.45	90.05
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	1		
NOTES ON ACCOUNTS	2		

As per our report attached
for B S R & Co.
Chartered Accountants
Firm Registration No: 101248W

Natrajh Ramakrishna
Partner
Membership No. 32815

V. Balakrishnan
Chairman and Director

Gautam Thakkar
Managing Director and Chief Executive Officer

Prof. Jayanth R.Varma
Director

Chandrashekar Kakal
Director

Dr. Omkar Goswami
Director

Abraham Mathews
Chief Financial Officer

A.G.S Manikantha
Company Secretary

Bangalore
April 8, 2013

(in ₹)

Cash Flow Statement		Year ended March 31,	
		2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		554,18,37,375	394,28,12,383
Adjustments to reconcile profit before tax to cash provided by operating activities			
Depreciation		65,01,37,609	49,69,17,227
Interest income		(60,96,16,770)	(60,12,07,528)
Dividend income		(6,79,42,191)	(3,13,13,961)
Non cash item included in other income (*refer note 2.3*)		(57,57,31,200)	-
Profit on sale of fixed assets		(10,67,447)	(19,82,876)
Effect of exchange differences on translation of foreign currency cash and cash equivalents		1,48,522	69,92,505
Changes in assets and liabilities			
Trade receivables		(118,17,45,109)	(53,41,62,184)
Loans and advances	2.32.1	(49,79,29,013)	2,07,52,113
Other assets	2.32.2	(6,36,10,196)	(7,07,01,032)
Liabilities	2.32.3	110,55,80,366	14,26,35,520
Trade payables	2.32.4	38,84,09,550	94,79,368
Provisions	2.32.5	8,91,58,956	5,56,06,114
		477,76,30,452	343,58,27,649
Income tax paid during the year, net	2.32.6	(130,95,91,422)	(80,87,54,875)
Other receivables from subsidiary			-
NET CASH GENERATED BY OPERATING ACTIVITIES		**346,80,39,030**	**262,70,72,774**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets and change in capital work-in-progress/advances	2.32.7	(50,29,04,540)	(95,91,79,912)
Proceeds from sale of fixed assets		92,68,393	28,89,978
Interest received	2.32.8	65,87,77,074	54,74,94,473
Dividend received		6,79,42,191	3,13,13,961
Purchase of units in liquid mutual funds		(828,52,99,643)	(504,72,11,345)
Proceeds from sale of units in liquid mutual funds		697,22,05,143	505,26,39,631
Investment in subsidiary	2.32.9	(16,44,80,000)	(242,51,26,750)
Proceeds from repayment of investment in subsidiary	2.32.9	-	-
Loans given to subsidiaries	2.32.10	-	(22,92,713)
Loans repaid by subsidiaries	2.32.10	-	22,92,713
NET CASH GENERATED/(USED) IN INVESTING ACTIVITIES		**(124,44,91,382)**	**(279,71,79,964)**
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	-
Effect of exchange differences on translation of foreign currency cash and cash equivalents		(1,48,522)	(69,92,505)
NET CHANGE IN CASH AND CASH EQUIVALENTS		222,33,99,126	(17,70,99,695)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		565,82,36,951	583,53,36,646
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD*	**2.32.11**	**788,16,36,077**	**565,82,36,951**

* Cash and cash equivalents aggregating ₹ 788,16,36,077 (₹ 565,82,36,951 as at March 31, 2012) comprises cash on hand amounting to ₹ 87,691 (₹ 90,589 as at March 31, 2012), balances with banks amounting to ₹ 708,15,48,386 (₹ 555,81,46,362 as at March 31, 2012) and deposits with financial institution/body corporate amounting to₹ 80,00,00,000 (₹ 10,00,00,000 as at March 31, 2012)

This is the Cash Flow Statement referred to in our report of even date.
for B S R & Co.
Chartered Accountants
Firm Registration No: 101248W

Natrajh Ramakrishna
Partner
Membership No. 32815

V. Balakrishnan
Chairman and Director

Gautam Thakkar
Managing Director and Chief Executive Officer

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Director

Dr. Omkar Goswami
Director

Abraham Mathews
Chief Financial Officer

A.G.S. Manikantha
Company Secretary

Bangalore
April 8, 2013

Schedules to the financial statements year ended March 31, 2013

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", NASD NM: 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 under the historical cost convention, in accordance with Generally Accepted Accounting Principles in India ("GAAP") on an accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises accounting standards as specified in rule 3 of the Companies (Accounting Standards) Rules 2006, and the relevant provisions of 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 ("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.

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 recognised as unbilled revenues. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainity 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 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, or if the amount thereof cannot be estimated reliably. 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 recognised 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 recognised 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 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. 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 amortised over the lease period. Intangible assets are amortised 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	Fifteen years
Computer equipment	Two years
Plant and machinery	Five years
Furniture and fixtures	Five years
Office equipment	Five years

1.7 Retirement benefits to employees

1.7a 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 administers contributions made to the Trust and invests the corpus with 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 recognised in the profit and loss account in the period in which they arise.

1.7b Superannuation

Certain employees of Infosys BPO are eligible for superannuation benefits. The Company contributes ₹ 100 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.

1.7c 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.

1.7d 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 recognised in the period in which the absences occur.

1.8 Foreign currency transactions

Revenue from overseas clients and collections deposited in bank accounts are recorded at the exchange rate as of the date of the respective transactions. Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure is incurred. Disbursements made out of bank accounts are reported at a rate that approximates the actual monthly rate. Exchange differences are recorded when the amount actually received on sales or actually paid when expenditure is incurred is converted into Indian rupees. The exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise.

Monetary assets and monetary liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account.

Non-monetary assets & 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.

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 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, 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 recognised 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 recognised 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. 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 liablities and where the deferred tax assets and deferred tax liablilities relate to income taxes levied by the same taxation authority.

1.11 Provisions and contingent liability

The Company recognises 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 recognised 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 & the expected cost of fulfilling the contract.

1.12 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 recognised 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, 2013

2.1 SHARE CAPITAL

(in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
AUTHORISED		
Equity shares, ₹10 (₹10) par value	123,37,50,000	123,37,50,000
12,33,75,000 (12,33,75,000) equity shares		
	123,37,50,000	123,37,50,000
ISSUED, SUBSCRIBED AND PAID UP		
Equity shares, ₹10 (₹10) par value		
3,38,27,751 (3,38,27,751) equity shares fully paid up	33,82,77,510	33,82,77,510
[Of the above, 3,38,22,319 (3,38,22,319) equity shares are held by the holding Company, Infosys Limited]		
	33,82,77,510	**33,82,77,510**

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 currently. 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, 2013	March 31, 2012
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, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Infosys Limited	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 5 years.

Employee stock option plan

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.

Infosys BPO Employee Stock Option Plan 2002

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 an 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 vests 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, 2013, nil (March 31,2012:4,76,250) options are held by Infosys Limited. Options held by Infosys Limited cannot be exercised due to legal restrictions and will expire in due course. Accordingly these options have not been considered while computing dilutive earnings per share of the Company from the date Infosys Limited owned these options.

Particulars	Year ended March 31, 2013 Shares arising out of options	Weighted average exercise prices (in ₹)
Outstanding at the beginning of the period	4,76,250	483.73
Granted during the period	-	-
Forfeitures during the period	4,76,250	483.73
Exercised during the period	-	-
Outstanding at the end of the period	-	-
Exercisable at the end of the period	-	-

Particulars	Year ended March 31, 2012 Shares arising out of options	Weighted average exercise prices (in ₹)
Outstanding at the beginning of the period	6,79,250	397.44
Granted during the period	-	-
Forfeitures during the period	2,03,000	195.00
Exercised during the period	-	-
Outstanding at the end of the period	4,76,250	397.44
Exercisable at the end of the period	4,48,750	398.89

The following table summarizes information about stock options as at March 31, 2013 and March 31, 2012

Range of exercise prices (in ₹)	Stock options outstanding at the end of the year		Weighted average remaining contractual life	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
33.12-58.33	-	-	-	-
58.34-77.89	-	-	-	-
77.90-99.20	-	-	-	-
99.21-162.23	-	-	-	-
162.24-195.00	-	-	-	-
195.01-214.00	-	-	-	-
214.01-230.00	-	1,05,000	-	(0.58)
230.01-310.00	-	61,250	-	0.26
310.01-604.00	-	3,10,000	-	0.71
	-	4,76,250	-	0.36

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. In addition, certain employees were granted additional 4,86,828 Infosys 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. The options granted under the 1999 plan vests over 2-6 years.

Particulars	Year ended March 31, 2013 Shares arising out of options	Weighted average exercise prices (in ₹)
Outstanding at the beginning of the period	11,684	2,120.95
Granted during the period	-	-
Forfeitures during the period	5,518	2,120.95
Exercised during the period	6,166	2,120.95
Outstanding at the end of the period	-	-
Exercisable at the end of the period	-	-

Particulars	Year ended March 31, 2012 Shares arising out of options	Weighted average exercise prices (in ₹)
Outstanding at the beginning of the period	14,961	2,120.95
Granted during the period	-	-
Forfeitures during the period	-	2,120.95
Exercised during the period	3,277	2,120.95
Outstanding at the end of the period	11,684	2,120.95
Exercisable at the end of the period	7,429	2,120.95

The following table summarizes information about stock options as at March 31, 2013 and March 31,2012:

Range of exercise prices (in ₹)	Stock options outstanding at the end of the year		Weighted average remaining contractual life	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
0- 2120.95	-	11,684	-	0.30
	-	11,684	-	0.30

2.2 RESERVES AND SURPLUS

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Securities premium reserve - Opening balance	25,48,97,789	25,48,97,789
Add: Transferred from Surplus	-	-
Securities premium reserve - Closing balance	25,48,97,789	25,48,97,789
Capital redemption reserve - Opening balance	1,13,94,690	1,13,94,690
Add: Transferred from Surplus	-	-
Capital redemption reserve - Closing balance	1,13,94,690	1,13,94,690
General reserve - Opening balance	1000,00,00,000	1000,00,00,000
Add : Transfer from profit and loss account during the year	-	-
General reserve - Closing balance	1000,00,00,000	1000,00,00,000
Balance in statement of profit and loss - Opening balance	384,75,98,205	80,13,36,868
Add: Net profit after tax transferred from statement of profit and loss	427,74,11,713	304,62,61,337
Less: Amount transferred to General reserve	-	-
Balance in statement of profit and loss - Closing balance	812,50,09,918	384,75,98,205
	1839,13,02,397	**1411,38,90,684**

2.3 OTHER LONG-TERM LIABILITIES

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Accrued salaries and benefits		
Bonus and incentives	3,22,79,649	3,49,02,225
Earnest money deposit received**	20,92,54,500	2,92,54,500
Contingent consideration payable*	23,07,32,500	57,97,89,882
	47,22,66,649	**64,39,46,607**

*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 United States. The business acquisition was concluded by entering into Membership Interest Purchase Agreement for a cash consideration of ₹173 crores and a contingent consideration of ₹67 crores.

The Company has reassessed the contingent consideration payable during the current period, after receiving the revised revenue and net margin projections from McCamish. McCamish has not been able to meet the targets till date for this payment, and as per the revised projections received, it is still not expected to meet the critical future targets, inspite of their acquisition of a business process outsourcing division from the Marsh Inc. Group in the USA. Accordingly, the Company has reduced the liability payable by ₹ 57,57,31,200 with a credit to other income, since it is not considered payable. The liability for contingent consideration payable as at the balance sheet date represents the expected payment to be made by the Company only for the extended payout period.

**Includes dues to subsidiaries & other group companies (refer to note 2.22)

2.4 OTHER CURRENT LIABILITIES

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Accrued salaries and benefits		
Salaries	47,07,27,190	32,47,02,527
Bonus and incentives	106,14,18,291	85,45,65,084
Other liabilities		
Provision for expenses*	247,14,12,009	199,18,35,862
Retention money payable	7,27,96,773	8,08,16,534
Withholding and other taxes	11,77,52,030	62,32,804
Other payables*	7,37,47,217	3,69,66,702
Mark to market loss on forward contracts	-	15,14,86,359
Advances received from customers	26,75,516	1,52,14,893
Unearned revenue	9,71,52,413	4,98,01,993
Contingent consideration payable	-	16,25,49,318
	436,76,81,439	**367,41,72,076**

*Includes dues to subsidiaries & other group companies (refer to note 2.22)

2.5 SHORT-TERM PROVISIONS

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Provision for employee benefits		
Unavailed leave	37,08,73,452	29,60,26,987
Others		
Provision for		
Income taxes	2,34,93,319	5,00,91,064
SLA compliance	7,35,55,337	5,92,42,846
	46,79,22,108	**40,53,60,897**

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 is given below:

(in ₹)

Particulars	**As at**	
	March 31, 2013	**March 31, 2012**
Balance at the beginning of the year	5,92,42,846	5,03,86,611
Additional provision made during the year	6,24,16,550	8,90,46,607
Provisions used during the year	27,02,693	2,20,96,984
Unused amount reversed during the year	4,54,01,366	5,80,93,388
Balance at the end of the year	**7,35,55,337**	**5,92,42,846**

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

2.6 FIXED ASSETS

(in ₹)

Particulars	Original cost				Depreciation and amortization				Net book value	
	Cost as at April 01, 2012	Additions during the year	Deletions during the year	Cost as at March 31, 2013	As at April 01, 2012	Charge for the year	Deletions during the year	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
Tangible assets:										
Land - Leasehold	11,55,00,000	-	-	11,55,00,000	40,75,239	11,93,790	-	52,69,029	11,02,30,971	11,14,24,761
Buildings	139,28,09,316	7,07,20,199	81,98,063	145,53,31,452	19,91,71,769	9,74,40,226	5,44,518	29,60,67,477	115,92,63,975	119,36,37,547
Leasehold improvements	47,14,16,135	7,85,31,054	39,936	54,99,07,253	31,94,65,146	6,36,83,842	39,936	38,31,09,052	16,67,98,201	15,19,50,989
Office equipment	115,59,22,978	5,41,93,594	7,63,335	120,93,53,237	76,03,83,930	17,47,30,753	2,67,825	93,48,46,858	27,45,06,379	39,55,39,048
Plant and machinery	17,95,57,403	4,02,46,677	-	21,98,04,080	94,50,126	4,96,26,662	-	5,90,76,788	16,07,27,292	17,01,07,277
Computer equipment	120,09,75,020	22,46,19,000	3,93,84,248	138,62,09,772	100,35,09,298	20,32,92,350	3,93,60,225	116,74,41,423	21,87,68,349	19,74,65,722
Furniture and fixtures	48,05,91,391	4,19,05,087	17,94,444	52,07,02,034	37,06,05,931	6,01,69,986	17,66,576	42,90,09,341	9,16,92,693	10,99,85,460
	499,67,72,243	51,02,15,611	5,01,80,026	545,68,07,828	266,66,61,439	65,01,37,609	4,19,79,080	327,48,19,968	218,19,87,860	233,01,10,804
Intangible assets:										
Goodwill	19,03,70,324	-	-	19,03,70,324	-	-	-	-	19,03,70,324	19,03,70,324
	19,03,70,324	-	-	19,03,70,324	-	-	-	-	19,03,70,324	19,03,70,324
Total	**518,71,42,567**	**51,02,15,611**	**5,01,80,026**	**564,71,78,152**	**266,66,61,439**	**65,01,37,609**	**4,19,79,080**	**327,48,19,968**	**237,23,58,184**	**252,04,81,128**
Previous year	405,90,29,754	121,88,68,113	9,07,55,300	518,71,42,567	225,95,92,410	49,69,17,227	8,98,48,198	266,66,61,439	252,04,81,128	

2.7 INVESTMENTS

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Non current investments – at cost		
Trade (unquoted)		
Investments in equity of subsidiaries		
Infosys BPO s.r.o, Czech Republic	3,49,78,993	3,49,78,993
Infosys BPO Poland Sp Z o o, 5,000 (5,000) equity shares of PLN 500 each, fully paid	58,68,81,768	58,68,81,768
Portland Group Pty Limited, 17,45,00,000 (17,45,00,000) equity share of AUD 1 each, fully pai	211,05,81,750	211,05,81,750
McCamish Systems LLC	305,97,88,358	289,53,08,358
	579,22,30,869	**562,77,50,869**
Current investments – at the lower of cost and fair value		
Investment in mutual funds, non-trade (unquoted)		
Investment in liquid mutual fund units	151,36,00,973	20,05,06,473
	151,36,00,973	**20,05,06,473**
Aggregate amount of unquoted investments	**730,58,31,842**	**582,82,57,342**

On January 4, 2012, Infosys BPO acquired 100% of the voting interests in Portland Group Pty Ltd a strategic sourcing and category management services provider based in Sydney, Australia. The business acquisition was conducted by entering into definitive share sale agreement for a cash consideration of ₹211 crores (AUD 36 million).

Details of investment in liquid mutual funds as at March 31, 2013 and March 31, 2012 is as follows:

Particulars	No. of units as at March 31, 2013	No. of units as at March 31, 2012	Amount (in ₹) March 31, 2013	Amount (in ₹) March 31, 2012
Birla Sun Life AMC Ltd -Liquid Plus	2,27,946	-	2,28,59,227	-
ICICI prudencial-P liquid plus	46,77,205	-	46,81,63,489	-
TATA Asset Management Ltd- Liquid Plus	1,83,682	-	20,47,16,827	-
Reliance Mutual Fund- Liquid Plus	3,34,060	-	33,42,30,589	-
Kotak Mutual Fund- Liquid Plus	1,88,131	-	23,00,49,035	-
Templeton Mutual Fund- Liquid Plus	-	2,00,372	-	20,05,06,473
Religare Mutual Fund- Liquid Plus	2,53,382	-	25,35,81,806	-
	58,64,406	**2,00,372**	**151,36,00,973**	**20,05,06,473**

2.8 DEFERRED TAX ASSETS, NET

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Deferred tax assets		
Fixed assets	19,07,64,310	17,26,33,910
Unavailed leave	9,22,87,143	6,23,73,943
Trade receivables	52,55,483	54,45,683
Others	2,76,67,700	83,09,206
	31,59,74,636	**24,87,62,742**

2.9 LONG-TERM LOANS AND ADVANCES

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Unsecured considered good		
Capital advances	11,67,577	63,73,026
Other loans and advances		
Prepaid expenses	1,80,80,648	-
Rental deposits*	33,49,54,465	17,87,69,981
Electricity and other deposits	2,32,58,810	72,99,220
MAT credit entitlement	14,88,40,547	38,78,61,534
Advance income taxes	34,61,04,318	22,39,78,480
	87,24,06,365	**80,42,82,241**

*Includes deposits from holding company (refer to note 2.22)

2.10 OTHER NON-CURRENT ASSETS

(in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Others		
Restricted deposits (refer note 2.29)	37,92,68,992	30,38,63,714
Advance to gratuity trust (refer note 2.24)	1,07,844	1,19,02,926
	37,93,76,836	**31,57,66,640**

2.11 TRADE RECEIVABLES

(in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Debt outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	1,48,29,653	1,49,39,901
Other debts		
Unsecured		
Considered good*	382,26,13,017	264,08,67,908
Considered doubtful	8,50,545	67,84,522
	383,82,93,215	266,25,92,331
Less: Provision for doubtful debts	1,56,80,198	2,17,24,423
	382,26,13,017	**264,08,67,908**

*Includes dues from subsidiaries (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 ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Cash on hand	87,691	90,589
Balances with bank		
In current and deposit accounts	708,15,48,386	555,81,46,362
Others		
Deposit with body corporate/financial institutions	80,00,00,000	10,00,00,000
	788,16,36,077	**565,82,36,951**

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 portion.

The details of balances with banks as at March 31, 2013 and March 31, 2012 are as follows :

(in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
In current accounts		
Bank of America, California, USA	14,16,28,165	5,89,35,213
Bank of America, California- Trust account, USA	2,71,450	2,54,400
Citibank, India	5,26,484	3,96,652
Citi Bank, South Africa	19,29,644	-
Citi Bank, Costa Rica	1,18,73,754	-
Deustche Bank, India	25,91,464	1,33,01,562
Deustche Bank- EEFC (Euro account)	69,734	36,26,701
Deustche Bank- EEFC (UK Pound Sterling account)	-	20,40,654
Deustche Bank- EEFC (U.S. Dollar account)	30,97,696	73,57,516
Deutsche Bank, Netherland	1,09,57,203	-
Deutsche Bank, London, UK	18,86,424	59,22,492
Deutsche Bank, Philippines	3,70,71,799	3,03,81,792
ICICI Bank, India	2,11,77,080	1,90,77,185
ICICI Bank- EEFC (Euro account)	1,86,17,005	35,35,092
ICICI Bank- EEFC (UK Pound Sterling account)	5,75,11,901	1,46,74,222
ICICI Bank- EEFC (U.S. Dollar account)	4,40,81,260	17,64,39,122
ICICI Bank, London, UK	-	1,72,30,789
PNC Bank, New Jersey, USA	2,71,450	2,54,400
Royal Bank of Canada, Ontario, Canada	27,96,567	44,52,200
State Bank of India, India	2,66,306	2,43,370
	35,66,25,386	**35,81,23,362**
In deposit accounts		
Axis Bank	60,00,00,000	60,00,00,000
Canara Bank	80,00,00,000	80,00,00,000
Central Bank of India	-	52,00,00,000
Corporation Bank	80,00,00,000	-
ICICI Bank	98,00,00,000	50,00,00,000
IDBI Bank	-	30,00,00,000
Kotak Mahindra Bank	80,00,00,000	80,00,00,000
Oriental Bank of Commerce	74,00,00,000	14,00,00,000
Punjab National Bank	-	28,50,00,000
State Bank of Hyderabad	-	80,00,00,000
State Bank of India	23,000	23,000
South Indian Bank	40,50,00,000	35,50,00,000
Union Bank	80,00,00,000	-
Vijaya Bank	79,99,00,000	-
Yes Bank	-	10,00,00,000
	672,49,23,000	**520,00,23,000**
Other deposits with body corporate/financial institutions		
HDFC Limited	80,00,00,000	10,00,00,000
	80,00,00,000	**10,00,00,000**
	788,15,48,386	**565,81,46,362**

2.13 SHORT-TERM LOANS AND ADVANCES

(in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Unsecured, considered good		
Prepaid expenses	4,90,37,926	2,21,90,968
Advances for goods and services	11,67,36,532	14,51,70,401
Withholding and other taxes receivable	26,39,10,445	19,10,03,175
	42,96,84,903	35,83,64,544
Unbilled revenue*	23,95,69,481	22,19,91,120
Interest accrued but not due	6,39,13,393	11,30,73,697
Loans and advances to employees	18,33,53,038	14,95,97,145
Rental deposits	13,11,53,719	8,60,54,777
Electricity and other deposits	83,34,885	82,88,195
Mark to market gain on forward contracts	12,49,52,225	-
MAT credit entitlement	22,55,87,670	15,73,36,400
Loans and advances to group companies*	9,84,33,150	8,34,81,329
	150,49,82,464	117,81,87,207
Unsecured, considered doubtful		
Loans and advances to employees	65,98,881	26,93,311
	151,15,81,345	118,08,80,518
Less: Provision for doubtful loans and advances	65,98,881	26,93,311
	150,49,82,464	**117,81,87,207**

*Includes dues from subsidiaries & other group companies (refer to note 2.22)

2.14 OTHER INCOME

(in ₹)

Particulars	Year ended March 31, 2013	2012
Interest received on deposits with bank and others	60,96,16,770	60,12,07,528
Dividend received on investment in mutual fund units	6,79,42,191	3,13,13,961
Miscellaneous income, net (refer note 2.3)	71,35,09,093	5,34,05,489
Profit on sale of fixed assets	10,67,447	19,82,876
Gains/(losses) on foreign currency, net	2,77,103	(21,56,75,864)
	139,24,12,604	**47,22,33,990**

2.15 EXPENSES

(in ₹)

Particulars	Year ended March 31, 2013	2012
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	866,80,87,084	599,52,71,750
Staff welfare	9,06,49,303	5,84,63,241
Contribution to provident and other funds	40,69,48,769	30,98,51,749
	916,56,85,156	**636,35,86,740**
Cost of technical sub-contractors		
Consultancy charges	84,24,08,481	7,53,19,667
	84,24,08,481	**7,53,19,667**
Travel expenses		
Overseas travel expenses	64,60,29,989	41,63,34,570
Traveling expenses	24,56,64,355	14,95,61,584
	89,16,94,344	**56,58,96,154**
Cost of software packages		
Cost of software for own use	30,00,17,955	20,17,20,986
	30,00,17,955	**20,17,20,986**
Communication expenses		
Communication expenses	33,31,63,910	26,30,08,209
	33,31,63,910	**26,30,08,209**
Professional charges		
Legal and professional	33,99,44,255	29,70,77,335
Recruitment and training	16,43,10,279	12,38,99,899
Auditor's remuneration		
Statutory audit fees	31,50,000	26,40,000
	50,74,04,534	**42,36,17,234**
Office expenses		
Computer maintenance	2,20,16,672	1,88,98,184
Printing and stationery	1,93,57,986	2,13,79,187
Office maintenance	36,60,88,668	29,86,68,571
	40,74,63,326	**33,89,45,942**
Power and fuel		
Power and fuel	24,28,29,137	19,75,17,680
	24,28,29,137	**19,75,17,680**
Insurance charges		
Insurance charges	8,58,39,729	8,71,65,444
	8,58,39,729	**8,71,65,444**
Rent		
Rent (refer note 2.17)	57,11,89,312	43,82,76,358
	57,11,89,312	**43,82,76,358**

(in ₹)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Other expenses		
Consumables	1,86,57,355	1,25,34,406
Brand building and advertisement	6,54,31,573	5,63,01,672
Marketing expenses	2,20,51,585	1,54,10,703
Rates and taxes	2,61,86,813	7,02,40,845
Donations	1,65,280	-
Bank charges and commission	55,16,943	41,47,383
Postage and courier	49,38,842	46,24,914
Provision for doubtful debts	(58,68,559)	96,19,556
Provision for doubtful loans and advances	38,99,210	1,48,01,572
Professional membership and seminar participation fees	1,44,00,190	89,10,417
Other miscellaneous expenses	1,07,40,388	49,64,983
	16,61,19,620	**20,15,56,451**

2.16 TAX EXPENSE

(in ₹)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Current tax		
Income taxes	116,08,67,839	82,34,93,398
MAT credit utilised	17,07,69,717	8,53,25,607
Deferred taxes	(6,72,11,894)	(1,22,67,959)
	126,44,25,662	**89,65,51,046**

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 5 years, 50% exempt for the next 5 years and 50% exempt for another 5 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 the brought forward MAT Credit. During the year ended 31 March 2013, the Company has provided ₹ 0.52crores as additional income tax provision and ₹ 4.45 crores as additional MAT credit entitlement for earlier years (during the year ended 31 March 2012, the Company has provided ₹ 1.38 crores as additional provision for tax and ₹ 7.84 crores as additional MAT credit entitlement for earlier years).

2.17 LEASES

Obligations on long-term, non-cancellable operating leases

The lease rentals charged during the year 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, 2013	Year ended March 31, 2012
Lease rentals charged during the year	57,11,89,312	43,82,76,358

(in ₹)

Lease obligations	As at March 31, 2013	As at March 31, 2012
Within one year of the balance sheet date	43,38,64,686	8,23,09,626
Due in a period between one year and five years	108,50,61,359	4,55,43,435
Later than five years	49,45,40,156	-

The Company has entered into non-cancellable operating lease arrangements for premises with Infosys Limited, DLF and TRIL Infopark Limited. 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 ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Contingent :		
Estimated amount of unexecuted capital contracts (net of advance and deposits)	9,55,07,837	19,85,89,590
Claims against the Company not acknowledged as debts	12,75,55,625	5,32,28,478
Commitments:		
Forward contracts outstanding		
USD/INR	32,000,000	46,000,000
(Equivalent approximate in ₹)	(173,72,80,000)	(234,04,80,000)
GBP/USD	-	2,000,000
(Equivalent approximate in ₹)	-	(16,29,20,000)
GBP/INR	10,250,000	-
(Equivalent approximate in ₹)	(84,28,57,500)	-

As at the Balance Sheet date, the Company's net foreign currency exposure that is not hedged by a derivative instrument or otherwise is ₹Nil (₹Nil as at March 31, 2012).

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 ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Not later than one month	33,31,22,500	25,44,65,000
Later than one month and not later than three months	68,68,02,500	82,42,95,000
Later than three months and not later than one year	156,02,12,500	142,46,40,000
	258,01,37,500	250,34,00,000

The Company recognized a loss on derivative financial instruments of ₹ 8,89,65,584 and ₹35,40,42,473 during the year ended March 31, 2013 and March 31, 2012, respectively, which is 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 ₹)

Particulars	Year ended March 31,	
	2013	2012
Capital goods	8,37,02,263	18,95,53,557

2.21 Earnings and expenditures in foreign currency

(in ₹)

Particulars	Year ended March 31,	
	2013	2012
Earnings in foreign currency		
Business process management services	1356,23,69,842	1198,56,13,027
	1356,23,69,842	**1198,56,13,027**
Expenditure in foreign currency		
Salary, legal and professional	245,09,82,239	145,44,83,224
Overseas travel	54,89,98,163	31,03,58,861
Bank charges, consultancy and others	86,47,47,652	84,05,47,478
Communication	17,79,91,031	14,06,28,522
	404,27,19,085	**274,60,18,085**

2.22 Related party transactions

List of related parties:

Name of the related party		Holding as at	
		March 31, 2013	March 31, 2012
Infosys Limited	India	Holding Company	Holding Company
Infosys BPO s.r.o	Czech Republic	100%	100%
Infosys BPO Poland Sp.z.o.o	Poland	100%	100%
McCamish Systems LLC	United States	100%	100%
Portland Group Pty Ltd	Australia	100%	100%
Infosys Consulting Inc*	United States		
Infosys Technologies (Australia) Pty Limited ("Infosys Australia")*	Australia		
Infosys Technologies S.de R.L.de C.V. ("Infosys Mexico")*	Mexico		
Infosys Technologies (China) Co. Limited ("Infosys China") *	China		
Infosys Technologia Do Brasil LTDA (" Infosys Brasil")*	Brazil		
Infosys Public Services, Inc.*	U.S.A		
Infosys Consulting India Limited#	India		

* Wholly owned subsidiaries of Infosys Limited i.e. fellow subsidiaries.
# Wholly owned subsidiary of Infosys Consulting Inc
Effective January 2012, Infosys Consulting Inc., was merged with Infosys Limited.
On February 9, 2012, Infosys Consulting India Limited filed a petition in the High Court of Karnataka for its merger with Infosys Limited.

List of key management personnel

Name of the related party	Designation
V. Balakrishnan*	Chairman and Director
T. V. Mohandas Pai**	Chairman and Director
D. Swaminathan###	Managing Director and Chief Executive Officer
Gautam Thakkar####	Chief Executive
S. D. Shibulal***	Director
Prof. Jayanth R..Varma	Director
Sridar A. Iyengar****	Director
B. G. Srinivas***	Director
Eric S. Paternoster***	Director
Chandrashekar Kakal#	Director
Dr. Omkar Goswami##	Director

*Appointed as Chairman and Director effective June 11, 2011
** Resigned as Chairman and Director effective June 11, 2011
*** Resigned as Director effective September 30, 2011
# Appointed as Director effective October 1, 2011
**** Retired as Director effective August 13, 2012
Appointed as Director effective August 13, 2012
Retired as Managing Director and Chief Executive Officer effective March 31, 2013
Appointed as Managing Director and Chief Executive Officer effective April 1, 2013

The details of the related party transactions entered into by the Company, for the year ended March 31, 2013 and March 31, 2012 are as follows:

(in ₹)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Capital transactions:		
Financing transactions		
McCamish Systems LLC	16,44,80,000	-
Loans		
McCamish Systems LLC	-	11,20,78,361
	16,44,80,000	11,20,78,361
Revenue transactions:		
Purchase of services		
Infosys Limited	38,62,82,594	38,53,749
Portland Group PTY Limited	6,15,57,186	-
Infosys Mexico	-	50,72,204
Infosys Consulting Inc	-	43,18,928
McCamish Systems LLC	18,05,052	1,11,34,636
Infosys Poland	5,77,04,278	4,40,34,353
	50,73,49,110	6,84,13,870
Purchase of shared services including facilities and personnel		
Infosys Limited	38,91,73,220	57,64,77,252
Infosys BPO s.r.o	-	1,90,760
Infosys BPO Poland Sp.z.o.o	-	3,21,407
McCamish Systems LLC	5,48,883	73,50,067
Infosys Australia	-	27,55,982
Infosys Mexico	-	2,92,196
Infosys China	-	16,03,855
Infosys Brasil	-	11,97,138
Portland Group Pty Ltd	-	1,16,40,524
	38,97,22,103	60,18,29,181
Interest income		
McCamish Systems LLC	-	22,46,888
	-	22,46,888
Sale of services		
Infosys Limited	117,78,17,960	-
McCamish Systems LLC	36,11,74,991	18,11,20,150
Portland Group Pty Ltd	4,97,40,995	-
	158,87,33,946	18,11,20,150
Sale of shared services including facilities and personnel		
Infosys Limited	71,55,20,998	129,85,23,662
Infosys BPO s.r.o	-	13,24,091
Infosys BPO Poland Sp.z.o.o	-	5,18,614
McCamish Systems LLC	-	7,89,038
Infosys Australia	-	66,01,442
Infosys Mexico	-	4,27,349
Infosys China	-	16,84,103
Infosys Brasil	-	19,36,548
Infosys Consulting India Limited	-	40,63,654
	71,55,20,998	131,58,68,501

The Company has received certain managerial services from Mr. V. Balakrishnan, Mr. S. D. Shibulal, Mr.B.G.Srinivas and Mr. T. V. Mohandas Pai, directors of the Company who are also directors of Infosys Limited, at no cost.

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.

Effective April 1, 2012, pursuant to the changes in the Finance Act 2012 the arrangements with Infosys Limited have been amended, consequent to which current period numbers are not comparable to those of the previous period.

Details of amounts due to or due from related parties as at March 31, 2013 and March 31, 2012:

(in ₹)

Particulars	As at, March 31, 2013	As at, March 31, 2012
Trade receivables		
Infosys Limited	68,61,45,520	-
Infosys BPO Poland Sp.z.o.o	-	(318)
McCamish Systems LLC	49,75,136	2,83,26,809
Portland Group Pty Ltd	56,74,553	-
	69,67,95,209	2,83,26,491
Other receivables		
Infosys Limited	9,84,33,150	8,33,76,783
Infosys Australia	-	94,678
	9,84,33,150	8,34,71,461
Unbilled revenues		
Infosys Limited	43,40,660	-
Trade payables		
Infosys Limited	38,86,26,038	-
Infosys BPO Poland Sp.z.o.o	1,30,07,527	3,54,19,268
Portland Group Pty Ltd	1,72,26,846	-
	41,88,60,411	3,54,19,268
Other payables		
Infosys Limited	6,09,77,162	1,29,73,714
Portland Group Pty Ltd	-	1,15,51,015
	6,09,77,162	2,45,24,729
Deposit given for shared services		
Infosys Limited	26,89,00,000	6,89,00,000
Deposit received for shared services		
Infosys Limited	20,92,54,500	2,92,54,500

Particulars of remuneration and other benefits paid to Managing Director during the year ended March 31, 2013 and March 31, 2012, are given below:

(in ₹)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Salary and other allowances	70,33,562	1,62,24,612
Contribution to provident and other funds	2,61,144	2,55,379
Performance incentives	89,56,132	93,65,622
	1,62,50,838	**2,58,45,613**

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, 2013 and 2012 are given below:

(in ₹)

	Year ended March 31, 2013	Year ended March 31, 2012
Sitting fees	1,20,000	1,20,000
Commission	24,00,000	24,00,000
	25,20,000	**25,20,000**

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 ₹)

	Year ended March 31,	
	2013	**2012**
Net profit after tax from ordinary activities	427,74,11,713	304,62,61,337
Add:		
1. Whole time director's remuneration	1,62,50,838	2,58,45,613
2. Director's sitting fee	1,20,000	1,20,000
3. Commission to non whole time directors	24,00,000	24,00,000
4. Depreciation as per books of account	65,01,37,609	49,69,17,227
5. Provision for doubtful debts	(58,68,559)	96,19,556
6. Provision for doubtful loans and advances	38,99,210	1,48,01,572
5. Provision for taxation	126,44,25,662	89,65,51,046
	620,87,76,473	**449,25,16,351**
Less:		
1.Depreciation as envisaged under Section 350 of the Companies Act, 1956*	65,01,37,609	49,69,17,227
2. Carried forward losses for previous years as computed under Section 349 of the Companies Act, 1956	-	-
2.Net profit on which commission is payable	555,86,38,864	399,55,99,124
3.Commission payable to non whole time directors:	-	-
4.Maximum allowed as per the Companies Act, 1956 at 1%	5,55,86,389	3,99,55,991
Commission approved by the Board:	24,00,000	24,00,000

* 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 and telecommunication services (ECS) and retail, logistics, consumer product group, life sciences and health care enterprises (RCL). Revenue and identifiable operating expenses in relation to segments is categorized based on items that are individually identified to those segments while allocated 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, 2013** and March 31, 2012

(in ₹)

Particulars	FSI	MFG	RCL	ECS	Total
Revenues from business process management services	**492,28,22,890**	**528,19,33,889**	**164,72,03,419**	**646,14,17,686**	**1831,33,77,884**
	341,39,43,833	406,58,70,839	102,72,37,204	461,70,54,609	1312,41,06,485
Identifiable operating expenses	**172,06,33,749**	**165,92,14,363**	**66,80,60,146**	**278,78,76,297**	**683,57,84,555**
	84,54,12,358	116,89,32,633	33,68,92,270	147,69,99,741	382,82,37,002
Allocated expenses	**181,58,50,712**	**193,49,02,246**	**59,38,22,597**	**233,34,55,394**	**667,80,30,949**
	138,11,51,550	165,39,60,831	41,71,85,210	187,60,76,273	532,83,73,864
Segmental operating profit	**138,63,38,429**	**168,78,17,280**	**38,53,20,676**	**134,00,85,995**	**479,95,62,380**
	118,73,79,925	124,29,77,375	27,31,59,724	126,39,78,595	396,74,95,620
Unallocable expenses					**65,01,37,609**
					49,69,17,227
Other income					**139,24,12,604**
					47,22,33,990
Profit before tax					**554,18,37,375**
					394,28,12,383
Tax expense					**126,44,25,662**
					89,65,51,046
Profit for the year					**427,74,11,713**
					304,62,61,337

Geographical segments

Year ended **March 31, 2013** and March 31, 2012

(in ₹)

Particulars	United States of America	Europe	Others	Total
Revenues from business process management services	**951,62,38,116**	**569,60,37,805**	**310,11,01,963**	**1831,33,77,884**
	701,21,16,420	487,20,49,383	123,99,40,682	1312,41,06,485
Identifiable operating expenses	**320,29,97,819**	**193,37,27,126**	**169,90,59,610**	**683,57,84,555**
	199,86,34,335	151,68,11,771	31,27,90,896	382,82,37,002
Allocated expenses	**347,31,24,970**	**207,42,23,196**	**113,06,82,783**	**667,80,30,949**
	284,30,19,304	198,10,49,507	50,43,05,053	532,83,73,864
Segmental operating profit	**284,01,15,327**	**168,80,87,483**	**27,13,59,570**	**479,95,62,380**
	217,04,62,781	137,41,88,105	42,28,44,733	396,74,95,620
Unallocable expenses				**65,01,37,609**
				49,69,17,227
Other income				**139,24,12,604**
				47,22,33,990
Profit before tax				**554,18,37,375**
				394,28,12,383
Tax expense				**126,44,25,662**
				89,65,51,046
Profit for the year				**427,74,11,713**
				304,62,61,337

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 recognises actuarial gains and losses as and when these arise. The charge in respect of these gains/losses is taken to the profit and loss account.

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

(in ₹)

	As at				
	March 31, 2013	**March 31, 2012**	**March 31, 2011**	**March 31, 2010**	**March 31, 2009**
Obligations at the beginning of the year	28,43,20,977	18,76,90,700	14,25,35,851	10,83,54,625	5,97,96,919
Liability as on April 1, 2008 assumed on the amalgamation of PAN Financial Shared Services India Private Limited	-	-	-	-	1,31,80,050
Service cost	17,67,45,274	13,68,85,699	6,51,09,966	6,73,44,267	4,07,80,299
Interest cost	1,31,69,226	1,12,28,864	74,96,831	46,65,510	42,52,594
Benefits settled	(8,61,25,526)	(5,40,74,205)	(4,42,43,763)	(3,71,70,205)	(2,35,68,652)
Curtailment*	(1,36,10,797)	-	-	-	-
Actuarial (gain)/loss	(20,56,917)	25,89,919	1,67,91,815	(6,58,346)	1,39,13,415
Obligations at the end of the year	37,24,42,237	28,43,20,977	18,76,90,700	14,25,35,851	10,83,54,625

Defined benefit obligation liability as at the balance sheet is wholly funded by the Company.

* 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 year ended March 31, 2013.

Change in plan assets:

(in ₹)

	As at				
	March 31, 2013	**March 31, 2012**	**March 31, 2011**	**March 31, 2010**	**March 31, 2009**
Plan assets at beginning, at fair value	29,62,23,903	19,77,56,309	15,45,17,163	11,64,20,243	6,12,93,221
Assets as on April 1, 2008 assumed on the amalgamation of PAN Financial Shared Services India Private Limited	-	-	-	-	1,59,21,701
Expected return on plan assets	2,91,44,553	2,01,20,084	1,56,93,766	1,14,83,981	64,94,791
Actuarial gain/(loss)	12,45,400	13,85,922	(1,84,436)	3,04,464	18,39,632
Contributions	13,20,61,751	13,10,35,793	7,19,73,579	6,34,78,680	5,44,39,550
Benefits settled	(8,61,25,526)	(5,40,74,205)	(4,42,43,763)	(3,71,70,205)	(2,35,68,652)
Plan assets at end, at fair value	37,25,50,081	29,62,23,903	19,77,56,309	15,45,17,163	11,64,20,243

Reconciliation of present value of the obligation and the fair value of the plan assets: (in ₹)

	As at				
	March 31, 2013	**March 31, 2012**	**March 31, 2011**	**March 31, 2010**	**March 31, 2009**
Fair value of plan assets at the year end	37,25,50,081	29,62,23,903	19,77,56,309	15,45,17,163	11,64,20,243
Present value of the defined benefit obligations at the year end	37,24,42,237	28,43,20,977	18,76,90,700	14,25,35,851	10,83,54,625
Asset/(Liability) recognized in the balance sheet	1,07,844	1,19,02,926	1,00,65,609	1,19,81,312	80,65,618

Gratuity cost for the year:

(in ₹)

	Year ended March 31,	
	2013	**2012**
Service cost	17,67,45,274	13,68,85,699
Interest cost	1,31,69,226	1,12,28,864
Expected return on plan assets	(2,91,44,553)	(2,01,20,084)
Actuarial (gain)/loss	(33,02,317)	12,03,997
Curtailment	(1,36,10,797)	-
Net gratuity cost	14,38,56,833	12,91,98,476
Actual return on plan assets	3,03,89,953	2,15,06,006

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

Assumptions

	As at				
	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009
Interest rate	7.95%	8.57%	7.98%	7.82%	7.01%
Discount rate	7.95%	8.57%	7.98%	7.82%	7.01%
Estimated rate of return on plan assets	9.58%	9.45%	9.36%	9.00%	7.01%
Retirement age	60	60	60	60	58

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 ₹14,00,00,000 to its defined benefit plan in 2013-14.

2.25 Provident Fund

The Company contributed ₹28,08,33,717 towards Provident Fund during the year ended March 31, 2013 (₹30,98,51,749 during the year ended March 31, 2012).

2.26 Superannuation

The Company contributed ₹8,72,914 to the Superannuation Trust during the year ended March 31, 2013 (₹8,40,793 during the year ended March 31, 2012).

2.27 Pension Fund

The Company contributed ₹79,50,678 to pension funds during the year ended March 31, 2013 (₹Nil during the year ended March 31, 2012).

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

Particulars	Year ended March 31,	
	2013	2012
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

2.29 Restricted deposits

Other non-current assets as at March 31, 2013 includes ₹37,92,68,992 (₹30,38,63,714 as at March 31,2012, respectively) 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'.

2.30 Dues to micro and small enterprises

The Company has no dues to micro and small enterprises during the year ended March 31, 2013 and during the year ended March 31, 2012.

2.31 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS ACCOUNT

(in ₹)

Profit and Loss account for the	Year ended March 31,	
	2013	2012
Income from business process management services	1831,33,77,884	1312,41,06,485
Cost of revenue	1095,52,18,266	682,49,16,637
GROSS PROFIT	735,81,59,618	629,91,89,848
Selling and marketing expenses	82,43,03,983	79,04,95,527
General and administration expenses	173,42,93,255	154,11,98,701
	255,85,97,238	233,16,94,228
OPERATING PROFIT BEFORE DEPRECIATION	479,95,62,380	396,74,95,620
Depreciation and amortization expense	65,01,37,609	49,69,17,227
OPERATING PROFIT	414,94,24,771	347,05,78,393
Other income, net	139,24,12,604	47,22,33,990
Provision for investments	-	-
PROFIT BEFORE TAX	554,18,37,375	394,28,12,383
Tax expense:		
Current tax	133,16,37,556	90,88,19,005
Deferred tax	(6,72,11,894)	(1,22,67,959)
PROFIT AFTER TAX	427,74,11,713	304,62,61,337

2.32 Schedule to the Cash Flow Statement

(in ₹)

	Particulars	Year ended March 31, 2013	Year ended March 31, 2012
2.32.1	**Changes in loans and advances during the year**		
	As per Balance Sheet	237,73,88,829	198,24,69,448
	Less: MAT credit entitlement	(37,44,28,217)	(54,51,97,934)
	Advance taxes separately considered	(34,61,04,318)	(22,39,78,480)
	Interest accrued but not yet due	(6,39,13,393)	(11,30,73,697)
	Capital advances	(11,67,577)	(63,73,026)
		159,17,75,324	109,38,46,311
	Less: Opening balance considered	(109,38,46,311)	(111,45,98,424)
		49,79,29,013	(2,07,52,113)
2.32.2	**Changes in other assets during the year**		
	As per Balance Sheet	37,93,76,836	31,57,66,640
	Less: Opening balance considered	(31,57,66,640)	(24,50,65,608)
		6,36,10,196	7,07,01,032
2.32.3	**Changes in liabilities during the year**		
	As per Balance Sheet	483,99,48,088	431,81,18,683
	Add: Reduction in contingent liability (refer note 2.3)	57,57,31,200	-
	Less: Retention money considered separately	(7,27,96,773)	(8,08,16,534)
	Less: Opening balance considered	(423,73,02,149)	(409,46,66,629)
		110,55,80,366	14,26,35,520
2.32.4	**Changes in trade payables during the year**		
	As per Balance Sheet	42,98,84,164	3,91,35,385
	Less: Trade payables capital considered seperately	(33,63,019)	(10,23,790)
	Less: Opening balance considered	(3,81,11,595)	(2,86,32,227)
		38,84,09,550	94,79,368
2.32.5	**Changes in provisions during the year**		
	As per Balance Sheet	46,79,22,108	40,53,60,897
	Less : Provision for income taxes considered separately	(2,34,93,319)	(5,00,91,064)
	Less: Opening balance considered	(35,52,69,833)	(29,96,63,719)
		8,91,58,956	5,56,06,114
2.32.6	**Current tax expenses**		
	Movement in advance taxes	12,21,25,838	1,56,87,249
	Movement in provision for tax	118,74,65,584	79,30,67,626
		130,95,91,422	80,87,54,875
2.32.7	**Purchase of fixed assets and changes in capital work in progress/advances**		
	Additions as per Balance Sheet	51,02,15,611	121,88,68,113
	Less: Opening capital work-in-progress	(1,99,41,000)	(15,39,33,179)
	Add: Closing capital work-in-progress	1,21,54,846	1,99,41,000
	Less: Opening capital advances	(63,73,026)	(9,32,06,877)
	Add: Closing capital advances	11,67,577	63,73,026
	Add: Opening trade payables for Capital goods	10,23,790	-
	Less: Closing trade payables for capital goods	(33,63,019)	(10,23,790)
	Add: Opening retention monies	8,08,16,534	4,29,78,153
	Less: Closing retention monies	(7,27,96,773)	(8,08,16,534)
		50,29,04,540	95,91,79,912
2.32.8	**Interest income received during the year**		
	As per statement of profit and loss	60,96,16,770	60,12,07,528
	Add: Opening interest accrued but not yet due	11,30,73,697	5,93,60,642
	Less: Closing interest accrued but not yet due	(6,39,13,393)	(11,30,73,697)
		65,87,77,074	54,74,94,473
2.32.9	**Investments in subsidiary during the year**		
	As per Balance Sheet	579,22,30,869	562,77,50,869
	Less: Opening balance considered	(562,77,50,869)	(320,26,24,119)
		16,44,80,000	242,51,26,750

(in ₹)

Particulars		Year ended March 31, 2013	2012
2.32.10	**Loans to subsidiary during the year**		
	As per Balance Sheet	-	-
	Less: Opening balance considered	-	-
		-	-
	Loans given to Subsidiary	-	22,92,713
	Loans repaid by Subsidiary	-	22,92,713
2.32.11	**Cash and cash equivalents at the end of the year**		
	As per Balance Sheet		
	Cash on hand	87,691	90,589
	Balances with banks	708,15,48,386	555,81,46,362
	Deposit with financial institution/body corporate	80,00,00,000	10,00,00,000
		788,16,36,077	565,82,36,951

As per our report attached
for B S R & Co.
Chartered Accountants
Firm Registration No: 101248W

Natrajh Ramakrishna
Partner
Membership No. 32815

V. Balakrishnan
Chairman and Director

Gautam Thakkar
Managing Director and Chief Executive Officer

Prof. Jayanth R. Varma
Director

Chandrashekar Kakal
Director

Dr. Omkar Goswami
Director

Abraham Mathews
Chief Financial Officer

A.G.S. Manikantha
Company Secretary

Bangalore
April 8, 2013

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`) as at 31st, March 2013, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st March 2013;
2) In the case of the statement of profit and loss, of the ***profit*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956, and;

For **SHENOY & KAMATH**
Chartered accountants

(M RATHNAKAR KAMATH)
Partner.
Membership No. 202841
Firm's Registration. No. 006673s

Bangalore
12th April, 2013

Infosys BPO Poland, Sp.z.o.o

(in ₹)

Balance Sheet as at	Note	March 31,2013	March 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	3,93,50,000	3,93,50,000
Reserves and surplus	2.2	170,14,35,291	121,35,53,665
		174,07,85,291	125,29,03,665
CURRENT LIABILITIES			
Trade payables		2,22,81,292	29,71,070
Other current liabilities	2.3	30,82,04,366	23,28,73,133
Short-term provisions	2.4	20,35,45,173	8,84,83,443
		53,40,30,831	32,43,27,646
		227,48,16,122	157,72,31,311
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.5	19,54,12,121	4,29,66,113
Intangible assets	2.5	35,20,12,240	35,20,12,240
Capital work-in-progress		-	-
		54,74,24,361	39,49,78,353
Long-term loans and advances	2.6	5,07,57,092	1,23,99,210
		5,07,57,092	1,23,99,210
CURRENT ASSETS			
Trade receivables	2.7	70,96,33,301	51,41,85,838
Cash and cash equivalents	2.8	70,06,91,647	43,21,90,170
Short term loans and advances	2.9	26,63,09,721	22,34,77,740
		167,66,34,669	116,98,53,748
		227,48,16,122	**157,72,31,311**
SIGNIFICANT ACCOUNTING POLICIES	1		
NOTES ON ACCOUNTS	2		

D. Swaminathan
Director

Abraham Mathews
Director

Anantha Radhakrishnan
Director

B.G. Srinivas
Director

Bangalore
April 12,2013

(in ₹)

Profit and Loss Account for the	Note	Year ending March 31st	
		2013	**2012**
Revenues from business process management services		264,79,66,368	191,67,36,026
Other income	2.10	7,37,17,391	4,43,50,296
Total Revenue		**272,16,83,759**	**196,10,86,322**
Expenses			
Employee benefit expenses		139,47,45,520	98,45,72,324
Cost of technical sub-contractors	2.11	2,01,93,643	2,31,33,847
Travel expenses	2.11	17,36,03,573	10,55,93,469
Cost of software packages	2.11	2,82,03,972	40,38,674
Communication expenses	2.11	4,54,12,742	3,00,36,770
Professional charges	2.11	11,02,34,332	6,20,72,810
Office Maintenance	2.11	5,72,98,031	3,41,00,688
Power and fuel	2.11	1,57,46,419	1,57,41,517
Insurance	2.11	56,78,664	25,38,769
Rent	2.11	14,75,65,534	10,02,85,891
Depreciation and amortization expense	2.5	4,59,37,440	2,99,74,287
Other expenses	2.11	6,62,93,440	6,69,91,741
		211,09,13,310	**145,90,80,787**
PROFIT BEFORE TAX		**61,07,70,449**	**50,20,05,535**
Provision for taxation			
Current tax	2.12	12,36,67,210	8,48,89,341
		12,36,67,210	8,48,89,341
PROFIT AFTER TAX		**48,71,03,239**	**41,71,16,194**
SIGNIFICANT ACCOUNTING POLICIES	1		
NOTES ON ACCOUNTS	2		

D. Swaminathan
Director

Abraham Mathews
Director

Anantha Radhakrishnan
Director

B.G. Srinivas
Director

Bangalore
April 12,2013

Schedules to the financial statements for the year ended March 31, 2013

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 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 under the historical cost convention, in accordance with Generally Accepted Accounting Principles in India ("GAAP") on accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises accounting standards as specified in rule 3 of the Companies (Accounting Standards) Rules 2006, and the relevant provisions of 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 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 recognised as unbilled revenues.Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainity 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 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 recognised 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 recognised 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 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 amortisation 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 amortised over the lease period. Intangible assets are amortised 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	Fifteen years
Computer equipment	Two years
Office equipment	Five years
Furniture and fixtures	Five years

1.7 Foreign currency transactions

Revenue from overseas clients and collections deposited in bank accounts are recorded at the exchange rate as of the date of the respective transactions. Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure is incurred. Disbursements made out of bank accounts are reported at a rate that approximates the actual monthly rate. Exchange differences are recorded when the amount actually received on sales or actually paid when expenditure is incurred is converted into Indian rupees. The exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise. Monetary assets and monetary liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account. 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.

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, 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 recognised 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 recognised 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 recognises 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 recognised 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 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 recognised 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 recognised 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.

2 NOTES ON ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2013

2.1 SHARE CAPITAL

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
AUTHORISED		
Share capital	3,93,50,000	3,93,50,000
	3,93,50,000	**3,93,50,000**
ISSUED, SUBSCRIBED AND PAID UP		
Share capital	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, 2013	As at March 31, 2012
Securities premium account	39,34,96,852	39,34,96,852
Foreign currency translation reserve	5,58,13,543	5,50,35,156
Balance in profit and loss account - opening	76,50,21,657	34,79,05,463
Add: Profit during the period	48,71,03,239	41,71,16,194
Balance in profit and loss account - closing	125,21,24,896	76,50,21,657
	170,14,35,291	**121,35,53,665**

2.3 OTHER CURRENT LIABILITIES

(in ₹)

Particulars	As at	
	March 31, 2013	**March 31, 2012**
Accrued salaries and benefits		
Salaries	7,03,74,437	2,80,42,680
Bonus and incentives	6,58,80,339	5,63,37,871
For other liabilities		
Provision for expenses	11,12,79,750	5,28,03,503
Withholding and other taxes	4,61,81,009	7,15,11,013
	29,37,15,535	20,86,95,067
Advances subsidy claim received	84,95,619	4,88,318
Unearned revenue	59,93,212	2,36,89,748
	30,82,04,366	**23,28,73,133**

2.4 SHORT TERM PROVISIONS

(in ₹)

	As at	
	March 31, 2013	**March 31, 2012**
Provision for employee benefits		
Unavailed leave	5,79,68,435	4,07,02,168
Others		
Provision for		
Income taxes	13,11,90,759	4,03,39,223
SLA compliance	1,43,85,979	74,42,052
	20,35,45,173	**8,84,83,443**

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, the movement in provision for service level agreement is given below.

(in ₹)

Particulars	As at	
	March 31, 2013	**March 31, 2012**
Balance at the beginning of the year	74,42,052	1,21,61,964
Additional provision made during the year	1,14,56,143	15,61,671
Provisions used during the year	-	-
Unused amount reversed during the year	45,12,216	62,81,583
Balance at the end of the period	**1,43,85,979**	**74,42,052**

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

2.5 FIXED ASSETS

(in ₹)

Particulars	Original cost				Depreciation and amortization				Net book value	
	Cost as at April 01, 2012	Additions during the year	Deletions during the year	Cost as at March 31, 2013	As at April 01, 2012	Charge for the year	Deductions during the year	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
Tangible assets:										
Buildings	-	-	-	-	-	(80)	(80)	-	-	-
Leasehold improvements	69,22,485	12,47,98,956	-	13,17,21,441	45,67,120	71,44,807	1,01,966	1,16,09,961	12,01,11,480	23,55,365
Office equipment	4,44,21,917	69,34,614	-	5,13,56,531	3,53,18,430	39,72,661	(2,76,766)	3,95,67,857	1,17,88,674	91,03,487
Computer equipment	10,37,00,844	5,05,57,347	-	15,42,58,191	8,09,30,562	3,06,34,877	(3,48,728)	11,19,14,167	4,23,44,024	2,27,70,282
Furniture and fixtures	3,05,07,869	1,67,12,374	-	4,72,20,243	2,17,70,890	41,78,570	(102,840)	2,60,52,300	2,11,67,943	87,36,979
Vehicles	3,49,274	3,178	-	3,52,452	3,49,274	6,605	3,427	3,52,452	-	-
	18,59,02,389	19,90,06,469	-	38,49,08,858	14,29,36,276	4,59,37,440	(6,23,021)	18,94,96,737	19,54,12,121	4,29,66,113
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	**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**	**39,49,78,353**
Previous year	49,72,08,347	5,46,91,984	24,53,927	54,94,46,404	10,90,86,054	2,99,74,287	(38,75,935)	14,29,36,276	40,65,10,128	

2.6 LONG-TERM LOANS AND ADVANCES

(in ₹)

	As at	
	March 31, 2013	March 31, 2012
Advance Income tax	5,07,57,092	1,23,99,210
	5,07,57,092	**1,23,99,210**

2.7 TRADE RECEIVABLES

(in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Debt outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	16,44,454	37,35,577
Less: Provision for Doubtful Debts	16,44,454	37,35,577
	-	-
Other debts		
Unsecured		
Considered good*	70,96,33,301	51,41,85,838
Considered doubtful	10,33,594	6,54,671
	71,06,66,895	51,48,40,509
Less: Provision for doubtful debts	10,33,594	6,54,671
	70,96,33,301	**51,41,85,838**

*Includes dues from subsidiary companies (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.

2.8 CASH AND CASH EQUIVALENTS

(in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Cash on hand	7,66,971	18,43,318
Balances with bank		
In current and deposit accounts	69,99,24,676	43,03,46,852
	70,06,91,647	**43,21,90,170**

The details of balances with banks as at December 31,2012 and March 31,2012 are as follows: (in ₹)

Balances with scheduled banks	As at	
	March 31, 2013	March 31, 2012
In current accounts		
Deutsche Bank - PLN Account	12,34,45,754	1,21,79,481
Deutsche Bank - EUR Account	1,61,12,495	61,06,379
Deutsche Bank, Esfund - PLN Account	8,43,615	11,99,054
DB-Wklad-Wlasny(EU Subsidy)	1,96,685	-
Deutsche Bank, EU Subsidy	1,02,06,127	15,27,370
	15,08,04,676	2,10,12,284
In deposit account		
Deutsche Bank	54,91,20,000	40,93,34,568
	69,99,24,676	**43,03,46,852**

2.9 SHORT TERM LOANS AND ADVANCES:

(in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Unsecured, considered good		
Prepaid Expenses	89,79,694	1,23,58,843
Advances for goods and services	1,22,138	-
Loans to subsidary	11,16,22,467	5,20,36,339
Withholding and other taxes receivables	8,10,97,403	6,21,17,401
	20,18,21,702	12,65,12,583
Unbilled Revenue	-	1,88,30,244
Interest Accrued but not due	6,07,060	3,94,292
Loans and advances to employees	2,13,27,736	1,15,40,939
Electricity and other deposits	1,31,45,966	41,90,290
Rental Deposits	2,67,17,800	2,64,76,954
Mark to market loss on forward exchange contract	26,89,457	3,55,32,438
	26,63,09,721	**22,34,77,740**

2.10 OTHER INCOME

(in ₹)

Particulars	Year ended March 31,	
	2013	2012
Interest Income	1,84,90,501	73,07,260
Miscellaneous income	2,06,94,621	89,75,257
Exchange differences	3,45,32,269	2,80,67,779
	7,37,17,391	**4,43,50,296**

2.11 EXPENSES

(in ₹)

Particulars	Year ended March 31,	
	2013	2012
Employee benefit expenses		
Salaries and bonus excluding overseas staff expenses	115,02,07,417	82,01,98,602
Staff welfare	3,70,43,574	2,91,58,060
Contribution to provident and other funds	20,74,94,529	13,52,15,662
	139,47,45,520	**98,45,72,324**
Cost of technical sub-contractors		
Consultancy charges	2,01,93,643	2,31,33,847
	2,01,93,643	**2,31,33,847**
Travel expenses		
Overseas travel expenses	17,35,90,755	10,55,71,072
Travelling expenses	12,818	22,397
	17,36,03,573	**10,55,93,469**
Cost of software for own use		
Cost of software for own use	2,82,03,972	40,38,674
	2,82,03,972	**40,38,674**
Communication expenses		
Communication expenses	4,54,12,742	3,00,36,770
	4,54,12,742	**3,00,36,770**
Professional Charges		
Legal and professional charges	2,28,94,932	1,98,29,695
Auditor's remuneration		
audit fees	17,81,114	16,18,020
Recruitment and training expenses	8,55,58,286	4,06,25,095
	11,02,34,332	**6,20,72,810**
Office expenses		
Printing and stationery	20,92,526	4,32,725
Office maintenance	5,52,05,505	3,36,67,963
	5,72,98,031	**3,41,00,688**
Power and fuel		
Power and fuel	1,57,46,419	1,57,41,517
	1,57,46,419	**1,57,41,517**
Insurance		
Insurance	56,78,664	25,38,769
	56,78,664	**25,38,769**
Rent		
Rent	14,75,65,534	10,02,85,891
	14,75,65,534	**10,02,85,891**

(in ₹)

Particulars	Year ended March 31,	
	2013	2012
Other expenses		
Brand building and advertisement	63,08,507	86,44,888
Sales promotion expenses	18,03,728	36,73,441
Rates and taxes	2,32,06,310	1,61,92,374
Donations	6,90,685	7,82,069
Bank charges and commission	16,57,432	15,44,486
Postage and courier	1,48,83,231	1,87,07,959
Provision for doubtful debts	(35,53,780)	36,85,940
Other miscellaneous expenses	2,12,97,327	1,37,60,584
	6,62,93,440	**6,69,91,741**

2.12 TAX EXPENSES

(in ₹)

Particulars	Year ended March 31,	
	2013	2012
Current tax		
Income taxes	12,36,67,210	8,48,89,341
	12,36,67,210	**8,48,89,341**

2.13 LEASES

Obligations on long-term non-cancellable operating leases

The lease rentals charged during the year 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,	
	2013	2012
Lease rentals charged during the year	14,75,65,534	10,02,85,891

2.14 Contingent liablities and commitments (to the extent not provided for)

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Contingent :		
Nil		
Commitments:		
Estimated amount of unexecuted capital contracts (net of advance and deposits)	2,43,19,830	1,01,54,968
Forward contracts outstanding		
EUR / PLN	12,000,000	18,000,000
(Equivalent approximate in Rs.)	(83,40,00,000)	(122,16,60,000)
USD / PLN	1,668,750	1,000,000
(Equivalent approximate in Rs.)	(9,05,96,438)	(5,08,80,000)
EUR/USD	500,000	
(Equivalent approximate in Rs.)	(3,47,50,000)	

As at the Balance Sheet date, the Company's net foreign currency exposure that is not hedged by a derivative instrument or otherwise is ₹Nil (₹Nil as at March 31,2012)

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 ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Not later than one month	10,49,19,639	13,57,40,000
Later than one month and not later than three months	19,20,11,799	32,23,60,000
Later than three months and not later than one year	66,24,15,000	81,44,40,000
	95,93,46,438	127,25,40,000

The company recognized a Loss on derivate financial instruments of ₹ 90,38,067 and gain on derivative financial instruments of ₹ 9,58,38,154 during the quarter ended March 31, 2013 and March 31, 2012 respectively, which is included in other income.

2.15 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.

2.16 Related party transactions

List of related parties:

	Country	Holding as at March 31, 2013	Holding as at March 31, 2012
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**	Czech Republic
McCamish Systems LLC**	United States
Portland Group Pty Ltd**	Australia
Portland Procurement Services Pty Ltd***	Australia
Infosys Consulting India Limited*	India
Infosys Technologies (Australia) Pty Limited ("Infosys Australia")*	Australia
Infosys Technologies S.de R.L.de C.V. ("Infosys Mexico")*	Mexico
Infosys Technologies (China) Co. Limited ("Infosys China") *	China
Infosys Technologia Do Brasil LTDA (" Infosys Brazil")*	Brazil

* Wholly owned subsidiaries of Infosys Limited
** Wholly owned subsidiaries of Infosys BPO Limited.
***Wholly owned subsidiary of Portland Group Pty Ltd.

The details of the related party transactions entered into by the Company, for the year ended March 31, 2013 and March 31, 2012 are as follows:

(in ₹)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Capital transactions:		
Financial transactions		
Loans given		
Infosys BPO s.r.o	5,82,33,306	-
McCamish Systems, LLC	-	5,20,36,339
Revenue transactions:		
Purchase of services		
Infosys BPO s.r.o.	91,56,706	46,33,800
Purchase of shared services including facilities and personnel		
Infosys Limited	-	51,860
Infosys BPO Limited	-	2,67,431
Infosys BPO s.r.o.	-	9,10,964
Interest income		
Infosys BPO s.r.o.	4,75,174	-
McCamish Systems LLC	7,21,611	5,71,560
Sale of services		
Infosys Limited	7,77,83,501	7,89,14,173
Infosys BPO Limited	5,75,64,722	4,47,99,535
Sale of shared services including facilities and personnel		
Infosys BPO s.r.o.	-	27,93,415
Infosys BPO Ltd	-	2,29,108

Details of amounts due to or due from related party for the year ended March 31, 2013 and March 31, 2012.

Particulars	As at March 31, 2013	As at March 31, 2012
Loans		
Infosys BPO s.r.o	5,82,33,306	-
McCamish Systems, LLC	5,65,73,676	5,20,36,339
Debtors		
Infosys Limited	1,70,49,174	95,78,297
Infosys BPO Limited	46,88,071	3,36,35,133

2.17 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, utlilites and telecommunication services (ECS) and retail, logistics, consumer product group, life sciences and health care enterprises (RCL).Revenue and identifiable operating expenses in relation to segments is categorized based on items that are individually identified to those segments while allocated 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 liabilites 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, 2013** and March 31, 2012

(in ₹)

Particulars	FSI	MFG	RCL	ECS	Total
Revenues	**6,63,109**	**229,14,76,876**	**32,95,66,215**	**2,62,60,168**	**264,79,66,368**
	-	173,77,77,209	17,78,38,052	11,20,765	191,67,36,026
Identifiable operating expenses	**-**	**108,31,94,759**	**15,01,29,097**	**1,22,93,656**	**124,56,17,512**
	-	71,43,01,894	4,66,96,441	2,57,708	76,12,56,043
Allocated expenses	**1,54,242**	**71,19,57,393**	**9,93,39,790**	**79,06,933**	**81,93,58,358**
	-	60,57,63,091	6,16,81,184	4,06,182	66,78,50,457
Segmental operating profit	**5,08,867**	**49,63,24,724**	**8,00,97,328**	**60,59,579**	**58,29,90,498**
	-	41,77,12,224	6,94,60,427	4,56,875	48,76,29,526
Unallocable expenses					**4,59,37,440**
					2,99,74,287
Profit before other income					**53,70,53,058**
					45,76,55,239
Other income ,net					**7,37,17,391**
					4,43,50,296
Net profit before tax					**61,07,70,449**
					50,20,05,535
Tax expense					**12,36,67,210**
					8,48,89,341
Profit for the period					**48,71,03,239**
					41,71,16,194

Geographical segments
Year ended **March 31, 2013** and March 31, 2012

(in ₹)

Particulars	North America	Europe	Others	Total
Revenues	**23,05,35,432**	**210,56,48,240**	**31,17,82,696**	**264,79,66,368**
	6,05,14,444	168,62,93,523	16,99,28,059	191,67,36,026
Identifiable operating expenses	**10,49,59,155**	**101,49,13,120**	**12,57,45,237**	**124,56,17,512**
	89,68,744	67,06,32,484	8,16,54,815	76,12,56,043
Allocated expenses	**6,87,74,831**	**65,40,10,420**	**9,65,73,107**	**81,93,58,358**
	2,11,49,965	58,77,35,862	5,89,64,630	66,78,50,457
Segmental operating profit	**5,68,01,446**	**43,67,24,700**	**8,94,64,352**	**58,29,90,498**
	3,03,95,735	42,79,25,177	2,93,08,598	48,76,29,526
Unallocable expenses				**4,59,37,440**
				2,99,74,287
Profit before other income				**53,70,53,058**
				45,76,55,239
Other income ,net				**7,37,17,391**
				4,43,50,296
Net profit before tax				**61,07,70,449**
				50,20,05,535
Tax expense				**12,36,67,210**
				8,48,89,341
Profit for the period				**48,71,03,239**
				41,71,16,194

2.18 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS ACCOUNT

(in ₹)

Profit and Loss account for the	**Year ended March 31,**	
	2013	**2012**
Income from software services and products	264,79,66,368	191,67,36,026
Cost of revenue	178,30,29,281	117,16,52,672
GROSS PROFIT	86,49,37,087	74,50,83,354
Selling and marketing expenses	1,15,72,651	1,31,01,679
General and administration expenses	27,03,73,938	24,43,52,149
	28,19,46,589	25,74,53,828
OPERATING PROFIT BEFORE DEPRECIATION	58,29,90,498	48,76,29,526
Depreciation	4,59,37,440	2,99,74,287
OPERATING PROFIT	53,70,53,058	45,76,55,239
Other income, net	7,37,17,391	4,43,50,296
PROFIT BEFORE TAX	61,07,70,449	50,20,05,535
Tax expense:		
Current tax	12,36,67,210	8,48,89,341
PROFIT FOR THE PERIOD	48,71,03,239	41,71,16,194

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`) as at 31st, March 2013, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st March 2013;
2) In the case of the statement of profit and loss, of the ***Loss*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956, and;

For **SHENOY & KAMATH**
Chartered accountants

(M RATHNAKAR KAMATH)
Partner.
Membership No. 202841
Firm's Registration. No. 006673s

Bangalore
12th April, 2013

Infosys BPO s.r.o

(in ₹)

Balance Sheet as at	Note	March 31, 2013	March 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	3,49,78,993	3,49,78,993
Reserves and surplus	2.2	26,74,06,176	30,30,71,280
		30,23,85,169	33,80,50,273
CURRENT LIABILITIES			
Unsecured Loans	2.3	5,60,51,609	-
Trade payables		5,94,278	88,82,629
Other current liabilities	2.4	15,34,74,623	11,18,25,795
Short-term provisions	2.5	2,53,62,526	1,41,34,706
		23,54,83,036	13,48,43,130
		53,78,68,205	**47,28,93,403**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.6	1,94,31,759	2,45,72,949
Capital work-in-progress		-	-
		1,94,31,759	2,45,72,949
Long-term loans and advances	2.7	1,19,17,970	2,68,33,165
		1,19,17,970	2,68,33,165
CURRENT ASSETS			
Trade receivables	2.8	13,75,29,072	13,93,90,638
Cash and cash equivalents	2.9	12,80,94,996	10,22,62,451
Short term loans and advances	2.10	24,08,94,408	17,98,34,200
		50,65,18,476	42,14,87,289
		53,78,68,205	**47,28,93,403**
SIGNIFICANT ACCOUNTING POLICIES	1	-	-
NOTES ON ACCOUNTS	2		

D. Swaminathan
Chairman

Anantha Radhakrishnan
Director

B.G. Srinivas
Director

Abraham Mathews
Director

Bangalore
April 12, 2013

(in ₹)

Profit and Loss Account for the	Notes	Year ending March 31st	
		2013	2012
Revenues from business process management services		87,44,59,115	57,25,83,219
Other income	2.11	2,09,73,232	1,66,48,630
Total Revenue		**89,54,32,347**	**58,92,31,849**
Expenses			
Employee benefit expenses	2.12	68,45,01,124	41,69,04,319
Cost of technical sub-contractors	2.12	39,47,729	1,84,22,876
Travel expenses	2.12	3,25,74,251	2,23,29,688
Cost of software packages	2.12	64,20,444	(87,534)
Communication expenses	2.12	87,71,760	54,33,602
Professional charges	2.12	6,64,72,017	3,10,55,921
Office expenses	2.12	1,37,15,974	1,10,69,932
Power and fuel	2.12	1,45,94,454	1,27,03,793
Insurance charges	2.12	29,68,075	(13,93,096)
Rent	2.12	6,42,57,777	4,87,02,488
Depreciation expense	2.6	1,67,45,107	1,31,50,053
Other expenses	2.12	71,90,555	49,89,544
		92,21,59,267	**58,32,81,586**
PROFIT BEFORE TAX		**(267,26,920)**	**59,50,263**
Provision for taxation	2.13		
Current tax		-	25,88,104
Deferred tax		-	67,67,973
		-	93,56,077
LOSS FOR THE PERIOD		**(267,26,920)**	**(34,05,814)**
SIGNIFICANT ACCOUNTING POLICIES	1		
NOTES ON ACCOUNTS	2		

D. Swaminathan
Chairman

Anantha Radhakrishnan
Director

B.G. Srinivas
Director

Abraham Mathews
Director

Bangalore
April 12, 2013

Schedules to the financial statements for the year ended March 31,2013

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 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 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 under the historical cost convention, in accordance with Generally Accepted Accounting Principles in India ("GAAP") on accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises accounting standards as specified in rule 3 of the Companies (Accounting Standards) Rules 2006, and the relevant provisions of 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 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 recognised as unbilled revenues. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainity 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 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 recognised 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 recognised 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 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 amortisation 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 amortised over the lease period. Intangible assets are amortised 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	Fifteen years
Computer equipment	Two years
Plant and machinery	Five years
Furniture and fixtures	Five years

1.7 Foreign currency transactions

Revenue from overseas clients and collections deposited in bank accounts are recorded at the exchange rate as of the date of the respective transactions. Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure is incurred. Disbursements made out of bank accounts are reported at a rate that approximates the actual monthly rate. Exchange differences are recorded when the amount actually received on sales or actually paid when expenditure is incurred is converted into Indian rupees. The exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise. Monetary assets and monetary liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account. 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.

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, 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 recognised 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 recognised 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 recognises 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 recognised 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 recognised 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 recognised 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.

2 NOTES ON ACCOUNTS FOR THE QUARTER AND YEAR ENDED MARCH 31, 2013

2.1 SHARE CAPITAL

(in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
AUTHORISED		
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 subsidary of Infosys BPO Limited)		
	3,49,78,993	**3,49,78,993**

2.2 RESERVES AND SURPLUS

(in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Foreign currency translation reserve	4,12,53,013	5,01,91,197
Balance in profit and loss account - opening balance	25,28,80,083	25,62,85,897
Add: Loss during the year	(2,67,26,920)	(34,05,814)
Balance in profit and loss account - closing balance	22,61,53,163	25,28,80,083
	26,74,06,176	**30,30,71,280**

2.3 Unsecured Loans

(in ₹)

	As at	
	March 31, 2013	March 31, 2012
Long term borrowings	5,60,51,609	-
	5,60,51,609	-

2.4 OTHER CURRENT LIABILITIES

(in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Accrued salaries and benefits		
Salaries	4,55,68,967	3,68,63,747
Bonus and incentives	93,40,570	59,71,131
For other liabilities		
Provision for expenses	5,70,73,921	2,59,13,430
Withholding and other taxes	1,38,12,164	1,45,01,272
	12,57,95,622	8,32,49,580
Advances received from clients	2,76,79,001	-
Unearned revenue	-	1,04,18,865
Mark to market loss on forward exchange contract	-	1,81,57,350
	15,34,74,623	**11,18,25,795**

2.5 SHORT TERM PROVISIONS

(in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Provision for employee benefits		
Unavailed leave	2,09,92,573	1,27,04,860
Others		
Provision for		
SLA compliance	43,69,953	14,29,846
	2,53,62,526	**1,41,34,706**

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, the movement in provision for service level agreement is given below

Particulars	As at	
	March 31, 2013	March 31, 2012
Balance at the beginning of the year	14,29,846	35,82,549
Additional provision made during the year	64,29,714	26,40,881
Provisions used during the year	-	-
Unused amount reversed during the year	34,89,607	47,93,584
Balance at the end of the year	**43,69,953**	**14,29,846**

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

2.6 FIXED ASSETS

(in ₹)

Particulars	Original cost				Depreciation and amortization				Net book value	
	Cost as at April 01, 2012	Additions during the year	Deletions during the year	Cost as at March 31, 2013	As at April 01, 2012	Charge for the Period	Deductions during the year	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
Tangible assets:										
Leasehold improvements	1,79,90,685	(4,54,639)	-	1,75,36,046	1,60,78,858	6,46,206	4,23,825	1,63,01,239	12,34,807	19,11,827
Plant and Machinery	1,20,72,252	(2,61,430)	-	1,18,10,822	70,71,331	18,08,855	2,28,500	86,51,686	31,59,136	50,00,921
Computer equipment	6,54,26,949	92,79,860	-	7,47,06,809	5,25,71,393	1,21,18,873	16,96,261	6,29,94,005	1,17,12,804	1,28,55,556
Furniture and fixtures	2,26,96,114	1,78,175	-	2,28,74,289	1,78,91,469	21,71,173	5,13,365	1,95,49,277	33,25,012	48,04,645
Total	**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**	**2,45,72,949**
Previous year	9,16,78,252	2,73,04,317	7,96,569	11,81,86,000	7,50,05,762	1,31,50,053	(54,57,236)	9,36,13,051	2,45,72,949	

2.7 LONG-TERM LOANS AND ADVANCES

(in ₹)

	As at	
	March 31, 2013	**March 31, 2012**
Rental Deposits	1,19,17,970	1,22,26,955
Advance Income tax	-	1,46,06,210
	1,19,17,970	**2,68,33,165**

2.8 TRADE RECEIVABLES

(in ₹)

Particulars	As at	
	March 31, 2013	**March 31, 2012**
Other debts		
Unsecured		
Considered good*	13,75,29,072	13,93,90,638
	13,75,29,072	**13,93,90,638**

* includes dues from subsidary companies(refer note 2.17)

Provision for doubtful debts

Periodically, the Company evaluates all customer dues for collectability. The need for provision 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. As at March 31, 2013 the Company has not provided for doubtful debts since there are no outstandings due from customers exceeding 180 days.

2.9 CASH AND CASH EQUIVALENTS

(in ₹)

Particulars	As at	
	March 31, 2013	**March 31, 2012**
Cash on hand	1,13,535	21,922
Balances with bank		
In current and deposit accounts	12,79,81,461	10,22,40,529
	12,80,94,996	**10,22,62,451**

The details of balances with banks as at March 31,2013 and March 31,2012 are as follows:

(in ₹)

Balances with scheduled banks	As at	
	March 31, 2013	**March 31, 2012**
In current accounts		
Deutsche bank - USD account	2,30,74,775	2,06,17,440
Deutsche bank - EUR account	5,25,91,721	1,19,93,011
Deutsche bank - Czk account	2,87,51,231	1,09,47,575
Citibank-subsidy account	7,673	7,892
Citibank- Czk account	1,91,72,981	91,32,286
Citibank-USD account	37,38,088	77,80,614
Citibank-EUR account	6,44,992	4,17,61,711
	12,79,81,461	**10,22,40,529**

2.10 SHORT TERM LOANS AND ADVANCES:

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Unsecured, considered good		
Prepaid Expenses	70,273	71,737
Advances for goods and services	1,17,38,536	39,40,707
Loan to Group Company	16,60,10,156	15,52,03,300
	17,78,39,828	15,92,15,744
Unbilled Revenue	5,60,73,535	1,45,16,418
Loans and advances to employees	44,88,368	43,94,402
Electricity and other deposits	18,23,859	17,07,636
Mark to market gain on forward exchange contract	6,68,817	-
	24,08,94,407	17,98,34,200
Unsecured, considered doubtful		
Loans and advances to employees	5,27,331	-
	24,14,21,738	17,98,34,200
Less: Provision for doubtful loans and advances	5,27,331	-
	24,08,94,408	**17,98,34,200**

2.11 OTHER INCOME

(in ₹)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Miscellaneous income, net	2,35,50,118	1,26,85,423
Gains / (losses) on foreign currency, net	(20,97,174)	39,63,207
Interese expense on Loans from Subsidiary	(4,79,712)	-
	2,09,73,232	**1,66,48,630**

2.12 EXPENSES

(in ₹)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Employee benefit expenses		
Salaries and bonus excluding overseas staff expenses	50,61,97,421	31,63,77,410
Staff welfare	2,06,95,122	1,02,00,487
Contribution to provident and other funds	15,76,08,581	9,03,26,422
	68,45,01,124	**41,69,04,319**
Cost of Technical sub-contractors		
Consultancy charges	39,47,729	1,84,22,876
	39,47,729	**1,84,22,876**
Travel expenses		
Overseas travel expenses	3,25,74,251	2,23,29,688
	3,25,74,251	**2,23,29,688**
Cost of software packages		
Cost of software for own use	64,20,444	(87,534)
	64,20,444	**(87,534)**
Communication expenses		
Communication expenses	87,71,760	54,33,602
	87,71,760	**54,33,602**
Professional Charges		
Legal and professional charges	1,32,68,331	51,68,780
Auditor's remuneration		
audit fees	18,74,113	9,73,873
Recruitment and training expenses	5,13,29,573	2,49,13,268
	6,64,72,017	**3,10,55,921**
Office expenses		
Computer maintenance	8,70,871	2,76,633
Printing and stationery	12,71,411	3,99,024
Office maintenance	1,15,73,692	1,03,94,275
	1,37,15,974	**1,10,69,932**
Power and fuel		
Power and fuel	1,45,94,454	1,27,03,793
	1,45,94,454	**1,27,03,793**
Insurance		
Insurance	29,68,075	(13,93,096)
	29,68,075	**(13,93,096)**
Rent		
Rent	6,42,57,777	4,87,02,488
	6,42,57,777	**4,87,02,488**

(in ₹)

Particulars	Year ended March 31,	
	2013	2012
Other expenses		
Consumables	21,28,107	5,71,974
Brand building and advertisement	-	4,35,624
Marketing expenses	41,824	-
Sales promotion expenses	32,183	1,49,035
Rates and taxes	15,11,403	1,85,942
Donations	-	23,573
Bank charges and commission	13,70,507	9,20,501
Postage and courier	11,63,298	1,45,570
Provision for doubtful debts	5,090	-
Provision for doubtful loans and advances	5,27,331	-
Professional membership and seminar participation fees	47,260	44,540
Other miscellaneous expenses	3,63,552	25,12,785
	71,90,555	**49,89,544**

2.13 TAX EXPENSES

(in ₹)

Particulars	Year ended March 31,	
	2013	2012
Current tax		
Income taxes	-	25,88,104
Deferred taxes	-	67,67,973
	-	**93,56,077**

2.14 LEASES

Obligations on long-term non-cancellable operating leases

The lease rentals charged during the year 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,	
	2012	2011
Lease rentals charged during the year	6,42,57,777	4,87,02,488

2.15 Commitments and contingent liabilities

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Estimated amount of unexecuted capital contracts (net of advance and deposits)	81,02,212	-
Sell: Forward contracts outstanding		
USD/CZK	3,000,000	4,000,000
(Equivalent approximate in ₹.)	(16,28,70,000)	(20,35,20,000)
Buy: Forward Contracts outstanding		
USD/CZK	-	19,111,000
(Equivalent approximate in ₹.)	-	(5,29,37,470)

As at the Balance Sheet date, the Company's net foreign currency exposure that is not hedged by a derivative instrument or otherwise is ₹Nil (₹Nil as at March 31, 2012).

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 ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Later than one month and not later than three months	-	25,64,57,470
Later than three months and not later than one year	16,28,70,000	-
	16,28,70,000	25,64,57,470

The company recognized a Loss on derivate financial instruments of ₹ 81,97,679 and gain on derivative financial instruments of ₹ 1,22,66,282 during the quarter ended March 31, 2013 and March 31, 2012 respectively, which is included in other income.

2.16 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 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 related party	Country	Holding as at March 31, 2013	Holding as at March 31, 2012
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**	Poland
McCamish Systems LLC**	United States
Portland Group Pty Ltd**	Australia
Portland Procurement Services Pty Ltd***	Australia
Infosys Consulting India Limited*	India
Infosys Technologies (Australia) Pty Limited ("Infosys Australia")*	Australia
Infosys Technologies S.de R.L.de C.V. ("Infosys Mexico")*	Mexico
Infosys Technologies (China) Co. Limited ("Infosys China") *	China
Infosys Technologia Do Brasil LTDA (" Infosys Brazil")*	Brazil

* Wholly owned subsidiaries of Infosys Limited

** Wholly owned subsidiaries of Infosys BPO Limited.

***Wholly owned subsidiary of Portland Group Pty Ltd

The details of the related party transactions entered into by the company for the year ended March 31, 2013 and March 31, 2012 are as follows:

(in ₹)

Particulars	Year ended March 31,	
	2013	2012
Capital transactions:		
Financial transactions		
Loans Taken		
Infosys BPO Poland Sp.z.o.o	5,60,51,609	-
Loans Given		
McCamish Systems LLC	-	21,45,39,867
Revenue transactions:		
Purchase of shared services including facilities and personnel		
Infosys Limited	-	16,810
Infosys BPO Limited	-	11,66,896
Infosys BPO Poland Sp.z.o.o	-	27,49,659
Interest income		
McCamish Systems LLC	16,20,072	24,33,322
Interest expense		
Infosys BPO Poland Sp.z.o.o	3,00,774	-
Sale of services		
Infosys Limited	8,74,36,781	15,55,98,534
Infosys BPO Poland Sp.z.o.o	98,29,331	45,55,324

Details of amounts due to or due from related parties as at March 31, 2013 and March 31, 2012

(in ₹)

Particulars	As at,	
	March 31,2013	March 31,2012
Loans to subsidiary		
McCamish Systems LLC	16,60,10,156	15,52,03,300
Loans Accepted		
Infosys BPO Poland Sp.z.o.o	5,60,51,609	-
Advances Received		
Infosys Limited	2,76,79,001	
Debtors		
Infosys Limited	36,99,008	1,24,77,540

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, utlilites and telecommunication services (ECS) and retail, logistics, consumer product group, life sciences and health care enterprises (RCL). Revenue and identifiable operating expenses in relation to segments is categorized based on items that are individually identified to those segments while allocated 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 liabilites 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, 2013** and March 31, 2012

(in ₹)

Particulars	FSI	MFG	RCL	ECS	Total
Revenues	**7,31,63,663**	**71,03,48,902**	**8,06,56,365**	**1,02,90,185**	**87,44,59,115**
	7,93,51,370	34,43,44,652	13,66,88,073	1,21,99,124	57,25,83,219
Identifiable operating expenses	**5,40,01,580**	**42,16,00,335**	**4,82,46,802**	**77,12,773**	**53,15,61,490**
	5,76,29,451	18,41,25,634	5,49,72,359	61,79,872	30,29,07,316
Allocated expenses	**3,16,88,748**	**30,17,94,589**	**3,79,50,919**	**24,18,414**	**37,38,52,670**
	3,62,54,765	15,85,94,780	6,77,91,682	45,82,990	26,72,24,217
Segmental operating profit	**(1,25,26,665)**	**(1,30,46,022)**	**(55,41,356)**	**1,58,998**	**(3,09,55,045)**
	(1,45,32,846)	16,24,238	1,39,24,032	14,36,262	24,51,686
Unallocable expenses					**1,67,45,107**
					1,31,50,053
Profit before other income					**(4,77,00,152)**
					(1,06,98,367)
Other income					**2,09,73,232**
					1,66,48,630
Profit/(Loss) before tax					**(2,67,26,920)**
					59,50,263
Tax expense					-
					93,56,077
Loss for the period					**(2,67,26,920)**
					(34,05,814)

Geographical segments

Year ended **March 31, 2013** and March 31, 2012

(in ₹)

Particulars	North America	Europe	Total
Revenues	**10,95,47,126**	**76,49,11,989**	**87,44,59,115**
	17,76,46,139	39,49,37,080	57,25,83,219
Identifiable operating expenses	**6,22,07,319**	**46,93,54,171**	**53,15,61,490**
	7,30,90,335	22,98,16,981	30,29,07,316
Allocated expenses	**5,06,23,893**	**32,32,28,777**	**37,38,52,670**
	8,86,87,012	17,85,37,205	26,72,24,217
Segmental operating profit	**(32,84,086)**	**(2,76,70,959)**	**(3,09,55,045)**
	1,58,68,792	(1,34,17,106)	24,51,686
Unallocable expenses			**1,67,45,107**
			1,31,50,053
Profit before other income			**(4,77,00,152)**
			(1,06,98,367)
Other income			**2,09,73,232**
			1,66,48,630
Profit/(Loss) before tax			**(2,67,26,920)**
			59,50,263
Tax expense			**-**
			93,56,077
Loss for the period			**(2,67,26,920)**
			(34,05,814)

2.19 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS ACCOUNT

(in ₹)

Profit and Loss account for the	**Year ended March 31,**	
	2013	**2012**
Income from software services and products	87,44,59,115	57,25,83,219
Cost of revenue	80,46,49,906	50,43,92,036
GROSS PROFIT/(LOSS)	6,98,09,209	6,81,91,183
Selling and marketing expenses	25,41,600	13,77,212
General and administration expenses	9,82,22,654	6,43,62,285
	10,07,64,254	6,57,39,497
OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION	(3,09,55,045)	24,51,686
Depreciation	1,67,45,107	1,31,50,053
OPERATING PROFIT/(LOSS)	(4,77,00,152)	(1,06,98,367)
Other income, net	2,09,73,232	1,66,48,630
PROFIT/(LOSS) BEFORE TAX	(2,67,26,920)	59,50,263
Tax expense:		
Current tax	-	93,56,077
PROFIT/(LOSS) FOR THE PERIOD	(2,67,26,920)	(34,05,814)

To

The Members of McCamishSystems, LLC

Report on the Financial Statements:

We have audited the accompanying financial statement of **McCamishSystems, LLC** (`the Company`) as at 31st, March 2013, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st March 2013;
2) In the case of the statement of profit and loss, of the ***Loss*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956, and;

For **SHENOY & KAMATH**
Chartered accountants

(M RATHNAKAR KAMATH)
Partner.
Membership No. 202841
Firm's Registration. No. 006673s

Bangalore
12th April, 201**3**

McCamish Systems, LLC

(in ₹)

Balance Sheet as at	Note	March 31, 2013	March 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	163,93,17,854	147,52,47,854
Reserves and surplus	2.2	(163,27,07,104)	(147,52,80,161)
		66,10,750	(32,307)
NON-CURRENT LIABILITIES			
Other long-term liabilities	2.3	-	4,57,92,000
		-	4,57,92,000
CURRENT LIABILITIES			
Trade payables		1,65,01,988	11,61,82,038
Other current liabilities	2.4	186,73,94,855	33,19,48,650
Short-term provisions	2.5	1,67,33,481	1,20,77,589
		190,06,30,324	46,02,08,277
		190,72,41,074	**50,59,67,970**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.6	4,05,78,897	5,65,03,411
Intangible assets		9,76,00,704	-
Capital work-in-progress		1,99,75,245	-
		15,81,54,846	5,65,03,411
CURRENT ASSETS			
Trade receivables	2.7	37,27,47,756	31,96,04,857
Cash and cash equivalents	2.8	12,34,54,211	3,08,66,556
Short term loans and advances	2.9	125,28,84,261	9,89,93,146
		174,90,86,228	44,94,64,559
		190,72,41,074	**50,59,67,970**
SIGNIFICANT ACCOUNTING POLICIES	1		
NOTES ON ACCOUNTS	2		

D. Swaminathan
Chairman

Gordon Beckam
Chief Executive Officer

Eric Paternoster
Director

Kapil Jain
Director

Sam Thomas
Director

Abraham Mathews
Director

Bangalore
April 12, 2013

(in ₹)

Statement of Profit and Loss for the	Note	Year ended March 31, 2013	Year ended March 31, 2012
Revenues from business process management services		261,40,37,396	187,12,66,530
Other income	2.10	(21,89,111)	(60,04,163)
Total Revenue		**261,18,48,285**	**186,52,62,367**
Expenses			
Employee benefit expenses	2.11	146,63,44,673	107,53,22,111
Cost of technical sub-contractors	2.11	63,28,32,009	68,27,33,001
Travel expenses	2.11	2,92,63,523	2,67,98,014
Cost of Software packages	2.11	8,92,68,549	4,70,77,050
Communication expenses	2.11	2,18,82,210	2,42,63,158
Professional Charges	2.11	24,48,51,785	1,26,44,644
Office expenses	2.11	8,85,00,431	7,79,95,679
Power and fuel	2.11	33,54,873	18,89,481
Insurance charges	2.11	73,69,654	56,87,616
Rent	2.11	5,03,76,033	3,31,08,463
Depreciation	2.6	6,02,22,046	5,09,82,903
Other expenses	2.11	7,65,65,574	6,72,59,237
		277,08,31,360	**210,57,61,357**
LOSS BEFORE TAX		**(15,89,83,075)**	**(24,04,98,990)**
Provision for taxation		-	-
Current tax		-	-
Deferred tax		-	-
		-	-
LOSS FOR THE PERIOD		**(15,89,83,075)**	**(24,04,98,990)**
SIGNIFICANT ACCOUNTING POLICIES	1		
NOTES ON ACCOUNTS	2		

D. Swaminathan *Chairman*	Gordon Beckam *Chief Executive Officer*	Eric Paternoster *Director*
Kapil Jain *Director*	Sam Thomas *Director*	Abraham Mathews *Director*

Bangalore
April 12, 2013

Schedules to the financial statements for the year ended March 31, 2013

Significant accounting policies and notes on accounts

Company overview

McCamish Systems LLC is a leading provider of business process management services to organizations that outsource their business processes. 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 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 under the historical cost convention, in accordance with Generally Accepted Accounting Principles in India ("GAAP") on accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises accounting standards as specified in rule 3 of the Companies (Accounting Standards) Rules 2006, and the relevant provisions of 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 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 recognised as unbilled revenues. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainity 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 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 recognised 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 recognised 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 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 amortisation 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 amortised over the lease period. Intangible assets are amortised 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	Fifteen years
Computer equipment	Two years
Office equipment	Five years
Furniture and fixtures	Five years

1.7 Foreign currency transactions

Revenue from overseas clients and collections deposited in bank accounts are recorded at the exchange rate as of the date of the respective transactions. Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure is incurred. Disbursements made out of bank accounts are reported at a rate that approximates the actual monthly rate. Exchange differences are recorded when the amount actually received on sales or actually paid when expenditure is incurred is converted into Indian rupees. The exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise. Monetary assets and monetary liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account. 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.

1.8 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 recognised 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 recognised 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 recognised 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.

1.11 Provisions and contingent liability

The company recognises 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 recognised 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

NOTES ON ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2013

2.1 SHARE CAPITAL

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
AUTHORISED		
Share Capital	163,93,17,854	147,52,47,854
	163,93,17,854	147,52,47,854
ISSUED, SUBSCRIBED AND PAID UP		
Share Capital	163,93,17,854	147,52,47,854
	163,93,17,854	**147,52,47,854**

2.2 RESERVES AND SURPLUS

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Foreign currency translation reserve	(2,33,59,518)	(2,49,15,650)
Balance in profit and loss account - opening balance	(145,03,64,511)	(120,98,65,521)
Add: Loss during the year	(15,89,83,075)	(24,04,98,990)
Balance in profit and loss account - closing balance	(160,93,47,586)	(145,03,64,511)
	(163,27,07,104)	**(147,52,80,161)**

2.3 LONG-TERM PROVISIONS

(in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Provision for expenses	-	4,57,92,000
	-	**4,57,92,000**

2.4 OTHER CURRENT LIABILITIES

(in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Accrued salaries and benefits		
Salaries	4,22,88,491	1,20,98,552
For other liabilities		
Provision for expenses	30,56,71,158	9,00,82,226
Withholding and other taxes receivable	20,54,822	6,13,307
Due to carrier/insurance provider*	116,98,05,489	-
	151,98,19,960	10,27,94,085
Advances received from clients	-	-
Unearned revenue	7,13,71,480	2,37,55,567
Loans from subsidiary	22,19,13,415	20,53,98,998
Liability for deferred consideration	5,42,90,000	-
	186,73,94,855	**33,19,48,650**

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

2.5 SHORT TERM PROVISIONS

(in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Provision for employee benefits		
Unavailed leave	-	-
Provision for		
SLA compliance	1,67,33,481	1,20,77,589
	1,67,33,481	**1,20,77,589**

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, the movement in provision for service level agreement is given below

(in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Balance at the beginning of the year	1,20,77,589	1,04,37,292
Additional provision made during the year	98,52,550	54,76,904
Provisions used during the year	-	-
Unused amount reversed during the year	51,96,658	38,36,607
Balance at the end of the year	**1,67,33,481**	**1,20,77,589**

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

2.6 FIXED ASSETS

(in ₹)

Particulars	Original cost				Depreciation and amortization				Net book value	
	Cost as at April 01, 2012	Additions during the year	Deletions during the year	Cost as at March 31, 2013	As at April 01, 2012	Charge for the year	Deletions during the year	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
Tangible assets :										
Leasehold improvements	25,14,795	1,68,543	-	26,83,338	18,92,532	5,09,623	(1,23,959)	25,26,114	1,57,224	6,22,263
Office equipment	57,80,070	5,04,649	-	62,84,719	11,49,125	11,54,723	(71,774)	23,75,622	39,09,097	46,30,945
Computer equipment	15,20,26,642	4,30,19,032	-	19,50,45,674	10,30,62,579	5,54,19,827	(66,24,125)	16,51,06,531	2,99,39,143	4,89,64,063
Furniture and fixtures	1,14,99,999	80,36,637	-	1,95,36,636	92,13,859	31,37,873	(6,11,471)	1,29,63,203	65,73,433	22,86,140
	17,18,21,506	5,17,28,861	-	22,35,50,367	11,53,18,095	6,02,22,046	(74,31,329)	18,29,71,470	4,05,78,897	5,65,03,411
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	-
Total	**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**	**5,65,03,411**
Previous year	**9,78,97,548**	**7,56,56,579**	**17,32,621**	**17,18,21,506**	**5,56,33,238**	**5,09,82,903**	**(87,01,954)**	**11,53,18,095**	**5,65,03,411**	**-**

2.7 TRADE RECEIVABLES

(in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Debt outstanding for a period exceeding six months		
Unsecured		
More than six months from the date they are due	-	-
	-	-
Other debts		
Unsecured		
Considered good*	37,27,47,756	31,96,04,857
	37,27,47,756	**31,96,04,857**

* Of which dues from subsidary 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. As at March 31, 2013 the Company has provided for doubtful debts of INR2,389.

2.8 CASH AND CASH EQUIVALENTS

(in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Cash on hand	-	-
Balances with bank		
In current and deposit accounts	12,34,54,211	3,08,66,556
	12,34,54,211	**3,08,66,556**

The details of balances with banks as at March 31,2013 and March 31,2012 are as follows:

(in ₹)

Balances with scheduled banks	As at	
	March 31, 2013	March 31, 2012
In current accounts		
Bank of America-USD	12,31,82,761	3,06,12,156
Bank of America–USD–Trust Funds	2,71,450	2,54,400
	12,34,54,211	**3,08,66,556**

2.9 SHORT TERM LOANS AND ADVANCES:

(in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Unsecured, considered good		
Prepaid Expenses	1,76,25,140	2,56,17,368
Advances for goods and services	12,78,475	11,25,262
	1,89,03,615	2,67,42,630
Unbilled Revenue	6,20,09,495	7,11,39,653
Loans and advances to employees	11,57,951	3,47,663
Loans & Advances - Others	-	-
Electricity and other deposits	10,07,731	7,63,200
Due from service provider*	116,98,05,469	-
	125,28,84,261	**9,89,93,146**

2.10 OTHER INCOME

(in ₹)

Particulars	Year ended March 31, 2013	2012
Interest income/ (expenses)	(27,61,533)	(51,07,360)
Miscellaneous income	18,34,445	4,25,886
Exchange differences	(12,62,023)	(13,22,689)
	(21,89,111)	**(60,04,163)**

2.11 EXPENSES

(in ₹)

Particulars	Year ended March 31, 2013	2012
Employee benefit expenses		
Salaries and bonus excluding overseas staff expenses	145,72,40,833	106,96,26,807
Staff welfare	91,03,840	56,95,304
	146,63,44,673	**107,53,22,111**
Cost of Technical sub-contractors		
Consultancy charges	63,28,32,009	68,27,33,001
	63,28,32,009	**68,27,33,001**
Travel expenses		
Overseas travel expenses	2,92,13,293	2,58,20,873
Travelling expenses	50,230	9,77,141
	2,92,63,523	**2,67,98,014**
Cost of software packages		
Cost of software for own use	8,92,68,549	4,70,77,050
	8,92,68,549	**4,70,77,050**
Communication expenses		
Communication expenses	2,18,82,210	2,42,63,158
	2,18,82,210	**2,42,63,158**
Professional Charges		
Legal and professional charges	23,43,17,883	86,55,391
Auditor's remuneration		
audit fees	16,19,574	14,58,557
Recruitment and training expenses	89,14,328	25,30,696
	24,48,51,785	**1,26,44,644**
Office expenses		
Computer maintenance	8,03,11,901	7,67,81,833
Printing and stationery	49,94,329	4,50,169
Office maintenance	31,94,201	7,63,677
	8,85,00,431	**7,79,95,679**
Power and fuel		
Power and fuel	33,54,873	18,89,481
	33,54,873	**18,89,481**
Insurance		
Insurance	73,69,654	56,87,616
	73,69,654	**56,87,616**
Rent		
Rent	5,03,76,033	3,31,08,463
	5,03,76,033	**3,31,08,463**

(in ₹)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Other expenses		
Consumables	17,57,926	31,37,173
Brand building and advertisement	48,07,691	37,67,143
Rates and taxes	53,28,376	51,59,696
Bank charges and commission	4,56,376	1,91,687
Postage and courier	4,23,21,251	1,05,11,325
Professional membership and seminar participation fees	14,96,553	6,64,880
Provision for doubtful debts	(8,833)	25,028
Other miscellaneous expenses	2,04,06,234	4,38,02,305
	7,65,65,574	**6,72,59,237**

2.12 LEASES

Obligations on long-term non-cancellable operating leases

The lease rentals charged during the year and maximum obligations on long-term non-cancellable operating leases payable as per the rentals stated in the

(in ₹)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Lease rentals charged during the year	5,03,76,033	3,31,08,463

2.13 Commitments and contingent liabilities

(in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Estimated amount of unexecuted capital contracts (net of advance and deposits)	73,33,252	53,07,194

As at the Balance Sheet date, the Company's net foreign currency exposure that is not hedged by a derivative instrument or otherwise is ₹Nil (₹Nil as at March 31, 2012).

2.14 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.

2.15 Related party transactions

List of related parties:

Name of the related party	Country	Holding as at	
		March 31, 2013	March 31, 2012
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	Poland
Infosys BPO (Thailand) Limited**	Thailand
Infosys BPO s.r.o	Czech Republic
Portland Group Pty Ltd	Australia
Portland Procurement Services Pty Ltd	Australia
Infosys Consulting India Limited*	India
Infosys Technologies (Australia) Pty Limited ("Infosys Australia")*	Australia
Infosys Technologies S.de R.L.de C.V. ("Infosys Mexico")*	Mexico
Infosys Technologies (China) Co. Limited ("Infosys China") *	China
Infosys Technologia Do Brasil LTDA (" Infosys Brazil")*	Brazil

* Wholly owned subsidiaries of Infosys Limited

** Wholly owned subsidiaries of Infosys BPO Limited. During the year ended March 31, 2011 Infosys BPO (Thailand) Limited was liquidated.

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 United States. The business acquisition was conducted by entering into Membership Interest Purchase Agreement for a cash consideration of ₹ 171 crore and a contingent consideration of ₹ 67 crore. The acquisition was completed during the year and accounted as a business combination which resulted in goodwill of ₹ 227 crore.

The details of the related party transactions entered into by the Company, for the year ended March 31, 2013 and March 31, 2012 are as follows:

(in ₹)

Particulars	Year ended March 31,	
	2013	2012
Capital transactions:		
Financial transactions		
Loans		
Infosys BPO Limited	-	-
Revenue transactions:		
Purchase of services		
Infosys Limited	19,56,01,599	22,70,31,285
Infosys Consulting Inc	-	4,31,52,937
Infosys BPO Limited	36,19,46,752	10,17,27,219
Purchase of shared services including facilities and personnel		
Infosys Limited	-	49,832
Infosys BPO Limited	-	3,47,119
Interest expense		
Infosys BPO Limited	-	21,94,538
Infosys BPO Poland Sp.z.o.o	6,87,847	4,14,857
Infosys BPO s.r.o.	20,73,688	18,12,800
Sale of services		
Infosys Limited	78,19,040	2,97,26,251
Infosys BPO Limited	18,03,760	1,11,19,857
Sale of shared services including facilities and personnel		
Infosys Limited	-	10,97,263
Infosys BPO Limited	5,95,977	19,94,301

Details of amounts due to or dues from related parties as at March 31, 2013 and March 31, 2012.

(in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Loans Accepted		
Infosys BPO Poland Sp.z.o.o	5,56,10,428	5,14,75,894
Infosys BPO s.r.o.	16,63,03,002	15,39,23,117
Debtors		
Infosys Limited	-	17,07,168
Creditors		
Infosys Limited	1,15,26,853	8,62,67,294
Infosys BPO Limited	49,75,136	2,83,26,809

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, utlilites and telecommunication services (ECS) and retail, logistics, consumer product group, life sciences and health care enterprises (RCL). Revenue and identifiable operating expenses in relation to segments is categorized based on items that are individually identified to those segments while allocated 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 liabilites 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, 2013 and March 31, 2012

(in ₹)

Particulars	FSI	MFG	RCL	ECS	Total
Revenues	**260,92,65,274**	**12,73,863**	**20,36,007**	**14,62,252**	**261,40,37,396**
	186,66,32,831	12,93,845	16,46,512	16,93,342	187,12,66,530
Identifiable operating expenses	**121,28,40,765**	**1,01,000**	**1,99,247**	**23,33,739**	**121,54,74,751**
	80,37,08,787	-	1,30,419	-	80,38,39,206
Allocated expenses	**149,23,93,049**	**7,35,564**	**11,71,867**	**8,34,083**	**149,51,34,563**
	124,77,12,553	8,65,018	11,35,043	12,26,634	125,09,39,248
Segmental operating profit	**(9,59,68,540)**	**4,37,299**	**6,64,893**	**(17,05,570)**	**(9,65,71,918)**
	(18,47,88,509)	4,28,827	3,81,050	4,66,708	(18,35,11,924)
Unallocable expenses					**6,02,22,046**
					5,09,82,903
Profit before other income					**(15,67,93,964)**
					(23,44,94,827)
Other income ,net					**(21,89,111)**
					(60,04,163)
Net profit/(loss) before tax					**(15,89,83,075)**
					(24,04,98,990)
Tax expense					-
					-
Loss for the period					**(15,89,83,075)**
					(24,04,98,990)

Geographical segments

Year ended March 31, 2013 and March 31, 2012

(in ₹)

Particulars	North America	Europe	Others	Total
Revenues	**261,40,37,396**	**-**	**-**	**261,40,37,396**
	186,02,63,131	1,10,03,399	-	187,12,66,530
Identifiable operating expenses	**121,54,74,751**	**-**	**-**	**121,54,74,751**
	80,38,39,206	-	-	80,38,39,206
Allocated expenses	**149,51,34,563**	**-**	**-**	**149,51,34,563**
	123,94,96,937	1,14,42,311	-	125,09,39,248
Segmental operating profit	**(9,65,71,918)**	**-**	**-**	**(9,65,71,918)**
	(18,30,73,012)	(4,38,912)	-	(18,35,11,924)
Unallocable expenses				**6,02,22,046**
				5,09,82,903
Profit before other income				**(15,67,93,964)**
				(23,44,94,827)
Other income ,net				**(21,89,111)**
				(60,04,163)
Net profit/(loss) before tax				**(15,89,83,075)**
				(24,04,98,990)
Tax expense				-
				-
Loss for the period				**(15,89,83,075)**
				(24,04,98,990)

2.17 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS ACCOUNT

(in ₹)

Profit and Loss account for the	**Year ended March 31,**	
	2013	**2012**
Income from business process management services	261,40,37,396	187,12,66,530
Cost of revenue	238,00,86,819	181,74,91,508
GROSS PROFIT/(LOSS)	23,39,50,577	5,37,75,022
Selling and marketing expenses	13,23,72,440	9,16,32,114
General and administration expenses	19,81,50,055	14,56,54,832
	33,05,22,495	23,72,86,946
OPERATING LOSS BEFORE DEPRECIATION	(9,65,71,918)	(18,35,11,924)
Depreciation	6,02,22,046	5,09,82,903
OPERATING LOSS	(15,67,93,964)	(23,44,94,827)
Other income, net	(21,89,111)	(60,04,163)
PROFIT/LOSS BEFORE TAX	(15,89,83,075)	(24,04,98,990)
Tax expense:		
Current tax	-	-
PROFIT/LOSS FOR THE PERIOD	(15,89,83,075)	(24,04,98,990)

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`) as at 31st, March 2013, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st March 2013;
2) In the case of the statement of profit and loss, of the ***Loss*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956, and;

For **SHENOY & KAMATH**
Chartered accountants

(M RATHNAKAR KAMATH)
Partner.
Membership No. 202841
Firm's Registration. No. 006673s

Bangalore
12th April, 2013

Portland Group Pty Limited

(in ₹)

Balance Sheet as at	Note	As at March 31, 2013	As at March 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	17,86,70,669	17,86,70,669
Reserves and surplus	2.2	12,20,87,412	15,79,04,766
		30,07,58,081	33,65,75,435
NON-CURRENT LIABILITIES			
Other long-term liabilities	2.3	21,78,07,531	4,07,00,012
		21,78,07,531	4,07,00,012
CURRENT LIABILITIES			
Trade payables		14,19,14,326	2,43,47,436
Other current liabilities	2.4	47,21,47,586	44,28,15,377
Short-term provisions	2.5	9,37,20,215	4,68,91,698
		70,77,82,127	51,40,54,511
		122,63,47,739	**89,13,29,958**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.6	1,62,59,832	2,41,49,717
Intangible assets		-	-
Capital work-in-progress		3,97,826	-
		1,66,57,658	2,41,49,717
Non-current investments	2.7	34,80,95,947	34,80,95,947
Deferred tax assets, net		2,97,40,491	-
Long-term loans and advances	2.8	4,51,41,075	89,37,875
		42,29,77,513	35,70,33,822
CURRENT ASSETS			
Trade receivables	2.9	48,09,86,225	33,11,74,007
Cash and cash equivalents	2.10	22,98,28,835	13,95,11,500
Short term loans and advances	2.11	7,58,97,508	3,94,60,912
		78,67,12,568	51,01,46,419
		122,63,47,739	**89,13,29,958**
SIGNIFICANT ACCOUNTING POLICIES	1		
NOTES ON ACCOUNTS	2		

D. Swaminathan *Chairman*	Gavin Solsky *CEO and Managing Director*	Gautam Thakkar *Director*
Dave Gardiner *Director*	Jackie Korhonen *Director*	Abraham Mathews *Director*

Bangalore
April 12, 2013

(in ₹)

Profit and Loss Account for the	**Note**	**Year ending March 31,**	
		2013	**2012**
Revenues from business process management services		171,86,94,184	33,19,41,962
Other income	2.12	43,09,979	2,98,578
Total Revenue		**172,30,04,163**	**33,22,40,540**
Expenses			
Employee benefit expenses	2.13	136,57,14,061	23,19,32,177
Cost of technical sub-contractors	2.13	14,32,85,982	4,46,07,074
Travel expenses	2.13	8,59,69,631	60,87,059
Communication expenses	2.13	1,29,15,374	18,84,705
Professional charges	2.13	4,51,40,065	1,49,95,692
Office expenses	2.13	99,05,695	1,49,656
Power and fuel	2.13	12,66,530	-
Insurance charges	2.13	61,37,144	3,13,117
Rent	2.13	3,29,26,583	84,71,198
Depreciation and amortization expense	2.6	1,28,17,783	33,48,933
Other expenses	2.13	7,17,88,597	1,76,51,236
		178,78,67,445	**32,94,40,847**
PROFIT BEFORE TAX		**(6,48,63,282)**	**27,99,693**
Provision for taxation			
Current tax	2.14	3,57,51,404	1,54,58,338
Deferred tax	2.14	(6,51,12,919)	-
		(2,93,61,515)	1,54,58,338
LOSS FOR THE YEAR		**(3,55,01,767)**	**(1,26,58,645)**
SIGNIFICANT ACCOUNTING POLICIES	1		
NOTES ON ACCOUNTS	2		

D. Swaminathan *Chairman*	Gavin Solsky *CEO and Managing Director*	Gautam Thakkar *Director*
Dave Gardiner *Director*	Jackie Korhonen *Director*	Abraham Mathews *Director*

Bangalore
April 12, 2013

Schedules to the financial statements for the year ended March 31, 2013

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 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 under the historical cost convention, in accordance with Generally Accepted Accounting Principles in India ("GAAP") on accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises accounting standards as specified in rule 3 of the Companies (Accounting Standards) Rules 2006, and the relevant provisions of 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 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 recognised as unbilled revenues. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainity 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 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 recognised 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 recognised 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 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 amortisation 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 amortised over the lease period. Intangible assets are amortised 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:

Computer equipment	Two years
Office equipment	Five years
Furniture and fixtures	Five years

1.7 Foreign currency transactions

Revenue from overseas clients and collections deposited in bank accounts are recorded at the exchange rate as of the date of the respective transactions. Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure is incurred. Disbursements made out of bank accounts are reported at a rate that approximates the actual monthly rate. Exchange differences are recorded when the amount actually received on sales or actually paid when expenditure is incurred is converted into Indian rupees. The exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise. Monetary assets and monetary liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account. 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.

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 recognised 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 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 recognises 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 recognised 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

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 recognised 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.

2 NOTES ON ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2013

2.1 SHARE CAPITAL

(in ₹)

Particulars	**As at March 31,**	
	2013	**2012**
AUTHORISED		
Share Capital	17,86,70,669	17,86,70,669
ISSUED, SUBSCRIBED AND PAID UP		
Share capital		
Equity shares		
17,45,00,000 equity shares fully paid up	17,86,70,669	17,86,70,669
[Of the above, 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,**	
	2013	**2012**
Foreign currency translation reserve	23,357	3,38,944
Balance in profit and loss account - opening	15,75,65,822	17,02,24,467
Add: Profit/ (Loss) during the period	(3,55,01,767)	(1,26,58,645)
Balance in profit and loss account - closing	12,20,64,055	15,75,65,822
	12,20,87,412	**15,79,04,766**

2.3 OTHER LONG TERM LIABILITIES

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Accrued salaries and benefits		
Bonus and incentives	21,78,07,531	4,07,00,012
	21,78,07,531	**4,07,00,012**

2.4 OTHER CURRENT LIABILITIES

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Accrued salaries and benefits		
Bonus and incentives	7,27,63,321	7,42,34,423
For other liabilities		
Provision for expenses	1,21,62,426	1,92,19,293
Withholding and other taxes	3,07,12,601	1,62,71,359
	11,56,38,348	10,97,25,075
Advances received from clients	35,65,09,238	33,30,90,302
	47,21,47,586	**44,28,15,377**

2.5 SHORT TERM PROVISIONS

(in ₹)

	As at March 31, 2013	As at March 31, 2012
Provision for employee benefits		
Unavailed leave	4,85,78,007	2,32,66,008
Others		
Provision for		
Income taxes	3,56,84,998	1,55,11,307
SLA compliance	94,57,210	81,14,383
	9,37,20,215	**4,68,91,698**

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, the movement in provision for service level agreement is given below.

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Balance at the beginning of the period	81,14,383	-
Additional provision made during the period	61,80,081	81,14,383
Provisions used during the period	-	-
Unused amount reversed during the period	48,37,254	-
Balance at the end of the period	**94,57,210**	**81,14,383**

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

2.6 FIXED ASSETS

(in ₹)

Particulars	Original cost				Depreciation and amortization				Net book value	
	Cost as at April 01, 2012	Additions during the period	Deletions during the period	Cost as at March 31, 2013	As at April 01, 2012	Charge for the period	Deductions during the period	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
Tangible Assets:										
Office equipment	25,90,844	1,82,157	-	27,73,001	2,20,864	8,29,748	(20,092)	10,70,704	17,02,297	23,69,980
Computer equipment	85,49,568	38,07,495	-	1,23,57,063	18,60,275	71,71,604	(1,54,470)	91,86,349	31,70,714	66,89,293
Furniture and fixtures	1,63,58,238	12,36,760	-	1,75,94,998	12,67,794	48,16,431	(1,23,952)	62,08,177	1,13,86,821	1,50,90,444
	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	2,41,49,717
Total	**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**	**2,41,49,717**
Previous period	-	**2,74,98,650**	-	**2,74,98,650**	-	**33,48,933**	-	**33,48,933**	**2,41,49,717**	-

2.7 NON CURRENT INVESTMENTS

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
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 LONG-TERM LOANS AND ADVANCES

(in ₹)

	As at March 31, 2013	As at March 31, 2012
Advance Income tax	4,51,41,075	89,37,875
	4,51,41,075	**89,37,875**

2.9 TRADE RECEIVABLES

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Other debts		
Unsecured		
Considered good	48,09,86,225	33,11,74,007
	48,09,86,225	**33,11,74,007**

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 affec 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.

2.10 CASH AND CASH EQUIVALENTS

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Cash on hand	-	-
Balances with bank		
In current and deposit accounts	22,98,28,835	13,95,11,500
	22,98,28,835	**13,95,11,500**

The details of balances with banks as at March 31, 2013 and 2012 are as follows:

(in ₹)

Balances with scheduled banks	As at March 31, 2013	As at March 31, 2012
In current accounts		
CITI Bank	10,06,34,625	-
Bank of New Zealand	54,705	12,46,75,113
	10,06,89,330	12,46,75,113
In deposit account		
National Australia Bank (NAB)	7,25,09,505	1,48,36,387
Australia and New Zealand Banking Group (ANZ)	5,66,30,000	-
	12,91,39,505	1,48,36,387
	22,98,28,835	**13,95,11,500**

2.11 SHORT TERM LOANS AND ADVANCES:

(in ₹)

Particulars	As at March 31, 2013	2012
Unsecured, considered good		
Prepaid Expenses	41,81,729	19,43,913
Loans and advances to subsidiaries companies	6,90,92,904	3,75,16,999
	7,52,87,150	3,94,60,912
Interest Accrued but not due	6,10,358	-
	7,58,97,508	**3,94,60,912**

2.12 OTHER INCOME

(in ₹)

Particulars	Year ended March 31, 2013	2012
Interest Income	32,71,595	-
Miscellaneous income	21,12,094	2,98,578
Exchange differences	(1,073,710)	-
	43,09,979	**2,98,578**

2.13 EXPENSES

(in ₹)

Particulars	Year ended March 31, 2013	2012
Employee benefit expenses		
Salaries and bonus excluding overseas staff expenses	135,48,93,650	22,95,34,494
Staff welfare	1,08,20,411	23,97,683
	136,57,14,061	**23,19,32,177**
Cost of technical sub-contractors		
Consultancy charges	14,32,85,982	4,46,07,074
	14,32,85,982	**4,46,07,074**
Travel expenses		
Overseas travel expenses	8,59,69,631	60,87,059
	8,59,69,631	**60,87,059**
Communication expenses		
Communication expenses	1,29,15,374	18,84,705
	1,29,15,374	**18,84,705**
Professional Charges		
Legal and professional charges	3,15,19,150	(2,63,300)
Auditor's remuneration		
audit fees	13,46,860	-
Recruitment and training expenses	1,22,74,055	1,52,58,992
	4,51,40,065	**1,49,95,692**
Office expenses		
Printing and stationery	34,22,940	48,998
Office maintenance	64,82,755	1,00,658
	99,05,695	**1,49,656**
Power and fuel		
Power and fuel	12,66,530	-
	12,66,530	**-**
Insurance		
Insurance	61,37,144	3,13,117
	61,37,144	**3,13,117**
Rent		
Rent	3,29,26,583	84,71,198
	3,29,26,583	**84,71,198**
Other expenses		
Consumables	4,19,02,539	71,23,603
Brand building and advertisement	33,29,456	-
Marketing expenses	23,09,500	2,82,160
Rates and taxes	2,00,04,649	86,63,852
Bank charges and commission	7,04,989	80,041
Postage and courier	3,75,575	1,00,228
Professional membership and seminar participation fees	23,31,787	-
Provision for doubtful debts	(122,491)	-
Other miscellaneous expenses	9,52,593	14,01,352
	7,17,88,597	**1,76,51,236**

2.14 TAX EXPENSES

(in ₹)

Particulars	Year ended March 31,	
	2013	**2012**
Income taxes		
Current tax	3,57,51,404	1,54,58,338
Deferred tax	(6,51,12,919)	-
	(2,93,61,515)	**1,54,58,338**

2.15 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.

2.16 Related party transactions

List of related parties:

Name of the related party	Country	Holding as at March 31, 2013	Holding as at March 31, 2012
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 **	Czech Republic
McCamish Systems LLC **	United States
Infosys BPO Poland Sp.z.o.o **	Poland
Portland Procurement Services Pty Ltd ***	Australia
Infosys Consulting India Limited*	India
Infosys Technologies (Australia) Pty Limited ("Infosys Australia")*	Australia
Infosys Technologies S.de R.L.de C.V. ("Infosys Mexico")*	Mexico
Infosys Technologies (China) Co. Limited ("Infosys China") *	China
Infosys Technologia Do Brasil LTDA (" Infosys Brazil")*	Brazil

* Wholly owned subsidiaries of Infosys Limited

** Wholly owned subsidiaries of Infosys BPO Limited.

*** Wholly owned subsidiaries of Portland Group Pty Ltd

The details of the related party transactions entered into by the Company, for the year ended March 31, 2013 and 2012 are as follows:

(in ₹)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Revenue transactions:		
Purchase of services		
Infosys BPO Ltd	4,98,46,876	-
Purchase of shared services including facilities and personnel		
Portland Procurement Services Pty Ltd	2,03,835	-
Sale of services		
Infosys BPO Limited	6,01,65,758	-
Sale of shared services including facilities and personnel		
Portland Procurement Services Pty Ltd	3,02,81,183	1,15,51,015

Details of amounts due to or due from related party as at March 31, 2013 and 2012:

(in ₹)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Loans & advances given		
Portland Procurement Services Pty Ltd	1,68,75,004	2,59,65,959
Infosys BPO Limited	-	1,15,51,015
Loans & advances taken		
Portland Procurement Services Pty Ltd	35,65,09,238	33,91,14,158
Debtors		
Infosys BPO Limited	1,72,26,846	-
Portland Procurement Services Pty Ltd	5,22,17,900	-
Creditors		
Infosys BPO Limited	56,74,553	-
Portland Procurement Services Pty Ltd	13,02,99,514	60,23,861

2.17 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, utlilites and telecommunication services (ECS) and retail, logistics, consumer product group, life sciences and health care enterprises (RCL). Revenue and identifiable operating expenses in relation to segments is categorized based on items that are individually identified to those segments while allocated 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 liabilites 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 years ended **March 31, 2013** and *March 31, 2012* :

(in ₹)

Particulars	FSI	MFG	RCL	ECS	Total
Revenues	**16,59,43,289**	**30,53,40,133**	**102,03,38,006**	**22,70,72,756**	**171,86,94,184**
	3,34,35,815	*7,28,04,867*	*13,04,76,032*	*9,52,25,248*	*33,19,41,962*
Identifiable operating expenses	**6,94,20,527**	**13,84,19,484**	**67,08,19,932**	**21,17,34,569**	**109,03,94,512**
	2,36,23,406	*5,14,38,822*	*9,21,85,230*	*6,72,79,542*	*23,45,27,000*
Allocated expenses	**7,25,24,169**	**13,14,85,269**	**37,45,32,874**	**10,61,12,838**	**68,46,55,150**
	92,23,141	*2,00,82,943*	*3,59,91,312*	*2,62,67,518*	*9,15,64,914*
Segmental operating profit	**2,39,98,593**	**3,54,35,380**	**(2,50,14,800)**	**(9,07,74,651)**	**(5,63,55,478)**
	5,89,268	*12,83,102*	*22,99,490*	*16,78,188*	*58,50,048*
Unallocable expenses					**1,28,17,783**
					33,48,933
Profit before other income					**(6,91,73,261)**
					25,01,115
Other income ,net					**43,09,979**
					2,98,578
Net profit/(loss) before tax					**(6,48,63,282)**
					27,99,693
Tax expense					**(2,93,61,515)**
					1,54,58,338
Loss for the period					**(3,55,01,767)**
					(1,26,58,645)

Geographical segments

For the years ended **March 31, 2013** and *March 31, 2012* :

(in ₹)

	North America	Europe	Others	Total
Revenues	**-**	**6,86,782**	**171,80,07,402**	**171,86,94,184**
	-	*8,06,513*	*33,11,35,449*	*33,19,41,962*
Identifiable operating expenses	**-**	**-**	**109,03,94,512**	**109,03,94,512**
	-	-	*23,45,27,000*	*23,45,27,000*
Allocated expenses	**-**	**3,26,206**	**68,43,28,944**	**68,46,55,150**
	-	*2,22,474*	*9,13,42,440*	*9,15,64,914*
Segmental operating profit	**-**	**3,60,576**	**(5,67,16,054)**	**(5,63,55,478)**
	-	*5,84,039*	*52,66,009*	*58,50,048*
Unallocable expenses				**1,28,17,783**
				33,48,933
Profit before other income				**(6,91,73,261)**
				25,01,115
Other income ,net				**43,09,979**
				2,98,578
Net profit/(loss) before tax				**(6,48,63,282)**
				27,99,693
Tax expense				**(2,93,61,515)**
				1,54,58,338
Loss for the period				**(3,55,01,767)**
				(1,26,58,645)

2.18 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS ACCOUNT

Profit and Loss account	**Year ended March 31,**	
	2013	**2012**
Income from software services and products	171,86,94,184	33,19,41,962
Cost of revenue	153,63,42,595	31,69,17,772
GROSS PROFIT	18,23,51,589	1,50,24,190
Selling and marketing expenses	56,38,956	2,82,160
General and administration expenses	23,30,68,111	88,91,982
	23,87,07,067	91,74,142
OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION	(5,63,55,478)	58,50,048
Depreciation	1,28,17,783	33,48,933
OPERATING PROFIT/(LOSS)	(6,91,73,261)	25,01,115
Other income, net	43,09,979	2,98,578
PROFIT/(LOSS) BEFORE TAX	(6,48,63,282)	27,99,693
Tax expense:		
Current tax	(293,61,515)	1,54,58,338
LOSS FOR THE PERIOD	**(3,55,01,767)**	**(1,26,58,645)**

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`) as at 31st, March 2013, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st March 2013;
2) In the case of the statement of profit and loss, of the ***profit*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956, and;

For **SHENOY & KAMATH**
Chartered accountants

(M RATHNAKAR KAMATH)
Partner.
Membership No. 202841
Firm's Registration. No. 006673s

Bangalore
12th April, 2013

Portland Procurement Services Pty Limited

(in ₹)

Balance Sheet as at	Note	March 31, 2013	March 31,2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	16,73,74,718	16,73,74,718
Reserves and surplus	2.2	25,06,03,554	18,44,46,039
		41,79,78,272	35,18,20,757
CURRENT LIABILITIES			
Trade payables	2.3	7,48,69,900	1,02,47,133
Other current liabilities	2.4	1,71,46,941	7,17,26,172
Short-term provisions	2.5	-	3,69,03,508
		9,20,16,841	11,88,76,813
		50,99,95,113	**47,06,97,570**
ASSETS			
CURRENT ASSETS			
Trade receivables	2.6	-	9,51,08,529
Cash and cash equivalents	2.7	41,453	3,58,37,530
Short term loans and advances	2.8	50,99,53,660	33,97,51,511
		50,99,95,113	47,06,97,570
		50,99,95,113	**47,06,97,570**
SIGNIFICANT ACCOUNTING POLICIES	1		
NOTES ON ACCOUNTS	2		

D. Swaminathan *Chairman*	*Gavin Solsky* *CEO and Managing Director*	*Gautam Thakkar* *Director*
Dave Gardiner *Director*	*Jackie Korhonen* *Director*	*Abraham Mathews* *Director*

Bangalore
April 12, 2013

(in ₹)

Profit and Loss Account for the	**Note**	**Year ended March 31,**	
		2013	**2012**
Revenues from business process management services		9,56,94,918	11,20,79,161
Other income	2.9	5,95,506	2,57,358
Total Revenue		**9,62,90,424**	**11,23,36,519**
Expenses			
Employee benefit expenses	2.10	7,02,49,082	9,27,80,088
Cost of technical sub-contractors	2.10	(1,64,190)	4,74,750
Travel expenses	2.10	(6,54,452)	41,15,666
Cost of software packages	2.10	1,14,714	3,31,691
Communication expenses	2.10	38,463	98,819
Office expenses	2.10	1,91,198	-
Power and fuel	2.10	1,45,849	2,06,233
Other expenses	2.10	55,19,093	74,11,470
		7,54,39,757	**10,54,18,717**
PROFIT BEFORE TAX		**2,08,50,667**	**69,17,802**
Provision for taxation			
Current tax	2.11	(2,07,68,021)	24,31,921
		(2,07,68,021)	**24,31,921**
NET PROFIT AFTER TAX		**4,16,18,688**	**44,85,881**
SIGNIFICANT ACCOUNTING POLICIES	1		
NOTES ON ACCOUNTS	2		

D. Swaminathan
Chairman

Gavin Solsky
CEO and Managing Director

Gautam Thakkar
Director

Dave Gardiner
Director

Jackie Korhonen
Director

Abraham Mathews
Director

Bangalore
April 12, 2013

Schedules to the financial statements for the quarter and year ended March 31, 2013

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 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 under the historical cost convention, in accordance with Generally Accepted Accounting Principles in India ("GAAP") on accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises accounting standards as specified in rule 3 of the Companies (Accounting Standards) Rules 2006, and the relevant provisions of 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 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 recognised as unbilled revenues. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainity 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 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 recognised 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 recognised 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 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 amortisation 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 amortised over the lease period. Intangible assets are amortised 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:

Computer equipment	Two years
Office equipment	Five years
Furniture and fixtures	Five years

1.7 Foreign currency transactions

Revenue from overseas clients and collections deposited in bank accounts are recorded at the exchange rate as of the date of the respective transactions. Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure is incurred. Disbursements made out of bank accounts are reported at a rate that approximates the actual monthly rate. Exchange differences are recorded when the amount actually received on sales or actually paid when expenditure is incurred is converted into Indian rupees. The exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise. Monetary assets and monetary liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account. 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.

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 recognised 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 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 recognises 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 recognised 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

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 recognised 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 recognised in the period in which the absences occur.

2 NOTES ON ACCOUNTS FOR THE QUARTER AND YEAR ENDED MARCH 31, 2013

2.1 SHARE CAPITAL

(in ₹)

Particulars	As at March 31,	
	2013	2012
AUTHORISED		
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,	
	2013	2012
Foreign currency translation reserve	2,57,83,664	12,44,837
Balance in profit and loss account - opening	18,32,01,202	17,87,15,321
Add: Profit During the period	4,16,18,688	44,85,881
Balance in profit and loss account - closing	22,48,19,890	18,32,01,202
	25,06,03,554	**18,44,46,039**

2.3 TRADE PAYABLES

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Trade payables	7,48,69,900	1,02,47,133
	7,48,69,900	**1,02,47,133**

2.4 OTHER CURRENT LIABILITIES

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Accrued salaries and benefits		
Salaries	-	58,13,486
Bonus and incentives	-	3,85,92,766
For other liabilities		
Provision for expenses	-	35,89,626
Withholding and other taxes	(2,71,937)	78,84,437
	(2,71,937)	5,58,80,315
Advances received from clients	1,68,75,004	1,57,66,492
Unearned revenue	-	79,365
	1,71,46,941	**7,17,26,172**

2.5 SHORT TERM PROVISIONS

(in ₹)

	As at March 31, 2013	As at March 31, 2012
Provision for employee benefits		
Unavailed leave	-	1,77,28,289
Others		
Provision for		
Income taxes	-	1,91,75,219
	-	**3,69,03,508**

2.6 TRADE RECEIVABLES

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Other debts		
Unsecured		
Considered good	-	9,51,08,529
	-	**9,51,08,529**

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, 2013	As at March 31, 2012
Cash on hand	-	-
Balances with bank		
In current and deposit accounts	41,453	3,58,37,530
	41,453	**3,58,37,530**

The details of balances with banks as at March 31, 2013 and 2012 are as follows:

(in ₹)

Balances with scheduled banks	As at March 31, 2013	As at March 31, 2012
In current accounts		
Commonwealth bank	41,453	3,58,37,530
	41,453	**3,58,37,530**

2.8 SHORT TERM LOANS AND ADVANCES:

(in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Unsecured, considered good		
Loans and advances to group companies	50,94,60,696	33,91,14,158
Prepaid Expenses	-	4,91,216
	50,99,53,660	33,96,05,374
Unbilled Revenue	-	1,46,137
	50,99,53,660	**33,97,51,511**

2.9 OTHER INCOME

(in ₹)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Interest Income	6,06,728	-
Miscellaneous income	(11,222)	2,57,358
	5,95,506	**2,57,358**

2.10 EXPENSES

(in ₹)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Employee benefit expenses		
Salaries and bonus excluding overseas staff expenses	7,02,61,461	9,24,85,868
Staff welfare	(12,379)	2,94,220
	7,02,49,082	**9,27,80,088**
Cost of technical sub-contractors		
Consultancy charges	(1,64,190)	4,74,750
	(1,64,190)	**4,74,750**
Travel expenses		
Overseas travel expenses	(6,54,452)	41,15,666
	(6,54,452)	**41,15,666**
Cost of software for own use		
Cost of software for own use	1,14,714	3,31,691
	1,14,714	**3,31,691**
Communication expenses		
Communication expenses	38,463	98,819
	38,463	**98,819**
Office expenses		
Office maintenance	1,91,198	-
	1,91,198	**-**
Power and fuel		
Power and fuel	1,45,849	2,06,233
	1,45,849	**2,06,233**
Other expenses		
Consumables	3,79,335	48,151
Marketing expenses	(8,402)	1,16,295
Rates and taxes	51,07,164	50,34,300
Bank charges and commission	26,400	8,178
Postage and courier	-	16,693
Professional membership and seminar participation fees	14,596	-
Other miscellaneous expenses	-	21,87,853
	55,19,093	**74,11,470**

2.11 TAX EXPENSES

(in ₹)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Current tax		
Income taxes	(2,07,68,021)	24,31,921
	(2,07,68,021)	**24,31,921**

2.12 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.

2.13 Related party transactions

List of related parties:

Name of the related party	**Country**	**Holding as at March 31, 2013**	**Holding as at March 31, 2012**
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 **	Czech Republic
McCamish Systems LLC **	United States
Infosys BPO Poland Sp.z.o.o **	Poland
Infosys BPO Limited *	India
Infosys Consulting India Limited*	India
Infosys Technologies (Australia) Pty Limited ("Infosys Australia")*	Australia
Infosys Technologies S.de R.L.de C.V. ("Infosys Mexico")*	Mexico
Infosys Technologies (China) Co. Limited ("Infosys China") *	China
Infosys Technologia Do Brasil LTDA (" Infosys Brazil")*	Brazil

* Wholly owned subsidiaries of Infosys Limited

** Wholly owned subsidiaries of Infosys BPO Limited

\# Portland Group Pty Ltd is wholly owned subsidary of Infosys BPO Limited

The details of the related party transactions entered into by the Company, for the year ended March 31, 2013 and 2012 are as follows:

(in ₹)

Particulars	**Year ended March 31, 2013**	**2012**
Purchase of shared services including facilities and personnel		
Portland Group Pty Ltd	-	-
Sale of shared services including facilities and personnel		
Portland Group Pty Ltd	-	-

Details of amounts due to or due from related party as at March 31, 2013 and 2012:

(in ₹)

Particulars	**As at March 31, 2013**	**2012**
Loans & advances given		
Portland Group Pty Ltd	37,91,61,182	33,91,14,158
Loans & advances taken		
Portland Group Pty Ltd	1,68,75,004	1,57,66,492
Debtors		
Portland Group Pty Ltd	13,02,99,514	-
Creditors		
Portland Group Pty Ltd	7,48,69,900	1,01,99,467

2.14 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, utlilites and telecommunication services (ECS) and retail, logistics, consumer product group, life sciences and health care enterprises (RCL). Revenue and identifiable operating expenses in relation to segments is categorized based on items that are individually identified to those segments while allocated 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 liabilites 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 years ended **March 31, 2013** and *March 31, 2012* :

(in ₹)

Particulars	FSI	MFG	RCL	ECS	Total
Revenues	**-**	**20,23,868**	**3,56,83,439**	**5,79,87,611**	**9,56,94,918**
	52,46,589	*87,31,674*	*3,47,71,255*	*6,33,29,643*	*11,20,79,161*
Identifiable operating expenses	**-**	**-**	**(72,24,830)**	**4,78,17,707**	**4,05,92,877**
	-	-	*9,68,45,305*	-	*9,68,45,305*
Allocated expenses	**-**	**(7,53,187)**	**3,21,84,430**	**34,15,637**	**3,48,46,880**
	4,01,330	*6,67,917*	*26,59,778*	*48,44,387*	*85,73,412*
Segmental operating profit	**-**	**27,77,055**	**1,07,23,839**	**67,54,267**	**2,02,55,161**
	48,45,259	*80,63,757*	*(6,47,33,828)*	*5,84,85,256*	*66,60,444*
Unallocable expenses					**-**
					-
Profit before other income					**2,02,55,161**
					66,60,444
Other income ,net					**5,95,506**
					2,57,358
Net profit before tax					**2,08,50,667**
					69,17,802
Tax expense					**(2,07,68,021)**
					24,31,921
Profit for the period					**4,16,18,688**
					44,85,881

Geographical segments

For the years ended **March 31, 2013** and *March 31, 2012* :

Particulars	North America	Europe	Others	Total
Revenues	**-**	**-**	**9,56,94,918**	**9,56,94,918**
	-	-	*11,20,79,161*	*11,20,79,161*
Identifiable operating expenses	**-**	**-**	**4,05,92,902**	**4,05,92,902**
	-	-	*9,68,45,305*	*9,68,45,305*
Allocated expenses	**-**	**-**	**3,48,46,855**	**3,48,46,855**
	-	-	*85,73,412*	*85,73,412*
Segmental operating profit	**-**	**-**	**2,02,55,161**	**2,02,55,161**
	-	-	*66,60,444*	*66,60,444*
Unallocable expenses				**-**
				-
Profit before other income				**2,02,55,161**
				66,60,444
Other income ,net				**5,95,506**
				2,57,358
Net profit before tax				**2,08,50,667**
				69,17,802
Tax expense				**(2,07,68,021)**
				24,31,921
Profit for the period				**4,16,18,688**
				44,85,881

2.15 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS ACCOUNT

(in ₹)

Profit and Loss account	Year ended March 31, 2013	2012
Income from software services and products	9,56,94,918	11,20,79,161
Cost of revenue	6,93,21,370	10,00,37,018
GROSS PROFIT	2,63,73,548	1,20,42,143
Selling and marketing expenses	(8,402)	1,16,295
General and administration expenses	61,26,789	52,65,404
	61,18,387	53,81,699
OPERATING PROFIT BEFORE DEPRECIATION	2,02,55,161	66,60,444
Depreciation	-	-
OPERATING PROFIT	2,02,55,161	66,60,444
Other income, net	5,95,506	2,57,358
PROFIT BEFORE TAX	2,08,50,667	69,17,802
Tax expense:		
Current tax	(2,07,68,021)	24,31,921
PROFIT FOR THE PERIOD	4,16,18,688	44,85,881

Independent Auditor's Report

To

The Members of Infosys Consulting India Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Infosys Consulting India Limited ('the Company') which comprise the Balance Sheet as at 31 March 2013, 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

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"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

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

(i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013;

(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"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:

   a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
   d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956; and
   e. on the basis of written representations received from the directors as on 31 March 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013, 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.**
Chartered Accountants
Firm's registration number: 101248W

Natrajh Ramakrishna
Partner
Membership number: 32815

Bangalore
23 May 2013

Annexure to the Auditors' Report

The Annexure referred to in our report to the members of Infosys Consulting India Limited ('the Company') for the year ended 31 March 2013. 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 fixed assets are verified every 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) No fixed assets have been disposed off during the year. Thus paragraph 4(i)(c) of the Order is not applicable.

(ii) The Company is a service company, primarily rendering information software consultancy and related services. However, no such services have been provided in the current year. 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 ('the Act'). Accordingly, paragraphs 4(iii)(a) to 4(iii)(g) of the Order are not applicable.

(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 inventories 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 Rs 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 Income-tax and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Provident Fund, Employees' State Insurance, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty and Investor Education and Protection Fund.

According to the information and explanations given to us, no undisputed amounts payable in respect of Income-tax and other material statutory dues were in arrears as at 31 March 2013 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 Income Tax which have not been deposited with the appropriate authorities on account of any dispute.

(x) The Company has been registered for a period of less than five years. Thus, paragraph 4(x) of the Order is not applicable.

(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.**
Chartered Accountants
Firm's registration number: 101248W

Natrajh Ramakrishna
Partner
Membership number: 32815

Bangalore
23 May 2013

INFOSYS CONSULTING INDIA LIMITED

in ₹

Balance sheet as at	Note	31 March 2013	31 March 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	10,000,000	10,000,000
Reserves and surplus	2.2	60,515,018	57,904,574
		70,515,018	67,904,574
CURRENT LIABILITIES			
Other current liabilities	2.3	20,341,644	7,128,966
Short-term provisions	2.4	-	13,212,678
		20,341,644	20,341,644
		90,856,662	**88,246,218**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible fixed assets	2.5	35,089	2,608,627
Deferred tax asset (net)	2.6	4,598,634	4,248,399
Long-term loans and advances	2.7	2,397,049	2,797,912
CURRENT ASSETS			
Current investments	2.8	69,746,906	65,210,313
Cash and bank balances	2.9	6,974,523	6,224,044
Short-term loans and advances	2.10	7,104,461	7,156,923
		83,825,890	78,591,280
		90,856,662	**88,246,218**
SIGNIFICANT ACCOUNTING POLICIES	1		

The notes referred to above form an integral part of the financial statements.
As per our report of even date attached

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

for and on behalf of Board of Directors of
Infosys Consulting India Limited

Natrajh Ramakrishna
Partner
Membership No. 32815

S. D. Shibulal — *Director*

Chandra Shekar Kakal — *Director*

B. G. Srinivas — *Director*

Bangalore
23 May 2013

INFOSYS CONSULTING INDIA LIMITED

in ₹ except per share data

Statement of Profit and Loss for the year ended	Note	31 March 2013	31 March 2012
Income from software consultancy services		-	179,771,509
Other income	2.11	5,053,849	6,433,538
Total revenue		**5,053,849**	**186,205,047**
Expenses			
Employee benefit expenses	2.12	-	113,040,076
Travel expenses		-	16,293,460
Rent		-	5,544,338
Professional charges		-	8,435,225
Depreciation	2.5	2,573,538	5,293,700
Other expenses	2.13	220,102	5,014,388
		2,793,640	**153,621,187**
PROFIT BEFORE TAX		**2,260,209**	**32,583,860**
Tax expense:			
Current tax		-	11,025,000
Deferred tax		(350,235)	(4,198,362)
PROFIT FOR THE YEAR		**2,610,444**	**25,757,222**
EARNINGS PER EQUITY SHARE			
Equity shares of par value Rs 10/- each			
Basic and diluted		2.61	25.76
Weighted average number of shares used in computing earnings per share			
Basic and diluted		1,000,000	1,000,000
SIGNIFICANT ACCOUNTING POLICIES	1		

The notes referred to above form an integral part of the financial statements.
As per our report of even date attached

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

for and on behalf of Board of Directors of
Infosys Consulting India Limited

S. D. Shibulal *Director*
Chandra Shekar Kakal *Director*
B. G. Srinivas *Director*

Natrajh Ramakrishna
Partner
Membership No. 32815

Bangalore
23 May 2013

INFOSYS CONSULTING INDIA LIMITED

in ₹

Cash Flow Statement for the year ended	Note	31 March 2013	31 March 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before tax		2,260,209	32,583,860
Adjustments to reconcile net profit before tax to cash provided by operating			
Depreciation		2,573,538	5,293,700
Interest and dividend Income		(4,753,267)	(4,704,468)
Changes in current assets and liabilities			
Trade receivables		-	37,941,484
Loans and advances		57,553	(2,221,321)
Other liabilities and provisions		-	(52,220,526)
		138,033	16,672,729
Income taxes paid		400,863	(11,112,876)
NET CASH GENERATED BY OPERATING ACTIVITIES		**538,896**	**5,559,853**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		-	(915,078)
Investment in liquid mutual funds		(4,536,593)	(65,210,313)
Interest and dividend received		4,748,176	4,921,594
Investment in fixed deposit		-	(5,036)
NET CASH GENERATED BY/ (USED) IN INVESTING ACTIV		**211,583**	**(61,208,833)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**750,479**	**(55,648,980)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		6,169,008	61,817,987
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2.8	**6,919,487**	**6,169,008**
SIGNIFICANT ACCOUNTING POLICIES	1		

The notes referred to above form an integral part of the financial statements.
As per our report of even date attached

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

for and on behalf of Board of Directors of
Infosys Consulting India Limited

S. D. Shibulal *Director*

Chandra Shekar Kakal *Director*

B. G. Srinivas *Director*

Natrajh Ramakrishna
Partner
Membership No. 32815

Bangalore
23 May 2013

INFOSYS CONSULTING INDIA LIMITED

Notes to the financial statements

Company overview

Infosys Consulting India Limited ('ICIL' or 'the Company') was incorporated on 19 August 2009 as a public limited company under the Companies Act 1956. ICIL was a wholly owned subsidiary of Infosys Consulting Inc., US, which in turn was a 100% subsidiary of Infosys Limited. However, during the previous year ended 31 March 2012, Infosys Consulting Inc. was liquidated and hence ICIL has become the wholly owned subsidiary of Infosys Limited. The Company provides end-to-end business solutions that leverage technology, thereby enabling clients to enhance business performance. ICIL is singularly focussed on making clients more competetive, and does so with rigourous linkages to client value, a set of proprietary competitive benchmarking tools, and the Infosys Global Delivery Model.

1 Significant accounting policies

1.1 Basis of preparation of financial statements

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006 and the provisions of the Companies Act, 1956. 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. The financial statements have been presented in Indian Rupees.

During the previous year ended 31 March 2012, Infosys Limited, Infosys Consulting Inc. and the Company have entered into a scheme of amalgamation. Pursuant to the scheme, the Company has filed a petition with the Honorable High Court of Karnataka on January 12, 2012 for its merger with Infosys Limited. Pending the High Court approval, the Company has prepared these financial statements for the year ended 31 March 2013 under the historic cost convention and on the accrual basis, since the assets and liabilities of the Company will be carried forward in the books of Infosys Limited at the same values.

1.2 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 include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes and the useful lives of fixed 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 Going concern

These financial statements have been prepared on a going concern basis notwithstanding the fact that the Company had no revenue generating activities during the year. No adjustments are expected relating to recoverability and classification of asset amounts or to amounts and classification of liabilities that may be necessary if the Company is unable to continue as going concern, as the asets and liabilities are expected to be transferred to Infosys Limited at their carrying values, once the merger applicaion is approved by the Honorable High Court of Karnataka.

1.4 Revenue recognition

Revenue is primarily derived from providing software development and related services which is billed on a cost plus basis, in accordance with the terms of the agreement with the group company. Arrangements with other customers for software development and related services are either on a fixed-price, fixed-time frame or on a time-and-material basis. However, no such services have been provided in the current year.

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 time frame contracts, where there is no uncertainty as to measurement or collectability of revenues, is recognized based upon the percentage of completion. 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 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.

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.

1.5 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.

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 recognised 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.

INFOSYS CONSULTING INDIA LIMITED

Notes to the financial statements

1.6 Fixed assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairments, 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.

Advances paid towards the acquisition of fixed assets, outstanding at each balance sheet date are presented under long-term loans and advances.

1.7 Depreciation

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 less than Rs. 5,000/-) 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 :

Computer equipment	2 years

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

1.8 Impairment

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.

1.9 Retirement benefits to employees

1.9.a Gratuity

In accordance with the Payment of Gratuity Act, 1972, the Company provides for gratuity, a defined benefit retirement plan ("the Gratuity Plan") covering eligible 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 salary and the tenure of employment with the Company.

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation at each Balance Sheet date using the projected unit credit method by an independent actuary. The Company fully contributes all ascertained liabilities to the Infosys Consulting India Limited Employees' Gratuity Fund Trust (the Trust). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by the law. 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 Company's overall expected long-term rate-of-return on assets has been determined based on consideration of available market information, current provisions of Indian law specifying the instruments in which investments can be made, and historical returns. 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.

1.9.b Superannuation

Certain employees of Infosys Consulting India Limited are also participants in the superannuation plan ("the Plan") which is a defined contribution plan. The Company has no further obligations to the Plan beyond its monthly contributions. A portion of the monthly contribution amount is paid directly to the employees as an allowance and the balance amount is contributed to Infosys Consulting India Limited Employees' Superannuation Trust.

1.9.c 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 the provident fund plan equal to a specified percentage of the covered employee’s salary. Amounts collected under the provident fund plan are deposited with Life Insurance Corporation of India. The Company has no further obligations under the provident fund plan beyond its monthly contributions.

1.9.d 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 statement of profit and loss in the period in which the absences occur.

1.10 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.

INFOSYS CONSULTING INDIA LIMITED

Notes to the financial statements

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 profit or loss account. 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.

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. 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.

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 year.

1.14 Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposits 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 net 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.

1.16 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 recognised as an expense on a straight line basis in the statement of profit and loss over the lease term.

INFOSYS CONSULTING INDIA LIMITED

2.1 Share capital *in ₹*

Particulars	**31 March 2013**	**31 March 2012**
Authorized		
Equity shares, Rs 10/- par value		
1,000,000 (1,000,000) equity shares	10,000,000	10,000,000
Issued, Subscribed and Paid-Up		
Equity shares, Rs 10/- par value	10,000,000	10,000,000
1,000,000 (1,000,000) equity shares fully paid-up		
Of the above, 999,994 (999,994) equity shares are held by the holding company, Infosys Limited		
	10,000,000	**10,000,000**

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

The Company declares and pays dividends in Indian rupees. The dividends proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. No dividend has been proposed by the Board of Directors for this year.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive residual assets of the Company, after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

The details of shareholder holding more than 5% shares and shares held by the holding company as at March 31, 2013 and March 31, 2012 is set out below

Particulars	**As at 31 March 2013**		**As at 31 March 2012**	
	No of shares held	**% held**	**No of shares held**	**% held**
Infosys Limited, the holding company	999,994	99.999%	999,994	99.999%

2.2 Reserves and surplus *in ₹*

Particulars	**31 March 2013**	**31 March 2012**
Surplus		
Balance in statement of profit and loss - opening	57,904,574	32,147,352
Add: Profit for the year	2,610,444	25,757,222
Balance in statement of profit and loss - closing	**60,515,018**	**57,904,574**

2.3 Other current liabilities *in ₹*

Particulars	**31 March 2013**	**31 March 2012**
Sundry creditors		
Accrued bonus and incentives to employees	-	1,822,809
Others*	20,341,644	
For other liabilities		
Provision for expenses	-	5,306,157
	20,341,644	**7,128,966**

**Includes amount payable to Infosys Limited towards expenses, accrued bonus and unavailed leave. This will be settled after the approval by the Honorable High Court of Karnataka. for merger with Infosys Limited.*

2.4 Short-term provisions *in ₹*

Particulars	**31 March 2013**	**31 March 2012**
Unavailed leave	-	13,212,678
	-	**13,212,678**

INFOSYS CONSULTING INDIA LIMITED

2.5 Fixed Assets

in ₹

Description	Original cost				Accumulated depreciation				Net book value	
	As at 1 April 2012	Additions during the year	Deductions during the year	As at 31 March 2013	As at 1 April 2012	For the year	Deductions during the year	As at 31 March 2013	As at 31 March 2013	As at 31 March 2012
Tangible assets										
Computer equipment	12,646,453	-	-	12,646,453	10,037,826	2,573,538	-	12,611,364	35,089	2,608,627
	12,646,453	**-**	**-**	**12,646,453**	**10,037,826**	**2,573,538**	**-**	**12,611,364**	**35,089**	**2,608,627**
Previous year	***11,731,375***	*915,078*	-	***12,646,453***	***4,744,126***	*5,293,700*	-	***10,037,826***	***2,608,627***	

INFOSYS CONSULTING INDIA LIMITED

2.6 Deferred tax assets / (liabilities)

in ₹

Particulars	31 March 2013	31 March 2012
Component of deferred tax asset		
Unavailed leave	4,286,853	4,286,853
Fixed assets	311,781	-
Component of deferred tax liability		
Fixed assets	-	38,454
Deferred tax asset, net	**4,598,634**	**4,248,399**

2.7 Long-term loans and advances

in ₹

Particulars	31 March 2013	31 March 2012
Unsecured, considered good		
Advance income tax, net of provision for income tax	2,397,049	2,797,912
	2,397,049	**2,797,912**

2.8 Current investments - at lower of cost and fair value

in ₹

Particulars	31 March 2013	31 March 2012
Others, non-trade (unquoted)		
Investment in liquid mutual fund units	69,746,906	65,210,313
	69,746,906	**65,210,313**
Aggregate amount of unquoted investments (with an equivalent fair value)	69,746,906	65,210,313

Details of balances held in liquid mutual fund units are as follows:

Particulars	31 March 2013		31 March 2012	
	Units	Amount (in ₹)	Units	Amount (in ₹)
Birla Sun Life Cash Plus - Daily Dividend Reinvestment Plan	696,112	69,746,906	650,834	65,210,313
	696,112	**69,746,906**	**650,834**	**65,210,313**

2.9 Cash and bank balance

in ₹

Particulars	31 March 2013	31 March 2012
Cash and cash equivalents		
- Balances with banks		
In current accounts	6,919,487	6,169,008
In deposit accounts (with original maturity of 3 months or less)	-	-
	6,919,487	6,169,008
Other bank deposits (due to mature within 12 months of the reporting date)	55,036	55,036
	6,974,523	**6,224,044**

INFOSYS CONSULTING INDIA LIMITED

2.10 Short term loans and advances

in ₹

Particulars	**31 March 2013**	**31 March 2012**
Unsecured, considered good		
Advances		
Prepaid expenses	-	218,615
Advance to gratuity trust *(refer to note 2.18)*	190,412	190,412
Withholding and other taxes receivable	197,726	261,788
Interest accrued but not due	5,426	335
Others*	5,310,897	5,085,773
	5,704,461	5,756,923
Rental deposits (*refer to note 2.16*)	1,400,000	1,400,000
	7,104,461	**7,156,922.58**

* *Includes amount receivable Infosys Limited for loans and advances to employees. This will be settled after the approval by the Honorable High Court of Karnataka. for merger with Infosys Limited.*

INFOSYS CONSULTING INDIA LIMITED

2.11 Other income *in ₹*

Particulars	**For the year ended 31 March 2013**	**For the year ended 31 March 2012**
Interest received on deposits with banks	216,673	1,873,931
Dividend income	4,536,594	2,830,537
Miscellaneous income	-	460,372
Gains on foreign currency transactions, net	300,582	1,268,698
	5,053,849	**6,433,538**

2.12 Employee benefit expenses *in ₹*

Particulars	**For the year ended 31 March 2013**	**For the year ended 31 March 2012**
Salaries and bonus including overseas staff expenses	-	104,064,416
Contribution to provident and other funds	-	8,486,373
Staff welfare	-	489,287
	-	**113,040,076**

2.13 Other expenses *in ₹*

Particulars	**For the year ended 31 March 2013**	**For the year ended 31 March 2012**
Telephone charges	-	3,318,768
Insurance charges	218,615	434,100
Rates and taxes	-	670,371
Software packages for own use	-	67,419
Consumables	-	231,784
Miscellaneous expenses	1,487	291,946
	220,102	**5,014,388**

INFOSYS CONSULTING INDIA LIMITED

2.14 Capital commitments and contingent liabilities

in ₹

Particulars	As at 31 March 2013	As at 31 March 2012
Estimated amount of unexecuted capital contracts (net of advances and deposits)	-	-
Outstanding guarantees and counter guarantees to various banks, in respect of the guarantees given by those banks in favour of various government authorities and others	50,000	50,000

2.15 Earnings and expenditure in foreign currency

in ₹

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Earnings in foreign currency		
Income from software services	-	158,269,764
Expenditure in foreign currency		
Overseas travel expenses	-	6,617,441
Others	-	2,492,812

2.16 Related party transactions

List of related parties:

Name of related parties	Country
Infosys Limited *	India
Infosys BPO Limited (Infosys BPO) **	India
Infosys Consulting Inc.**	USA

* Infosys Limited is the holding company

** Subsidiaries of Infosys Limited

List of key management personnel

Particulars	Designation
S.D.Shibulal	Director
B.G.Srinivas	Director
Chandra Shekar Kakal	Director

The key management personnel are being remunerated from other companies of the group.

Details of amounts due to or due from related parties are as follows:

in ₹

Particulars	As at 31 March 2013	As at 31 March 2012
Rental deposit		
Infosys Limited	1,400,000	1,400,000

The details of the related party transactions entered into by the company are as follows:

in ₹

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Revenue transactions:		
Purchase of shared services including facilities and personnel		
Infosys Limited	-	5,544,338
Infosys BPO	-	4,061,077
Sale of services		
Infosys Consulting Inc.	-	156,214,068
Infosys Limited	-	21,501,745

INFOSYS CONSULTING INDIA LIMITED

2.17 Segment reporting

The Company's operations predominantly relate to providing end-to-end business solutions that leverage technology thereby enabling clients to enhance business performance. Accordingly, revenues represented along type of service 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 and expenditure in individual segments. These are as set out in the significant accounting policies.

The only segment by service type is consulting services. Hence, since the company comprises a single business segment, disclosures pertaining to the primary segment have not been presented.

Segment assets, segment liabilities and fixed assets used in the Company's business have not been identified to any reportable segment as these are used are interchangeably between segments and hence, Management believes that it is not practical to provide segment disclosures relating to total carrying amount of segment assets and segment liabilities, since a meaningful segregation is not possible. All fixed assets of the Company are located in India.

Customer relationships are driven based on the location of the respective client. Geographical revenues are segregated based on the location of the customer who is invoiced or in relation to which the revenue is otherwise recognized. North America comprises the United States of America, Canada and Mexico; Rest of the World comprises all other countries except, those mentioned above and India.

Geographic Segments

Year ended 31 March 2013 and *year ended 31 March 2012:*

in ₹

Particulars	**North America**	**India**	**Total**
Revenues	-	-	-
	156,214,068	*23,557,441*	*179,771,509*

INFOSYS CONSULTING INDIA LIMITED

2.17 Gratuity Plan

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

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

Particulars	As at 31 March 2013	As at 31 March 2012	As at 31 March 2011	As at 31 March 2010
Obligations at the beginning of the year	29,811,497	25,496,215	17,856,342	-
Transfer of obligation*	-	-	-	15,740,981
Service cost	-	7,598,653	11,592,710	1,540,325
Interest cost	-	977,190	1,178,178	615,472
Actuarial (gain)/ loss	-	1,239,439	1,116,674	(40,436)
Benefits paid	-	(5,500,000)	(6,247,689)	-
Amendment in benefit plans	-	-	-	-
Obligations at the end of the year	**29,811,497**	**29,811,497**	**25,496,215**	**17,856,342**
Defined benefit obligation liability as at the balance sheet is fully funded by the Company				
Change in plan assets				
Plans assets at the beginning of the year, at fair value	14,260,928	9,794,419	2,129,344	-
Expected return on plan assets	-	332,849	536,268	19,337
Actuarial gain/ (loss)	-	133,660	(78,306)	537
Contributions	-	9,500,000	13,447,689	2,109,469
Benefits paid	-	(5,500,000)	(6,247,689)	-
Plans assets at the end of the year, at fair value	**14,260,928**	**14,260,928**	**9,787,306**	**2,129,343**
Reconciliation of present value of the obligation and the fair value of the plan assets:				
Fair value of plan assets at the end of the year	14,260,928	14,260,928	9,787,306	2,129,343
Reimbursement (obligation)/ asset *	15,740,981	15,740,981	15,740,981	15,740,981
Present value of the defined benefit obligations at the (	29,811,497	29,811,497	25,496,215	17,856,342
Asset recognized in the balance sheet	**190,412**	**190,412**	**32,072**	**13,982**
Assumptions				
Interest rate	7.95%	8.44%	7.91%	7.82%
Estimated rate of return on plan assets	9.51%	9.45%	7.91%	9.00%
Weighted average expected rate of salary increase	7.27%	7.27%	9.36%	7.27%

Net gratuity cost for the year ended 31 March 2013 and 31 March 2012 comprise the following components:

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Service cost	-	7,598,653
Interest cost	-	977,190
Expected return on plan assets	-	(332,849)
Actuarial (gain)/loss	-	1,105,779
Net gratuity cost	**-**	**9,348,773**
Actual return on plan assets	-	466,509

Gratuity cost, as disclosed above, is included under Employee benefit expenses

As of March 31, 2013, the plan assets have been primarily invested in government securities.

* During the year ended 31 March 2010 a reimbursement asset of ₹ 15,740,981 was transferred from Infosys Limited towards settlement of gratuity

INFOSYS CONSULTING INDIA LIMITED

2.18.a Provident Fund

The Company contributed ₹ Nil and ₹ 5,302,290 during the year ended 31 March 2013 and 31 March 2012 respectively.

2.18.b Superannuation

The Company contributed ₹ Nil and ₹ 3,693,624 to the Superannuation Trust during the year ended 31 March 2013 and during the year ended 31 March

2.19 Dues to micro and small enterprises

The Company had no dues to micro and small enterprises during the year ended March 31, 2013 and March 31, 2012 and as at March 31, 2013 and March

2.20 Unhedged foreign currency exposure

As of 31 March 2013 and 31 March 2012, the company's net foreign currency exposures that are not hedged by a derivative instrument or otherwise is ₹ Nil and

As per our report or even date attached
for **B S R & Co.**
Chartered Accountants
Firm's Registration Number : 101248W

for and on behalf of Board of Directors of
Infosys Consulting India Limited

Natrajh Ramakrishna
Partner
Membership No. 32815

S. D. Shibulal
Director

Chandra Shekar Kakal
Director

B. G. Srinivas
Director

Bangalore
23 May 2013

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 Balance Sheet as at 31st, March 2013, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st March 2013;
2) In the case of the statement of profit and loss, of the ***Loss*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956, and;

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership No. 202841
Firm's Registration. No. 006673S

Bangalore
12^{th} april, 2013

INFOSYS PUBLIC SERVICES INC.

in ₹

Balance Sheet as at	Note	March 31, 2013	March 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	234,850,000	234,850,000
Reserves and surplus	2.2	(130,583,398)	(40,703,400)
		104,266,602	194,146,600
CURRENT LIABILITIES			
Unsecured Loans	2.3	684,648,958	-
Trade payables	2.4	1,940,775,469	1,311,402,059
Other current liabilities	2.5	834,997,028	202,261,232
Short-term provisions	2.6	52,272,199	10,254,287
		3,512,693,654	1,523,917,578
		3,616,960,256	**1,718,064,178**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	672,835,496	1,356,856
Capital work-in-progress		17,026,760	-
		689,862,256	1,356,856
Long-term loans and advances	2.9	684,805,178	-
CURRENT ASSETS			
Trade receivables	2.1	1,320,998,846	924,713,575
Cash and cash equivalents	2.11	1,236,415,195	213,356,220
Short-term loans and advances	2.12	(315,121,219)	578,637,527
		2,242,292,822	1,716,707,322
		3,616,960,256	**1,718,064,178**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

Note : The notes referred to above are an integral part of the Balance Sheet.

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Prof. Jeffrey S. Lehman
Chairman

Eric S. Paternoster
President and Chief Executive Officer

Ashok Vemuri
Director

Bangalore
April 12, 2013

in ₹ , except per share data

Statement of Profit and Loss for the	Note	Year ended March 31, 2013	Year ended March 31, 2012
Income from software services and products	2.13	6,020,928,283	1,962,645,596
Other income	2.14	(31,522)	377,062
Total revenue		**6,020,896,761**	**1,963,022,658**
Expenses			
Employee benefit expenses	2.15	1,123,086,045	171,472,128
Cost of technical sub-contractors	2.15	4,727,083,794	1,758,671,666
Travel expenses	2.15	79,725,927	16,523,528
Cost of software packages and others	2.15	(1,202,273)	17,434
Communication expenses	2.15	2,521,628	271,964
Professional charges		64,937,839	42,691,471
Depreciation and amortisation expense	2.7	61,723,061	466,127
Other expenses	2.15	56,478,302	13,162,453
Total expenses		**6,114,354,323**	**2,003,276,771**
PROFIT BEFORE INTEREST AND TAX		(93,457,562)	(40,254,113)
Interest Expense		6,008,568	-
PROFIT BEFORE TAX		**(99,466,130)**	**(40,254,113)**
Tax expense:			
Current tax	2.16	1,981,069	66,568
PROFIT FOR THE PERIOD		**(101,447,199)**	**(40,320,681)**
EARNINGS PER EQUITY SHARE			
Equity shares of par value USD 0.50/- each			
Basic		(10.14)	(4.03)
Number of shares used in computing earnings per share			
Basic		1,00,00,000	1,00,00,000
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

Note : The notes referred to above are an integral part of the Statement of Profit and Loss.

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Prof. Jeffrey S. Lehman
Chairman

Eric S. Paternoster
President and Chief Executive Officer

Ashok Vemuri
Director

Bangalore
April 12, 2013

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

The financial statements of the Company have been prepared on an accrual basis. Unless otherwise stated, the measurement basis used is historical cost. Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the US Dollar.

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 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 Fixed 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.

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 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.

1.18 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.

1.19 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 recognised 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, 2012

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, 2013	**March 31, 2012**
Authorized		
2,50,00,000 (2,50,00,000) Common Stock, USD 0.50/- par value	587,250,000	587,250,000
Issued, Subscribed and Paid-Up		
1,00,00,000 (1,00,00,000) Common Stock, USD 0.50/- par value, fully paid	234,850,000	234,850,000
	234,850,000	**234,850,000**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	March 31, 2013	**March 31, 2012**
Currency Translation	26,666,554	15,099,353
Surplus / (Deficit) - Opening Balance	(55,802,753)	(15,482,072)
Add: Net profit/ (Net Loss) after tax transferred from Statement of Profit and Loss	(101,447,199)	(40,320,681)
Surplus / (Deficit) - Closing Balance	**(157,249,952)**	**(55,802,753)**
	(130,583,398)	**(40,703,400)**

2.3 UNSECURED LOANS

During fiscal 2013, Infosys Limited has disbursed an amount of INR 684,648,958 as unsecured loans to Infosys Public Services, at an interest rate of 6% per annum, for expansion of business operations. The loan is repayable within one year from the date of disbursement at the discretion of Infosys Public Services.

2.4 TRADE PAYABLES

in ₹

Particulars	As at	
	March 31, 2013	March 31, 2012
Trade payables [(1)]	1,940,775,469	1,311,402,059
	1,940,775,469	**1,311,402,059**
[(1)] *Includes dues to holding company (refer to note 2.17)*	1,591,766,775	1,311,402,059

2.5 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at	
	March 31, 2013	March 31, 2012
Accrued salaries and benefits		
Salaries and benefits	40,876,207	9,205,578
Bonus and incentives	56,467,045	33,008,063
Other liabilities		
Provision for expenses [(1)]	279,100,235	31,895,631
Withholding and other taxes payable	1,272,446	260,668
Other payables [(2)]	3,451,542	104,974,175
Unearned revenue	453,829,553	22,917,117
	834,997,028	**202,261,232**
[(1)] *Includes dues to holding company (refer to note 2.17)*	41,810,643	-
[(2)] *Includes dues to holding company (refer to note 2.17)*	3,226,698	104,477,651

2.6 SHORT-TERM PROVISIONS

in ₹

Particulars	As at	
	March 31, 2013	March 31, 2012
Provision for employee benefits		
Unavailed leave	52,272,199	10,254,287
	52,272,199	**10,254,287**

2.7 FIXED ASSETS

in ₹ , except as otherwise stated

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at April 1, 2012	Additions during the period	Deductions/ Retirement during the period	As at March 31, 2013	As at April 1, 2012	For the period	Deductions adjustment during the period	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
Tangible assets :										
Computer equipment	1,825,983	733,139,511	-	734,965,494	469,127	61,723,061	62,190	62,129,998	672,835,496	1,356,856
	1,825,983	733,139,511	-	734,965,494	469,127	61,723,061	62,190	62,129,998	672,835,496	1,356,856
Total	**1,825,983**	**733,139,511**	**-**	**734,965,494**	**469,127**	**61,723,061**	**62,190**	**62,129,998**	**672,835,496**	**1,356,856**
Previous year	**-**	**1,825,983**	**-**	**1,825,983**	**-**	**466,127**	**(3,000)**	**469,127**	**1,356,856**	**-**

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	March 31, 2013	March 31, 2012
Lease rentals recognized during the period	10,615,856	2,865,164

in ₹

	As at	
Lease obligations payable	**March 31, 2013**	**March 31, 2012**
Within one year of the balance sheet date	12,498,504	-
Due in a period between one year and five years	52,871,039	-
Due after five years	19,842,724	-

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

2.9 LONG-TERM LOANS AND ADVANCES

in ₹

Particulars	As at March 31, 2013	As at March 31, 2012
Loans and advances to employees		
Housing and other loans	684,805,178	-
	684,805,178	**-**

2.10 TRADE RECEIVABLES

in ₹

Particulars	As at March 31, 2013	As at March 31, 2012
Debts outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	3,665,446	-
Other debts		
Unsecured		
Considered good	1,336,134,000	924,713,575
Considered doubtful	-	-
	1,336,134,000	924,713,575
Less: Provision for doubtful debts	18,800,600	-
	1,317,333,400	924,713,575
	1,320,998,846	**924,713,575**

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 March 31, 2013	As at March 31, 2012
Cash on hand	-	-
Balances with banks		
In current and deposit accounts	1,236,415,195	213,356,220
	1,236,415,195	**213,356,220**

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 March 31, 2013	As at March 31, 2012
In current accounts		
Bank of America, US	1,236,415,195	213,356,220
	1,236,415,195	213,356,220
Total cash and cash equivalents as per Balance Sheet	**1,236,415,195**	**213,356,220**

2.12 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at	
	March 31, 2013	March 31, 2012
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	3,407,212	849,076
For supply of goods and rendering of services	638,342	45,198
Withholding and other taxes receivable	30,663	94,308
Others[(1)]	4,998,591	172,757,266
	9,074,808	173,745,848
Unbilled revenues	358,864,459	404,339,189
Loans and advances to employees		
Housing and other loans	(684,648,959)	-
Salary advances	1,588,472	552,490
	(315,121,220)	578,637,527
Unsecured, considered doubtful		
Loans and advances to employees	125,450	-
	(314,995,770)	578,637,527
Less: Provision for doubtful loans and advances to employees	125,449	-
	(315,121,219)	**578,637,527**
[(1)] *Includes dues from holding company (refer to note 2.18)*	4,998,592	172,757,266

2.13 INCOME FROM SOFTWARE SERVICES AND PRODUCTS

in ₹

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Income from software services	6,020,928,283	1,962,645,596
	6,020,928,283	**1,962,645,596**

2.14 OTHER INCOME

in ₹

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Interest received on deposits with banks and others	21,324	364,351
Gains / (losses) on foreign currency, net	(52,846)	12,711
	(31,522)	**377,062**

2.15 EXPENSES

in ₹

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	1,120,844,330	170,872,754
Staff welfare	2,241,715	599,374
	1,123,086,045	171,472,128
Cost of technical sub-contractors		
Technical sub-contractors - subsidiaries	4,392,658,661	1,712,448,326
Technical sub-contractors - others	334,425,133	46,223,340
	4,727,083,794	1,758,671,666
Travel expenses		
Overseas travel expenses	79,429,010	16,319,883
Traveling and conveyance	296,917	203,645
	79,725,927	16,523,528
Cost of software packages and others		
For own use	(1,202,273)	17,434
	(1,202,273)	17,434
Communication expenses		
Telephone charges	2,521,628	271,964
	2,521,628	271,964
Other expenses		
Office maintenance	211,958	116,871
Brand building	5,289,402	3,575,398
Rent	10,615,856	2,865,164
Rates and taxes, excluding taxes on income	2,161,156	19,255
Consumables	224,681	68,335
Insurance charges	2,646,498	-
Marketing expenses	6,116,702	528,688
Printing and Stationery	1,660,670	204,529
Professional membership and seminar participation fees	712,461	571,098
Postage and courier	75,576	83,249
Advertisements	(261,750)	254,050
Provision for post-sales client support and warranties	29,312	(2,003,219)
Commission to non-whole time directors	5,454,001	4,810,341
Provision for bad and doubtful debts and advances	19,012,011	-
Books and periodicals	26,250	77,697
Bank charges and commission	541,543	226,507
Donations	1,962,717	1,764,490
Others	(742)	-
	56,478,302	13,162,453

2.16 TAX EXPENSE

in ₹

	Year ended March 31,	
	2013	**2012**
Current tax		
Income taxes	1,981,069	66,568
	1,981,069	**66,568**

2.17 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.

2.18 RELATED PARTY TRANSACTIONS

List of related parties:

Name of Holding Company	**Country**	**Holding as at**	
		March 31, 2013	**March 31, 2012**
Infosys Limited	India	100%	100%

Name of Fellow Subsidiaries	**Country**
Infosys BPO Limited	India
Infosys Technologies (Australia) Pty. Limited	Australia
Infosys Technologies (China) Co. Limited	China
Infosys Technologies (Sweden) AB	Sweden
Infosys Technologies (Shanghai) Co. Limited	China
Infosys Tecnologia do Brasil Ltda	Brazil
Infosys Public Services Inc.	USA
Infosys BPO s. r. o [(1)]	Czech Republic
Infosys BPO (Poland) Sp Z.o.o [(1)]	Poland
Infosys Consulting India Limited	India
McCamish Systems LLC[(1)]	USA
Portland Group Pty Ltd[(1)]	Australia
Portland Procurement Services Pty Ltd[(1)]	Australia
Lodestone Holding AG	Switzerland
Lodestone Management Consultants (Canada) Inc. [(2)]	Canada
Lodestone Management Consultants Inc. [(2)]	USA
Lodestone Management Consultants Pty Limited[(2)]	Australia
Lodestone Management Consultants (Asia Pacific) Limited[(2)(3)]	Thailand
Lodestone Management Consultants AG[(2)]	Switzerland
Lodestone Augmentis AG[(2)]	Switzerland
Hafner Bauer & Ödman GmbH [(2)]	Switzerland
Lodestone Management Consultants (Belgium) S.A.[(2)(4)]	Belgium
Lodestone Management Consultants GmbH [(2)]	Germany
Lodestone Management Consultants Pte Ltd.[(2)]	Singapore
Lodestone Management Consultants SAS[(2)]	France
Lodestone Management Consultants s.r.o.[(2)]	Czech Republic
Lodestone Management Consultants GmbH[(2)]	Austria
Lodestone Management Consultants China Co., Ltd.[(2)]	China
Lodestone Management Consultants Ltd.[(2)]	UK
Lodestone Management Consultants B.V.[(2)]	Netherlands
Lodestone Management Consultants Ltda.[(2)(4)]	Brazil
Lodestone Management Consultants Sp. z.o.o [(2)]	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda.[(2)]	Portugal
S.C. Lodestone Management Consultants S.R.L [(2)]	Romania
Lodestone Management Consultants S.R.L[(2)(5)]	Argentina

(1) *Wholly owned subsidiaries of Infosys BPO.*
(2) *Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(3) *Under liquidation*
(4) *Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
(5) *Incorporated effective January 10, 2013*

The details of amounts due to or due from as at March 31, 2013 and March 31, 2012 are as follows:

in ₹

Particulars	As at	
	March 31, 2013	March 31, 2012
Other Receivables		
Infosys Limited	4,998,592	172,757,266
Trade Payables		
Infosys Limited	1,591,766,775	1,311,402,059
Other Payables		
Infosys Limited	3,226,698	104,477,651

The details of the related party transactions entered into by the Company, for the year ended March 31, 2013 and March 31, 2012 are as follows:

in ₹

Particulars	Year ended March 31,	
	2013	2012
Revenue transactions:		
Purchase of services		
Infosys Limited	4,392,658,661	1,712,448,326
Rent charges		
Infosys Limited	-	2,865,164

2.19 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 Company 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 Company'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 Company are primarily financial services and insurance (FSI) comprising enterprises providing banking, finance and insurance services, manufacturing enterprises (MFG), enterprises in the energy, utilities and telecommunication services (ECS) and retail, logistics, consumer packaged goods, life sciences and health care enterprises (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. 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 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, 2012 and March 31, 2011:

in ₹

Particulars	FSI	MFG	ECS	RCL	Total
Income from software services and products	51,062,276	40,519,403	9,423,396	5,919,923,207	6,020,928,283
	10,178,983	*35,716,494*	-	*1,916,750,119*	*1,962,645,596*
Identifiable operating expenses	41,186,992	31,914,611	7,624,307	5,245,420,539	5,326,146,449
	10,251,528	*27,986,302*	-	*1,731,924,613*	*1,770,162,443*
Allocated expenses	6,161,171	4,889,069	1,137,026	714,297,546	726,484,812
	1,206,597	*4,233,764*	-	*227,207,840*	*232,648,201*
Segmental operating income	3,714,114	3,715,723	662,062	(39,794,878)	(31,702,979)
	(1,279,142)	*3,496,428*	-	*(42,382,334)*	*(40,165,048)*
Unallocable expenses					67,731,629
					466,127
Other income					(31,523)
					377,062
Profit before tax					(99,466,130)
					(40,254,113)
Tax expense					1,981,069
					66,568
Profit for the period					(101,447,200)
					(40,320,681)

Geographic Segments

Year ended March 31, 2012 and March 31, 2011:

in ₹

Particulars	North America	Rest of the World	Total
Income from software services and products	6,019,178,494	1,749,789	6,020,928,283
	1,952,466,614	*10,178,982*	*1,962,645,596*
Identifiable operating expenses	5,325,866,485	279,964	5,326,146,449
	1,759,910,915	*10,251,528*	*1,770,162,443*
Allocated expenses	726,273,682	211,129	726,484,812
	231,441,605	*1,206,596*	*232,648,201*
Segmental operating income	(32,961,674)	1,258,695	(31,702,979)
	(38,885,906)	*(1,279,142)*	*(40,165,048)*
Unallocable expenses			67,731,629
			466,127
Other income, net			(31,523)
			377,062
Profit before tax			(99,466,130)
			(40,254,113)
Tax expense			1,981,069
			66,568
Profit for the period			(101,447,200)
			(40,320,681)

2.20 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS

in ₹

Statement of Profit and Loss account for the	Year ended March 31,	
	2013	**2012**
Income from software services and products	6,020,928,283	1,962,645,596
Software development expenses	5,538,384,070	1,783,588,926
GROSS PROFIT	**482,544,213**	**179,056,670**
Selling and marketing expenses	351,342,104	129,210,064
General and administration expenses	162,905,087	90,011,654
	514,247,191	219,221,718
OPERATING PROFIT BEFORE DEPRECIATION AND INTEREST	**(31,702,978)**	**(40,165,048)**
Interest Expense	**6,008,568**	-
Depreciation and amortization	61,723,061	466,127
OPERATING PROFIT	**(99,434,607)**	**(40,631,175)**
Other income	(31,522)	377,062
PROFIT BEFORE TAX	**(99,466,129)**	**(40,254,113)**
Tax expense:		
Current tax	1,981,069	66,568
PROFIT FOR THE PERIOD	**(101,447,198)**	**(40,320,681)**

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Prof. Jeffrey S. Lehman
Chairman

Eric S. Paternoster
CEO and President

Ashok Vemuri
Director

Bangalore
April 12, 2013

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 Balance Sheet as at 31st, March 2013, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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:

Attention of the members is invited to Clause No. 1.2 of notes to accounts, which deals with Basis of preparation of financial statements wherein it is stated that the accounts have not been prepared on a going concern basis;
Subject to the above, 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 31st March 2013;
2) In the case of the statement of profit and loss, of the profit for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956, and;

for **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership No. 202841
Firm's Registration. No. 006673S

Bangalore
12th April, 2013

Infosys Technologies (Australia) Pty. Limited

in ₹

Balance Sheet as at	Note	March 31, 2013	March 31, 2012
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	43,692,227	43,692,227
Reserves and surplus	2.2	353,048,176	1,105,366,816
		396,740,403	1,149,059,043
NON-CURRENT LIABILITIES			
Other long-term liabilities	2.4	-	466,525
		-	466,525
CURRENT LIABILITIES			
Trade payables	2.5	-	10,422,635
Other current liabilities	2.6	3,908,224	753,680,474
Short-term provisions	2.7	63,245,472	1,339,418,939
		67,153,696	2,103,522,048
		463,894,099	**3,253,047,616**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.8	-	113,595,674
Intangible assets	2.8	-	152,919,420
		-	266,515,094
Deferred tax assets (net)	2.3	-	331,905,916
Long-term loans and advances	2.10	119,794,739	657,435,602
		119,794,739	1,255,856,612
CURRENT ASSETS			
Trade receivables	2.11	-	839,696,612
Cash and cash equivalents	2.12	344,099,360	958,707,921
Short-term loans and advances	2.13	-	198,786,471
		344,099,360	1,997,191,004
		463,894,099	**3,253,047,616**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

Note : The notes referred to above are an integral part of the Balance Sheet

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

M. Rathnakar Kamath
Partner
Membership No. 202841

B.G. Srinivas
Chairman

Jackie Korhonen
Chief Executive Officer and Managing Director

Srinath Batni
Director

V.G. Dheeshjith
Director

U.B. Pravin Rao
Director

Bangalore
April 12, 2013

in ₹ , except per share data

Statement of Profit and Loss for the	Note	Year ended March 31, 2013	2012
Income from software services and products	2.14	23,419,197	14,854,396,011
Other income	2.15	22,891,070	316,759,528
Total revenue		**46,310,267**	**15,171,155,539**
Expenses			
Employee benefit expenses	2.16	8,920,301	11,440,336,117
Cost of technical sub-contractors	2.16	(15,290,892)	337,231,616
Travel expenses	2.16	20,260,078	483,503,532
Cost of software packages and others	2.16	388,035	51,928,218
Communication expenses	2.16	1,571,909	166,138,525
Professional charges		(16,374,498)	115,562,660
Depreciation and amortisation expense	2.8	-	169,420,247
Other expenses	2.16	(8,345,740)	538,774,364
Total expenses		**(8,870,806)**	**13,302,895,279**
PROFIT BEFORE TAX		**55,181,072**	**1,868,260,260**
Tax expense:			
Current tax	2.17	8,757,330	706,730,630
Deferred tax	2.17	29,322,573	(88,078,908)
PROFIT FOR THE PERIOD		**17,101,169**	**1,249,608,538**
EARNINGS PER EQUITY SHARE			
Equity shares of par value AUD 0.11/- each			
Basic		1.69	123.62
Number of shares used in computing earnings per share			
Basic		1,01,08,869	1,01,08,869
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

Note : The notes referred to above are an integral part of the Statement of Profit and Loss.

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

M. Rathnakar Kamath
Partner
Membership No. 202841

B.G. Srinivas
Chairman

Jackie Korhonen
Chief Executive Officer and Managing Director

Srinath Batni
Director

V.G. Dheeshjith
Director

U.B. Pravin Rao
Director

Bangalore
April 12, 2013

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 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. The Company is of a kind referred to in Class Order 98/0100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 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 the Australian Dollar.

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 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 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.

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 Fixed 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 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.

1.13 Retirement benefits to employees

a) 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.

b) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognized in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognized in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Consideration is given, to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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.

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.

1.14 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 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.

1.17 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 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 recognised 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 MARCH 31, 2013

2.1 SHARE CAPITAL

in ₹, except as otherwise stated

Particulars	As at	
	March 31, 2013	**March 31, 2012**
Authorized		
1,01,08,869 equity shares of AUD 0.11 par value	43,692,227	43,692,227
Issued, Subscribed and Paid-Up		
1,01,08,869 (1,01,08,869) equity shares of AUD 0.11 par value, fully paid up	43,692,227	43,692,227
	43,692,227	**43,692,227**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	March 31, 2013	**March 31, 2012**
General reserve - Opening balance	217,930,925	217,930,925
Less: Interim Dividend	217,930,925	-
	-	**217,930,925**
Currency Translation	1,980,791,362	1,917,261,171
Surplus- Opening Balance	(1,029,825,280)	3,497,866,182
Add: Net profit after tax transferred from Statement of Profit and Loss	17,101,169	1,249,608,538
Amount available for appropriation	(1,012,724,111)	4,747,474,720
Appropriations:		
Interim dividend	615,019,076	5,777,300,000
Surplus- Closing Balance	**(1,627,743,186)**	**(1,029,825,280)**
	353,048,176	**1,105,366,816**

2.3 DEFERRED TAXES

in ₹

Particulars	As at March 31, 2013	As at March 31, 2012
Deferred tax assets		
Fixed assets	-	49,595,568
Trade receivables	-	1,932,310
Unavailed leave	-	193,568,480
Others	-	86,809,558
	-	**331,905,916**

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.

2.4 OTHER LONG-TERM LIABILITIES

in ₹

Particulars	As at March 31, 2013	As at March 31, 2012
Others		
Provision for expense	-	466,525
	-	**466,525**

2.5 TRADE PAYABLES

in ₹

Particulars	As at March 31, 2013	As at March 31, 2012
Trade payables	-	10,422,635
	-	**10,422,635**
[(1)] *Includes dues to holding company and fellow subsidiaries (refer to note 2.20)*	-	2,222,604

2.6 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at March 31, 2013	As at March 31, 2012
Accrued salaries and benefits		
Salaries and benefits	-	25,994,030
Bonus and incentives	-	263,194,700
Other liabilities		
Provision for expenses	3,909,294	137,554,995
Withholding and other taxes payable	(1,070)	282,164,081
Other payables [(1)]	-	18,545,220
Unearned revenue	-	26,227,448
	3,908,224	**753,680,474**
[(1)] *Includes dues to holding company and fellow subsidiaries (refer to note 2.20)*	-	11,747,507

2.7 SHORT-TERM PROVISIONS

in ₹

Particulars	As at March 31, 2013	As at March 31, 2012
Provision for employee benefits		
Unavailed leave	-	645,228,211
Others		
Provision for		
Income taxes	63,245,472	694,190,728
	63,245,472	**1,339,418,939**

2.8 FIXED ASSETS

in `, except as otherwise stated

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at April 1, 2012	Additions during the period	Deductions/ Retirement during the period	As at March 31, 2013	As at April 1, 2012	For the period	Deductions/forex adjustments during the period	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
Tangible assets :										
Plant and equipment	16,122,689	(15,625,997)	496,692	-	9,937,477	-	9,937,477	-	-	6,185,212
Office equipment	10,894,344	(10,558,722)	335,622	-	5,585,877	-	5,585,877	-	-	5,308,467
Computer equipment	611,133,543	(592,306,334)	18,827,209	-	547,922,286	-	547,922,286	-	-	63,211,257
Furniture and fixtures	111,622,949	(108,184,177)	3,438,772	-	72,732,211	-	72,732,211	-	-	38,890,738
	749,773,525	(726,675,230)	23,098,295	-	636,177,851	-	636,177,851	-	-	113,595,674
Intangible assets :										
Intellectual property right	204,016,432	(197,731,292)	6,285,140	-	51,097,012	-	51,097,012	-	-	152,919,420
	204,016,432	(197,731,292)	6,285,140	-	51,097,012	-	51,097,012	-	-	152,919,420
Total	**953,789,957**	**(924,406,522)**	**29,383,435**	**-**	**687,274,863**	**-**	**687,274,863**	**-**	**-**	**266,515,094**
Previous year	**583,416,399**	**390,833,633**	**20,460,075**	**953,789,957**	**461,069,424**	**169,420,247**	**(56,785,192)**	**687,274,863**	**266,515,094**	**-**

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 March 31, 2013	Year ended March 31, 2012
Lease rentals recognized during the period	(502,549)	204,421,998

in ₹

Lease obligations payable	As at March 31, 2013	As at March 31, 2012
Within one year of the balance sheet date	-	227,518,462
Due in a period between one year and five years	-	653,643,427
Due after five years	-	326,386,507

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

2.10 LONG-TERM LOANS AND ADVANCES

in ₹

Particulars	As at March 31, 2013	As at March 31, 2012
Unsecured, considered good		
Capital advances	-	868,702
Electricity and other deposits	-	1,980,730
Other loans and advances		
Advance income taxes	119,794,739	654,586,170
	119,794,739	**657,435,602**

2.11 TRADE RECEIVABLES [(1)]

in ₹

Particulars	As at March 31, 2013	As at March 31, 2012
Debts outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	-	525,278
Less: Provision for doubtful debts	-	525,278
	-	-
Other debts		
Unsecured		
Considered good	-	839,696,612
	-	839,696,612
	-	**839,696,612**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.20)*	-	533,205,832

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, 2013	As at March 31, 2012
Cash on hand	-	-
Balances with banks		
In current and deposit accounts	344,099,360	958,707,921
	344,099,360	**958,707,921**

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

in ₹

Particulars	As at March 31, 2013	As at March 31, 2012
In current accounts		
National Australia Bank Limited	-	32,530,950
Citigroup Pty Limited	331,784,281	200,363,422
Citibank N.A., New Zealand	12,315,079	67,084,049
	344,099,360	299,978,421
In deposit accounts		
National Australia Bank Limited	-	658,729,500
	-	658,729,500
Total cash and cash equivalents as per Balance Sheet	**344,099,360**	**958,707,921**

2.13 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at	
	March 31, 2013	March 31, 2012
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	-	6,326,389
Withholding and other taxes receivable	-	4,367,454
Others [(1)]	-	1,078,306
	-	11,772,149
Unbilled revenues	-	100,294,719
Interest accrued but not due	-	31,432,538
Loans and advances to employees		
Salary advances	-	55,287,065
	-	**198,786,471**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.20)*	-	151,323

2.14 INCOME FROM SOFTWARE SERVICES AND PRODUCTS

in ₹

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Income from software services	23,419,197	14,854,396,011
	23,419,197	**14,854,396,011**

2.15 OTHER INCOME

in ₹

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Interest received on deposits with banks and others	16,888,287	319,182,037
Miscellaneous income, net	-	2
Gains / (losses) on foreign currency, net	6,002,783	(2,422,511)
	22,891,070	**316,759,528**

2.16 EXPENSES

in ₹

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	9,486,032	11,413,483,556
Contribution to provident and other funds	-	5,023
Staff welfare	(565,731)	26,847,538
	8,920,301	11,440,336,117
Cost of technical sub-contractors		
Technical sub-contractors - subsidiaries	6,873,931	148,528,477
Technical sub-contractors - others	(22,164,823)	188,703,139
	(15,290,892)	337,231,616
Travel expenses		
Overseas travel expenses	19,151,097	435,661,934
Traveling and conveyance	1,108,981	47,841,598
	20,260,078	483,503,532
Cost of software packages and others		
For own use	388,035	51,928,218
	388,035	51,928,218
Communication expenses		
Telephone charges	3,376,050	145,701,483
Communication expenses	(1,804,141)	20,437,042
	1,571,909	166,138,525

in ₹

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Other expenses		
Office maintenance	(3,690,694)	90,352,361
Power and fuel	507,331	10,553,479
Brand building	(24,115)	10,306,435
Rent	(502,549)	204,421,998
Rates and taxes, excluding taxes on income	(1,169,880)	29,206,747
Repairs to building	(36,659)	161,264
Repairs to plant and machinery	(2,080,642)	3,695,104
Computer maintenance	(892,225)	57,623,206
Consumables	(563,515)	16,215,486
Insurance charges	(34,253)	7,603,303
Research grants	-	18,625,841
Marketing expenses	(47,246)	67,007,308
Printing and Stationery	(166,952)	4,930,723
Professional membership and seminar participation fees	1,052,235	6,261,892
Postage and courier	(217,682)	6,407,914
Advertisements	-	6,818
Provision for post-sales client support and warranties	-	(3,719,314)
Freight Charges	-	762,120
Provision for bad and doubtful debts and advances	(3,041,984)	(1,317,714)
Books and periodicals	(17,289)	611,194
Others	(4,598)	6,333
Auditor's remuneration		
Statutory audit fees	1,198,048	4,381,567
Bank charges and commission	1,386,929	3,168,379
Donations	-	1,501,920
	(8,345,740)	538,774,364

2.17 TAX EXPENSE

in ₹

	Year ended March 31, 2013	Year ended March 31, 2012
Current tax		
Income taxes	8,757,330	706,730,630
Deferred taxes	29,322,573	(88,078,908)
	38,079,903	**618,651,722**

2.18 CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

in ₹

Particulars	As at	
	March 31, 2013	March 31, 2012
Contingent liabilities :		
Outstanding guarantees and counter guarantees to various banks, in respect of the guarantees given by those banks in favour of various government authorities and others	-	199,701,466
Commitments :		
Estimated amount of unexecuted capital contracts (net of advances and deposits)	-	14,291,166

2.19 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.

2.20 RELATED PARTY TRANSACTIONS

List of related parties:

Name of Holding Company	Holding as at	
	March 31, 2013	March 31, 2012
Infosys Limited	100.00%	100.00%

Name of Fellow Subsidiaries	Country
Infosys BPO Limited	India
Infosys Technologies (Australia) Pty. Limited	Australia
Infosys Technologies (China) Co. Limited	China
Infosys Technologies (Sweden) AB	Sweden
Infosys Technologies (Shanghai) Co. Limited	China
Infosys Tecnologia do Brasil Ltda	Brazil
Infosys Public Services Inc.	USA
Infosys BPO s. r. o (1)	Czech Republic
Infosys BPO (Poland) Sp Z.o.o (1)	Poland
Infosys Consulting India Limited	India
McCamish Systems LLC(1)	USA
Portland Group Pty Ltd(1)	Australia
Portland Procurement Services Pty Ltd(1)	Australia
Lodestone Holding AG	Switzerland
Lodestone Management Consultants (Canada) Inc. (2)	Canada
Lodestone Management Consultants Inc. (2)	USA
Lodestone Management Consultants Pty Limited(2)	Australia
Lodestone Management Consultants (Asia Pacific) Limited(2)(3)	Thailand
Lodestone Management Consultants AG(2)	Switzerland
Lodestone Augmentis AG(2)	Switzerland
Hafner Bauer & Ödman GmbH (2)	Switzerland
Lodestone Management Consultants (Belgium) S.A.(2)(4)	Belgium
Lodestone Management Consultants GmbH (2)	Germany
Lodestone Management Consultants Pte Ltd.(2)	Singapore
Lodestone Management Consultants SAS(2)	France
Lodestone Management Consultants s.r.o.(2)	Czech Republic
Lodestone Management Consultants GmbH(2)	Austria
Lodestone Management Consultants China Co., Ltd.(2)	China
Lodestone Management Consultants Ltd.(2)	UK
Lodestone Management Consultants B.V.(2)	Netherlands
Lodestone Management Consultants Ltda.(2)(4)	Brazil
Lodestone Management Consultants Sp. z.o.o (2)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda.(2)	Portugal
S.C. Lodestone Management Consultants S.R.L (2)	Romania
Lodestone Management Consultants S.R.L(2)(5)	Argentina

[1] *Wholly owned subsidiaries of Infosys BPO.*

(2) Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012

(3) Under liquidation

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

(5)Incorporated effective January 10, 2013

The details of amounts due to or due from as at March 31, 2012 and March 31, 2011 are as follows:

in ₹

Particulars	**As at**	
	March 31, 2013	**March 31, 2012**
Trade Receivables		
Infosys Limited	-	533,205,832
Trade Payables		
Infosys Limited	-	2,222,604
Other Payables		
Infosys Limited	-	11,747,507
Other Receivables		
Infosys Limited	-	151,323

The details of the related party transactions entered into by the Company for the year ended March 31, 2012 and March 31, 2011 are as follows:

in ₹

Particulars	**Year ended March 31,**	
	2013	**2012**
Revenue transactions:		
Purchase of services		
Infosys Limited	6,873,931	147,429,953
Infosys China	-	1,098,524
Sale of services		
Infosys Limited	19,699,920	13,222,682,507
Dividend paid		
Infosys Limited	832,950,000	5,777,300,000

2.21 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 Company 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 Company'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 Company are primarily financial services and insurance (FSI) comprising enterprises providing banking, finance and insurance services, manufacturing enterprises (MFG), enterprises in the energy, utilities and telecommunication services (ECS) and retail, logistics, consumer packaged goods, life sciences and health care enterprises (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. 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 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, 2013 and March 31, 2012:

in `

Particulars	FSI	MFG	ECS	RCL	Total
Income from software services and products	15,049,676	12,469,440	(5,569,301)	1,469,382	23,419,197
	7,461,038,387	*607,152,824*	*6,621,928,857*	*164,275,943*	*14,854,396,011*
Identifiable operating expenses	(975,616)	5,396,868	(7,982,490)	2,717,914	(843,324)
	4,786,431,538	*437,773,925*	*3,894,762,082*	*110,290,088*	*9,229,257,633*
Allocated expenses	(5,158,631)	(4,274,194)	1,909,009	(503,665)	(8,027,481)
	1,961,003,051	*159,579,468*	*1,740,457,831*	*43,177,049*	*3,904,217,399*
Segmental operating income	21,183,923	11,346,766	504,180	(744,867)	32,290,002
	713,603,798	*9,799,431*	*986,708,944*	*10,808,806*	*1,720,920,979*
Unallocable expenses					-
					169,420,247
Other income					22,891,070
					316,759,528
Profit before tax					55,181,072
					1,868,260,260
Tax expense					38,079,903
					618,651,722
Profit for the period					17,101,169
					1,249,608,538

Geographic Segments

Year ended March 31, 2013 and March 31, 2012:

in `

Particulars	North America	Europe	India	Rest of the World	Total
Income from software services and products	-	-	-	23,419,197	23,419,197
	72,579,033	*22,011,181*	*540,330*	*14,759,265,467*	*14,854,396,011*
Identifiable operating expenses	119,709	31,173	-	(994,206)	(843,324)
	43,695,234	*11,161,198*	*612,343*	*9,173,788,858*	*9,229,257,633*
Allocated expenses	-	-	-	(8,027,481)	(8,027,481)
	19,076,126	*5,785,253*	*142,016*	*3,879,214,004*	*3,904,217,399*
Segmental operating income	(119,709)	(31,173)	-	32,440,884	32,290,002
	9,807,673	*5,064,730*	*(214,029)*	*1,706,262,605*	*1,720,920,979*
Unallocable expenses					-
					169,420,247
Other income, net					22,891,070
					316,759,528
Profit before tax					55,181,072
					1,868,260,260
Tax expense					38,079,903
					618,651,722
Profit for the period					17,101,169
					1,249,608,538

2.22 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS

in ₹

Statement of Profit and Loss account for the	**Year ended March 31,**	
	2013	**2012**
Income from software services and products	23,419,197	14,854,396,011
Software development expenses	(3,942,962)	10,980,738,756
GROSS PROFIT	**27,362,159**	**3,873,657,255**
Selling and marketing expenses	6,566,996	1,327,263,844
General and administration expenses	(11,494,839)	825,472,432
	(4,927,843)	2,152,736,276
OPERATING PROFIT BEFORE DEPRECIATION	**32,290,002**	**1,720,920,979**
Depreciation and amortization	-	169,420,247
OPERATING PROFIT	**32,290,002**	**1,551,500,732**
Other income	22,891,070	316,759,528
PROFIT BEFORE TAX	**55,181,072**	**1,868,260,260**
Tax expense:		
Current tax	8,757,330	706,730,630
Deferred tax	29,322,573	(88,078,908)
PROFIT FOR THE PERIOD	**17,101,169**	**1,249,608,538**

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

M. Rathnakar Kamath
Partner
Membership No. 202841

B.G. Srinivas
Chairman

Jackie Korhonen
Chief Executive Officer and Managing Director

Srinath Batni
Director

V.G. Dheeshjith
Director

U.B. Pravin Rao
Director

Bangalore
April 12, 2013

To

The Members of Infosys Technologies (China) Company Limited

Report on the Financial Statements:

We have audited the accompanying financial statement of **Infosys Technologies (Chine) Company Limited** (`the Company`) which comprises the Balance Sheet as at 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Loss***for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956, and;

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership No. 202841
Firm's Registration. No.

Bangalore
8th January, 2013

Infosys Technologies (China) Company Limited

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	1,063,407,042	1,063,407,042
Reserves and surplus	2.2	419,390,140	504,413,313
		1,482,797,182	1,567,820,355
CURRENT LIABILITIES			
Unsecured Loans		-	269,599,474
Trade payables	2.4	164,762,119	217,439,290
Other current liabilities	2.5	581,868,533	406,690,894
Short-term provisions	2.6	84,715,404	75,897,878
		831,346,056	969,627,536
		2,314,143,238	**2,537,447,891**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	389,926,238	743,653,236
		389,926,238	743,653,236
Deferred tax assets (net)	2.3	144,341,976	109,781,548
Long-term loans and advances	2.9	151,707,935	22,200,706
		685,976,149	875,635,490
CURRENT ASSETS			
Trade receivables	2.10	763,091,559	924,691,856
Cash and cash equivalents	2.11	640,580,636	550,137,605
Short-term loans and advances	2.12	224,494,894	186,982,940
		1,628,167,089	1,661,812,401
		2,314,143,238	**2,537,447,891**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

Note : The notes referred to above are an integral part of the Balance Sheet.

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

M. Rathnakar Kamath *Partner* Membership No. 202841	Ashok Vemuri *Chairman*	Prasad Thrikutam *Director*	V.G. .Dheeshjith *Director*
	Srinath Batni *Director*	V.R. Rangarajan *Director*	

Bangalore
January 8 , 2013

in ₹

Statement of Profit and Loss for the	Note	Year ended December 31,	
		2012	**2011**
Income from software services and products	2.13	5,561,657,986	4,648,477,194
Other income	2.14	72,636,937	306,408,825
Total revenue		**5,634,294,923**	**4,954,886,019**
Expenses			
Employee benefit expenses	2.15	4,327,842,830	3,050,758,300
Cost of technical sub-contractors	2.15	55,786,941	121,269,866
Travel expenses	2.15	212,907,962	191,377,343
Cost of software packages and others	2.15	8,393,348	6,829,271
Communication expenses	2.15	147,326,788	97,486,928
Professional charges		121,951,015	68,898,638
Depreciation and amortisation expense	2.7	480,474,024	430,860,484
Other expenses	2.15	529,186,011	713,916,013
Total expenses		**5,883,868,919**	**4,681,396,843**
PROFIT BEFORE INTEREST AND TAX		(249,573,996)	273,489,176
Interest expense		2,699,134	14,060,811
PROFIT BEFORE TAX		(252,273,130)	259,428,365
Tax expense:			
Current tax	2.16	(78,647,059)	(10,817,503)
Deferred tax	2.16	(29,759,659)	(476,881)
PROFIT FOR THE PERIOD		**(143,866,412)**	**270,722,749**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

Note : The notes referred to above are an integral part of the Statement of Profit and Loss .

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Ashok Vemuri
Chairman

Prasad Thrikutam
Director

V.G. Dheeshjith
Director

Srinath Batni
Director

V.R. Rangarajan
Director

Bangalore
January 8 , 2013

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

The financial statements of the Company have been prepared on an accrual basis. Unless otherwise stated, the measurement basis used is historical cost. Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the Renminbi.

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 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 Fixed 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 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.

1.12 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 transactions during the period are translated into Renminbi at the exchange rates quoted by the People's Bank of China at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the exchange rates quoted by the People's Bank of China ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income

Exchange differences which arise during the start-up period are aggregated in the long-term deferred expenses and are then fully charged to the income statement in the month of commencement of operations.

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. 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 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 recognised 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, 2012

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, 2012	**December 31, 2011**
Authorized		
23,000,000 USD	1,104,610,000	1,104,610,000
Issued, Subscribed and Paid-Up		
23,000,000 USD	1,063,407,042	1,063,407,042
	1,063,407,042	**1,063,407,042**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Currency Translation	261,517,485	202,674,246
Surplus- Opening Balance	301,739,067	31,016,318
Add: Net profit / (loss) after tax transferred from Statement of Profit and Loss	(143,866,412)	270,722,749
Surplus- Closing Balance	**157,872,655**	**301,739,067**
	419,390,140	**504,413,313**

2.3 DEFERRED TAXES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Deferred tax assets		
Fixed assets	61,676,949	49,578,592
Trade receivables	4,888,207	1,463,535
Computer software	7,164,206	5,580,542
Accrued compensation to employees	35,080,834	28,868,316
Others	35,531,780	24,290,563
	144,341,976	**109,781,548**

2.4 TRADE PAYABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade payables [(1)]	164,762,119	217,439,290
	164,762,119	**217,439,290**
[(1)] *Includes dues to holding company and fellow subsidiaries (refer to note 2.19)*	39,933,595	104,674,008

2.5 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Accrued salaries and benefits		
Salaries and benefits	1,426,293	2,796,087
Bonus and incentives	279,220,379	152,252,561
Other liabilities		
Provision for expenses[(1)]	199,793,875	202,044,464
Retention monies	454,127	4,751,401
Withholding and other taxes payable	6,855,343	5,323,467
Other payables	12,229,831	7,801,685
Unearned revenue	81,888,685	31,721,229
	581,868,533	**406,690,894**
[(1)] *Includes dues to holding company and fellow subsidiaries (refer to note 2.19)*	255,036	7,719,966

2.6 SHORT-TERM PROVISIONS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Provision for employee benefits		
Unavailed leave	84,715,404	75,897,878
	84,715,404	**75,897,878**

2.7 FIXED ASSETS

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at Jan 1, 2012	Additions during the period	Deductions/ Retirement during the period	As at December 31, 2012	As at Jan 1, 2012	For the period	Deductions/ ıdjustment during the period	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible assets :										
Leasehold Improvement	831,792,204	38,283,279	-	870,075,483	527,777,814	264,883,427	(33,965,525)	826,626,765	43,448,718	304,014,390
Plant and equipment	165,538,377	61,587,802	-	227,126,180	39,007,970	40,480,438	(2,884,113)	82,372,521	144,753,658	126,530,407
Office equipment	144,018,741	15,201,818	-	159,220,559	61,901,580	25,996,903	(3,547,083)	91,445,567	67,774,992	82,117,161
Computer equipment	651,337,219	75,597,608	41,076,337	685,858,490	478,744,269	133,215,774	15,499,842	596,460,200	89,398,290	172,592,950
Furniture and fixtures	113,766,099	5,108,073	887,923	117,986,249	55,367,771	15,897,482	(2,170,416)	73,435,669	44,550,580	58,398,328
Vehicles	1,144,794	48,888	-	1,193,682	1,144,794	-	(48,888)	1,193,682	-	-
Total	**1,907,597,434**	**195,827,468**	**41,964,259**	**2,061,460,643**	**1,163,944,198**	**480,474,024**	**(27,116,183)**	**1,671,534,405**	**389,926,238**	**743,653,236**
Previous year	**1,208,186,666**	**699,994,064**	**583,296**	**1,907,597,434**	**538,556,234**	**430,860,484**	**(194,527,480)**	**1,163,944,198**	**743,653,236**	**669,630,432**

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, 2012	Year ended December 31, 2011
Lease rentals recognized during the period	231,698,036	194,054,855

in ₹

Lease obligations payable	As at December 31, 2012	As at December 31, 2011
Within one year of the balance sheet date	205,141,383	219,348,169
Due in a period between one year and five years	269,198,406	454,912,903
Due after five years	-	-

The operating lease arrangements, are renewable on a periodic basis and extend upto a maximum of ten years from their respective dates of inception and relates 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, 2012	As at December 31, 2011
Unsecured, considered good		
Rental deposits	52,875,327	-
Other loans and advances		
Advance income taxes	98,832,608	22,200,706
	151,707,935	**22,200,706**

2.10 TRADE RECEIVABLES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Debts outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	39,067,559	4,404,904
Less: Provision for doubtful debts	39,067,559	4,404,904
	-	-
Other debts		
Unsecured		
Considered good[(1)]	763,091,559	924,691,856
Considered doubtful	-	7,266,845
	763,091,559	931,958,701
Less: Provision for doubtful debts	-	7,266,845
	763,091,559	924,691,856
	763,091,559	**924,691,856**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.19)*	77,085,825	315,226,624

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, 2012	As at December 31, 2011
Cash on hand	-	-
Balances with banks		
In current and deposit accounts	640,580,636	550,137,605
	640,580,636	**550,137,605**

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, 2012	As at December 31, 2011
In current accounts		
RBS, China (U.S Dollar account)	16,997,123	20,188,324
RBS, China (RMB account)	591,226,062	478,463,453
Pudong Development Bank	26,128,149	7,255,728
Construction Bank, China	503,222	4,533
China Merchants Bank	5,726,080	2,075,567
	640,580,636	507,987,605
In deposit accounts		
RBS, China	-	42,150,000
	-	42,150,000
Total cash and cash equivalents as per Balance Sheet	**640,580,636**	**550,137,605**

2.12 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	28,939,688	22,298,644
For supply of goods and rendering of services	30,765	1,708,761
Withholding and other taxes receivable	1,143,133	-
Others	3,737,256	17,735,965
	33,850,842	41,743,370
Unbilled revenues	129,336,566	43,327,025
Interest accrued but not due	-	225,034
Loans and advances to employees		
Salary advances	36,745,186	28,322,196
Electricity and other deposits	1,758,000	758,700
Rental deposits	22,794,394	72,599,281
	224,484,988	186,975,606
Unsecured, considered doubtful		
Loans and advances to employees	146,503	148,781
	224,631,491	187,124,387
Less: Provision for doubtful loans and advances to employees	136,597	141,447
	224,494,894	**186,982,940**

2.13 INCOME FROM SOFTWARE SERVICES AND PRODUCTS

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Income from software services	5,561,657,986	4,584,320,023
Income from software products	-	64,157,171
	5,561,657,986	**4,648,477,194**

2.14 OTHER INCOME

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Interest received on deposits with banks and others	3,573,755	8,090,347
Miscellaneous income, net	79,057,984	309,783,408
Gains / (losses) on foreign currency, net	(9,994,802)	(11,464,930)
	72,636,937	**306,408,825**

2.15 EXPENSES

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	4,224,960,888	2,965,257,589
Contribution to provident and other funds	-	158,107
Staff welfare	102,881,942	85,342,604
	4,327,842,830	3,050,758,300
Cost of technical sub-contractors		
Technical sub-contractors - subsidiaries	41,075,786	100,782,082
Technical sub-contractors - others	14,711,155	20,487,784
	55,786,941	121,269,866
Travel expenses		
Overseas travel expenses	90,121,836	89,536,325
Traveling and conveyance	122,786,126	101,841,018
	212,907,962	191,377,343
Cost of software packages and others		
For own use	8,393,348	6,829,271
	8,393,348	6,829,271
Communication expenses		
Telephone charges	61,450,992	37,840,037
Communication expenses	85,875,796	59,646,891
	147,326,788	97,486,928
Other expenses		
Office maintenance	116,550,592	97,254,764
Power and fuel	58,521,687	56,144,599
Brand building	1,287,667	2,307,075
Rent	231,698,036	194,054,855
Rates and taxes, excluding taxes on income	4,096,433	3,630,970
Repairs to plant and machinery	9,489,539	9,680,518
Computer maintenance	34,755,395	24,487,453
Consumables	461,555	366,288
Insurance charges	1,030,780	5,090,641
Marketing expenses	17,334,326	6,583,997
Printing and Stationery	6,865,458	10,743,661
Professional membership and seminar participation fees	1,793,900	2,188,336
Postage and courier	3,090,209	2,699,974
Advertisements	322,016	-
Provision for bad and doubtful debts and advances	37,229,449	295,159,570
Books and periodicals	3,480	22,935
Auditor's remuneration		
Statutory audit fees	1,830,341	1,712,341
Bank charges and commission	2,697,373	1,871,299
Provision for post-sales client support and warranties	(63,384)	-
Others	191,159	(83,263)
	529,186,011	713,916,013

2.16 TAX EXPENSE

in ₹

	Year ended December 31,	
	2012	**2011**
Current tax		
Income taxes	(78,647,059)	(10,817,503)
Deferred taxes	(29,759,659)	(476,881)
	(108,406,718)	**(11,294,384)**

2.17 CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Commitments :		
Estimated amount of unexecuted capital contracts (net of advances and deposits)	9,905,570	22,312,893

2.18 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.

2.19 RELATED PARTY TRANSACTIONS

List of related parties:

Name of Holding Company	Country	Holding as at	
		December 31, 2012	December 31, 2011
Infosys Limited	India	100%	100%

Name of Fellow subsidiaries	Country
Infosys BPO Limited	India
Infosys Technologies (Australia) Pty. Limited	Australia
Infosys Consulting India Limited	USA
Infosys Technologies (China) Co. Limitec	Mexico
Infosys Technologies (Sweden) AB	Sweden
Infosys Technologies (Shanghai) Co. Limitec	China
Infosys Tecnologia do Brasil Ltda	Brazil
Infosys Public Services Inc.	USA
Infosys BPO s. r. o (1)	Czech Republic
Infosys BPO (Poland) Sp Z.o.o (1)	Poland
Infosys Consulting India Limitec	India
McCamish Systems LLC (1)	USA
Portland Group Pty Ltd (1)	Australia
Portland Procurement Services Pty Ltd (1)	Australia
Lodestone Holding AG	Switzerland
Lodestone Management Consultants (Canada) Inc. (2)	Canada
Lodestone Management Consultants Inc. (2)	USA
Lodestone Management Consultants Pty Limited (2)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (2)(3)	Thailand
Lodestone Management Consultants AG (2)	Switzerland
Lodestone Augmentis AG (2)	Switzerland
Hafner Bauer & Ödman GmbH (2)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (2)(4)	Belgium
Lodestone Management Consultants GmbH (2)	Germany
Lodestone Management Consultants Pte Ltd. (2)	Singapore
Lodestone Management Consultants SAS (2)	France
Lodestone Management Consultants s.r.o. (2)	Czech Republic
Lodestone Management Consultants GmbH (2)	Austria
Lodestone Management Consultants China Co., Ltd. (2)	China
Lodestone Management Consultants Ltd. (2)	UK
Lodestone Management Consultants B.V. (2)	Netherlands
Lodestone Management Consultants Ltda. (2)(4)	Brazil
Lodestone Management Consultants Sp. z.o.o (2)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. (2)	Portugal
S.C. Lodestone Management Consultants S.R.L (2)	Romania

(1) *Wholly owned subsidiaries of Infosys BPO.*

(2) *Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

(3) *Under liquidation*

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

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured Loans		
Infosys Limited	-	269,599,474
Trade Receivables		
Infosys Limited	77,085,825	315,226,624
Trade Payables		
Infosys Limited	39,933,595	104,674,008
Other Current Liabilities		
Infosys Limited	255,036	7,719,966

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	2011
Capital transactions:		
Loans		
Infosys Limited	(269,599,474)	-
Revenue transactions:		
Purchase of services		
Infosys Limited	14,711,155	100,782,082
Interest expense		
Infosys Limited	2,699,134	14,060,811
Sale of services		
Infosys Australia	-	5,063,394
Infosys Limited	2,522,713,510	2,510,470,402

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 Company 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 Company'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 Company are primarily financial services and insurance (FSI) comprising enterprises providing banking, finance and insurance services, manufacturing enterprises (MFG), enterprises in the energy, utilities and telecommunication services (ECS) and retail, logistics, consumer packaged goods, life sciences and health care enterprises (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. 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 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, 2012 and December 31, 2011:

in ₹

Particulars	FSI	MFG	ECS	RCL	Total
Income from software services and product	1,586,309,360	2,080,714,968	453,419,881	1,441,213,776	5,561,657,986
	1,412,288,202	*1,638,406,459*	*342,191,957*	*1,255,590,576*	*4,648,477,194*
Identifiable operating expenses	642,810,054	1,072,646,546	208,822,118	645,796,076	2,570,074,793
	539,084,088	*691,939,724*	*151,598,697*	*490,927,347*	*1,873,549,856*
Allocated expenses	808,126,320	1,059,995,340	230,989,332	734,209,111	2,833,320,102
	722,169,832	*837,794,804*	*174,978,951*	*642,042,916*	*2,376,986,503*
Segmental operating income	135,372,987	(51,926,917)	13,608,431	61,208,590	158,263,091
	151,034,282	*108,671,931*	*15,614,309*	*122,620,313*	*397,940,835*
Unallocable expenses					483,173,158
					444,921,295
Other income					72,636,937
					306,408,825
Profit before tax					(252,273,129.79)
					259,428,365
Tax expense					(108,406,718)
					(11,294,384)
Profit for the period					(143,866,412)
					270,722,749

Geographic Segments
Year ended December 31, 2012 and December 31, 2011:

in ₹

Particulars	North America	Europe	India	Rest of the World	Total
Income from software services and products	3,032,350,016	843,399,566	32,446,617	1,653,461,787	5,561,657,986
	2,531,446,926	579,783,363	35,720,732	1,501,526,173	*4,648,477,194*
Identifiable operating expenses	1,297,838,252	407,832,428	14,751,623	849,652,490	2,570,074,793
	999,848,845	*215,407,883*	*10,800,760*	*647,492,368*	*1,873,549,856*
Allocated expenses	1,544,794,426	429,659,816	16,529,541	842,336,320	2,833,320,102
	1,294,448,682	*296,470,687*	*18,265,702*	*767,801,432*	*2,376,986,503*
Segmental operating income	189,717,338	5,907,322	1,165,453	(38,527,023)	158,263,091
	237,149,399	*67,904,793*	*6,654,270*	*86,232,373*	*397,940,835*
Unallocable expenses					483,173,158
					444,921,295
Other income, net					72,636,937
					306,408,825
Profit before tax					(252,273,130)
					259,428,365
Tax expense					(108,406,718)
					(11,294,384)
Profit for the period					(143,866,412)
					270,722,749

2.21 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS

in ₹

Statement of Profit and Loss account for the	**Year ended December 31,**	
	2012	**2011**
Income from software services and products	5,561,657,986	4,648,477,194
Software development expenses	4,363,382,701	3,279,060,734
GROSS PROFIT	**1,198,275,285**	**1,369,416,460**
Selling and marketing expenses	229,250,919	121,823,472
General and administration expenses	810,761,275	849,652,153
	1,040,012,194	971,475,625
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	**158,263,091**	**397,940,835**
Interest	2,699,134	14,060,811
Depreciation and amortization	480,474,024	430,860,484
OPERATING PROFIT	**(324,910,067)**	**(46,980,460)**
Other income	72,636,937	306,408,825
PROFIT BEFORE TAX	**(252,273,130)**	**259,428,365**
Tax expense:		
Current tax	(78,647,059)	(10,817,503)
Deferred tax	(29,759,659)	(476,881)
PROFIT FOR THE PERIOD	**(143,866,412)**	**270,722,749**

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Ashok Vemuri
Chairman

Prasad Thrikutam
Director

V.G. Dheeshjith
Director

Srinath Batni
Director

V.R. Rangarajan
Director

Bangalore
January 8 , 2013

To

The Members of Infosys Technologies (Shanghai) Company Limited

Report on the Financial Statements:

We have audited the accompanying financial statement of **Infosys Technologies (Shanghai) Company Limited** (`the Company`) which comprises the Balance Sheet as at 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Loss*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956, and;

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership No. 202841
Firm's Registration. No. 006673S

Bangalore
8th January, 2013

Infosys Technologies (Shanghai) Company Limited

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	2,312,646,757	931,461,861
Reserves and surplus	2.2	82,353,480	121,917,231
		2,395,000,237	1,053,379,092
NON-CURRENT LIABILITIES			
Other long-term liabilities	2.3	285,968,164	-
		285,968,164	-
CURRENT LIABILITIES			
Trade payables	2.4	2,140,615	1,293,714
Other current liabilities	2.5	19,255,035	4,513,720
Short-term provisions	2.6	39,069,849	118,863
		60,465,499	5,926,297
		2,741,433,900	**1,059,305,389**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	32,136,607	23,029,093
Intangible assets	2.7	604,367,172	591,532,713
		636,503,779	614,561,806
Long-term loans and advances	2.9	655,075,079	10,362,999
		1,291,578,858	624,924,805
CURRENT ASSETS			
Trade receivables	2.10	1,028,968	-
Cash and cash equivalents	2.11	1,442,734,727	434,380,584
Short-term loans and advances	2.12	6,091,347	-
		1,449,855,042	434,380,584
		2,741,433,900	**1,059,305,389**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

Note : The notes referred to above are an integral part of the Balance Sheet.

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

M. Rathnakar Kamath	Ashok Vemuri	V.R. Rangarajan	Srinath Batni
Partner	*Chairman*	Director and Legal Representative	Director
Membership No. 202841			

Bangalore
January 8, 2013

- *in ₹*

Statement of Profit and Loss for the	Note	Period ended December 31, 2012	2011
Income from software services and products	2.13	8,961,031	-
Other income	2.14	18,628,472	(15,006,578)
Total revenue		**27,589,503**	**(15,006,578)**
Expenses			
Employee benefit expenses	2.15	61,017,627	4,620,702
Travel expenses	2.15	425,149	-
Cost of software packages and others	2.15	-	-
Communication expenses	2.15	3,448,828	-
Professional charges		4,183,615	436,293
Depreciation and amortisation expense	2.7	28,492,655	4,702,339
Other expenses	2.15	40,751,446	9,868,155
Total expenses		**138,319,320**	**19,627,489**
PROFIT BEFORE TAX		**(110,729,817)**	**(34,634,067)**
Tax expense:			
Current tax	2.16	38,235,237	-
PROFIT FOR THE PERIOD		**(148,965,054)**	**(34,634,067)**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

Note : The notes referred to above are an integral part of the Statement of Profit and Loss.

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

M. Rathnakar Kamath	Ashok Vemuri	V.R. Rangarajan	Srinath Batni
Partner	*Chairman*	Director and Legal Representative	*Director*
Membership No. 202841			

Bangalore
January 8, 2013

Significant accounting policies and notes on accounts

Company overview

Infosys Technologies (Shanghai) Company 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

The financial statements of the Company have been prepared on an accrual basis. Unless otherwise stated, the measurement basis used is historical cost. Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the Renminbi.

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 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 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

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 Fixed 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 asset 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.

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 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.

1.17 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 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 recognised 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, 2012

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, 2012	December 31, 2011
Authorized		
150,000,000(20,000,000) USD	7,892,961,861	931,461,861
Issued, Subscribed and Paid-Up		
46,000,000(20,000,000) USD	2,312,646,757	931,461,861
	2,312,646,757	**931,461,861**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Currency Translation	265,952,601	156,551,298
Surplus / (Deficit) - Opening Balance	(34,634,067)	-
Add: Net profit / (loss) after tax transferred from Statement of Profit and Loss	(148,965,054)	(34,634,067)
Surplus / (Deficit) - Closing Balance	(183,599,121)	(34,634,067)
	82,353,480	**121,917,231**

2.3 OTHER LONG-TERM LIABILITIES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Others		
Deferred income - government grant on land use rights	285,968,164	-
	285,968,164	**-**

2.4 TRADE PAYABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade payables	2,140,615	1,293,714
	2,140,615	**1,293,714**

2.5 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Accrued salaries and benefits		
Salaries and benefits	-	115,500
Bonus and incentives	2,944,425	161,494
Other liabilities		
Provision for expenses	5,520,006	3,360,973
Retention monies	21,975,000	649,731
Withholding and other taxes payable	(22,116,259)	226,022
Other payables	610,293	-
Deferred income - government grant on land use rights	10,321,570	-
	19,255,035	**4,513,720**

2.6 SHORT-TERM PROVISIONS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Provision for employee benefits		
Unavailed leave	834,612	118,863
Others		
Provision for		
Income taxes	38,235,237	-
	39,069,849	**118,863**

2.7 FIXED ASSETS

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at January 1, 2012	Additions during the period	Deductions/ Retirement during the period	As at December 31, 2012	As at January 1, 2012	For the period	Deductions/ adjustments during the period	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible assets :										
Leasehold Improvemen	16,390,599	7,393,125	-	23,783,724	1,365,883	10,757,019	(378,743)	12,501,645	11,282,079	15,024,716
Office equipment	1,011,144	1,915,180	-	2,926,324	30,175	204,221	(8,403)	242,800	2,683,524	980,969
Computer equipment	2,107,500	5,234,993	-	7,342,493	175,625	2,652,864	(61,975)	2,890,463	4,452,030	1,931,875
Furniture and fixtures	5,267,084	224,929	-	5,492,013	175,551	1,063,830	(44,557)	1,283,938	4,208,074	5,091,533
Plant and Machinery	-	11,349,515	-	11,349,515	-	1,806,398	(32,218)	1,838,615	9,510,900	-
	24,776,327	26,117,742	-	50,894,069	1,747,234	16,484,332	(525,896)	18,757,462	32,136,607	23,029,093
Intangible assets :										
Land use rights	594,652,200	25,394,400	-	620,046,600	3,119,487	12,008,323	(551,617)	15,679,428	604,367,172	591,532,713
	594,652,200	25,394,400	-	620,046,600	3,119,487	12,008,323	(551,617)	15,679,428	604,367,172	591,532,713
Total	**619,428,527**	**51,512,142**	**-**	**670,940,669**	**4,866,721**	**28,492,655**	**(1,077,513)**	**34,436,889**	**636,503,780**	**614,561,806**
Previous year	**-**	**619,428,527**	**-**	**619,428,527**	**-**	**4,702,339**	**(164,382)**	**4,866,721**	**614,561,806**	**-**

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,	
	2012	2011
Lease rentals recognized during the period	21,412,271	-

in ₹

	As at	
Lease obligations payable	December 31, 2012	December 31, 2011
Within one year of the balance sheet date	51,992,780	-
Due in a period between one year and five years	30,329,121	-
Due after five years	-	-

The operating lease arrangements, are renewable on a periodic basis and extend upto a maximum of ten years from their respective dates of inception and relates 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, 2012	December 31, 2011
Unsecured, considered good		
Capital advances	650,547,324	10,362,999
Rental deposits	4,527,755	-
Other loans and advances		
	655,075,079	**10,362,999**

2.10 TRADE RECEIVABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Debts outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	-	-
Less: Provision for doubtful debts	-	-
	-	-
Other debts		
Unsecured		
Considered good	1,028,968	-
Considered doubtful	-	-
	1,028,968	-
Less: Provision for doubtful debts	-	-
	1,028,968	-
	1,028,968	-

2.11 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Balances with banks		
In current and deposit accounts	1,442,734,727	434,380,584
	1,442,734,727	**434,380,584**

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

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
In current accounts		
Bank of China, Shanghai (USD)	379,700	239,028,094
Bank of China, Shanghai (RMB)	92,107	10,518
Citibank (RMB)	1,433,892,120	1,075,014
Citibank (USD)	8,370,800	194,266,958
Total cash and cash equivalents as per Balance Sheet	**1,442,734,727**	**434,380,584**

2.12 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	4,949,850	-
	4,949,850	-
Salary advances	1,141,497	-
	6,091,347	-

2.13 INCOME FROM SOFTWARE SERVICES AND PRODUCTS

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Income from software services	8,961,031	-
	8,961,031	**-**

2.14 OTHER INCOME

in ₹

Particulars	Period ended December 31, 2012	Period ended December 31, 2011
Interest received on deposits with banks and others	8,910,599	138,021
Miscellaneous income, net	27,593,241	-
Gains / (losses) on foreign currency, net	(17,875,368)	(15,144,599)
	18,628,472	**(15,006,578)**

2.15 EXPENSES

in ₹

Particulars	Period ended December 31, 2012	Period ended December 31, 2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	60,304,000	4,617,165
Staff welfare	713,627	3,537
	61,017,627	4,620,702
Travel expenses		
Overseas travel expenses	328,003	-
Traveling and conveyance	97,146	-
	425,149	-
Communication expenses		
Communication expenses	3,448,828	-
	3,448,828	-

in ₹

Particulars	Period ended December 31, 2012	Period ended December 31, 2011
Other expenses		
Office maintenance	11,109,024	2,539,802
Power and fuel	2,584,167	-
Rent	21,412,271	-
Rates and taxes, excluding taxes on income	4,707,458	-
Repairs to plant and machinery	67,691	58,590
Computer maintenance	44,495	-
Consumables	3,273	-
Insurance charges	52,725	-
Marketing expenses	(261,228)	6,228,965
Printing and Stationery	132,670	208,691
Professional membership and seminar participation fees	31,606	-
Postage and courier	549	-
Auditor's remuneration		
Statutory audit fees	810,204	813,613
Bank charges and commission	56,572	18,494
Others	(31)	-
	40,751,446	9,868,155

2.16 TAX EXPENSE

in ₹

	Period ended December 31, 2012	Period ended December 31, 2011
Current tax		
Income taxes	38,235,237	-
	38,235,237	**-**

2.17 CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Commitments :		
Estimated amount of unexecuted capital contracts		
(net of advances and deposits)	5,022,278,262	789,554,626

2.18 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.

2.19 RELATED PARTY TRANSACTIONS

List of related parties:

Name of Holding Company	Country	Holding as at	
		December 31, 2012	December 31, 2011
Infosys Limited	India	100%	100%

Name of Fellow Subsidiaries	Country
Infosys BPO Limited	India
Infosys Technologies (Australia) Pty. Limited	Australia
Infosys Consulting India Limited	USA
Infosys Technologies (China) Co. Limited	Mexico
Infosys Technologies (Sweden) AB	Sweden
Infosys Technologies (Shanghai) Co. Limited	China
Infosys Tecnologia do Brasil Ltda	Brazil
Infosys Public Services Inc.	USA
Infosys BPO s. r. o [(1)]	Czech Republic
Infosys BPO (Poland) Sp Z.o.o [(1)]	Poland
Infosys Consulting India Limited	India
McCamish Systems LLC[(1)]	USA
Portland Group Pty Ltd[(1)]	Australia
Portland Procurement Services Pty Ltd[(1)]	Australia
Lodestone Holding AG	Switzerland
Lodestone Management Consultants (Canada) Inc. [(2)]	Canada
Lodestone Management Consultants Inc. [(2)]	USA
Lodestone Management Consultants Pty Limited[(2)]	Australia
Lodestone Management Consultants (Asia Pacific) Limited[(2)(3)]	Thailand
Lodestone Management Consultants AG[(2)]	Switzerland
Lodestone Augmentis AG[(2)]	Switzerland
Hafner Bauer & Ödman GmbH [(2)]	Switzerland
Lodestone Management Consultants (Belgium) S.A.[(2)(4)]	Belgium
Lodestone Management Consultants GmbH [(2)]	Germany
Lodestone Management Consultants Pte Ltd.[(2)]	Singapore
Lodestone Management Consultants SAS[(2)]	France
Lodestone Management Consultants s.r.o.[(2)]	Czech Republic
Lodestone Management Consultants GmbH[(2)]	Austria
Lodestone Management Consultants China Co., Ltd.[(2)]	China
Lodestone Management Consultants Ltd.[(2)]	UK
Lodestone Management Consultants B.V.[(2)]	Netherlands
Lodestone Management Consultants Ltda.[(2)(4)]	Brazil
Lodestone Management Consultants Sp. z.o.o [(2)]	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda.[(2)]	Portugal
S.C. Lodestone Management Consultants S.R.L.[(2)]	Romania

(1) *Wholly owned subsidiaries of Infosys BPO.*

(2) *Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

(3) *Under liquidation*

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

The details of the related party transactions entered into by the Company, for the period ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Period ended December 31, 2012	2011
Capital transactions:		
Financing transactions		
Infosys Limited	1,381,184,896	931,461,861

2.20 SEGMENT REPORTING

The company has only one operating segment and hence segment disclosures are not applicable

2.21 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS

in ₹

Statement of Profit and Loss account for the	**Period ended December 31,**	
	2012	**2011**
Income from software services and products	8,961,031	-
Software development expenses	80,879,617	4,320,203
GROSS PROFIT	**(71,918,586)**	**(4,320,203)**
Selling and marketing expenses	(261,228)	6,228,965
General and administration expenses	29,208,276	4,375,982
	28,947,048	10,604,947
OPERATING PROFIT BEFORE DEPRECIATION	**(100,865,634)**	**(14,925,150)**
Depreciation and amortization	28,492,655	4,702,339
OPERATING PROFIT	**(129,358,289)**	**(19,627,489)**
Other income	18,628,472	(15,006,578)
PROFIT BEFORE TAX	**(110,729,817)**	**(34,634,067)**
Tax expense:		
Current tax	38,235,237	-
Deferred tax	-	-
PROFIT FOR THE PERIOD	**(148,965,054)**	**(34,634,067)**

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Ashok Vemuri
Chairman

V.R. Rangarajan
Director and Legal Representative

Srinath Batni
Director

Bangalore
January 8, 2013

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 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***loss*** for the year ended on that date;

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 and profit and loss account dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956, and;

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership No. 202841
Firm's Registration. No. 006673S

Bangalore
8th January, 2013

Infosys Technologies (Sweden) AB

in ₹ ,

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	653,000	653,000
Reserves and surplus	2.2	12,136,042	11,181,750
		12,789,042	11,834,750
CURRENT LIABILITIES			
Other current liabilities	2.3	8,738,020	20,078,035
Short-term provisions	2.4	2,384,324	3,707,543
		11,122,344	23,785,578
		23,911,386	**35,620,328**
ASSETS			
NON-CURRENT ASSETS			
Long-term loans and advances	2.6	6,302,700	1,761,777
		6,302,700	1,761,777
CURRENT ASSETS			
Trade receivables	2.7	3,643,436	8,392,711
Cash and cash equivalents	2.8	12,862,324	20,341,255
Short-term loans and advances	2.9	1,102,926	5,124,585
		17,608,686	33,858,551
		23,911,386	**35,620,328**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

Note : The notes referred to above are an integral part of the Balance Sheet.

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

M. Rathnakar Kamath	S.D. Shibulal	B. G. Srinivas	Eric Stephen Paternoster
Partner	*Chairman*	*Director*	*Director*
Membership No. 202841			
	Rajesh Krishnamurthy		
	Director		

Bangalore
January 8, 2013

in ₹, except per share data

Statement of Profit and Loss for the	Note	Year ended December 31,	
		2012	**2,011**
Income from software services and products	2.10	75,924,144	103,368,683
Other income	2.11	(368,564)	(387,997)
Total revenue		**75,555,580**	**102,980,686**
Expenses			
Employee benefit expenses	2.12	65,453,260	89,709,374
Travel expenses	2.12	441,278	165,061
Communication expenses	2.12	56,671	67,888
Professional charges		5,612,059	6,034,461
Other expenses	2.12	1,818,294	2,460,884
Total expenses		**73,381,562**	**98,437,668**
PROFIT BEFORE TAX		**2,174,018**	**4,543,018**
Tax expense:			
Current tax	2.13	2,309,661	1,543,388
PROFIT FOR THE PERIOD		**(135,643)**	**2,999,630**
EARNINGS PER EQUITY SHARE			
Equity shares of par value SEK 100 each			
Basic		(136)	3,000
Number of shares used in computing earnings per share			
Basic		1,000	1,000
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

Note : The notes referred to above are an integral part of the Statement of Profit and Loss.

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

M. Rathnakar Kamath	S.D. Shibulal	Eric Stephen Paternoster	B. G. Srinivas
Partner	*Chairman*	*Director*	*Director*
Membership No. 202841			
Bangalore	Rajesh Krishnamurthy		
January 8, 2013	*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

The financial statements of the Company have been prepared on an accrual basis. Unless otherwise stated, the measurement basis used is historical cost. Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the Swedish Krona.

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 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 Fixed 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.

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 recognised 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, 2012

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

2.1 SHARE CAPITAL

in ₹ , except per share data

Particulars	As at	
	December 31, 2012	December 31, 2011
Authorized		
4,000 shares of 100 SEK par value	2,612,000	2,612,000
Issued, Subscribed and Paid-Up		
1,000 (1,000) shares of 100 SEK par value, fully paid	653,000	653,000
	653,000	**653,000**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Currency Translation	2,888,215	1,798,280
Surplus- Opening Balance	9,383,470	6,383,840
Add: Net profit after tax transferred from Statement of Profit and Loss	(135,643)	2,999,630
Surplus- Closing Balance	**9,247,827**	**9,383,470**
	12,136,042	**11,181,750**

2.3 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at	
	December 31, 2012	#REF!
Accrued salaries and benefits		
Bonus and incentives	2,271,564	6,874,912
Other liabilities		
Provision for expenses	3,435,717	3,590,182
Withholding and other taxes payable	3,030,739	8,685,513
Other payables	-	927,428
	8,738,020	**20,078,035**

2.4 SHORT-TERM PROVISIONS

in ₹

Particulars	As at	
	December 31, 2012	#REF!
Provision for employee benefits		
Unavailed leave	110,716	886,208
Others		
Provision for Income Taxes	2,273,608	2,821,335
	2,384,324	**3,707,543**

2.5 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,	
	2012	2011
Lease rentals recognized during the period	385,064	426,277

in ₹

Lease obligations payable	As at	
	December 31, 2012	December 31, 2011
Within one year of the balance sheet date	418,631	1,029,777
Due in a period between one year and five years	209,315	1,029,777
Due after five years	-	-

The operating lease arrangements, are renewable on a periodic basis and extend upto a maximum of ten years from their respective dates of inception and relates 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, 2012	December 31, 2011
Unsecured, considered good		
Rental deposits	79,399	-
Other loans and advances		
Advance income taxes	6,223,301	1,761,777
	6,302,700	**1,761,777**

2.7 TRADE RECEIVABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Other debts		
Unsecured		
Considered good[(1)]	3,643,436	8,392,711
	3,643,436	**8,392,711**
[(1)] *Includes dues from holding company (refer to note 2.15)*	3,643,436	8,392,711

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.

2.8 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Balances with banks		
In current and deposit accounts	12,862,324	20,341,255
	12,862,324	**20,341,255**

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

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
In current accounts		
Nordbanken, Sweden	4,129,372	8,781,962
Svenska Handelsbanken, Sweden	1,342	9,293
BNP Paribus	291,610	
	4,422,324	8,791,255
In deposit accounts		
Nordbanken, Sweden	8,440,000	11,550,000
	8,440,000	11,550,000
Total cash and cash equivalents as per Balance Sheet	**12,862,324**	**20,341,255**

2.9 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	383,531	619,040
Withholding and other taxes receivable	716,933	3,503,237
	1,100,464	4,122,277
Interest accrued but not due	2,462	3,032
Loans and advances to employees		
Salary advances	-	927,427
Rental deposits	-	71,849
	1,102,926	**5,124,585**

2.10 INCOME FROM SOFTWARE SERVICES AND PRODUCTS

(in ₹)

Particulars	Year ended December 31,	
	2,012	2,011
Income from software services	75,924,144	103,368,683
	75,924,144	**103,368,683**

2.11 OTHER INCOME

(in ₹)

Particulars	Year ended December 31,	
	2,012	2,011
Interest received on deposits with banks and others	299,687	213,579
Gains / (losses) on foreign currency, net	(668,251)	(601,576)
	(368,564)	**(387,997)**

2.12 EXPENSES

(in ₹)

Particulars	Year ended December 31,	
	2,012	2,011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	65,425,547	89,708,726
Staff welfare	27,713	648
	65,453,260	89,709,374
Travel expenses		
Overseas travel expenses	441,278	165,061
	441,278	165,061
Communication expenses		
Telephone charges	56,671	67,888
	56,671	67,888

(in ₹)

Particulars	Year ended December 31,	
	2,012	2,011
Other expenses		
Office maintenance	5,190	39,788
Rent	385,064	426,277
Rates and taxes, excluding taxes on income	8,262	73,411
Insurance charges	29,670	283,852
Printing and Stationery	4,507	26,646
Professional membership and seminar participation fees	-	3,775
Postage and courier	33,235	34,813
Auditor's remuneration		
Statutory audit fees	1,199,657	1,327,083
Bank charges and commission	150,694	245,239
Others	2,015	-
	1,818,294	2,460,884

2.13 TAX EXPENSE

(in ₹)

	Year ended December 31,	
	2,012	2,011
Current tax		
Income taxes	2,309,661	1,543,388
	2,309,661	**1,543,388**

2.14 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.

2.15 RELATED PARTY TRANSACTIONS

List of related parties:

Name of Holding Company	Country	Holding as at	
		December 31, 2012	December 31, 2011
Infosys Limited	India	100%	100%

Name of Fellow subsidiaries	Country
Infosys BPO Limited	India
Infosys Technologies (Australia) Pty. Limited	Australia
Infosys Consulting India Limited.	USA
Infosys Technologies (China) Co. Limited	Mexico
Infosys Technologies (Sweden) AB	China
Infosys Technologies (Shanghai) Co. Limited	China
Infosys Tecnologia do Brasil Ltda	Brazil
Infosys Public Services Inc.	USA
Infosys BPO s. r. o (1)	Czech Republic
Infosys BPO (Poland) Sp Z.o.o (1)	Poland
Infosys Consulting India Limited	India
McCamish Systems LLC(1)	USA
Portland Group Pty Ltd(1)	Australia
Portland Procurement Services Pty Ltd(1)	Australia
Lodestone Holding AG	Switzerland
Lodestone Management Consultants (Canada) Inc. (2)	Canada
Lodestone Management Consultants Inc. (2)	USA
Lodestone Management Consultants Pty Limited(2)	Australia
Lodestone Management Consultants (Asia Pacific) Limited(2)(3)	Thailand
Lodestone Management Consultants AG(2)	Switzerland
Lodestone Augmentis AG(2)	Switzerland
Hafner Bauer & Ödman GmbH (2)	Switzerland
Lodestone Management Consultants (Belgium) S.A.(2)(4)	Belgium
Lodestone Management Consultants GmbH (2)	Germany
Lodestone Management Consultants Pte Ltd.(2)	Singapore
Lodestone Management Consultants SAS(2)	France
Lodestone Management Consultants s.r.o.(2)	Czech Republic
Lodestone Management Consultants GmbH(2)	Austria
Lodestone Management Consultants China Co., Ltd.(2)	China
Lodestone Management Consultants Ltd.(2)	UK
Lodestone Management Consultants B.V.(2)	Netherlands
Lodestone Management Consultants Ltda.(2)(4)	Brazil
Lodestone Management Consultants Sp. z.o.o (2)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda.(2)	Portugal
S.C. Lodestone Management Consultants S.R.L (2)	Romania

(1) *Wholly owned subsidiaries of Infosys BPO.*

(2) *Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

(3) *Under liquidation*

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

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	**As at**	
Trade Receivables		
Infosys Limited	3,643,436	8,392,711

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	**Year ended December 31,**	
Sale of services		
Infosys Limited	75,924,144	103,368,683

2.16 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 Company 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 Company'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 Company are primarily financial services and insurance (FSI) comprising enterprises providing banking, finance and insurance services, manufacturing enterprises (MFG), enterprises in the energy, utilities and telecommunication services (ECS) and retail, logistics, consumer packaged goods, life sciences and health care enterprises (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. 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 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, 2012 and December 31, 2011:

in ₹

Particulars	FSI	MFG	ECS	RCL	Total
Income from software services and products	-	-	3,635,139	72,289,005	75,924,144
	-	-	*2,822,098*	*100,546,585*	*103,368,683*
Identifiable operating expenses	-	-	2,172,062	29,880,874	32,052,937
	-	-	*1,963,341*	*54,244,673*	*56,208,014*
Allocated expenses	-	-	1,978,755	39,349,870	41,328,625
	-	-	*1,152,923*	*41,076,731*	*42,229,654*
Segmental operating income	-	-	(515,679)	3,058,261	2,542,582
	-	-	*(294,166)*	*5,225,181*	*4,931,015*
Unallocable expenses					-
					-
Other income					(368,564)
					(387,997)
Profit before tax					2,174,018
					4,543,018
Tax expense					2,309,661
					1,543,388
Profit for the period					(135,643)
					2,999,630

Geographic Segments

Year ended December 31, 2012 and December 31, 2011:

in ₹

Particulars	North America	Europe	India	Rest of the World	Total
Income from software services and products	-	75,924,144	-	-	75,924,144
	-	*103,368,683*	-	-	*103,368,683*
Identifiable operating expenses	-	32,052,937	-	-	32,052,937
	-	*56,208,014*	-	-	*56,208,014*
Allocated expenses	-	41,328,625	-	-	41,328,625
	-	*42,229,654*	-	-	*42,229,654*
Segmental operating income	-	2,542,582	-	-	2,542,582
	-	*4,931,015*	-	-	*4,931,015*
Unallocable expenses					-
					-
Other income, net					(368,564)
					(387,997)
Profit before tax					2,174,018
					4,543,018
Tax expense					2,309,661
					1,543,388
Profit for the period					(135,643)
					2,999,630

2.17 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS

in ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	2011
Income from software services and products	75,924,144	103,368,683
Software development expenses	65,208,774	88,514,847
GROSS PROFIT	**10,715,370**	**14,853,836**
Selling and marketing expenses	1,072,845	-
General and administration expenses	7,099,943	9,922,821
	8,172,788	9,922,821
OPERATING PROFIT	**2,542,582**	**4,931,015**
Other income	(368,564)	(387,997)
PROFIT BEFORE TAX	**2,174,018**	**4,543,018**
Tax expense:		
Current tax	2,309,661	1,543,388
PROFIT FOR THE PERIOD	**(135,643)**	**2,999,630**

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

M. Rathnakar Kamath
Partner
Membership No. 202841

S.D. Shibulal
Chairman

Eric Stephen Paternoster
Director

B. G. Srinivas
Director

Rajesh Krishnamurthy
Director

Bangalore
January 8, 2013

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 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***profit*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956, and;

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership No. 202841
Firm's Registration. No. 006673S

Bangalore
8th January, 2013

Infosys Technologies S. de R. L. de. C. V.

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	646,049,999	546,799,999
Reserves and surplus	2.2	83,942,995	(50,269,702)
		729,992,994	496,530,297
NON-CURRENT LIABILITIES			
Deferred tax liabilities (net)	2.3	-	-
Other long-term liabilities	2.4	5,421,932	2,828,788
		5,421,932	2,828,788
CURRENT LIABILITIES			
Trade payables	2.5	6,936,896	7,493,233
Other current liabilities	2.6	147,182,571	130,638,180
Short-term provisions	2.7	24,233,346	30,570,207
		178,352,813	168,701,620
		913,767,739	**668,060,705**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.8	56,169,548	48,781,187
		56,169,548	48,781,187
Deferred tax assets (net)	2.3	73,884,153	77,409,390
Long-term loans and advances	2.10	11,031,295	36,097,470
		141,084,996	162,288,047
CURRENT ASSETS			
Trade receivables	2.11	472,518,599	287,884,897
Cash and cash equivalents	2.12	222,135,075	115,883,650
Short-term loans and advances	2.13	78,029,069	102,004,111
		772,682,743	505,772,658
		913,767,739	**668,060,705**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

Note : The notes referred to above are an integral part of the Balance Sheet.

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Balashankar
Legal Administrator

Bangalore
January 8, 2013

in ₹

Statement of Profit and Loss for the	**Note**	**Year ended December 31,**	
		2012	**2011**
Income from software services and products	2.14	1,604,570,599	1,145,183,588
Other income	2.15	(29,282,366)	32,282,660
Total revenue		**1,575,288,233**	**1,177,466,248**
Expenses			
Employee benefit expenses	2.16	1,149,195,117	875,431,867
Cost of technical sub-contractors	2.16	18,039,816	49,492,304
Travel expenses	2.16	56,640,225	42,921,722
Cost of software packages and others	2.16	3,181,976	239,389
Communication expenses	2.16	34,978,478	37,535,304
Professional charges		24,843,946	24,955,859
Depreciation and amortisation expense	2.8	44,580,721	42,598,938
Other expenses	2.16	134,600,902	95,953,675
Total expenses		**1,466,061,181**	**1,169,129,058**
PROFIT BEFORE TAX		**109,227,052**	**8,337,190**
Tax expense:			
Current tax	2.17	28,128,490	(3,440,269)
Deferred tax	2.17	12,310,036	(77,613,099)
PROFIT FOR THE PERIOD		**68,788,526**	**89,390,558**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

Note : The notes referred to above are an integral part of the Statement of Profit and Loss.

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Balashankar
Legal Administrator

Bangalore
January 8, 2013

Significant accounting policies and notes on accounts

Company overview

Infosys Technologies S. de R. L. de C. V. (Infosys Mexico) enters into contracts with Mexican companies to provide onsite services globally. Infosys Mexico sub-contracts the services to be provided outside Mexico and related territories to Infosys – India (Infosys Limited) to leverage the global delivery model (discussed later). 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

The financial statements of the Company have been prepared on an accrual basis. Unless otherwise stated, the measurement basis used is historical cost. Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the Mexican peso.

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 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 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

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 Fixed 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.

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 Income Tax Law in Mexico provides that companies must comply with Maquiladoras provisions regarding transfer pricing. Therefore, requiring the Company to comply with a minimum taxable income, Company has to choose between the two procedures i.e. method of transfer pricing (APA) or the Safe Harbor method. For 2012 and 2011, the Company selected Method of transfer pricing (APA) method to pay Income Tax.

According to the procedures applied by the Company to determine the income tax there are temporary difference that give rise to deferred taxes for 2012 and 2011 . The differences that result between the profit offered 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 a 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.

For the year 2012 and 2011, 9% and 32% of the total revenue is recognized related companies including parent company, which is arrived at after adding percentage to the cost and expense of operations, except those required in the contract. These revenues are adjusted annually to meet the provisions relating to transfer pricing, according to Mexican law of Income Tax.
For the current year 2012 income tax rate applicable is 30%.

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 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 recognised as an expense on a straight line basis in the statement of profit and loss 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, 2012

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, 2012	As at December 31, 2011
Authorized		
17,50,00,000 (14,99,99,990) equity shares of MXN 1/- par value	646,049,999	546,799,999
Issued, Subscribed and Paid-Up		
17,50,00,000 (14,99,99,990) equity shares of MXN 1/- par value, fully paid	646,049,999	546,799,999
	646,049,999	**546,799,999**

The reconciliation of the number of shares outstanding and the amount of share capital as at December 31, 2011 and December 31, 2010 is set out

in ₹, except as otherwise stated

Particulars	As at December 31, 2012		As at December 31, 2011	
	Number of shares	Amount	Number of shares	Amount
Number of shares at the beginning	14,99,99,990	546,799,999	14,99,99,990	54,67,99,999
Add: Shares issued during the year	25,000,010	99,250,000	-	-
Number of shares at the end	17,50,00,000	64,60,49,999	14,99,99,990	546,799,999

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Currency Translation	88,118,441	22,694,270
Surplus / (Deficit) - Opening Balance	(72,963,972)	(162,354,530)
Add: Net profit/(loss) after tax transferred from Statement of Profit and Loss	68,788,526	89,390,558
Surplus / (Deficit) - Closing Balance	**(4,175,446)**	**(72,963,972)**
	83,942,995	**(50,269,702)**

2.3 DEFERRED TAXES

in `

Particulars	As at	
	December 31, 2012	December 31, 2011
Deferred tax assets		
Fixed assets	13,510,326	36,583,417
Other assets	50,680,487	34,206,373
Unavailed leave	9,693,340	6,619,600
	73,884,153	**77,409,390**

2.4 OTHER LONG-TERM LIABILITIES

in `

Particulars	As at	
	December 31, 2012	December 31, 2011
Others		
Termination Beneffts	5,421,932	2,828,788
	5,421,932	**2,828,788**

2.5 TRADE PAYABLES

in `

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade payables [1]	6,936,896	7,493,233
	6,936,896	**7,493,233**
[1] *Includes dues to holding company and fellow subsidiaries (refer to note 2.20)*	940,079	3,873,847

2.6 OTHER CURRENT LIABILITIES

in `

Particulars	As at	
	December 31, 2012	December 31, 2011
Accrued salaries and benefits		
Salaries and benefits	4,394,110	62,087
Bonus and incentives	26,538,709	23,545,391
Other liabilities		
Provision for expenses	18,594,464	23,060,413
Withholding and other taxes payable	72,068,337	53,872,509
Other payables [1]	(473,796)	12,069,291
Advances received from clients	-	796,650
Unearned revenue	26,060,747	17,231,839
	147,182,571	**130,638,180**
[1] *Includes dues to holding company and fellow subsidiaries (refer to note 2.20)*	3,245	

2.7 SHORT-TERM PROVISIONS

in `

Particulars	As at	
	December 31, 2012	December 31, 2011
Provision for employee benefits		
Unavailed leave	24,233,346	16,548,997
Others		
Provision for		
Income taxes	-	14,021,210
	24,233,346	**30,570,207**

2. 8 FIXED ASSETS

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at Jan 1, 2012	Additions during the period	Deductions/ Retirement during the period	As at December 31, 2012	As at Jan 1, 2012	For the period	Deductions/ adjustments during the period	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible assets :										
Plant and equipment	15,773,871	13,258,582	4,463,401	24,569,052	8,872,627	6,460,862	(3,453,997)	11,879,491	12,689,561	6,901,244
Office equipment	11,586,185	1,632,989	838,087	12,381,087	5,863,339	2,232,489	66,374	8,162,202	4,218,885	5,722,846
Computer equipment	98,389,138	23,844,137	-	122,233,275	87,256,370	16,685,670	10,117,482	114,059,522	8,173,753	11,132,768
Furniture and fixtures	116,080,289	34,231,168	29,623,455	120,688,002	91,055,960	19,201,701	(20,657,008)	89,600,653	31,087,350	25,024,329
Total	**241,829,483**	**72,966,876**	**34,924,942**	**279,871,417**	**193,048,296**	**44,580,722**	**(13,927,149)**	**223,701,868**	**56,169,548**	**48,781,187**
Previous year	**219,926,501**	**21,902,982**	**-**	**241,829,483**	**142,847,398**	**42,598,938**	**(7,601,960)**	**193,048,296**	**48,781,187**	**-**

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, 2012	Year ended December 31, 2011
Lease rentals recognized during the period	79,243,749	53,910,797

in ₹

Lease obligations payable	As at December 31, 2012	As at December 31, 2011
Within one year of the balance sheet date	71,776,322	40,984,566
Due in a period between one year and five years	-	27,448,404
Due after five years	-	-

The operating lease arrangements, are renewable on a periodic basis and extend upto a maximum of five years from their respective dates of inception and relates 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, 2012	December 31, 2011
Unsecured, considered good		
Capital advances	-	10,736,234
Electricity and other deposits	41,930	-
Rental deposits	4,173,935	-
Other loans and advances		
Advance income taxes	6,815,430	25,361,236
	11,031,295	**36,097,470**

2.11 TRADE RECEIVABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Debts outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	21,166,941	3,579,074
Less: Provision for doubtful debts	21,166,941	3,579,074
	-	-
Other debts		
Unsecured		
Considered good[(1)]	472,518,599	287,884,897
Considered doubtful	-	10,599,254
	472,518,599	298,484,151
Less: Provision for doubtful debts	-	10,599,254
	472,518,599	287,884,897
	472,518,599	**287,884,897**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.20)*	8,321,858	(32,060,140)

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, 2012	December 31, 2011
Balances with banks		
In current and deposit accounts	222,135,075	115,883,650
	222,135,075	**115,883,650**

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

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
In current accounts		
Bank of America	54,177,965	96,883,650
Banamex	1,526,976	-
Citi Banamex	28,263,235	-
Citi Banamex - USD	11,566,899	
	95,535,075	96,883,650
In deposit accounts		
Bank of America	126,600,000	19,000,000
	126,600,000	19,000,000
Total cash and cash equivalents as per Balance Sheet	**222,135,075**	**115,883,650**

2.13 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured, considered good		
Others		
Advances		
For supply of goods and rendering of services	1,263,669	-
Prepaid expenses	20,827,918	15,237,844
Withholding and other taxes receivable	-	283
Others [(1)]	1,228,359	2,952,992
	23,319,946	18,191,119
Unbilled revenues	51,461,677	66,807,619
Interest accrued but not due	97,588	3,906
Loans and advances to employees		
Salary advances	3,148,940	12,747,739
Electricity and other deposits	-	37,757
Rental deposits	918	4,031,389
	78,029,069	101,819,529
Unsecured, considered doubtful		
Loans and advances to employees	-	184,582
	78,029,069	**102,004,111**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.20)*	97,253	-

2.14 INCOME FROM SOFTWARE SERVICES AND PRODUCTS

in ₹

Particulars	Year ended December 31,	
	2012	2011
Income from software services	1,446,855,068	1,027,534,477
Income from software products	157,715,531	117,649,111
	1,604,570,599	**1,145,183,588**

2.15 OTHER INCOME

in ₹

Particulars	Year ended December 31,	
	2012	2011
Interest received on deposits with banks and others	3,390,100	3,377,075
Miscellaneous income, net	1,429,240	8,123,811
Gains / (losses) on foreign currency, net	(34,101,706)	20,781,774
	(29,282,366)	**32,282,660**

2.16 EXPENSES

in ₹

Particulars	Year ended December 31,	
	2012	2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	1,147,590,846	872,463,774
Contribution to provident and other funds	-	110,104
Staff welfare	1,604,271	2,857,989
	1,149,195,117	875,431,867
Cost of technical sub-contractors		
Technical sub-contractors - subsidiaries	17,253,042	38,619,133
Technical sub-contractors - others	786,774	10,873,171
	18,039,816	49,492,304
Travel expenses		
Overseas travel expenses	46,087,665	32,632,795
Traveling and conveyance	10,552,560	10,288,927
	56,640,225	42,921,722
Cost of software packages and others		
For own use	3,181,976	239,389
	3,181,976	239,389

Communication expenses		
Telephone charges	13,538,615	14,923,733
Communication expenses	21,439,863	22,611,571
	34,978,478	37,535,304
Other expenses		
Office maintenance	20,329,923	14,288,210
Power and fuel	8,829,007	6,906,673
Brand building	1,122,862	14,946
Rent	79,243,749	53,910,797
Rates and taxes, excluding taxes on income	736,464	9,698
Repairs to plant and machinery	1,702,579	1,796,210
Computer maintenance	4,239,067	370,947
Consumables	1,344,587	1,082,084
Insurance charges	626,012	960,358
Marketing expenses	1,174,243	71,826
Commission charges	-	217
Printing and Stationery	1,024,787	587,694
Professional membership and seminar participation fees	91,797	161,914
Postage and courier	402,553	431,044
Provision for post-sales client support and warranties	1,033,624	(161,549)
Freight Charges	-	49,398
Provision for bad and doubtful debts and advances	9,961,448	13,193,850
Books and periodicals	622,034	659,796
Auditor's remuneration		
Statutory audit fees	1,261,310	1,198,076
Bank charges and commission	529,156	421,790
Others	325,700	(304)
	134,600,902	95,953,675

2.17 TAX EXPENSE

in ₹

	Year ended December 31,	
	2012	**2011**
Current tax		
Income taxes	28,128,490	(3,440,269)
Deferred taxes	12,310,036	(77,613,099)
	40,438,526	**(81,053,368)**

2.18 CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Commitments :		
Estimated amount of unexecuted capital contracts (net of advances and deposits)	20,538,252	30,201,672

2.19 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.

2.20 RELATED PARTY TRANSACTIONS

List of related parties:

Name of Holding Company	Country	Holding as at	
		December 31, 2012	December 31, 2011
Infosys Limited	India	100%	100%

Name of Fellow Subsidiaries	Country
Infosys BPO Limited	India
Infosys Technologies (Australia) Pty. Limited	Australia
Infosys Consulting India Limited.	USA
Infosys Technologies (China) Co. Limited	China
Infosys Technologies (Sweden) AB	Sweden
Infosys Technologies (Shanghai) Co. Limited	China
Infosys Tecnologia do Brasil Ltda	Brazil
Infosys Public Services Inc.	USA
Infosys BPO s. r. o (1)	Czech Republic
Infosys BPO (Poland) Sp Z.o.o (1)	Poland
Infosys Consulting India Limited	India
McCamish Systems LLC(1)	USA
Portland Group Pty Ltd(1)	Australia
Portland Procurement Services Pty Ltd(1)	Australia
Lodestone Holding AG	Switzerland
Lodestone Management Consultants (Canada) Inc. (2)	Canada
Lodestone Management Consultants Inc. (2)	USA
Lodestone Management Consultants Pty Limited(2)	Australia
Lodestone Management Consultants (Asia Pacific) Limited(2)(3)	Thailand
Lodestone Management Consultants AG(2)	Switzerland
Lodestone Augmentis AG(2)	Switzerland
Hafner Bauer & Ödman GmbH (2)	Switzerland
Lodestone Management Consultants (Belgium) S.A.(2)(4)	Belgium
Lodestone Management Consultants GmbH (2)	Germany
Lodestone Management Consultants Pte Ltd.(2)	Singapore
Lodestone Management Consultants SAS(2)	France
Lodestone Management Consultants s.r.o.(2)	Czech Republic
Lodestone Management Consultants GmbH(2)	Austria
Lodestone Management Consultants China Co., Ltd.(2)	China
Lodestone Management Consultants Ltd.(2)	UK
Lodestone Management Consultants B.V.(2)	Netherlands
Lodestone Management Consultants Ltda.(2)(4)	Brazil
Lodestone Management Consultants Sp. z.o.o (2)	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda.(2)	Portugal
S.C. Lodestone Management Consultants S.R.L (2)	Romania

[(1)] *Wholly owned subsidiaries of Infosys BPO.*

[(2)] *Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

[(3)] *Under liquidation*

[(4)] *Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Trade Receivables		
Infosys Limited	8,321,858	(32,060,140)
Other Receivables		
Infosys Limited	97,253	-
Trade Payables		
Infosys Limited	940,079	3,873,847
Other Payables		-
Infosys Limited	3,245	-

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	**2011**
Capital transactions:		
Financing transactions		
Infosys Limited	99,250,000	-
Revenue transactions:		
Purchase of services		
Infosys Limited	17,253,042	38,619,133
Provision for Expenses		
Infosys Limited	10,092	-
Sale of services		
Infosys Limited	137,596,037	358,171,391
Infosys BPO Limited	-	11,596,965

2.21 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 Company 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 Company'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 Company are primarily financial services and insurance (FSI) comprising enterprises providing banking, finance and insurance services, manufacturing enterprises (MFG), enterprises in the energy, utilities and telecommunication services (ECS) and retail, logistics, consumer packaged goods, life sciences and health care enterprises (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. 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 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, 2012 and December 31, 2011:

in ₹

Particulars	FSI	MFG	ECS	RCL	Total
Income from software services and products	733,673,952	194,481,915	8,874,203	667,540,529	1,604,570,599
	511,169,255	*171,937,746*	*5,426,879*	*456,649,708*	*1,145,183,588*
Identifiable operating expenses	386,030,575	95,117,727	2,644,576	336,279,635	820,072,513
	322,668,291	*83,290,622*	*2,793,205*	*241,257,199*	*650,009,317*
Allocated expenses	274,987,803	72,893,626	3,326,134	250,200,383	601,407,946
	212,701,952	*71,544,784*	*2,258,171*	*190,015,896*	*476,520,803*
Segmental operating income	72,655,573	26,470,562	2,903,493	81,060,511	183,090,140
	(24,200,988)	*17,102,340*	*375,503*	*25,376,613*	*18,653,468*
Unallocable expenses					*44,580,722*
					42,598,938
Other income					*(29,282,367)*
					32,282,660
Profit before tax					109,227,052
					8,337,190
Tax expense					*40,438,526*
					(81,053,368)
Profit for the period					68,788,526
					89,390,558

Geographic Segments

Year ended December 31, 2012 and December 31, 2011:

in ₹

Particulars	North America	Europe	India	Rest of the World	Total
Income from software services and products	*1,455,279,779*	*70,753,108*	-	*78,537,712*	1,604,570,599
	968,628,654	*36,842,850*	-	*139,712,084*	*1,145,183,588*
Identifiable operating expenses	*763,388,846*	*27,770,530*	-	*28,913,137*	820,072,513
	569,923,104	*16,215,123*	-	*63,871,090*	*650,009,317*
Allocated expenses	*545,452,362*	*26,518,921*	-	*29,436,663*	601,407,946
	403,054,767	*15,330,629*	-	*58,135,407*	*476,520,803*
Segmental operating income	146,438,571	16,463,657	-	20,187,912	183,090,140
	(4,349,217)	*5,297,098*	-	*17,705,587*	*18,653,468*
Unallocable expenses					44,580,722
					42,598,938
Other income, net					(29,282,367)
					32,282,660
Profit before tax					109,227,052
					8,337,190
Tax expense					*40,438,526*
					(81,053,368)
Profit for the period					68,788,526
					89,390,558

2.22 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS

in ₹

Statement of Profit and Loss account for the	**Year ended December 31,**	
	2012	**2011**
Income from software services and products	1,604,570,599	1,145,183,588
Software development expenses	1,226,013,722	935,525,418
GROSS PROFIT	**378,556,877**	**209,658,170**
Selling and marketing expenses	23,241,369	22,211,348
General and administration expenses	172,225,369	168,793,354
	195,466,738	191,004,702
OPERATING PROFIT BEFORE DEPRECIATION	**183,090,139**	**18,653,468**
Depreciation and amortization	44,580,721	42,598,938
OPERATING PROFIT	**138,509,418**	**(23,945,470)**
Other income	(29,282,366)	32,282,660
PROFIT BEFORE TAX	**109,227,052**	**8,337,190**
Tax expense:		
Current tax	28,128,490	(3,440,269)
Deferred tax	12,310,036	(77,613,099)
PROFIT FOR THE PERIOD	**68,788,526**	**89,390,558**

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Balashankar
Legal representative

Bangalore
January 8, 2013

To

The Members of Infosys Technologies do Brasil Ltda

Report on the Financial Statements:

We have audited the accompanying financial statement of **Infosys Technologies do Brasil Ltda** (`the Company`) which comprises the Balance Sheet as at 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Loss*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956, and;

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership No. 202841
Firm's Registration. No. 006673S

Bangalore
8th January, 2013

Infosys Tecnologia do Brasil Ltda

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	1,031,171,561	394,639,561
Reserves and surplus	2.2	(428,578,620)	(279,450,691)
		602,592,941	115,188,870
NON-CURRENT LIABILITIES			
Unsecured Loan		-	139,592,652
		-	139,592,652
CURRENT LIABILITIES			
Trade payables	2.3	2,421,051	1,332,186
Other current liabilities	2.4	166,945,553	106,234,142
Short-term provisions	2.5	36,909,801	32,902,085
		206,276,405	140,468,413
		808,869,346	**395,249,935**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.6	44,209,224	19,067,476
Capital work-in-progress		(535)	-
		44,208,689	19,067,476
Long-term loans and advances	2.8	75,745,531	56,405,085
		119,954,220	75,472,561
CURRENT ASSETS			
Trade receivables	2.9	271,549,368	155,334,306
Cash and cash equivalents	2.10	176,788,852	83,597,080
Short-term loans and advances	2.11	240,576,906	80,845,988
		688,915,126	319,777,374
		808,869,346	**395,249,935**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

Note : The notes referred to above are an integral part of the Balance Sheet

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Puneet Singh Gill
Legal Adminstator

Bangalore
January 8, 2013

in ₹ , except per share data

Statement of Profit and Loss for the	Note	Year ended December 31, 2012	Year ended December 31, 2011
Income from software services and products	2.12	1,093,935,933	720,833,618
Other income	2.13	10,906,678	(5,967,289)
Total revenue		**1,104,842,611**	**714,866,329**
Expenses			
Employee benefit expenses	2.14	961,254,257	592,552,160
Cost of technical sub-contractors	2.14	6,822,497	(10,595,735)
Travel expenses	2.14	110,679,005	54,114,177
Communication expenses	2.14	32,169,193	22,244,260
Professional charges		52,048,911	24,748,293
Depreciation and amortisation expense	2.6	15,079,775	40,168,576
Other expenses	2.14	49,408,327	81,826,280
Total expenses		**1,227,461,965**	**805,058,011**
PROFIT BEFORE INTEREST AND TAX		**(122,619,354)**	**(90,191,682)**
Interest expense		1,701,396	4,910,150
PROFIT BEFORE TAX		**(124,320,750)**	**(95,101,832)**
Tax expense:			
Current tax	2.15	-	(823,914)
PROFIT FOR THE PERIOD		**(124,320,750)**	**(94,277,918)**
EARNINGS PER EQUITY SHARE			
Shares of 1 BRL par value each			
Basic		(4.55)	(6.48)
Number of shares used in computing earnings per share			
Basic		2,72,97,814	1,45,52,726
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

Note : The notes referred to above are an integral part of the Statement of Profit and Loss.

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Puneet Singh Gill
Legal Adminstator

Bangalore
January 8, 2013

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 lifecycle encompassing technical consulting, design, development, re-engineering, maintenance, systems integration, package evaluation and implementation, testing and infrastructure management services. In addition the company also offers Business Process 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

The financial statements of the Company have been prepared on an accrual basis. Unless otherwise stated, the measurement basis used is historical cost. Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the Brazilian real.

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 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 discoun / 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 Fixed 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 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.

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, 2012

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

2.1 SHARE CAPITAL

in ₹ , except per share data

Particulars	As at	
	December 31, 2012	December 31, 2011
Authorized		
Shares of 1 BRL par value		
4,00,00,000 (1,50,00,000) shares	1,088,465,663	395,680,063
Issued, Subscribed and Paid-Up		
Shares of 1 BRL par value	1,031,171,561	394,639,561
3,80,00,000 (1,50,00,000) equity shares fully paid-up		
	1,031,171,561	**394,639,561**

The reconciliation of the number of shares outstanding and the amount of share capital as at December 31, 2012 and December 31, 2011 is set out below:

in ` except share data

Particulars	As at December 31, 2012		As at December 31, 2011	
	Number of shares	Amount	Number of shares	Amount
Number of shares at the beginning	1,50,00,000	394,639,561	1,45,16,997	38,08,69,146
Add: Shares issued during the year	23,000,000	636,532,000	483,003	13,770,415
Number of shares at the end	3,80,00,000	1,031,171,561	1,50,00,000	394,639,561

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Currency Translation	(8,082,175)	16,725,004
Surplus / (Deficit) - Opening Balance	(296,175,695)	(201,897,777)
Add: Net profit/(loss) after tax transferred from Statement of Profit and Loss	(124,320,750)	(94,277,918)
Surplus / (Deficit)- Closing Balance	**(420,496,445)**	**(296,175,695)**
	(428,578,620)	**(279,450,691)**

2.3 TRADE PAYABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade payables [1]	2,421,051	1,332,186
	2,421,051	**1,332,186**
[1] *Includes dues to holding company and fellow subsidiaries (refer to note 2.17)*	211,577	1,339,399

2.4 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Accrued salaries and benefits		
Salaries and benefits	965,319	739,910
Bonus and incentives	35,537,722	11,378,899
Other liabilities		
Provision for expenses	21,934,834	12,401,493
Withholding and other taxes payable	73,762,745	56,961,172
Other payables [1]	506	616,580
Unearned revenue	34,744,427	24,136,088
	166,945,553	**106,234,142**
[1] *Includes dues to holding company and fellow subsidiaries (refer to note 2.17)*	500	214,143

2.5 SHORT-TERM PROVISIONS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Provision for employee benefits		
Unavailed leave	36,909,801	32,902,085
	36,909,801	**32,902,085**

2.6 FIXED ASSETS

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at Jan 1, 2012	Additions during the period	Deductions/ Retirement during the period	As at December 31, 2012	As at Jan 1, 2012	For the period	Deductions ıdjustments during the period	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible assets :										
Plant and equipment	14,110,223	6,368,960	-	20,479,183	9,294,128	3,634,285	633,098	12,295,315	8,183,868	4,816,095
Office equipment	788,378	3,977	-	792,355	175,960	153,653	14,215	315,398	476,957	612,418
Computer equipment	58,836,117	8,876,876	78,857	67,634,136	56,145,242	6,018,271	3,642,521	58,520,992	9,113,144	2,690,875
Furniture and fixtures	47,396,835	18,464,383	-	65,861,218	36,448,747	5,273,566	2,296,351	39,425,963	26,435,255	10,948,088
Total	**121,131,553**	**33,714,196**	**78,857**	**154,766,892**	**102,064,077**	**15,079,775**	**6,586,185**	**110,557,668**	**44,209,224**	**19,067,476**
Previous year	**111,817,304**	**9,314,249**	**-**	**121,131,553**	**57,823,746**	**40,168,576**	**(4,071,755)**	**102,064,077**	**19,067,476**	**-**

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,	
	2012	2011
Lease rentals recognized during the period	23,486,957	21,553,824

in ₹

Lease obligations payable	As at December 31, 2012	As at December 31, 2011
Within one year of the balance sheet date	26,607,689	22,912,272
Due in a period between one year and five years	39,770,535	11,212,851
Due after five years	-	-

The operating lease arrangements, are renewable on a periodic basis and extend upto a maximum of three years from their respective dates of inception and relates 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, 2012	December 31, 2011
Unsecured, considered good		
Other loans and advances		
Advance income taxes	75,745,531	56,405,085
	75,745,531	**56,405,085**

2.9 TRADE RECEIVABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Debts outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	28,530,984	29,073,381
Less: Provision for doubtful debts	28,530,984	29,073,381
	-	-
Other debts		
Unsecured		
Considered good[(1)]	271,549,368	155,334,306
Considered doubtful	-	2,358,451
	271,549,368	157,692,757
Less: Provision for doubtful debts	-	2,358,451
	271,549,368	155,334,306
	271,549,368	**155,334,306**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.17)*	11,596,446	3,261,573

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, 2012	December 31, 2011
Cash on hand	-	-
Balances with banks		
In current and deposit accounts	176,788,852	83,597,080
	176,788,852	**83,597,080**

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

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
In current accounts		
Citibank SA	41,048,752	83,597,080
	41,048,752	83,597,080
In deposit accounts		
Citibank SA	135,740,100	-
	135,740,100	-
Total cash and cash equivalents as per Balance Sheet	**176,788,852**	**83,597,080**

2.11 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	67,504	249,035
For supply of goods and rendering of services	8,089,238	1,456,991
Withholding and other taxes receivable	11,672,302	31,071,978
Others [(1)]	5,510,039	5,360,219
	25,339,083	38,138,223
Unbilled revenues	214,558,656	41,351,257
Interest accrued but not due	583,363	-
Loans and advances to employees		
Salary advances	10,172	1,265,276
Rental deposits	85,632	91,232
	240,576,906	**80,845,988**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.17)*	500	-

2.12 INCOME FROM SOFTWARE SERVICES AND PRODUCTS

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Income from software services	1,093,935,933	720,833,618
	1,093,935,933	**720,833,618**

2.13 OTHER INCOME

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Interest received on deposits with banks and others	5,582,702	3,453,564
Miscellaneous income, net	363,762	-
Gains / (losses) on foreign currency, net	4,960,214	(9,420,853)
	10,906,678	**(5,967,289)**

2.14 EXPENSES

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	954,761,931	589,068,627
Contribution to provident and other funds	-	11,770
Staff welfare	6,492,326	3,471,763
	961,254,257	592,552,160
Cost of technical sub-contractors		
Technical sub-contractors - subsidiaries	6,822,497	(10,595,735)
Technical sub-contractors - others	-	-
	6,822,497	(10,595,735)
Travel expenses		
Overseas travel expenses	88,992,381	47,792,217
Traveling and conveyance	21,686,624	6,321,960
	110,679,005	54,114,177
Communication expenses		
Telephone charges	21,380,484	15,003,146
Communication expenses	10,788,709	7,241,114
	32,169,193	22,244,260
Other expenses		
Office maintenance	20,888,256	16,050,412
Power and fuel	831,060	605,799
Brand building	370,942	194,209
Rent	23,486,957	21,553,824
Rates and taxes, excluding taxes on income	732,249	8,508,778
Repairs to plant and machinery	2,722	10,815
Computer maintenance	702,892	850,480
Consumables	1,894,562	826,390
Insurance charges	307,178	691,462
Marketing expenses	803,069	25,511
Printing and Stationery	164,640	1,148,500
Postage and courier	1,139,832	841,342
Provision for post-sales client support and warranties	220,703	-
Freight Charges	13,068	2,191
Provision for bad and doubtful debts and advances	(2,287,545)	30,421,484
Books and periodicals	7,225	712
Bank charges and commission	130,632	93,501
Others	(115)	870
	49,408,327	81,826,280

2.15 TAX EXPENSE

in ₹

	Year ended December 31, 2012	Year ended December 31, 2011
Current tax		
Income taxes	-	(823,914)
	-	**(823,914)**

2.16 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.

2.17 RELATED PARTY TRANSACTIONS

List of related parties:

Name of Holding Company	**Holding as at**	
	December 31, 2012	**December 31, 2011**
Infosys Limited	100%	100%

Name of Fellow subsidiaries	**Country**
Infosys BPO	India
Infosys Australia	Australia
Infosys Consulting Inc.	USA
Infosys Mexico	Mexico
Infosys Sweden	Sweden
Infosys Shanghai	China
Infosys China	China
Infosys Public Services, Inc.	USA
Lodestone Holding AG	Switzerland
Infosys BPO s. r. o [(1)]	Czech Republic
Infosys BPO (Poland) Sp Z.o.o [(1)]	Poland
Infosys Consulting India Limited	India
McCamish Systems LLC [(1)]	USA
Portland Group Pty Ltd [(1)]	Australia
Portland Procurement Services Pty Ltd [(1)]	Australia
Lodestone Management Consultants (Canada) Inc. [(2)]	Canada
Lodestone Management Consultants Inc. [(2)]	USA
Lodestone Management Consultants Pty Limited [(2)]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [(2)(3)]	Thailand
Lodestone Management Consultants AG [(2)]	Switzerland
Lodestone Augmentis AG [(2)]	Switzerland
Hafner Bauer & Ödman GmbH [(2)]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [(2)(4)]	Belgium
Lodestone Management Consultants GmbH [(2)]	Germany
Lodestone Management Consultants Pte Ltd. [(2)]	Singapore
Lodestone Management Consultants SAS [(2)]	France
Lodestone Management Consultants s.r.o. [(2)]	Czech Republic
Lodestone Management Consultants GmbH [(2)]	Austria
Lodestone Management Consultants China Co., Ltd. [(2)]	China
Lodestone Management Consultants Ltd. [(2)]	UK
Lodestone Management Consultants B.V. [(2)]	Netherlands
Lodestone Management Consultants Ltda. [(2)(4)]	Brazil
Lodestone Management Consultants Sp. z.o.o [(2)]	Poland
Lodestone Management Consultants Portugal, Unipessoal, Lda. [(2)]	Portugal
S.C. Lodestone Management Consultants S.R.L. [(2)]	Romania

[(1)] *Wholly owned subsidiaries of Infosys BPO.*

[(2)] *Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

[(3)] *Under liquidation*

[(4)] *Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Short-term Loans and Advances		
Infosys Ltd	500	-
Unsecured Loans		
Infosys Limited	-	139,592,652
Trade Receivables		
Infosys Limited	11,596,446	3,261,573
Trade Payables		
Infosys Limited	211,577	1,339,399
Other Current Liabilities		
Infosys Limited	500	-

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	2011
Capital transactions:		
Financing transactions		
Infosys Limited	636,532,000	13,770,416
Loans		
Infosys Limited	(139,592,652)	139,592,652
Revenue transactions:		
Purchase of services		
Infosys Limited	6,822,496	8,655,377
Interest expense		
Infosys Limited	1,701,396	4,910,150
Sale of services		
Infosys Limited	16,432,168	16,811,014

2.18 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 Company 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 Company'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 Company are primarily financial services and insurance (FSI) comprising enterprises providing banking, finance and insurance services, manufacturing enterprises (MFG), enterprises in the energy, utilities and telecommunication services (ECS) and retail, logistics, consumer packaged goods, life sciences and health care enterprises (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. 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 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, 2012 and December 31, 2011:

in ₹

Particulars	FSI	MFG	ECS	RCL	Total
Income from software services and products	1,709,329	798,204,269	15,561,245	278,461,089	1,093,935,933
	-	*443,392,003*	*5,028,696*	*272,412,919*	*720,833,618*
Identifiable operating expenses	2,176,928	495,950,975	10,328,094	240,661,432	749,117,429
	-	*173,546,580*	*1,971,269*	*239,507,573*	*415,025,422*
Allocated expenses	723,874	338,027,026	6,589,944	117,923,917	463,264,761
	-	*215,204,872*	*2,440,729*	*132,218,412*	*349,864,013*
Segmental operating income	(1,191,473)	(35,773,731)	(1,356,793)	(80,124,260)	(118,446,257)
	-	*54,640,551*	*616,698*	*(99,313,066)*	*(44,055,817)*
Unallocable expenses					16,781,171
					45,078,726
Other income					10,906,678
					(5,967,289)
Profit before tax					(124,320,750)
					(95,101,832)
Tax expense					-
					(823,914)
Profit for the period					(124,320,750)
					(94,277,918)

Geographic Segments

Year ended December 31, 2012 and December 31, 2011:

in ₹

Particulars	North America	Europe	India	Rest of the World	Total
Income from software services and products	164,828,480	264,936,908	-	664,170,546	1,093,935,933
	73,211,469	*137,431,999*	-	*510,190,150*	*720,833,618*
Identifiable operating expenses	82,993,204	187,263,347	-	478,860,879	749,117,429
	57,654,074	*106,110,291*	-	*251,261,057*	*415,025,422*
Allocated expenses	69,802,284	112,196,637	-	281,265,840	463,264,761
	35,533,940	*66,704,035*	-	*247,626,038*	*349,864,013*
Segmental operating income	12,032,992	(34,523,077)	-	(95,956,173)	(118,446,257)
	(19,976,545)	*(35,382,327)*	-	*11,303,055*	*(44,055,817)*
Unallocable expenses					16,781,171
					45,078,726
Other income, net					10,906,678
					(5,967,289)
Profit before tax					(124,320,750)
					(95,101,832)
Tax expense					-
					(823,914)
Profit for the period					(124,320,750)
					(94,277,918)

2.19 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS

in ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	**2011**
Income from software services and products	1,093,935,933	720,833,618
Software development expenses	1,009,182,611	582,418,063
GROSS PROFIT	**84,753,322**	**138,415,555**
Selling and marketing expenses	37,657,495	16,224,976
General and administration expenses	165,542,084	166,246,396
	203,199,579	182,471,372
OPERATING PROFIT BEFORE INTEREST & DEPRECIATION	**(118,446,257)**	**(44,055,817)**
Interest	1,701,396	4,910,150
Depreciation and amortization	15,079,775	40,168,576
OPERATING PROFIT	**(135,227,428)**	**(89,134,543)**
Other income	10,906,678	(5,967,289)
PROFIT BEFORE TAX	**(124,320,750)**	**(95,101,832)**
Tax expense:		
Current tax	-	(823,914)
PROFIT FOR THE PERIOD	**(124,320,750)**	**(94,277,918)**

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Puneet Singh Gill
Legal Adminstator

Bangalore
January 8, 2013

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 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Profit*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership no. 202841
Firms regn. No. 006673s

11th January, 2013
BANGALORE

Lodestone Holding AG

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	300,347,500	300,347,500
Reserves and surplus	2.2	720,857,477	424,737,163
		1,021,204,977	725,084,663
CURRENT LIABILITIES			
Unsecured Loans	2.13 & 2.15	1,204,754,231	-
Trade payables	2.3	-	571,018
Other current liabilities	2.4	420,420	4,284,236
Short-term provisions	2.5	4,670,452	3,038,559
		1,209,845,103	7,893,813
		2,231,050,080	**732,978,476**
ASSETS			
NON-CURRENT ASSETS			
Non-current investments		404,539,318	369,243,779
Long-term loans and advances	2.6	1,123,813	770,593
		405,663,131	370,014,372
CURRENT ASSETS			
Cash and cash equivalents	2.7	93,904,689	31,708
Short-term loans and advances	2.8	1,731,482,260	362,932,396
		1,825,386,949	362,964,104
		2,231,050,080	**732,978,476**

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 1 & 2

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

M. Rathnakar Kamath
Partner
Membership No. 202841

BG Srinivas
Chairperson

Ronald Hafner
Chief Executing Officer

Stephen Pratt
Director

Venkatraman Balakrishnan
Director

Bangalore
January 11 , 2013

U.B. Pravin Rao
Director

Lodestone Holding AG

in ₹

Statement of Profit and Loss for the	Note	Year ended December 31,	
		2012	2011
Other income	2.9	754,021,776	337,235,717
Total revenue		**754,021,776**	**337,235,717**
Expenses			
Professional charges		10,595,874	2,827,365
Other expenses	2.10	50,146,965	6,656,983
Total expenses		**60,742,839**	**9,484,348**
PROFIT BEFORE INTEREST AND TAX		**693,278,937**	**327,751,369**
Interest expense		24,932,617	1,756,256
PROFIT BEFORE TAX		**668,346,320**	**325,995,113**
Tax expense:			
Current tax	2.11	1,734,641	1,206,182
PROFIT FOR THE YEAR		**666,611,679**	**324,788,931**
EARNINGS PER EQUITY SHARE			
A Equity shares of par value CHF 1000 each			
Basic		105,980	51,636
Number of A shares used in computing earnings per share			
Basic		3,350	3,350
B Equity shares of par value CHF 100 each			
Basic		10,598	5,164
Number of B shares used in computing earnings per share			
Basic		29,400	29,400
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath
Partner
Membership No. 202841

BG Srinivas
Chairperson

Ronald Hafner
Chief Executing Officer

Stephen Pratt
Director

Venkatraman Balakrishnan
Director

Bangalore
January 11 , 2013

U.B. Pravin Rao
Director

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 incorporporated on 17th August 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, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the Swiss Franc.

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 recognising 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 recognised as services are rendered.

An expected project loss is recognised 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 Fixed 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

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 in the books of Holding Company

Foreign currency transactions during the period are translated into CHF at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into CHF at the exchange rates ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

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 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, 2012

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

2.1 SHARE CAPITAL

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Issued, Subscribed and Paid-Up		
3,350 (3,350) of A equity shares of CHF 1000/- par value & 29,400 (29,400) of B equity shares of CHF 100/- par value	300,347,500	300,347,500
	300,347,500	**300,347,500**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Reserve for own share - Opening balance	43,008,658	48,705,000
Add (Less) : Transferred to (from) Surplus	(17,663,666)	(5,696,342)
	25,344,991	**43,008,658**
Currency Translation Reserve	(187,600,758)	(46,136,932)
Legal reserve - Opening balance	21,064,670	6,026,050
Add: Transferred from Surplus	12,051,900	15,038,620
	33,116,570	21,064,670
Surplus- Opening Balance	406,800,767	240,800,194
Add: Net profit after tax transferred from Statement of Profit and Loss	666,611,679	324,788,931
Add: Amount transferred to(from) Reserve for own share	(17,663,666)	(5,696,342)
Add: Transferred from Thailand subsidiary on liquidation	(17,665,588)	-
Amount available for appropriation	1,073,410,525	571,285,467
Appropriations:		
Final dividend	211,361,951	149,446,080
Amount transferred to legal reserve	12,051,900	15,038,620
Surplus- Closing Balance	**849,996,674**	**406,800,767**
	720,857,477	**424,737,163**

2.3 TRADE PAYABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade payables	-	571,018
	-	**571,018**

2.4 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Accrued salaries and benefits		
Other liabilities		
Provision for expenses	420,420	4,284,236
	420,420	**4,284,236**

2.5 SHORT-TERM PROVISIONS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Provision for Income taxes	4,670,452	3,038,559
	4,670,452	**3,038,559**

2.6 LONG-TERM LOANS AND ADVANCES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Other loans and advances		
Advance income taxes	1,123,813	770,593
	1,123,813	**770,593**

2.7 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Balances with banks		
In current accounts	93,904,689	31,708
	93,904,689	**31,708**

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

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
In current accounts		
UBS AG (CHF)	93,498,371	19,675
UBS AG (EURO)	399.209	12.866
UBS AG (USD)	7,108	(833)
	93,904,688	31,708
Total bank balances	**93,904,688**	**31,708**

2.8 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Unsecured, considered good		
Loans to subsidiary (*refer to note 2.13)*	1,729,939,515	354,279,960
Others		
Advances		
Prepaid expenses	-	199,735
Withholding and other taxes receivable	1,543,487	354,845
Others	(742)	8,097,856
	1,731,482,260	**362,932,396**

2.9 OTHER INCOME

in ₹

Particulars	Year ended December 31,	
	2012	2011
Interest received on deposits with banks and others	38,147,455	15,418,821
Dividend received from subsidiary	700,566,000	318,840,000
Miscellaneous income, net	17,545,639	1,027,321
Gains / (losses) on foreign currency, net	(2,237,318)	1,949,575
	754,021,776	**337,235,717**

2.10 EXPENSES

in ₹

Particulars	Year ended December 31,	
	2012	2011
Other expenses		
Auditor's remuneration		
Statutory audit fees	3,328,203	1,388,660
Bank charges and commission	154,161	72,341
Others	46,664,601	5,195,982
	50,146,965	6,656,983

2.11 TAX EXPENSE

in ₹

	Year ended December 31,	
	2012	2011
Current tax		
Income taxes	1,734,641	1,206,182
	1,734,641	**1,206,182**

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 Related Party	Country	Holding as at	
		December 31, 2012	December 31, 2011
Infosys Limited[1]	India	100%	0%

[1] *Holding of Lodestone Holding AG from October 22, 2012*

Name of Fellow subsidiaries	Country
Infosys BPO [1]	India
Infosys Australia [1]	Australia
Infosys Consulting Inc [1]	USA
Infosys Mexico [1]	Mexico
Infosys Sweden [1]	Sweden
Infosys Shanghai [1]	China
Infosys Brasil [1]	Brazil
Infosys Public Services, Inc. [1]	USA
Infosys Consulting India Limited [1]	India
Infosys BPO s. r. o [2]	Czech Republic
Infosys BPO (Poland) Sp Z.o.o [2]	Poland
McCamish Systems LLC [2]	USA
Portland Group Pty Ltd[2]	Australia
Portland Procurement Services Pty Ltd[2]	Australia
Lodestone Management Consultants (Canada) Inc. [3]	Canada
Lodestone Management Consultants Inc. [3]	USA
Lodestone Management Consultants Pty Limited [3]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [3][4]	Thailand
Lodestone Management Consultants AG [3]	Switzerland
Lodestone Augmentis AG [3]	Switzerland
Hafner Bauer & Ödman GmbH [3]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [3][5]	Belgium
Lodestone Management Consultants GmbH [3]	Germany
Lodestone Management Consultants Pte Ltd. [3]	Singapore
Lodestone Augmentis Ltd[3][4]	Singapore
Lodestone Management Consultants SAS [3]	France
Lodestone Management Consultants s.r.o. [3]	Czech Republic
Lodestone Management Consultants GmbH [3]	Austria
Lodestone Management Consultants China Co., Ltd. [3]	China
Lodestone Management Consultants Ltd. [3]	UK
Lodestone Management Consultants B.V. [3]	Netherlands
Lodestone Management Consultants Ltda. [3][5]	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

[1] *Wholly owned subsidiaries of Infosys Limited.*

[2] *Wholly owned subsidiaries of Infosys BPO.*

[3] *Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

[4] *Under liquidation*

[5] *Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured Loans		
Infosys Limited	1,204,754,231	-
Loans and advances to subsidiaries		
Lodestone Management Consultants (Canada) Inc.	1,676,657	-
Lodestone Management Consultants Inc.	322,694,838	214,850,509
Lodestone Management Consultants Pty Limited	386,549,803	122,744,447
Lodestone Management Consultants (Asia Pacific) Limited	-	26,931,208
Lodestone Management Consultants AG	154,910,903	(289,626,749)
Lodestone Management Consultants (Belgium) S.A.	62,995,434	-
Lodestone Management Consultants Pte Ltd.	288,708,687	123,488,076
Lodestone Management Consultants GmbH Austria	17,330,987	-
Lodestone Management Consultants Ltd.	154,715,057	68,778,831
Lodestone Management Consultants B.V.	58,397,689	-
Lodestone Management Consultants Ltda.	277,516,520	29,288,731
Lodestone Management Consultants Sp. z.o.o.	-	28,272,850
S.C. Lodestone Management Consultants S.R.L.	4,442,940	22,851,270
FX Valuation on above	-	6,700,787

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	2011
Capital transactions:		
Revenue transactions:		
Dividend Income		
Lodestone Management Consultants AG	700,566,000	318,840,000
Interest Income		
Lodestone Management Consultants Pty Limited	13,606,674	5,187,649
Lodestone Management Consultants Ltda.	6,824,608	230,474
Lodestone Management Consultants Ltd.	3,394,048	1,869,764
Lodestone Management Consultants Sp. z.o.o.	123,608	132,536
S.C. Lodestone Management Consultants S.R.L.	1,009,016	1,016,284
Lodestone Management Consultants Pte Ltd.	5,608,459	2,268,295
Lodestone Management Consultants (Asia Pacific) Limited	427,846	1,200,610
Lodestone Management Consultants Inc.	5,259,821	3,218,123
Lodestone Management Consultants GmbH Austria	279,081	-
Lodestone Management Consultants (Belgium) S.A.	1,028,647	-
Lodestone Management Consultants B.V.	425,443	-
Interest expense		
Infosys Limited	3,546,537	-
Lodestone Management Consultants AG	21,386,080	591,966

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 ₹1,201,207,694 as unsecured loans from Infosys Limited, at an interest rate of 6.0% per annum for expansion of business operations. The loan is repayable within one year from the date of disbursement at the discretion of the company.

2.15 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS

in ₹

Statement of Profit and Loss account for the	Year ended December 31, 2012	Year ended December 31, 2011
General and administration expenses	60,742,839	9,484,348
OPERATING PROFIT BEFORE INTEREST	**(60,742,839)**	**(9,484,348)**
Interest	24,932,617	1,756,256
OPERATING PROFIT	**(85,675,456)**	**(11,240,604)**
Other income	754,021,776	337,235,717
PROFIT BEFORE TAX	**668,346,320**	**325,995,113**
Tax expense:		
Current tax	1,734,641	1,206,182
PROFIT FOR THE YEAR	**666,611,679**	**324,788,931**

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

M. Rathnakar Kamath
Partner
Membership No. 202841

BG Srinivas
Chairperson

Ronald Hafner
Chief Executing Officer

Stephen Pratt
Director

Venkatraman Balakrishnan
Director

Bangalore
January 11 , 2013

U.B. Pravin Rao
Director

To

The Members of Hafner Bauer & Odman GmbH

Report on the Financial Statements:

We have audited the accompanying financial statement of **Hafner Bauer & Odman GmbH** (`the Company`) which comprises the Balance Sheet as at 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Loss*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership no. 202841
Firms regn. No. 006673s

11th January, 2013
BANGALORE

Hafner Bauer & Ödman GmbH

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	2,292,000	2,292,000
Reserves and surplus	2.2	(1,165,263)	(1,229,462)
		1,126,737	**1,062,538**
ASSETS			
NON-CURRENT ASSETS			
Deferred tax assets	2.3	15,964	9,710
Long-term loans and advances	2.4	727	2,011
		16,691	11,721
CURRENT ASSETS			
Cash and cash equivalents	2.5	1,110,046	1,050,817
		1,110,046	1,050,817
		1,126,737	**1,062,538**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Ronald Hafner
Partner

Jürgen Bauer
Partner

Peter Ödman
Partner

Bangalore
January 11 , 2013

Hafner Bauer & Ödman GmbH

in ₹

Statement of Profit and Loss for the	Note	Year ended December 31,	
		2012	**2011**
Other income	2.6	646	1,238
Total revenue		**646**	**1,238**
Expenses			
Other expenses	2.7	4,769	4,410
Total expenses		**4,769**	**4,410**
PROFIT BEFORE TAX		**(4,123)**	**(3,172)**
Tax expense:			
Current tax	2.8	4,372	8,343
Deferred tax	2.8	(5,444)	(9,136)
PROFIT FOR THE YEAR		**(3,051)**	**(2,379)**
EARNINGS PER EQUITY SHARE			
Equity shares of par value CHF 100 each			
Basic		(6)	(5)
Number of shares used in computing earnings per share			
Basic		480	480
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath	Ronald Hafner	Jürgen Bauer
Partner	*Partner*	*Partner*
Membership No. 202841		
Bangalore	Peter Ödman	
January 11 , 2013	*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 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, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the Swiss Franc.

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 recognising 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 recognised as services are rendered.

An expected project loss is recognised 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 Fixed 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

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 in the books of Holding Company

Foreign currency transactions during the period are translated into CHF at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated intoCHF at the exchange rates ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

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 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, 2012

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

2.1 SHARE CAPITAL

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Issued, Subscribed and Paid-Up		
480 (480) equity shares of CHF 100/- par value	2,292,000	2,292,000
	2,292,000	**2,292,000**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Currency Translation Reserve	231,745	164,495
Legal Reserve - Opening balance	6,685	6,685
Add: Transferred from Surplus	-	-
	6,685	6,685
Surplus- Opening Balance	(1,400,642)	(1,398,263)
Add: Net profit after tax transferred from Statement of Profit and Loss	(3,051)	(2,379)
Surplus- Closing Balance	**(1,403,693)**	**(1,400,642)**
	(1,165,263)	**(1,229,462)**

2.3 DEFERRED TAXES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Deferred tax asset		
Accumulated Losses	15,964	9,710
	15,964	**9,710**

2.4 LONG-TERM LOANS AND ADVANCES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Other loans and advances		
Advance income taxes	727	2,011
	727	**2,011**

2.5 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Cash on hand	-	-
Balances with banks		
In current accounts	1,110,046	1,050,817
	1,110,046	**1,050,817**

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

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
In current accounts		
UBS AG (CHF)	1,110,046	1,050,817
	1,110,046	1,050,817
Total bank balances	**1,110,046**	**1,050,817**

2.6 OTHER INCOME

in ₹

Particulars	**Year ended December 31,**	
	2012	**2011**
Interest received on deposits with banks and others	646	1,238
	646	**1,238**

2.7 EXPENSES

in ₹

Particulars	**Year ended December 31,**	
	2012	**2011**
Other expenses		
Bank charges and commission	4,769	4,410
	4,769	4,410

2.8 TAX EXPENSE

in ₹

	Year ended December 31,	
	2012	**2011**
Current tax		
Income taxes	4,372	8,343
Deferred taxes	(5,444)	(9,136)
	(1,072)	**(793)**

2.9 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.

2.10 RELATED PARTY TRANSACTIONS

List of related parties:

Name of Related Party	Country	Holding as at	
		December 31, 2012	December 31, 2011
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 [1]	India
Infosys Australia [1]	Australia
Infosys Consulting Inc [1]	USA
Infosys Mexico [1]	Mexico
Infosys Sweden [1]	Sweden
Infosys Shanghai [1]	China
Infosys Brasil [1]	Brazil
Infosys Public Services, Inc. [1]	USA
Infosys Consulting India Limited [1]	India
Infosys BPO s. r. o [2]	Czech Republic
Infosys BPO (Poland) Sp Z.o.o [2]	Poland
McCamish Systems LLC [2]	USA
Portland Group Pty Ltd[2]	Australia
Portland Procurement Services Pty Ltd[2]	Australia
Lodestone Management Consultants (Canada) Inc. [3]	Canada
Lodestone Management Consultants Inc. [3]	USA
Lodestone Management Consultants Pty Limited [3]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [3][4]	Thailand
Lodestone Management Consultants AG [3]	Switzerland
Lodestone Augmentis AG [3]	Switzerland
Hafner Bauer & Ödman GmbH [3]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [3][5]	Belgium
Lodestone Management Consultants GmbH [3]	Germany
Lodestone Management Consultants Pte Ltd. [3]	Singapore
Lodestone Augmentis Ltd[3][4]	Singapore
Lodestone Management Consultants SAS [3]	France
Lodestone Management Consultants s.r.o. [3]	Czech Republic
Lodestone Management Consultants GmbH [3]	Austria
Lodestone Management Consultants China Co., Ltd. [3]	China
Lodestone Management Consultants Ltd. [3]	UK
Lodestone Management Consultants B.V. [3]	Netherlands
Lodestone Management Consultants Ltda. [3][5]	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

[1] *Wholly owned subsidiaries of Infosys Limited.*

[2] *Wholly owned subsidiaries of Infosys BPO.*

[3] *Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

[4] *Under liquidation*

[5] *Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

2.11 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"

2.12 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS

in ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	**2011**
General and administration expenses	4,769	4,410
OPERATING PROFIT	**(4,769)**	**(4,410)**
Other income	646	1,238
PROFIT BEFORE TAX	**(4,123)**	**(3,172)**
Tax expense:		
Current tax	4,372	8,343
Deferred tax	(5,444)	(9,136)
PROFIT FOR THE YEAR	**(3,051)**	**(2,379)**

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Ronald Hafner
Partner

Jürgen Bauer
Partner

Bangalore
January 11 , 2013

Peter Ödman
Partner

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 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Profit*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership no. 202841
Firms regn. No. 006673s

11th January, 2013
BANGALORE

Lodestone Augmentis AG

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	4,775,000	4,775,000
Reserves and surplus	2.2	3,487,480	260,096
		8,262,480	5,035,096
CURRENT LIABILITIES			
Trade payables	2.3	(5,342,558)	3,520,778
Other current liabilities	2.4	5,365,569	6,443,960
Short-term provisions	2.5	1,021,811	(116,998)
		1,044,822	9,847,740
		9,307,302	**14,882,836**
ASSETS			
NON-CURRENT ASSETS			
Long-term loans and advances	2.6	276	76
		276	76
CURRENT ASSETS			
Trade receivables	2.7	5,630,805	14,085,952
Cash and cash equivalents	2.8	3,614,671	126,070
Short-term loans and advances	2.9	61,550	670,738
		9,307,026	14,882,760
		9,307,302	**14,882,836**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

As per our report attached

for Shenoy & Kamath

Chartered Accountants

Firm's Registration Number:006673S

M. Rathnakar Kamath	Ronald Hafner	Rolf Schläpfer	Andrea Bertschinger
Partner	*Chief Executing Officer*	*Chief Financial Officer*	*Head of Finance*
Membership No. 202841			
Bangalore	Yvonne Felice Fernandez	Monika Fehr	
January 11 , 2013	*Chief Human Relations Officer*	*Global Mobility Manager*	

Lodestone Augmentis AG

in ₹

Statement of Profit and Loss for the	Note	Year ended December 31, 2012	Year ended December 31, 2011
Income from Consultancy services	2.10	24,445,971	13,252,966
Other income	2.11	(34,747)	(7,180)
Total revenue		**24,411,224**	**13,245,786**
Expenses			
Employee benefit expenses	2.12	18,624,144	10,974,079
Cost of technical sub-contractors	2.12	-	-
Travel expenses	2.12	1,537,068	1,433,294
Cost of software packages and others	2.12	-	-
Communication expenses	2.12	171,546	58,195
Professional charges		243,596	289,595
Other expenses	2.12	146,001	130,147
Total expenses		**20,722,355**	**12,885,310**
PROFIT BEFORE INTEREST AND TAX		**3,688,869**	**360,476**
Interest expense		1,819	454
PROFIT BEFORE TAX		**3,687,050**	**360,022**
Tax expense:			
Current tax	2.13	916,929	29,517
Deferred tax	2.13	41,704	-
PROFIT FOR THE YEAR		**2,728,417**	**330,505**
EARNINGS PER EQUITY SHARE			
Equity shares of par value CHF 100 each			
Basic		2,728	331
Number of shares used in computing earnings per share			
Basic		1,000	1,000
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath	Ronald Hafner	Rolf Schläpfer	Andrea Bertschinger
Partner	*Chief Executing Officer*	*Chief Financial Officer*	*Head of Finance*
Membership No. 202841			
Bangalore	Yvonne Felice Fernandez	Monika Fehr	
January 11 , 2013	*Chief Human Relations Officer*	*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 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, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the Swiss Franc.

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 recognising 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 recognised as services are rendered.

An expected project loss is recognised 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 Fixed 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

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 in the books of Holding Company

Foreign currency transactions during the period are translated into CHF at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated intoCHF at the exchange rates ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

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 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, 2012

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

2.1 SHARE CAPITAL

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Issued, Subscribed and Paid-Up		
1000 (1000) equity shares of CHF 100/- par value	4,775,000	4,775,000
	4,775,000	**4,775,000**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Currency Translation Reserve	1,243,708	744,741
Surplus- Opening Balance	(484,645)	(815,150)
Add: Net profit after tax transferred from Statement of Profit and Loss	2,728,417	330,505
Surplus- Closing Balance	**2,243,772**	**(484,645)**
	3,487,480	**260,096**

2.3 TRADE PAYABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade payables [(1)]	(5,342,558)	3,520,778
	(5,342,558)	**3,520,778**
[(1)] *Includes dues to holding company and fellow subsidiaries (refer to note 2.15)*	(5,127,089)	3,561,727

2.4 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Accrued salaries and benefits		
Bonus and incentives	-	451,840
Other liabilities		
Provision for expenses	591,720	428,441
Withholding and other taxes payable	4,773,849	5,478,399
Other payables	-	85,280
	5,365,569	**6,443,960**

2.5 SHORT-TERM PROVISIONS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Provision for employee benefits		
Unavailed leave	-	(116,998)
Provision for Income taxes	1,021,811	-
	1,021,811	**(116,998)**

2.6 LONG-TERM LOANS AND ADVANCES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Advance income taxes	276	76
	276	**76**

2.7 TRADE RECEIVABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Other debts		
Unsecured		
Considered good[(1)]	5,630,805	14,085,952
Considered doubtful	-	-
	5,630,805	14,085,952
Less: Provision for doubtful debts	-	-
	5,630,805	14,085,952
	5,630,805	**14,085,952**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.15)*	5,630,805	14,085,952

2.8 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Balances with banks		
In current accounts	3,614,671	126,070
	3,614,671	**126,070**

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

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
In current accounts		
UBS AG (CHF)	3,614,671	126,070
	3,614,671	126,070
Total bank balnces	**3,614,671**	**126,070**

2.9 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	61,550	670,738
	61,550	**670,738**

2.10 INCOME FROM CONSULTANCY SERVICES

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Income from consultancy services	24,445,971	13,252,966
	24,445,971	**13,252,966**

2.11 OTHER INCOME

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Interest received on deposits with banks and others	800	35,676
Gains / (losses) on foreign currency, net	(35,547)	(42,856)
	(34,747)	**(7,180)**

2.12 EXPENSES

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	18,617,482	17,849,915
Staff welfare	6,662	(6,875,836)
	18,624,144	10,974,079
Travel expenses		
Overseas travel expenses	1,537,068	1,433,294
Traveling and conveyance	-	-
	1,537,068	1,433,294
Communication expenses		
Telephone charges	171,546	58,195
	171,546	58,195
Other expenses		
Rent	104,672	-
Bank charges and commission	12,341	7,654
Others	28,988	122,493
	146,001	130,147

2.13 TAX EXPENSE

in ₹

	Year ended December 31, 2012	Year ended December 31, 2011
Current tax		
Income taxes	916,929	29,517
Deferred taxes	41,704	-
	958,633	**29,517**

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 Related Party	Country	Holding as at	
		December 31, 2012	December 31, 2011
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 (1)	India
Infosys Australia (1)	Australia
Infosys Consulting Inc (1)	USA
Infosys Mexico (1)	Mexico
Infosys Sweden (1)	Sweden
Infosys Shanghai (1)	China
Infosys Brasil (1)	Brazil
Infosys Public Services, Inc. (1)	USA
Infosys Consulting India Limited (1)	India
Infosys BPO s. r. o (2)	Czech Republic
Infosys BPO (Poland) Sp Z.o.o (2)	Poland
McCamish Systems LLC (2)	USA
Portland Group Pty Ltd(2)	Australia
Portland Procurement Services Pty Ltd(2)	Australia
Lodestone Management Consultants (Canada) Inc. (3)	Canada
Lodestone Management Consultants Inc. (3)	USA
Lodestone Management Consultants Pty Limited (3)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (3)(4)	Thailand
Lodestone Management Consultants AG (3)	Switzerland
Lodestone Augmentis AG (3)	Switzerland
Hafner Bauer & Ödman GmbH (3)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (3)(5)	Belgium
Lodestone Management Consultants GmbH (3)	Germany
Lodestone Management Consultants Pte Ltd. (3)	Singapore
Lodestone Augmentis Ltd(3)(4)	Singapore
Lodestone Management Consultants SAS (3)	France
Lodestone Management Consultants s.r.o. (3)	Czech Republic
Lodestone Management Consultants GmbH (3)	Austria
Lodestone Management Consultants China Co., Ltd. (3)	China
Lodestone Management Consultants Ltd. (3)	UK
Lodestone Management Consultants B.V. (3)	Netherlands
Lodestone Management Consultants Ltda. (3)(5)	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

(1) Wholly owned subsidiaries of Infosys Limited.

(2) Wholly owned subsidiaries of Infosys BPO.

(3) Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012

(4) Under liquidation

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

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade Receivables		
Lodestone Management Consultants AG	5,630,805	10,700,133
Lodestone Management Consultants Ltd.	-	3,385,819
Trade Payables		
Lodestone Management Consultants AG	(5,196,288)	3,479,485
Lodestone Management Consultants Sp. z.o.o.	15,059	36,693
FX Valuation on above	54,140	45,549
	-	-

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	2011
Capital transactions:		
Revenue transactions:		
Sale of shared services including facilities and personnel		
Lodestone Management Consultants AG	24,445,971	10,067,370
Lodestone Management Consultants Ltd.	-	3,185,595

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 ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	**2011**
Income from consultancy services	24,445,971	13,252,966
Cost of Services	20,286,057	12,341,403
GROSS PROFIT	**4,159,914**	**911,563**
General and administration expenses	436,298	543,907
	436,298	543,907
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	**3,723,616**	**367,656**
Interest	1,819	454
OPERATING PROFIT	**3,721,797**	**367,202**
Other income	(34,747)	(7,180)
PROFIT BEFORE TAX	**3,687,050**	**360,022**
Tax expense:		
Current tax	916,929	29,517
Deferred tax	41,704	-
PROFIT FOR THE YEAR	**2,728,417**	**330,505**

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

M. Rathnakar Kamath	Ronald Hafner	Rolf Schläpfer	Andrea Bertschinger
Partner	*Chief Executing Officer*	*Chief Financial Officer*	*Head of Finance*
Membership No. 202841			
Bangalore	Yvonne Felice Fernandez	Monika Fehr	
January 11 , 2013	*Chief Human Relations Officer*	*Global Mobility Manager*	

To

The Members of Lodestone Augmentis Ltd,

Report on the Financial Statements:

We have audited the accompanying financial statement of **Lodestone Augmentis Ltd,** (`the Company`) which comprises the Balance Sheet as at 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Profit*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership no. 202841
Firms regn. No. 006673s

11th January, 2013
BANGALORE

Lodestone Augmentis Ltd.

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	-	1,941,576
Reserves and surplus	2.2	20,252	(3,009,686)
		20,252	(1,068,110)
CURRENT LIABILITIES			
Trade payables	2.4	-	25,273,687
Other current liabilities	2.5	-	25,347,944
Short-term provisions	2.6	-	572,175
		-	51,193,806
		20,252	**50,125,696**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	-	1,097,486
		-	1,097,486
Deferred tax assets	2.3	-	636,817
		-	1,734,303
CURRENT ASSETS			
Trade receivables	2.8	-	42,089,246
Cash and cash equivalents	2.9	-	4,553,662
Short-term loans and advances	2.10	20,252	1,748,485
		20,252	48,391,393
		20,252	**50,125,696**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Peter Ödman
Director

Rolf Schlapfer
Director

Bangalore
January 11 , 2013

Mark Easton
Director

Lodestone Augmentis Ltd.

in ₹

Statement of Profit and Loss for the	Note	Year ended December 31,	
		2012	**2011**
Income from Consultancy services	2.11	32,317,384	112,022,616
Other income	2.12	4,544,103	250,645
Total revenue		**36,861,487**	**112,273,261**
Expenses			
Employee benefit expenses	2.13	16,322,758	47,555,217
Cost of technical sub-contractors	2.13	13,538,734	47,960,361
Travel expenses	2.13	573,255	2,617,445
Communication expenses	2.13	64,181	-
Professional charges		6,059,865	16,788,588
Depreciation and amortisation expense	2.7	115,371	295,983
Other expenses	2.13	151,797	395,309
Total expenses		**36,825,961**	**115,612,903**
PROFIT BEFORE TAX		**35,526**	**(3,339,642)**
Tax expense:			
Deferred tax	2.14	-	(599,159)
PROFIT FOR THE YEAR		**35,526**	**(2,740,483)**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath	Peter Ödman	Rolf Schlapfer
Partner	*Director*	*Director*
Membership No. 202841		
Bangalore	Mark Easton	
January 11 , 2013	*Director*	

Significant accounting policies and notes on accounts

Company overview

Lodestone Augmentis 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

Lodestone Augmentis Ltd. 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 the Singapore Dollar.

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 recognising 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 recognised as services are rendered.

An expected project loss is recognised 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 Fixed 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

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 in the books of Holding Company

Foreign currency transactions during the period are translated into CHF at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated intoCHF at the exchange rates ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

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, 2012

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

2.1 SHARE CAPITAL

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Issued, Subscribed and Paid-Up		
50,000 SGD	-	1,941,576
	-	**1,941,576**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Currency Translation Reserve	(581,034)	(269,203)
Surplus- Opening Balance	(2,740,483)	-
Add: Net profit after tax transferred from Statement of Profit and Loss	35,526	(2,740,483)
Less : Amount trfd to Lodestone Management Consultants Pte Ltd.	(3,306,243)	-
Amount available for appropriation	601,286	(2,740,483)
Surplus- Closing Balance	**601,286**	**(2,740,483)**
	20,252	**(3,009,686)**

2.3 DEFERRED TAXES

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Deferred tax assets		
Accumulated Losses	-	636,817
	-	**636,817**

2.4 TRADE PAYABLES

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Trade payables [(1)]	-	25,273,687
	-	**25,273,687**
[(1)] *Includes dues to holding company and fellow subsidiaries (refer to note 2.16)*	-	20,040,355

2.5 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Accrued salaries and benefits		
Salaries and benefits	-	6,695
Bonus and incentives	-	3,202,418
Other liabilities		
Provision for expenses	-	15,803,676
Withholding and other taxes payable	-	5,314,626
Unearned revenue	-	1,020,529
	-	**25,347,944**

2.6 SHORT-TERM PROVISIONS

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Provision for employee benefits		
Unavailed leave	-	572,175
	-	**572,175**

2.7 FIXED ASSETS

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at Jan 1, 2012	Additions during the year	Deductions/ Retirement during the year	As at December 31, 2012	As at Jan 1, 2012	For the year	Deductions/ adjustment during the year	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible assets :										
Computer equipment	1,425,132	-	1,425,132	-	327,646	115,371	443,017	-	-	1,097,486
Total	**1,425,132**	**-**	**1,425,132**	**-**	**327,646**	**115,371**	**443,017**	**-**	**-**	**1,097,486**
Previous year	-	**1,425,132**	-	**1,425,132**	-	**295,983**	**(31,663)**	**327,646**	**1,097,486**	

2.8 TRADE RECEIVABLES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Other debts		
Unsecured		
Considered good[(1)]	-	42,089,246
Considered doubtful	-	-
	-	42,089,246
Less: Provision for doubtful debts	-	-
	-	42,089,246
	-	**42,089,246**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.16)*	-	8,353,935

2.9 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Balances with banks		
In current accounts	-	4,553,662
	-	**4,553,662**

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

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
In current accounts		
Citibank (SGD)	-	4,423,590
Citibank (USD)	-	130,072
	-	4,553,662
Total bank balances	**-**	**4,553,662**

2.10 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	-	1,748,485
Others	9,001	-
	9,001	1,748,485
Rental deposits	11,251	-
	20,252	**1,748,485**

2.11 INCOME FROM CONSULTANCY SERVICES

in ₹

Particulars	Year ended December 31, 2012	2011
Income from consultancy services	32,317,384	112,022,616
	32,317,384	**112,022,616**

2.12 OTHER INCOME

in ₹

Particulars	Year ended December 31, 2012	2011
Interest received on deposits with banks and others	2,405	2,254
Miscellaneous income, net	4,644,098	-
Gains / (losses) on foreign currency, net	(102,400)	248,391
	4,544,103	**250,645**

2.13 EXPENSES

in ₹

Particulars	Year ended December 31, 2012	2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	16,296,055	47,517,206
Staff welfare	26,703	38,011
	16,322,758	47,555,217
Cost of technical sub-contractors		
Technical sub-contractors - subsidiaries	119,641	-
Technical sub-contractors - others	13,419,093	47,960,361
	13,538,734	47,960,361
Travel expenses		
Overseas travel expenses	573,255	2,617,445
	573,255	2,617,445
Communication expenses		
Telephone charges	64,181	-
	64,181	-
Other expenses		
Repairs to plant and machinery	28,242	-
Insurance charges	29,354	80,662
Marketing expenses	16,996	44,431
Printing and Stationery	9,882	3,755
Postage and courier	4,585	-
Auditor's remuneration		
Statutory audit fees	39,880	110,759
Bank charges and commission	22,858	157,965
Others	-	(2,263)
	151,797	395,309

2.14 TAX EXPENSE

in ₹

	Year ended December 31, 2012	2011
Current tax		
Deferred taxes	-	(599,159)

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 Related Party	Country	Holding as at	
		December 31, 2012	December 31, 2011
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 [(1)]	India
Infosys Australia [(1)]	Australia
Infosys Consulting Inc [(1)]	USA
Infosys Mexico [(1)]	Mexico
Infosys Sweden [(1)]	Sweden
Infosys Shanghai [(1)]	China
Infosys Brasil [(1)]	Brazil
Infosys Public Services, Inc. [(1)]	USA
Infosys Consulting India Limited [(1)]	India
Infosys BPO s. r. o [(2)]	Czech Republic
Infosys BPO (Poland) Sp Z.o.o [(2)]	Poland
McCamish Systems LLC [(2)]	USA
Portland Group Pty Ltd[(2)]	Australia
Portland Procurement Services Pty Ltd[(2)]	Australia
Lodestone Management Consultants (Canada) Inc. [(3)]	Canada
Lodestone Management Consultants Inc. [(3)]	USA
Lodestone Management Consultants Pty Limited [(3)]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [(3)(4)]	Thailand
Lodestone Management Consultants AG [(3)]	Switzerland
Lodestone Augmentis AG [(3)]	Switzerland
Hafner Bauer & Ödman GmbH [(3)]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [(3)(5)]	Belgium
Lodestone Management Consultants GmbH [(3)]	Germany
Lodestone Management Consultants Pte Ltd. [(3)]	Singapore
Lodestone Augmentis Ltd[(3)(4)]	Singapore
Lodestone Management Consultants SAS [(3)]	France
Lodestone Management Consultants s.r.o. [(3)]	Czech Republic
Lodestone Management Consultants GmbH [(3)]	Austria
Lodestone Management Consultants China Co., Ltd. [(3)]	China
Lodestone Management Consultants Ltd. [(3)]	UK
Lodestone Management Consultants B.V. [(3)]	Netherlands
Lodestone Management Consultants Ltda. [(3)(5)]	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

[(1)] Wholly owned subsidiaries of Infosys Limited.

[(2)] Wholly owned subsidiaries of Infosys BPO.

[(3)] Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012

[(4)] Under liquidation

[(5)] Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Trade Receivables		
Lodestone Management Consultants Pte Ltd.	-	8,353,935
Trade Payables		
Lodestone Management Consultants Pte Ltd.	-	20,040,355

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	**2011**
Capital transactions:		
Revenue transactions:		
Purchase of shared services including facilities and personnel		
Lodestone Management Consultants Pte Ltd.	-	825,088
Sale of services		
Lodestone Management Consultants Pte Ltd.	4,908,311	5,603,973

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 ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	2011
Income from consultancy services	32,317,384	112,022,616
Cost of services	29,211,722	97,522,129
GROSS PROFIT	**3,105,662**	**14,500,487**
Selling and marketing expenses	16,996	44,431
General and administration expenses	7,481,872	17,750,360
	7,498,868	17,794,791
OPERATING PROFIT BEFORE DEPRECIATION	**(4,393,206)**	**(3,294,304)**
Depreciation and amortization	115,371	295,983
OPERATING PROFIT	**(4,508,577)**	**(3,590,287)**
Other income	4,544,103	250,645
PROFIT BEFORE TAX	**35,526**	**(3,339,642)**
Tax expense:		
Deferred tax	-	(599,159)
PROFIT FOR THE YEAR	**35,526**	**(2,740,483)**

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Peter Ödman
Director

Rolf Schlapfer
Director

Bangalore
January 11 , 2013

Mark Easton
Director

To

The Members of Lodestone Management Consultants (Asia Pacific) Limited

Report on the Financial Statements:

We have audited the accompanying financial statement of **Lodestone Management Consultants (Asia Pacific) Limited** (`the Company`) which comprises the Balance Sheet as at 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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:

Attention of the members is invited to Clause No. 1.2 of notes to accounts, which deals with Basis of preparation of financial statements wherein it is stated that the financial statements have not been prepared on a going concern basis;

Subject to the above, 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Loss*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership no. 202841
Firms regn. No. 006673s

11th January, 2013
BANGALORE

Lodestone Management Consultants (Asia Pacific) Limited

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	-	4,836,044
Reserves and surplus	2.2	-	(17,751,143)
		-	(12,915,099)
CURRENT LIABILITIES			
Unsecured Loans		-	26,926,931
Trade payables	2.3	-	3,591,442
Other current liabilities	2.4	-	139,033
		-	30,657,406
		-	**17,742,307**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.5	-	78,394
		-	78,394
Non-current investments		-	(5,024,792)
Long-term loans and advances	2.6	-	1,938,941
		-	(3,007,457)
CURRENT ASSETS			
Trade receivables	2.7	-	18,484,738
Cash and cash equivalents	2.8	-	3,769
Short-term loans and advances	2.9	-	2,261,257
		-	20,749,764
		-	**17,742,307**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Rolf Schlapfer
Director

Mark Easton
Director

Bangalore
January 11 , 2013

Lodestone Management Consultants (Asia Pacific) Limited

in ₹

Statement of Profit and Loss for the	Note	Year ended december 31,	
		2012	2011
Income from Consultancy services	2.10	-	2,035,437
Other income	2.11	11,026,056	(132,930)
Total revenue		**11,026,056**	**1,902,507**
Expenses			
Employee benefit expenses	2.12	-	7,578,660
Cost of technical sub-contractors	2.12	-	2,428,218
Travel expenses	2.12	-	1,038,224
Communication expenses	2.12	-	144,832
Professional charges		281,939	486,134
Depreciation and amortisation expense	2.5	48,627	294,998
Other expenses	2.12	10,702,918	1,792,286
Total expenses		**11,033,484**	**13,763,352**
PROFIT BEFORE INTEREST AND TAX		**(7,428)**	**(11,860,845)**
Interest expense		409,083	1,201,063
PROFIT FOR THE YEAR		**(416,511)**	**(13,061,908)**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Rolf Schlapfer
Director

Mark Easton
Director

Bangalore
January 11 , 2013

Significant accounting policies and notes on accounts

Company overview

Lodestone Management Consultants (Asia Pacific) Limited is a majority owned and controlled 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

Lodestone Management Consultants (Asia Pacific) Limited. 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. The Company liquidated on 14th February, 2013.

1.3 Reporting currency

The Company's reporting currency is the Thai Baht.

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 recognising 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 recognised as services are rendered.

An expected project loss is recognised 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 Fixed 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

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 in the books of Holding Company

Foreign currency transactions during the period are translated into CHF at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated intoCHF at the exchange rates ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

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, 2012

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

2.1 SHARE CAPITAL

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Issued, Subscribed and Paid-Up		
6,000,000 THB	-	4,836,044
	-	**4,836,044**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Currency Translation Reserve	(704,716)	(1,206,782)
Surplus- Opening Balance	(16,544,361)	(3,482,453)
Add: Net profit after tax transferred from Statement of Profit and Loss	(416,511)	(13,061,908)
Less: Transfer to Holding Company on liquidation	(17,665,588)	
Surplus- Closing Balance	**704,716**	**(16,544,361)**
	-	**(17,751,143)**

2.3 TRADE PAYABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade payables [1]	-	3,591,442
	-	**3,591,442**
[1] *Includes dues to holding company and fellow subsidiaries (refer to note 2.14)*	-	3,591,442

2.4 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Other liabilities		
Provision for expenses	-	110,010
Withholding and other taxes payable	-	29,023
	-	**139,033**

2.5 FIXED ASSETS

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at Jan 1, 2012	Additions during the year	Deductions/ Retirement during the year	As at December 31, 2012	As at Jan 1, 2012	For the year	Deductions/ adjustment during the year	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible assets :										
Leasehold Land	882,584	-	882,584	-	810,527	48,073	858,600	-	-	72,057
IT Equipment	79,559	-	79,559	-	79,559	-	79,559	-	-	-
Furniture and fixtures	10,177	-	10,177	-	3,840	554	4,394	-	-	6,337
Total	**972,320**	**-**	**972,320**	**-**	**893,926**	**48,627**	**942,553**	**-**	**-**	**78,394**
Previous year	**3,402,122**	**690,105**	**3,119,907**	**972,320**	**2,634,492**	**294,998**	**(598,928)**	**893,926**	**78,394**	

2.6 LONG-TERM LOANS AND ADVANCES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Other loans and advances	-	
Advance income taxes	-	1,938,941
	-	**1,938,941**

2.7 TRADE RECEIVABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Other debts		
Unsecured		
Considered good[(1)]	-	18,484,738
Considered doubtful	-	-
	-	18,484,738
Less: Provision for doubtful debts	-	-
	-	18,484,738
	-	**18,484,738**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.14)*	-	18,484,738

2.8 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Cash on hand	-	3,769
	-	**3,769**

2.9 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured, considered good		
Others		
Advances		
Withholding and other taxes receivable	-	16,476
Others	-	2,244,781
	-	**2,261,257**

2.10 INCOME FROM CONSULTANCY SERVICES

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Income from consultancy services	-	2,035,437
	-	**2,035,437**

2.11 OTHER INCOME

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Miscellaneous income, net	11,077,685	44
Gains / (losses) on foreign currency, net	(51,629)	(132,974)
	11,026,056	**(132,930)**

2.12 EXPENSES

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	-	7,578,660
	-	7,578,660
Cost of technical sub-contractors		
Technical sub-contractors - subsidiaries	-	2,327,751
Technical sub-contractors - others	-	100,467
	-	2,428,218
Travel expenses		
Overseas travel expenses	-	1,038,224
	-	1,038,224
Communication expenses		
Telephone charges	-	144,832
	-	144,832
Other expenses		
Office maintenance	-	70,307
Power and fuel	-	50,378
Rent	-	799,820
Rates and taxes, excluding taxes on income	43	913
Insurance charges	-	25,313
Marketing expenses	-	3,434
Printing and Stationery	619	81,217
Professional membership and seminar participation fees	-	7,456
Postage and courier	6,840	13,929
Auditor's remuneration		
Statutory audit fees	25,789	61,878
Bank charges and commission	5,881	17,834
Others	10,663,746	659,807
	10,702,918	1,792,286

2.13 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.

2.14 RELATED PARTY TRANSACTIONS

List of related parties:

Name of Related Party	Country	Holding as at	
		December 31, 2012	December 31, 2011
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 [(1)]	India
Infosys Australia [(1)]	Australia
Infosys Consulting Inc [(1)]	USA
Infosys Mexico [(1)]	Mexico
Infosys Sweden [(1)]	Sweden
Infosys Shanghai [(1)]	China
Infosys Brasil [(1)]	Brazil
Infosys Public Services, Inc. [(1)]	USA
Infosys Consulting India Limited [(1)]	India
Infosys BPO s. r. o [(2)]	Czech Republic
Infosys BPO (Poland) Sp Z.o.o [(2)]	Poland
McCamish Systems LLC [(2)]	USA
Portland Group Pty Ltd[(2)]	Australia
Portland Procurement Services Pty Ltd[(2)]	Australia
Lodestone Management Consultants (Canada) Inc. [(3)]	Canada
Lodestone Management Consultants Inc. [(3)]	USA
Lodestone Management Consultants Pty Limited [(3)]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [(3)(4)]	Thailand
Lodestone Management Consultants AG [(3)]	Switzerland
Lodestone Augmentis AG [(3)]	Switzerland
Hafner Bauer & Ödman GmbH [(3)]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [(3)(5)]	Belgium
Lodestone Management Consultants GmbH [(3)]	Germany
Lodestone Management Consultants Pte Ltd. [(3)]	Singapore
Lodestone Augmentis Ltd[(3)(4)]	Singapore
Lodestone Management Consultants SAS [(3)]	France
Lodestone Management Consultants s.r.o. [(3)]	Czech Republic
Lodestone Management Consultants GmbH [(3)]	Austria
Lodestone Management Consultants China Co., Ltd. [(3)]	China
Lodestone Management Consultants Ltd. [(3)]	UK
Lodestone Management Consultants B.V. [(3)]	Netherlands
Lodestone Management Consultants Ltda. [(3)(5)]	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

[(1)] *Wholly owned subsidiaries of Infosys Limited.*

[(2)] *Wholly owned subsidiaries of Infosys BPO.*

[(3)] *Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

[(4)] *Under liquidation*

[(5)] *Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured Loans		
Lodestone Holding AG	-	26,931,208
Trade Receivables		
Lodestone Management Consultants Pte Ltd.	-	18,484,738
Trade Payables		
Lodestone Management Consultants Pte Ltd.	-	3,591,442

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	2011
Capital transactions:		
Revenue transactions:		
Purchase of shared services including facilities and personnel		
Lodestone Management Consultants Pty Limited	-	52,503
Lodestone Management Consultants Pte Ltd.	-	2,275,248
Interest expense		
Lodestone Holding AG	409,083	1,201,063
Sale of shared services including facilities and personnel		
Lodestone Management Consultants Pte Ltd.	-	313,914

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 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS

in ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	2011
Income from consultancy services	-	2,035,437
Cost of Services	-	10,930,936
GROSS PROFIT	**-**	**(8,895,499)**
Selling and marketing expenses	-	3,434
General and administration expenses	10,984,857	2,533,984
	10,984,857	2,537,418
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	**(10,984,857)**	**(11,432,917)**
Interest	409,083	1,201,063
Depreciation and amortization	48,627	294,998
OPERATING PROFIT	**(11,442,567)**	**(12,928,978)**
Other income	11,026,056	(132,930)
PROFIT BEFORE TAX	**(416,511)**	**(13,061,908)**
Tax expense:		
Current tax	-	-
PROFIT FOR THE YEAR	**(416,511)**	**(13,061,908)**

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Rolf Schlapfer
Director

Mark Easton
Director

Bangalore
January 11 , 2013

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 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Loss*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

***For* SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership no. 202841
Firms regn. No. 006673s

11th January, 2013
BANGALORE

Lodestone Management Consultants (Belgium) S.A.

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	34,475,106	4,905,252
Reserves and surplus	2.2	15,913,574	(38,425,333)
		50,388,680	(33,520,081)
CURRENT LIABILITIES			
Unsecured Loans		62,953,715	-
Trade payables	2.4	41,961,374	143,073,295
Other current liabilities	2.5	252,374,386	202,835,988
Short-term provisions	2.6	17,559,800	16,911,683
		374,849,275	362,820,966
		425,237,955	**329,300,885**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	5,514,119	8,390,474
		5,514,119	8,390,474
Deferred tax assets	2.3	40,879,923	31,442,822
Long-term loans and advances	2.9	4,626	9,005
		46,398,668	39,842,301
CURRENT ASSETS			
Trade receivables	2.10	65,427,393	130,113,778
Cash and cash equivalents	2.11	75,296,844	(1,031,970)
Short-term loans and advances	2.12	238,115,050	160,376,776
		378,839,287	289,458,584
		425,237,955	**329,300,885**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath	Eddy Mertens	Wouter van der Meer
Partner	*Partner*	*Partner*
Membership No. 202841		

Bangalore
January 11, 2013

Lodestone Management Consultants (Belgium) S.A.

in ₹

Statement of Profit and Loss for the	Note	Year ended December 31,	
		2012	2011
Income from Consultancy services	2.13	494,177,461	554,877,869
Other income	2.14	(506,426)	506,369
Total revenue		**493,671,035**	**555,384,238**
Expenses			
Employee benefit expenses	2.15	333,031,699	345,829,354
Cost of technical sub-contractors	2.15	98,798,431	135,869,811
Travel expenses	2.15	45,966,113	62,204,844
Cost of software packages and others	2.15	-	1,078,815
Communication expenses	2.15	3,065,388	3,207,785
Professional charges		14,539,302	10,451,972
Depreciation and amortisation expense	2.7	3,200,746	4,417,755
Other expenses	2.15	11,084,803	12,680,168
Total expenses		**509,686,482**	**575,740,504**
PROFIT BEFORE INTEREST AND TAX		**(16,015,447)**	**(20,356,266)**
Interest expense		3,266,495	35,409
PROFIT BEFORE TAX		**(19,281,942)**	**(20,391,675)**
Tax expense:			
Current tax	2.16	2,806,233	887,144
Deferred tax	2.16	(6,959,906)	(6,977,964)
PROFIT FOR THE YEAR		**(15,128,269)**	**(14,300,855)**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath	Eddy Mertens	Wouter van der Meer
Partner	*Partner*	*Partner*
Membership No. 202841		

Bangalore
January 11, 2013

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, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the Euro.

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 recognising 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 recognised as services are rendered.

An expected project loss is recognised 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 Fixed 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

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 in the books of Holding Company

Foreign currency transactions during the period are translated into CHF at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated intoCHF at the exchange rates ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

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 recognised 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, 2012

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

2.1 SHARE CAPITAL

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Issued, Subscribed and Paid-Up		
62,000 EURO	34,475,106	4,905,252
	34,475,106	**4,905,252**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Currency Translation Reserve	67,875,111	(1,592,065)
Legal reserve - Opening balance	159,390	159,390
Add: Transferred from Surplus	169,817	-
	329,207	**159,390**
Surplus- Opening Balance	(36,992,658)	(22,691,803)
Add: Net profit after tax transferred from Statement of Profit and Loss	(15,128,269)	(14,300,855)
Amount available for appropriation	(52,120,927)	(36,992,658)
Appropriations:		
Amount transferred to Legal Reserve	169,817	-
Surplus- Closing Balance	**(52,290,744)**	**(36,992,658)**
	15,913,574	**(38,425,333)**

2.3 DEFERRED TAXES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Deferred tax asset		
Accumulated Losses	40,879,923	31,442,822
	40,879,923	**31,442,822**

2.4 TRADE PAYABLES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Trade payables [(1)]	41,961,374	143,073,295
	41,961,374	**143,073,295**
[(1)] *Includes dues to holding company and fellow subsidiaries (refer to note 2.18)*	7,729,968	129,430,987

2.5 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Accrued salaries and benefits		
Salaries and benefits	(69,316)	998,188
Bonus and incentives	26,857,527	15,400,453
Other liabilities		
Provision for expenses	16,268,291	29,653,605
Withholding and other taxes payable	208,388,015	151,817,763
Other payables	929,869	4,983,868
Unearned revenue	-	(17,889)
	252,374,386	**202,835,988**

2.6 SHORT-TERM PROVISIONS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Provision for employee benefits		
Unavailed leave	17,559,800	16,911,683
	17,559,800	**16,911,683**

2.7 FIXED ASSETS

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at Jan 1, 2012	Additions during the year	Deductions/ Retirement during the year	As at December 31, 2012	As at Jan 1, 2012	For the year	Deductions/ adjustment during the year	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible assets :										
Leasehold Improvements	12,305,387	689,558	-	12,994,945	5,003,740	1,905,848	(1,838,679)	8,748,267	4,246,678	7,301,647
Office equipment	1,069,651	59,940	-	1,129,591	1,096,294	-	26,922	1,069,372	60,219	(26,643)
Computer equipment	2,466,616	138,222	-	2,604,838	1,950,160	-	(99,053)	2,049,213	555,625	516,456
Furniture and fixtures	1,585,962	88,873	-	1,674,835	986,948	-	(36,290)	1,023,238	651,597	599,014
	17,427,616	976,593	-	18,404,209	9,037,142	1,905,848	(1,947,100)	12,890,090	5,514,119	8,390,474
Intangible assets :										
IT software	-	2,353,651	-	2,353,651	-	1,294,898	(1,058,753)	2,353,651	-	-
	-	2,353,651	-	2,353,651	-	1,294,898	(1,058,753)	2,353,651	-	-
Total	**17,427,616**	**3,330,244**	**-**	**20,757,860**	**9,037,142**	**3,200,746**	**(3,005,853)**	**15,243,741**	**5,514,119**	**8,390,474**
Previous year	**14,021,124**	**7,041,695**	**3,635,203**	**17,427,616**	**3,635,203**	**4,417,755**	**(4,619,387)**	**9,037,142**	**8,390,474**	

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,	
	2012	2011
Lease rentals recognized during the period	4,763,520	4,422,780

in ₹

	As at	
Lease obligations payable	December 31, 2012	December 31, 2011
Within one year of the balance sheet date	4,992,142	4,763,520
Due in a period between one year and five years	19,968,566	24,960,708
Due after five years	13,677	13,677

2.9 LONG-TERM LOANS AND ADVANCES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Other loans and advances		
Advance income taxes	4,626	9,005
	4,626	**9,005**

2.10 TRADE RECEIVABLES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Other debts		
Unsecured		
Considered good[(1)]	65,427,393	130,113,778
Considered doubtful	-	-
	65,427,393	130,113,778
Less: Provision for doubtful debts	-	-
	65,427,393	130,113,778
	65,427,393	**130,113,778**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.18)*	7,829,474	44,749,646

2.11 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Balances with banks		
In current accounts	75,296,844	(1,031,970)
	75,296,844	**(1,031,970)**

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

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
In current accounts		
ING	15,427,810	(4,941,637)
ING	115,653	108,137
Landbouwkrediet	59,664,996	3,794,637
ING	3,229	-
Fortis	83,965	6,892
Belfius Bank	1,191	-
	75,296,844	(1,031,971)
Total bank balances	**75,296,844**	**(1,031,971)**

2.12 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	1,007,803	260,649
Withholding and other taxes receivable	216,162,571	142,551,912
Others	-	2,981,559
	217,170,374	145,794,120
Unbilled revenues	20,944,676	14,582,656
	238,115,050	160,376,776
	238,115,050	**160,376,776**

2.13 INCOME FROM CONSULTANCY SERVICES

in ₹

Particulars	Year ended December 31,	
	2012	**2011**
Income from consultancy services	494,177,461	554,877,869
	494,177,461	**554,877,869**

2.14 OTHER INCOME

in ₹

Particulars	Year ended December 31,	
	2012	**2011**
Interest received on deposits with banks and others	4,235	38,772
Miscellaneous income, net	238,232	8,501
Gains / (losses) on foreign currency, net	(748,893)	459,096
	(506,426)	**506,369**

2.15 EXPENSES

in ₹

Particulars	Year ended December 31,	
	2012	**2011**
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	331,429,135	341,674,625
Staff welfare	1,602,564	4,154,729
	333,031,699	345,829,354
Cost of technical sub-contractors		
Technical sub-contractors - subsidiaries	56,606,995	125,299,171
Technical sub-contractors - others	42,191,436	10,570,640
	98,798,431	135,869,811
Travel expenses		
Overseas travel expenses	45,966,113	62,204,844
	45,966,113	62,204,844
Cost of software packages and others		
For own use	-	1,078,815
	-	1,078,815
Communication expenses		
Telephone charges	3,065,388	3,207,785
	3,065,388	3,207,785

Other expenses		
Office maintenance	1,722,529	1,607,986
Brand building	53,581	2,095,825
Rent	4,763,520	4,422,780
Computer maintenance	22,704	185,152
Insurance charges	1,182,265	661,708
Marketing expenses	1,172,080	1,774,335
Printing and Stationery	262,659	601,307
Postage and courier	190,290	128,047
Advertisements	17,020	237,393
Books and periodicals	91,152	18,480
Auditor's remuneration		
Statutory audit fees	1,137,991	710,567
Bank charges and commission	186,936	220,336
Others	282,076	16,252
	11,084,803	12,680,168

2.16 TAX EXPENSE

in ₹

	Year ended December 31,	
	2012	**2011**
Current tax		
Income taxes	2,806,233	887,144
Deferred taxes	(6,959,906)	(6,977,964)
	(4,153,673)	**(6,090,820)**

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 Related Party	Country	Holding as at	
		December 31, 2012	December 31, 2011
Lodestone Holding AG	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 [1]	India
Infosys Australia [1]	Australia
Infosys Consulting Inc [1]	USA
Infosys Mexico [1]	Mexico
Infosys Sweden [1]	Sweden
Infosys Shanghai [1]	China
Infosys Brasil [1]	Brazil
Infosys Public Services, Inc. [1]	USA
Infosys Consulting India Limited [1]	India
Infosys BPO s. r. o [2]	Czech Republic
Infosys BPO (Poland) Sp Z.o.o [2]	Poland
McCamish Systems LLC [2]	USA
Portland Group Pty Ltd[2]	Australia
Portland Procurement Services Pty Ltd[2]	Australia
Lodestone Management Consultants (Canada) Inc. [3]	Canada
Lodestone Management Consultants Inc. [3]	USA
Lodestone Management Consultants Pty Limited [3]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [3][4]	Thailand
Lodestone Management Consultants AG [3]	Switzerland
Lodestone Augmentis AG [3]	Switzerland
Hafner Bauer & Ödman GmbH [3]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [3][5]	Belgium
Lodestone Management Consultants GmbH [3]	Germany
Lodestone Management Consultants Pte Ltd. [3]	Singapore
Lodestone Augmentis Ltd[3][4]	Singapore
Lodestone Management Consultants SAS [3]	France
Lodestone Management Consultants s.r.o. [3]	Czech Republic
Lodestone Management Consultants GmbH [3]	Austria
Lodestone Management Consultants China Co., Ltd. [3]	China
Lodestone Management Consultants Ltd. [3]	UK
Lodestone Management Consultants B.V. [3]	Netherlands
Lodestone Management Consultants Ltda. [3][5]	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

[1] *Wholly owned subsidiaries of Infosys Limited.*

[2] *Wholly owned subsidiaries of Infosys BPO.*

[3] *Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

[4] *Under liquidation*

[5] *Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured Loans		
Lodestone Holding AG	62,953,715	-
Trade Receivables		
Lodestone Management Consultants AG	1,421,677	17,349,376
Lodestone Management Consultants GmbH, Germany	1,122,672	12,240,614
Lodestone Management Consultants Ltd.	4,803,953	604,182
Lodestone Management Consultants Inc.	-	422,928
Lodestone Management Consultants SAS	481,172	14,132,546
Trade Payables		
Lodestone Management Consultants AG	905,691	35,954,564
Lodestone Management Consultants GmbH, Germany	460,555	51,179,361
Lodestone Management Consultants Sp. z.o.o.	1,050,913	76,156
Lodestone Management Consultants Portugal, Unipessoal, Lda.	-	22,762,584
Lodestone Management Consultants Inc.	-	17,767,425
Lodestone Management Consultants B.V.	-	105,732
S.C. Lodestone Management Consultants S.R.L.	4,708,396	-
Lodestone Management Consultants SAS	520,153	-
FX Valuation on above	84,260	1,585,165

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	2011
Capital transactions:		
Revenue transactions:		
Purchase of shared services including facilities and personnel		
Lodestone Management Consultants AG	30,416,828	60,916,042
Lodestone Management Consultants GmbH	13,292,501	23,956,944
Lodestone Management Consultants Ltd.	3,502,380	10,232,809
Lodestone Management Consultants B.V.	-	74,276
Lodestone Management Consultants Sp. z.o.o.	2,858,726	7,021,534
Lodestone Management Consultants Portugal, Unipessoal, Lda.	-	19,576,239
S.C. Lodestone Management Consultants S.R.L.	4,398,896	3,521,328
Lodestone Management Consultants SAS	2,137,664	-
Interest expense		
Lodestone Holding AG	1,031,284	-
Sale of shared services including facilities and personnel		
Lodestone Management Consultants AG	42101225	73,037,263
Lodestone Management Consultants GmbH	49,728,815	50,348,928
Lodestone Management Consultants SAS	8,292,613	26,442,609
Lodestone Management Consultants Ltd.	10,966,019	4,467,856
Lodestone Management Consultants Inc.	-	202,713
Lodestone Management Consultants B.V.	861,526	-

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 ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	**2011**
Income from Consultancy services	494,177,461	554,877,869
Cost of Services	471,824,719	537,851,453
GROSS PROFIT	**22,352,742**	**17,026,416**
Selling and marketing expenses	1,225,661	3,870,160
General and administration expenses	33,435,356	29,601,136
	34,661,017	33,471,296
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	**(12,308,275)**	**(16,444,880)**
Interest	3,266,495	35,409
Depreciation and amortization	3,200,746	4,417,755
OPERATING PROFIT	**(18,775,516)**	**(20,898,044)**
Other income	(506,426)	506,369
PROFIT BEFORE TAX	**(19,281,942)**	**(20,391,675)**
Tax expense:		
Current tax	2,806,233	887,144
Deferred tax	(6,959,906)	(6,977,964)
PROFIT FOR THE YEAR	**(15,128,269)**	**(14,300,855)**

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

M. Rathnakar Kamath	Eddy Mertens	Wouter van der Meer
Partner	*Partner*	*Partner*
Membership No. 202841		

Bangalore
January 11, 2013

To

The Members of Lodestone Management Consultants (Canada) Inc.

Report on the Financial Statements:

We have audited the accompanying financial statement of **Lodestone Management Consultants (Canada) Inc.** (`the Company`) which comprises the Balance Sheet as at 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Loss*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership no. 202841
Firms regn. No. 006673s

11th January, 2013
BANGALORE

Lodestone Management Consultants (Canada) Inc.

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	5,498,128	5,498,128
Reserves and surplus	2.2	(578,527)	3,702,636
		4,919,601	9,200,764
CURRENT LIABILITIES			
Unsecured Loans		1,673,633	-
Trade payables	2.4	10,996,632	7,163,462
Other current liabilities	2.5	4,789,250	4,616,791
Short-term provisions	2.6	2,649,452	2,533,124
		20,108,967	14,313,377
		25,028,568	**23,514,141**
ASSETS			
NON-CURRENT ASSETS			
Deferred tax assets	2.3	5,973,081	4,967,703
		5,973,081	4,967,703
CURRENT ASSETS			
Trade receivables	2.8	10,619,506	15,313,697
Cash and cash equivalents	2.9	6,289,121	-
Short-term loans and advances	2.10	2,146,860	3,232,741
		19,055,487	18,546,438
		25,028,568	**23,514,141**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Jürgen Bauer
Partner

Joe Henneberry
Partner

Bangalore
January 11 , 2013

Lodestone Management Consultants (Canada) Inc.

in ₹

Statement of Profit and Loss for the	Note	Year ended December 31,	
		2012	2011
Income from Consultancy services	2.11	54,568,124	57,548,293
Other income	2.12	(37,073)	(1,675,886)
Total revenue		**54,531,051**	**55,872,407**
Expenses			
Employee benefit expenses	2.13	37,007,806	44,403,862
Travel expenses	2.13	17,848,087	13,242,755
Cost of software packages and others	2.13	-	112,125
Communication expenses	2.13	708,577	409,732
Professional charges		4,575,490	3,090,833
Other expenses	2.13	430,493	1,092,983
Total expenses		**60,570,453**	**62,352,290**
PROFIT BEFORE TAX		**(6,039,402)**	**(6,479,883)**
Tax expense:			
Current tax	2.14	(852,712)	2,989,986
Deferred tax	2.14	(638,261)	(4,673,933)
PROFIT FOR THE YEAR		**(4,548,429)**	**(4,795,936)**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Jürgen Bauer
Partner

Joe Henneberry
Partner

Bangalore
January 11 , 2013

Significant accounting policies and notes on accounts

Company overview

Lodestone Management Consultants (Canada) Inc. 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, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the Canadian Dollar.

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 recognising 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 recognised as services are rendered.

An expected project loss is recognised 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 Fixed 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

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 in the books of Holding Company

Foreign currency transactions during the period are translated into CHF at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated intoCHF at the exchange rates ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

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 recognised 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, 2012

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

2.1 SHARE CAPITAL

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Issued, Subscribed and Paid-Up		
100,000 CAD	5,498,128	5,498,128
	5,498,128	**5,498,128**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Currency Translation Reserve	(643,378)	(910,644)
Surplus- Opening Balance	4,613,280	9,409,216
Add: Net profit after tax transferred from Statement of Profit and Loss	(4,548,429)	(4,795,936)
Surplus- Closing Balance	**64,851**	**4,613,280**
	(578,527)	**3,702,636**

2.3 DEFERRED TAXES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Deferred tax assets		
Accumulated Losses	5,973,081	4,967,703
	5,973,081	**4,967,703**

2.4 TRADE PAYABLES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Trade payables [(1)]	10,996,632	7,163,462
	10,996,632	**7,163,462**
[(1)] *Includes dues to holding company and fellow subsidiaries (refer to note 2.16)*	11,039,837	6,485,347

2.5 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Accrued salaries and benefits		
Bonus and incentives	4,056,539	3,636,773
Other liabilities		
Provision for expenses	283,958	545,586
Withholding and other taxes payable	448,753	434,432
	4,789,250	**4,616,791**

2.6 SHORT-TERM PROVISIONS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Provision for employee benefits		
Unavailed leave	2,649,452	2,533,124
	2,649,452	**2,533,124**

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	Quarter ended December 31,		Year ended December 31,	
	2011	2010	2012	2011
Lease rentals recognized during the period	-	-	302,650	588,913

in ₹

Lease obligations payable	As at December 31, 2012	As at December 31, 2011
Within one year of the balance sheet date	483,989	302,650
Due in a period between one year and five years	-	483,989

2.8 TRADE RECEIVABLES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Other debts		
Unsecured		
Considered good[(1)]	10,619,506	15,313,697
Considered doubtful	-	-
	10,619,506	15,313,697
Less: Provision for doubtful debts	-	-
	10,619,506	15,313,697
	10,619,506	**15,313,697**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.16)*	4,899,671	14,098,443

2.9 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Balances with banks		
In current accounts	6,289,121	-
	6,289,121	**-**

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

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
In current accounts		
TD Canada Trust (CAD)	6,289,121	-
	6,289,121	-
Total bank balances	**6,289,121**	**-**

2.10 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Unsecured, considered good		
Others		
Advances		
Withholding and other taxes receivable	2,088,909	1,966,388
Others	-	1,211,801
	2,088,909	3,178,189
Rental deposits	57,951	54,552
	2,146,860	**3,232,741**

2.11 INCOME FROM CONSULTANCY SERVICES

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Income from consultancy services	54,568,124	57,548,293
	54,568,124	**57,548,293**

2.12 OTHER INCOME

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Gains / (losses) on foreign currency, net	(37,073)	(1,675,886)
	(37,073)	**(1,675,886)**

2.13 EXPENSES

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	37,007,806	44,387,169
Staff welfare	-	16,693
	37,007,806	44,403,862
Travel expenses		
Overseas travel expenses	17,848,087	13,242,755
	17,848,087	13,242,755
Cost of software packages and others		
For own use	-	112,125
	-	112,125
Communication expenses		
Telephone charges	708,577	409,732
	708,577	409,732
Other expenses		
Brand building	-	151,785
Rent	302,650	588,913
Insurance charges	61,309	40,564
Marketing expenses	-	190,213
Printing and Stationery	-	6,041
Postage and courier	-	23,467
Books and periodicals	-	46,243
Bank charges and commission	58,912	33,834
Others	7,622	11,923
	430,493	1,092,983

2.14 TAX EXPENSE

in ₹

	Year ended December 31, 2012	Year ended December 31, 2011
Current tax		
Income taxes	(852,712)	2,989,986
Deferred taxes	(638,261)	(4,673,933)
	(1,490,973)	**(1,683,947)**

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 Related Party	Country	Holding as at	
		December 31, 2012	December 31, 2011
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 [1]	India
Infosys Australia [1]	Australia
Infosys Consulting Inc [1]	USA
Infosys Mexico [1]	Mexico
Infosys Sweden [1]	Sweden
Infosys Shanghai [1]	China
Infosys Brasil [1]	Brazil
Infosys Public Services, Inc. [1]	USA
Infosys Consulting India Limited [1]	India
Infosys BPO s. r. o [2]	Czech Republic
Infosys BPO (Poland) Sp Z.o.o [2]	Poland
McCamish Systems LLC [2]	USA
Portland Group Pty Ltd[2]	Australia
Portland Procurement Services Pty Ltd[2]	Australia
Lodestone Management Consultants (Canada) Inc. [3]	Canada
Lodestone Management Consultants Inc. [3]	USA
Lodestone Management Consultants Pty Limited [3]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [3][4]	Thailand
Lodestone Management Consultants AG [3]	Switzerland
Lodestone Augmentis AG [3]	Switzerland
Hafner Bauer & Ödman GmbH [3]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [3][5]	Belgium
Lodestone Management Consultants GmbH [3]	Germany
Lodestone Management Consultants Pte Ltd. [3]	Singapore
Lodestone Augmentis Ltd[3][4]	Singapore
Lodestone Management Consultants SAS [3]	France
Lodestone Management Consultants s.r.o. [3]	Czech Republic
Lodestone Management Consultants GmbH [3]	Austria
Lodestone Management Consultants China Co., Ltd. [3]	China
Lodestone Management Consultants Ltd. [3]	UK
Lodestone Management Consultants B.V. [3]	Netherlands
Lodestone Management Consultants Ltda. [3][5]	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

[1] *Wholly owned subsidiaries of Infosys Limited.*

[2] *Wholly owned subsidiaries of Infosys BPO.*

[3] *Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

[4] *Under liquidation*

[5] *Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured Loans		
Lodestone Holding AG	1,673,633	-
Trade Receivables		
Lodestone Management Consultants Inc.	4,899,671	14,098,443
Trade Payables		
Lodestone Management Consultants AG	8,906,923	6,485,347
Lodestone Management Consultants GmbH	2,065,196	-
Lodestone Management Consultants Sp. z.o.o.	67,718	-

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	2011
Capital transactions:		
Revenue transactions:		
Sale of shared services including facilities and personnel		
Lodestone Management Consultants Ltd.	-	3,148,701
Lodestone Management Consultants Inc.	46,758,925	41,531,718
Lodestone Management Consultants GmbH	1,022,843	-

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 ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	2011
Income from consultancy services	54,568,124	57,548,293
Cost of Services	54,855,893	57,872,326
GROSS PROFIT	**(287,769)**	**(324,033)**
Selling and marketing expenses	-	341,999
General and administration expenses	5,714,560	4,137,965
OPERATING PROFIT	**(6,002,329)**	**(4,803,997)**
Other income	(37,073)	(1,675,886)
PROFIT BEFORE TAX	**(6,039,402)**	**(6,479,883)**
Tax expense:		
Current tax	(852,712)	2,989,986
Deferred tax	(638,261)	(4,673,933)
PROFIT FOR THE YEAR	**(4,548,429)**	**(4,795,936)**

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Jürgen Bauer
Partner

Joe Henneberry
Partner

Bangalore
January 11 , 2013

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 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Profit*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership no. 202841
Firms regn. No. 006673s

11th January, 2013
BANGALORE

Lodestone Management Consultants AG

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	5,730,000	5,730,000
Reserves and surplus	2.2	534,073,309	736,860,721
		539,803,309	742,590,721
NON-CURRENT LIABILITIES			
Deferred tax liabilities	2.3	-	18,041,971
		-	18,041,971
CURRENT LIABILITIES			
Unsecured Loans		154,910,903	718,647,397
Trade payables	2.4	323,993,875	384,483,943
Other current liabilities	2.5	997,182,893	634,759,582
Short-term provisions	2.6	211,534,828	188,378,206
		1,687,622,499	1,926,269,128
		2,227,425,808	**2,686,901,820**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	165,684,284	182,046,185
Intangible assets		72,566,894	110,908,004
Capital work-in-progress		-	-
		238,251,178	292,954,189
Non-current investments		4,775,000	4,775,000
Long-term loans and advances	2.9	47,999,218	105,921,713
		291,025,396	403,650,902
CURRENT ASSETS			
Trade receivables	2.10	1,309,001,383	1,809,237,703
Cash and cash equivalents	2.11	72,265,145	47,690,260
Short-term loans and advances	2.12	555,133,884	426,322,955
		1,936,400,412	2,283,250,918
		2,227,425,808	**2,686,901,820**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Ronald Hafner
Director

Bangalore
January 11 , 2013

Lodestone Management Consultants AG

in ₹

Statement of Profit and Loss for the	Note	Year ended December 31,	
		2012	2011
Income from Consultancy services	2.13	6,514,455,914	6,053,053,671
Other income	2.14	4,603,526	17,476,465
Total revenue		**6,519,059,440**	**6,070,530,136**
Expenses			
Employee benefit expenses	2.15	2,384,733,240	1,891,765,376
Cost of technical sub-contractors	2.15	2,843,585,494	2,791,270,423
Travel expenses	2.15	396,852,221	340,610,475
Cost of software packages and others	2.15	40,242,609	27,428,551
Communication expenses	2.15	36,536,777	26,321,218
Professional charges		(35,698,081)	1,630,265
Depreciation and amortisation expense	2.7	133,178,860	83,064,038
Other expenses	2.15	192,225,805	103,005,944
Total expenses		**5,991,656,925**	**5,265,096,290**
PROFIT BEFORE INTEREST AND TAX		**527,402,515**	**805,433,846**
Interest expense		26,832,865	12,923,532
PROFIT BEFORE TAX		**500,569,650**	**792,510,314**
Tax expense:			
Current tax	2.16	66,959,615	174,260,979
Deferred tax	2.16	(4,741,456)	2,607,048
PROFIT FOR THE YEAR		**438,351,491**	**615,642,287**
EARNINGS PER EQUITY SHARE			
Equity shares of par value CHF 1 each			
Basic		365,293	513,035
Number of shares used in computing earnings per share			
Basic		1,200	1,200
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Ronald Hafner
Director

Bangalore
January 11 , 2013

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 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, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the Swiss Franc.

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 recognising 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 recognised as services are rendered.

An expected project loss is recognised 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 Fixed 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

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 in the books of Holding Company

Foreign currency transactions during the period are translated into CHF at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated intoCHF at the exchange rates ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

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 recognised 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, 2012

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

2.1 SHARE CAPITAL

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Issued, Subscribed and Paid-Up		
1,200 (1,200) equity shares of CHF 100/- par value	5,730,000	5,730,000
	5,730,000	**5,730,000**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Currency Translation Reserve	100,905,597	742,044,500
Legal reserve - Opening balance	2,865,000	2,865,000
Surplus- Opening Balance	(8,048,779)	64,012,934
Add: Net profit after tax transferred from Statement of Profit and Loss	438,351,491	615,642,287
Amount available for appropriation	430,302,712	679,655,221
Appropriations:		
Final dividend	-	687,704,000
Surplus- Closing Balance	**430,302,712**	**(8,048,779)**
	534,073,309	**736,860,721**

2.3 DEFERRED TAXES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Deferred tax liability		
Accumulated Losses	-	18,041,971
	-	**18,041,971**

2.4 TRADE PAYABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade payables [(1)]	323,993,875	384,483,943
	323,993,875	**384,483,943**
[(1)] *Includes dues to holding company and fellow subsidiaries (refer to note 2.18)*	114,900,863	77,836,789

2.5 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Accrued salaries and benefits		
Salaries and benefits	-	(917,732)
Bonus and incentives	223,594,161	243,028,074
Other liabilities		
Provision for expenses	137,716,179	98,655,647
Withholding and other taxes payable	506,307,417	109,970,169
Other payables	15,044,598	30,300,180
Advances received from clients	44,240,269	-
Unearned revenue	70,280,269	153,723,244
	997,182,893	**634,759,582**

2.6 SHORT-TERM PROVISIONS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Provision for employee benefits		
Unavailed leave	61,853,014	57,392,250
Provision for Income taxes	149,681,814	130,985,956
	211,534,828	**188,378,206**

2.7 FIXED ASSETS

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at Jan 1, 2012	Additions during the year	Deductions/ Retirement during the year	As at December 31, 2012	As at Jan 1, 2012	For the year	Deductions/ adjustment during the year	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible assets :										
Leasehold Improvements	152,170,254	14,937,115	172,841	166,934,528	73,419,431	31,914,430	(6,114,699)	111,448,560	55,485,968	78,750,823
Office Equipment	15,979,066	2,839,412	-	18,818,478	12,696,385	1,946,046	(893,850)	15,536,281	3,282,197	3,282,681
IT Equipment	25,725,482	6,730,507	16,197	32,439,792	13,026,599	7,333,236	(1,144,459)	21,504,294	10,935,498	12,698,883
Furniture and fixtures	31,729,714	2,098,628	-	33,828,342	2,430,303	4,029,564	(338,512)	6,798,379	27,029,963	29,299,411
Vehicles	118,394,477	59,247,283	15,832,649	161,809,111	60,380,090	43,229,618	10,751,255	92,858,453	68,950,658	58,014,387
	343,998,993	85,852,945	16,021,687	413,830,251	161,952,808	88,452,894	2,259,735	248,145,967	165,684,284	182,046,185
Intangible assets :										
IT Software	140,768,165	10,325,029	-	151,093,194	29,860,161	44,725,966	(3,940,173)	78,526,300	72,566,894	110,908,004
	140,768,165	10,325,029	-	151,093,194	29,860,161	44,725,966	(3,940,173)	78,526,300	72,566,894	110,908,004
Total	**484,767,158**	**96,177,974**	**16,021,687**	**564,923,445**	**191,812,969**	**133,178,860**	**(1,680,438)**	**326,672,267**	**238,251,178**	**292,954,189**
Previous year	**230,228,550**	**392,844,074**	**138,305,466**	**484,767,158**	**138,478,308**	**83,064,038**	**29,729,377**	**191,812,969**	**292,954,189**	**-**

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, 2012	Year ended December 31, 2011
Lease rentals recognized during the period	55,168,463	52,984,493

in ₹

Lease obligations payable	As at December 31, 2012	As at December 31, 2011
Within one year of the balance sheet date	59,384,337	55,168,463
Due in a period between one year and five years	103,800,567	163,184,904

2.9 LONG-TERM LOANS AND ADVANCES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured, considered good		
Rental deposits	221,666	208,454
Other loans and advances		
Advance income taxes	60,057	8,963,425
Loans and advances to Employees	47,717,495	96,749,834
	47,999,218	**105,921,713**

2.10 TRADE RECEIVABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Other debts		
Unsecured		
Considered good(1)	1,309,001,383	1,809,237,703
	1,309,001,383	**1,809,237,703**
(1) *Includes dues from holding company and fellow subsidiaries (refer to note 2.18)*	154,625,126	549,057,540

2.11 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Cash on hand	76,183	5,035
Balances with banks		
In current accounts	72,188,962	47,685,225
	72,265,145	**47,690,260**

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

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
In current accounts		
UBS AG (CHF)	(6,341,871)	51,383
UBS AG (AUD)	16,149	10,584
UBS AG (USD)	19,127,688	4,029,954
UBS AG (ZAR)	280,584	605,709
UBS AG (GBP)	11,662	416,705
UBS AG (EURO)	59,094,751	42,553,271
UBS AG (NZD)	-	17,619
	72,188,963	47,685,225
Total bank balances	**72,188,963**	**47,685,225**

2.12 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured, considered good		
Loan to Holding company (*refer to note 2.18)*	-	289,626,749
Others		
Advances		
Prepaid expenses	35,855,254	28,149,814
Withholding and other taxes receivable	3,473,404	5,457,722
Others	340,375,768	56,481
	379,704,426	323,290,766
Unbilled revenues	145,089,483	83,523,812
Loans and advances to employees		
Salary advances	29,726,777	18,610,447
Rental deposits	613,198	897,930
	555,133,884	**426,322,955**

2.13 INCOME FROM CONSULTANCY SERVICES

in ₹

Particulars	Year ended December 31,	
	2012	2011
Income from consultancy services	6,514,455,914	6,053,053,671
	6,514,455,914	**6,053,053,671**

2.14 OTHER INCOME

in ₹

Particulars	Year ended December 31,	
	2012	2011
Interest received on deposits with banks and others	22,118,369	6,355,110
Miscellaneous income, net	9,214,378	15,164,580
Gains / (losses) on foreign currency, net	(26,729,221)	(4,043,225)
	4,603,526	**17,476,465**

2.15 EXPENSES

in ₹

Particulars	Year ended December 31,	
	2012	2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	2,356,811,818	1,867,790,544
Staff welfare	27,921,422	23,974,832
	2,384,733,240	1,891,765,376
Cost of technical sub-contractors		
Technical sub-contractors - subsidiaries	1,787,827,280	1,529,003,993
Technical sub-contractors - others	1,055,758,214	1,262,266,430
	2,843,585,494	2,791,270,423
Travel expenses		
Overseas travel expenses	396,852,221	340,610,475
	396,852,221	340,610,475
Cost of software packages and others		
For own use	40,242,609	27,428,551
	40,242,609	27,428,551
Communication expenses		
Telephone charges	36,536,777	26,321,218
	36,536,777	26,321,218
Other expenses		
Office maintenance	6,697,628	4,906,001
Power and fuel	1,107,258	650,015
Brand building	24,759,363	32,323,630
Rent	55,168,463	52,984,493
Rates and taxes, excluding taxes on income	13,001	-
Computer maintenance	33,584,785	29,492,819
Insurance charges	4,289,474	4,481,147
Marketing expenses	16,528,189	9,532,022
Printing and Stationery	2,795,596	3,405,707
Professional membership and seminar participation fees	1,099,286	1,044,107
Postage and courier	2,797,804	3,053,374
Advertisements	2,492,261	2,535,811
Provision for bad and doubtful debts and advances	277,885	497,297
Books and periodicals	303,659	502,095
Auditor's remuneration		
Statutory audit fees	3,620,459	1,316,055
Bank charges and commission	3,106,149	1,903,624
Others	33,584,545	(45,622,253)
	192,225,805	103,005,944

2.16 TAX EXPENSE

in ₹

	Year ended December 31,	
	2012	2011
Current tax		
Income taxes	66,959,615	174,260,979
Deferred taxes	(4,741,456)	2,607,048
	62,218,159	**176,868,027**

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 Related Party	Country	Holding as at	
		December 31, 2012	December 31, 2011
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 (1)	India
Infosys Australia (1)	Australia
Infosys Consulting Inc (1)	USA
Infosys Mexico (1)	Mexico
Infosys Sweden (1)	Sweden
Infosys Shanghai (1)	China
Infosys Brasil (1)	Brazil
Infosys Public Services, Inc. (1)	USA
Infosys Consulting India Limited (1)	India
Infosys BPO s. r. o (2)	Czech Republic
Infosys BPO (Poland) Sp Z.o.o (2)	Poland
McCamish Systems LLC (2)	USA
Portland Group Pty Ltd(2)	Australia
Portland Procurement Services Pty Ltd(2)	Australia
Lodestone Management Consultants (Canada) Inc. (3)	Canada
Lodestone Management Consultants Inc. (3)	USA
Lodestone Management Consultants Pty Limited (3)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (3)(4)	Thailand
Lodestone Management Consultants AG (3)	Switzerland
Lodestone Augmentis AG (3)	Switzerland
Hafner Bauer & Ödman GmbH (3)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (3)(5)	Belgium
Lodestone Management Consultants GmbH (3)	Germany
Lodestone Management Consultants Pte Ltd. (3)	Singapore
Lodestone Augmentis Ltd(3)(4)	Singapore
Lodestone Management Consultants SAS (3)	France
Lodestone Management Consultants s.r.o. (3)	Czech Republic
Lodestone Management Consultants GmbH (3)	Austria
Lodestone Management Consultants China Co., Ltd. (3)	China
Lodestone Management Consultants Ltd. (3)	UK
Lodestone Management Consultants B.V. (3)	Netherlands
Lodestone Management Consultants Ltda. (3)(5)	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

(1) Wholly owned subsidiaries of Infosys Limited.

(2) Wholly owned subsidiaries of Infosys BPO.

(3) Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012

(4) Under liquidation

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

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured Loans		
Lodestone Holding AG	154,910,903	-
Trade Receivables		
Lodestone Management Consultants (Canada) Inc.	1,320,489	120,995
Lodestone Management Consultants Inc.	49,401,687	108,261,234
Lodestone Management Consultants Pty Limited	21,889,141	21,750,347
Lodestone Augmentis AG	(5,196,288)	3,479,485
Lodestone Management Consultants (Belgium) S.A.	906,216	22,980,469
Lodestone Management Consultants GmbH, Germany	45,818,853	141,094,788
Lodestone Management Consultants Pte Ltd.	97,005	2,250,136
Lodestone Management Consultants SAS	(1,308,107)	39,001,267
Lodestone Management Consultants s.r.o.	-	120,995
Lodestone Management Consultants GmbH , Austria	-	168,670
Lodestone Management Consultants China Co., Ltd.	1,143,679	780,355
Lodestone Management Consultants Ltd.	35,979,377	152,578,818
Lodestone Management Consultants B.V.	-	597,865
Lodestone Management Consultants Ltda.	-	7,674,373
Lodestone Management Consultants Sp. z.o.o.	4,288,044	42,226,894
Lodestone Management Consultants Portugal, Unipessoal, Lda.	-	2,653,174
S.C. Lodestone Management Consultants S.R.L.	-	2,213,189
FX Valuation on above	285,030	1,104,486
Trade Payables		
Lodestone Management Consultants (Canada) Inc.	(7,460,757)	(6,216,310)
Lodestone Management Consultants Inc.	955,558	10,772,289
Lodestone Management Consultants Pty Limited	979,889	1,864,147
Lodestone Augmentis AG	5,630,805	10,700,133
Lodestone Management Consultants (Belgium) S.A.	1,424,504	4,302,601
Lodestone Management Consultants GmbH, Germany	50,863,143	111,796,833
Lodestone Management Consultants Pte Ltd.	139,169	1,119,216
Lodestone Management Consultants SAS	11,003,921	5,341,322
Lodestone Management Consultants s.r.o.	9,060,931	808,243
Lodestone Management Consultants GmbH , Austria	303,770	(2,220,859)
Lodestone Management Consultants Ltd.	11,746,504	(21,759,549)
Lodestone Management Consultants B.V.	1,029,523	(25,274,529)
Lodestone Management Consultants Sp. z.o.o.	20,304,672	40,641,329
Lodestone Management Consultants Portugal, Unipessoal, Lda.	4,581,740	(57,636,941)
S.C. Lodestone Management Consultants S.R.L.	4,685,287	4,690,606
FX Valuation on above	(347,796)	(1,091,742)
Loan to Holding company		
Lodestone Holding AG	-	289,626,749

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	2011
Capital transactions:		
Revenue transactions:		
Purchase of shared services including facilities and personnel		
Lodestone Management Consultants Pty Limited	12,530,317	12,623,507
Lodestone Management Consultants (Belgium) S.A.	37,040,762	69,442,740
Lodestone Augmentis AG	21,577,877	9,571,906
Lodestone Management Consultants s.r.o.	24,321,751	12,626,866
Lodestone Management Consultants GmbH	667,800,351	770,075,284
Lodestone Management Consultants SAS	97,412,438	40,052,337
Lodestone Management Consultants Ltd.	180,929,548	122,667,126
Lodestone Management Consultants B.V.	16,708,959	13,344,993

Lodestone Management Consultants Sp. z.o.o.	281,183,273	256,419,364
Lodestone Management Consultants Portugal, Unipessoal, Lda.	73,245,638	88,002,133
S.C. Lodestone Management Consultants S.R.L.	43,897,852	29,073,581
Lodestone Management Consultants Pte Ltd.	12,546,430	1,948,164
Lodestone Management Consultants Inc.	150,753,774	103,155,993
Lodestone Management Consultants GmbH Austria	4,832,715	-
Lodestone Management Consultants China Co., Ltd.	955,191	-
Interest expense		
Lodestone Holding AG	21,386,080	591,966
Lodestone Management Consultants Ltd.	-	5,578,019
Sale of shared services including facilities and personnel		
Lodestone Management Consultants (Belgium) S.A.	31,146,796	67,930,255
Lodestone Management Consultants GmbH	599,527,070	441,414,632
Lodestone Management Consultants SAS	29,055,378	61,705,902
Lodestone Management Consultants Ltd.	117,761,142	93,866,119
Lodestone Management Consultants Portugal, Unipessoal, Lda.	-	11,497,689
Lodestone Management Consultants Inc.	91,475,347	40,631,406
Lodestone Management Consultants Pte Ltd.	1,709,149	-
Lodestone Management Consultants Sp. z.o.o.	14,010,217	-
Lodestone Management Consultants (Canada) Inc.	1,146,109.00	-

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 ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	**2011**
Income from consultancy services	6,514,455,914	6,053,053,671
Cost of Services	5,280,933,183	4,775,742,201
GROSS PROFIT	**1,233,522,731**	**1,277,311,470**
Selling and marketing expenses	41,287,552	42,564,845
General and administration expenses	536,257,330	363,725,206
	577,544,882	406,290,051
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	**655,977,849**	**871,021,419**
Interest	26,832,865	12,923,532
Depreciation and amortization	133,178,860	83,064,038
OPERATING PROFIT	**495,966,124**	**775,033,849**
Other income	4,603,526	17,476,465
PROFIT BEFORE TAX	**500,569,650**	**792,510,314**
Tax expense:		
Current tax	66,959,615	174,260,979
Deferred tax	(4,741,456)	2,607,048
PROFIT FOR THE YEAR	**438,351,491**	**615,642,287**

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Ronald Hafner
Director

Bangalore
January 11 , 2013

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 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Loss*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership no. 202841
Firms regn. No. 006673s

11th January, 2013
BANGALORE

Lodestone Management Consultants B.V.

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	5,327,009	984,661
Reserves and surplus	2.2	(31,403,888)	(21,774,461)
		(26,076,879)	(20,789,800)
CURRENT LIABILITIES			
Unsecured Loans		58,359,015	-
Trade payables	2.4	7,889,590	43,247,887
Other current liabilities	2.5	11,565,544	8,209,555
Short-term provisions	2.6	1,555,485	570,829
		79,369,634	52,028,271
		53,292,755	**31,238,471**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	926,206	788,612
		926,206	788,612
Deferred tax assets	2.3	9,301,975	6,028,734
		10,228,181	6,817,346
CURRENT ASSETS			
Trade receivables	2.9	29,356,860	19,212,891
Cash and cash equivalents	2.10	6,409,279	-
Short-term loans and advances	2.11	7,298,435	5,208,234
		43,064,574	24,421,125
		53,292,755	**31,238,471**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath	Eddy Mertens	Ronald Hafner	Rolf Schläpfer
Partner	*Director*	*Director*	*Director*
Membership No. 202841			

Bangalore
January 11 , 2013

Lodestone Management Consultants B.V.

in ₹

Statement of Profit and Loss for the	Note	Year ended December 31,	
		2012	2011
Income from Consultancy services	2.12	101,294,352	16,100,738
Other income	2.13	(347,055)	(4,628)
Total revenue		**100,947,297**	**16,096,110**
Expenses			
Employee benefit expenses	2.14	58,339,113	33,440,448
Cost of technical sub-contractors	2.14	37,383,697	-
Travel expenses	2.14	12,441,569	2,661,311
Cost of software packages and others	2.14	-	172,432
Communication expenses	2.14	467,253	172,813
Professional charges		1,031,506	859,417
Depreciation and amortisation expense	2.7	223,028	30,950
Other expenses	2.14	1,905,476	1,288,907
Total expenses		**111,791,642**	**38,626,278**
PROFIT BEFORE INTEREST AND TAX		**(10,844,345)**	**(22,530,168)**
Interest expense		427,779	-
PROFIT BEFORE TAX		**(11,272,124)**	**(22,530,168)**
Tax expense:			
Current tax	2.15	(171,746)	872
Deferred tax	2.15	(2,632,362)	(5,672,219)
PROFIT FOR THE YEAR		**(8,468,016)**	**(16,858,821)**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath	Eddy Mertens	Ronald Hafner	Rolf Schläpfer
Partner	*Director*	*Director*	*Director*
Membership No. 202841			

Bangalore
January 11 , 2013

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 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, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the Euro.

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 recognising 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 recognised as services are rendered.

An expected project loss is recognised 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 Fixed 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

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 in the books of Holding Company

Foreign currency transactions during the period are translated into CHF at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated intoCHF at the exchange rates ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

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 recognised 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, 2012

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

2.1 SHARE CAPITAL

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Issued & Subscribed - 18,000 EURO	5,327,009	5,927,971
Less: Unpaid	-	4,943,310
Issued, Subscribed and Paid-Up	**5,327,009**	**984,661**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Currency Translation Reserve	(2,399,853)	(1,238,442)
Surplus- Opening Balance	(20,536,019)	(3,677,198)
Add: Net profit after tax transferred from Statement of Profit and Loss	(8,468,016)	(16,858,821)
Surplus- Closing Balance	**(29,004,035)**	**(20,536,019)**
	(31,403,888)	**(21,774,461)**

2.3 DEFERRED TAXES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Deferred tax assets		
Accumulated Losses	9,301,975	6,028,734
	9,301,975	**6,028,734**

2.4 TRADE PAYABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade payables [1]	7,889,590	43,247,887
	7,889,590	**43,247,887**
[1] *Includes dues to holding company and fellow subsidiaries (refer to note 2.17)*	5,370,381	43,247,887

2.5 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Accrued salaries and benefits		
Bonus and incentives	5,619,093	171,643
Other liabilities		
Provision for expenses	2,456,604	5,708,294
Withholding and other taxes payable	482,427	2,329,618
Other payables	3,007,420	-
	11,565,544	**8,209,555**

2.6 SHORT-TERM PROVISIONS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Provision for employee benefits		
Unavailed leave	1,555,485	570,829
	1,555,485	**570,829**

2.7 FIXED ASSETS

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at Jan 1, 2012	Additions during the year	Deductions/ Retirement during the year	As at December 31, 2012	As at Jan 1, 2012	For the year	Deductions/ adjustment during the year	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible assets :										
Office equipment	100,771	5,647	-	106,418	11,197	33,946	(2,153)	47,296	59,122	89,574
IT Equipment	194,030	337,328	-	531,358	10,778	122,588	(6,114)	139,480	391,878	183,252
Furniture and fixtures	526,387	29,497	-	555,884	10,601	66,494	(3,583)	80,678	475,206	515,786
Total	**821,188**	**372,472**	**-**	**1,193,660**	**32,576**	**223,028**	**(11,850)**	**267,454**	**926,206**	**788,612**
Previous year	-	**821,188**	-	**821,188**	-	**30,950**	**(1,626)**	**32,576**	**788,612**	

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,	
	2012	2011
Lease rentals recognized during the period	918,611	511,511

in ₹

Lease obligations payable	As at December 31, 2012	As at December 31, 2011
Within one year of the balance sheet date	507,270	918,611
Due in a period between one year and five years	-	507,270

2.9 TRADE RECEIVABLES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Other debts		
Unsecured		
Considered good[(1)]	29,356,860	19,212,891
Considered doubtful	-	-
	29,356,860	19,212,891
Less: Provision for doubtful debts	-	-
	29,356,860	19,212,891
	29,356,860	**19,212,891**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.17)*	1,694,512	19,212,891

2.10 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Balances with banks		
In current accounts	6,409,279	-
	6,409,279	**-**

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

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
In current accounts		
ING (Euro)	6,409,279	-
	6,409,279	-
Total bank balances	**6,409,279**	**-**

2.11 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	-	215,723
Withholding and other taxes receivable	4,716,549	4,673,153
	4,716,549	4,888,876
Unbilled revenues	2,244,632	-
Rental deposits	337,254	319,358
	7,298,435	**5,208,234**

2.12 INCOME FROM CONSULTANCY SERVICES

in ₹

Particulars	Year ended December 31, 2012	2011
Income from consultancy services	101,294,352	16,100,738
	101,294,352	**16,100,738**

2.13 OTHER INCOME

in ₹

Particulars	Year ended December 31, 2012	2011
Interest received on deposits with banks and others	1,467	-
Gains / (losses) on foreign currency, net	(348,522)	(4,628)
	(347,055)	**(4,628)**

2.14 EXPENSES

in ₹

Particulars	Year ended December 31, 2012	2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	58,306,758	33,086,358
Staff welfare	32,355	354,090
	58,339,113	33,440,448
Cost of technical sub-contractors		
Technical sub-contractors - subsidiaries	26,406,995	-
Technical sub-contractors - others	10,976,702	-
	37,383,697	-
Travel expenses		
Overseas travel expenses	12,441,569	2,661,311
	12,441,569	2,661,311
Cost of software packages and others		
For own use	-	172,432
	-	172,432
Communication expenses		
Telephone charges	467,253	172,813
	467,253	172,813
Other expenses		
Rent	918,611	511,511
Repairs to plant and machinery	-	39,594
Insurance charges	167,677	53,748
Marketing expenses	166,593	53,853
Printing and Stationery	14,381	132,317
Bank charges and commission	36,842	-
Others	601,372	497,884
	1,905,476	1,288,907

2.15 TAX EXPENSE

in ₹

	Year ended December 31, 2012	2011
Current tax		
Income taxes	(171,746)	872
Deferred taxes	(2,632,362)	(5,672,219)
	(2,804,108)	**(5,671,347)**

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 Related Party	Country	Holding as at	
		December 31, 2012	December 31, 2011
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 [(1)]	India
Infosys Australia [(1)]	Australia
Infosys Consulting Inc [(1)]	USA
Infosys Mexico [(1)]	Mexico
Infosys Sweden [(1)]	Sweden
Infosys Shanghai [(1)]	China
Infosys Brasil [(1)]	Brazil
Infosys Public Services, Inc. [(1)]	USA
Infosys Consulting India Limited [(1)]	India
Infosys BPO s. r. o [(2)]	Czech Republic
Infosys BPO (Poland) Sp Z.o.o [(2)]	Poland
McCamish Systems LLC [(2)]	USA
Portland Group Pty Ltd[(2)]	Australia
Portland Procurement Services Pty Ltd[(2)]	Australia
Lodestone Management Consultants (Canada) Inc. [(3)]	Canada
Lodestone Management Consultants Inc. [(3)]	USA
Lodestone Management Consultants Pty Limited [(3)]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [(3)(4)]	Thailand
Lodestone Management Consultants AG [(3)]	Switzerland
Lodestone Augmentis AG [(3)]	Switzerland
Hafner Bauer & Ödman GmbH [(3)]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [(3)(5)]	Belgium
Lodestone Management Consultants GmbH [(3)]	Germany
Lodestone Management Consultants Pte Ltd. [(3)]	Singapore
Lodestone Augmentis Ltd[(3)(4)]	Singapore
Lodestone Management Consultants SAS [(3)]	France
Lodestone Management Consultants s.r.o. [(3)]	Czech Republic
Lodestone Management Consultants GmbH [(3)]	Austria
Lodestone Management Consultants China Co., Ltd. [(3)]	China
Lodestone Management Consultants Ltd. [(3)]	UK
Lodestone Management Consultants B.V. [(3)]	Netherlands
Lodestone Management Consultants Ltda. [(3)(5)]	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

[(1)] Wholly owned subsidiaries of Infosys Limited.
[(2)] Wholly owned subsidiaries of Infosys BPO.
[(3)] Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012
[(4)] Under liquidation
[(5)] Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured Loans		
Lodestone Holding AG	58,359,015	-
Trade Receivables		
Lodestone Management Consultants AG	1,027,480	16,735,191
Lodestone Management Consultants GmbH, Germany	667,032	1,976,743
Lodestone Management Consultants (Belgium) S.A.	-	105,732
Lodestone Management Consultants Ltd.	-	395,225
Trade Payables		
Lodestone Management Consultants GmbH, Germany	3,393,666	117,861
Lodestone Management Consultants Sp. z.o.o.	686,446	-
Lodestone Management Consultants Ltd.	1,290,269	-
Lodestone Management Consultants AG	-	43,121,783
FX Valuation on above	-	8,243

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	2011
Capital transactions:		
Revenue transactions:		
Purchase of shared services including facilities and personnel		
Lodestone Management Consultants (Belgium) S.A.	876,477	-
Lodestone Management Consultants GmbH	22,077,246	-
Lodestone Management Consultants Ltd.	1,252,781	-
Lodestone Management Consultants Sp. z.o.o.	2,200,492	-
Interest expense		
Lodestone Holding AG	427,779	-
Sale of shared services including facilities and personnel		
Lodestone Management Consultants (Belgium) S.A.	-	82,828
Lodestone Management Consultants AG	19,042,922	14,035,762
Lodestone Management Consultants GmbH	14,652,458	1,887,109
Lodestone Management Consultants Ltd.	-	95,039

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 ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	2011
Income from Consultancy services	101,294,352	16,100,738
Cost of Services	107,078,197	36,442,092
GROSS PROFIT	**(5,783,845)**	**(20,341,354)**
Selling and marketing expenses	166,593	53,853
General and administration expenses	4,323,824	2,099,383
	4,490,417	2,153,236
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	**(10,274,262)**	**(22,494,590)**
Interest	427,779	-
Depreciation and amortization	223,028	30,950
OPERATING PROFIT	**(10,925,069)**	**(22,525,540)**
Other income	(347,055)	(4,628)
PROFIT BEFORE TAX	**(11,272,124)**	**(22,530,168)**
Tax expense:		
Current tax	(171,746)	872
Deferred tax	(2,632,362)	(5,672,219)
PROFIT FOR THE YEAR	**(8,468,016)**	**(16,858,821)**

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

M. Rathnakar Kamath	Eddy Mertens	Ronald Hafner	Rolf Schläpfer
Partner	*Director*	*Director*	*Director*
Membership No. 202841			

Bangalore
January 11 , 2013

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 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Loss*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership no. 202841
Firms regn. No. 006673s

11th January, 2013
BANGALORE

Lodestone Management Consultants China Co. Ltd.

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	68,465,807	35,341,734
Reserves and surplus	2.2	(51,115,291)	(11,264,174)
		17,350,516	24,077,560
CURRENT LIABILITIES			
Trade payables	2.4	4,094,659	3,782,112
Other current liabilities	2.5	36,417,156	7,162,800
Short-term provisions	2.6	6,301,421	3,091,363
		46,813,236	14,036,275
		64,163,752	**38,113,835**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	6,187,265	6,505,909
		6,187,265	6,505,909
Deferred tax assets	2.3	16,191,692	4,458,897
Long-term loans and advances	2.9	54,503	-
		22,433,460	10,964,806
CURRENT ASSETS			
Trade receivables	2.10	16,128,099	8,815,015
Cash and cash equivalents	2.11	8,697,672	6,547,820
Short-term loans and advances	2.12	16,904,521	11,786,194
		41,730,292	27,149,029
		64,163,752	**38,113,835**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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 No. 202841		

Bangalore
January 11 , 2013

Lodestone Management Consultants China Co. Ltd.

in ₹

Statement of Profit and Loss for the	Note	Year ended December 31,	
		2012	2011
Income from Consultancy services	2.13	211,123,069	63,063,091
Other income	2.14	6,442,219	(295,103)
Total revenue		**217,565,288**	**62,767,988**
Expenses			
Employee benefit expenses	2.15	184,203,566	48,682,109
Cost of technical sub-contractors	2.15	11,828,546	1,682,238
Travel expenses	2.15	43,337,441	12,330,303
Cost of software packages and others	2.15	-	698,022
Communication expenses	2.15	1,797,861	416,322
Professional charges		4,452,773	4,988,799
Depreciation and amortisation expense	2.7	3,056,064	886,533
Other expenses	2.15	14,878,802	8,256,739
Total expenses		**263,555,053**	**77,941,065**
PROFIT BEFORE INTEREST AND TAX		**(45,989,765)**	**(15,173,077)**
Interest expense		8,294	135,249
PROFIT BEFORE TAX		**(45,998,059)**	**(15,308,326)**
Tax expense:			
Current tax	2.16	6,557,699	3,480,749
Deferred tax	2.16	(11,311,760)	(4,195,216)
PROFIT FOR THE YEAR		**(41,243,998)**	**(14,593,859)**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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 No. 202841		

Bangalore
January 11 , 2013

Significant accounting policies and notes on accounts

Company overview

Lodestone Management Consultants China 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, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the Chinese Yuan.

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 recognising 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 recognised as services are rendered.

An expected project loss is recognised 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 Fixed 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

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 in the books of Holding Company

Foreign currency transactions during the period are translated into CHF at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated intoCHF at the exchange rates ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

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 recognised 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, 2012

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

2.1 SHARE CAPITAL

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Issued, Subscribed and Paid-Up		
150,000 USD	68,465,807	35,341,734
	68,465,807	**35,341,734**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Currency Translation Reserve	4,722,566	3,329,685
Surplus- Opening Balance	(14,593,859)	-
Add: Net profit after tax transferred from Statement of Profit and Loss	(41,243,998)	(14,593,859)
Surplus- Closing Balance	**(55,837,857)**	**(14,593,859)**
	(51,115,291)	**(11,264,174)**

2.3 DEFERRED TAXES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Deferred tax assets		
Accumulated Losses	16,191,692	4,458,897
	16,191,692	**4,458,897**

2.4 TRADE PAYABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade payables [(1)]	4,094,659	3,782,112
	4,094,659	**3,782,112**
[(1)] *Includes dues to holding company and fellow subsidiaries (refer to note 2.18)*	3,275,834	1,633,454

2.5 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Accrued salaries and benefits		
Bonus and incentives	20,203,086	5,262,801
Other liabilities		
Provision for expenses	10,182,790	1,899,999
Withholding and other taxes payable	6,031,280	-
	36,417,156	**7,162,800**

2.6 SHORT-TERM PROVISIONS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Provision for employee benefits		
Unavailed leave	6,301,421	2,250,433
Provision for Income taxes	-	840,930
	6,301,421	**3,091,363**

2.7 FIXED ASSETS

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at Jan 1, 2012	Additions during the year	Deductions/ Retirement during the year	As at December 31, 2012	As at Jan 1, 2012	For the year	Deductions/ adjustment during the year	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible assets :										
Leasehold Improvements	4,623,870	385,418	-	5,009,288	560,967	1,610,545	(74,707)	2,246,219	2,763,069	4,062,903
Office equipment	259,059	12,457	-	271,516	27,705	87,891	(3,937)	119,533	151,983	231,354
IT Equipment	2,633,787	2,478,724	-	5,112,511	422,135	1,357,628	(60,535)	1,840,298	3,272,213	2,211,652
Total	**7,516,716**	**2,876,599**	**-**	**10,393,315**	**1,010,807**	**3,056,064**	**(139,179)**	**4,206,050**	**6,187,265**	**6,505,909**
Previous year	**-**	**7,516,716**	**-**	**7,516,716**	**-**	**886,533**	**(124,274)**	**1,010,807**	**6,505,909**	

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, 2012	Year ended December 31, 2011
Lease rentals recognized during the period	8,283,678	3,244,300

in ₹

Lease obligations payable	As at December 31, 2012	As at December 31, 2011
Within one year of the balance sheet date	8,573,815	8,283,678
Due in a period between one year and five years	6,412,744	14,986,559

2.9 LONG-TERM LOANS AND ADVANCES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured, considered good		
Advance income taxes	54,503	-
	54,503	**-**

2.10 TRADE RECEIVABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Other debts		
Unsecured		
Considered good[(1)]	16,128,099	8,815,015
Considered doubtful	-	-
	16,128,099	8,815,015
Less: Provision for doubtful debts	-	-
	16,128,099	8,815,015
	16,128,099	**8,815,015**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.18)*	(402,113)	-

2.11 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Cash on hand	13,956	137,864
Balances with banks		
In current accounts	8,683,716	6,409,956
	8,697,672	**6,547,820**

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

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
In current accounts		
China Merchants Bank (CNY)	8,683,273	-
China Merchants Bank (USD)	443	6,409,956
	8,683,716	6,409,956
Total bank balances	**8,683,716**	**6,409,956**

2.12 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	6,796,318	550,044
Others	-	10,213,288
	6,796,318	10,763,332
Unbilled revenues	4,235,868	(1,491,630)
Loans and advances to employees		
Salary advances	-	(4,376)
Rental deposits	5,872,335	2,518,868
	16,904,521	11,786,194

2.13 INCOME FROM CONSULTANCY SERVICES

in ₹

Particulars	Year ended December 31, 2012	2011
Income from consultancy services	211,123,069	63,063,091
	211,123,069	**63,063,091**

2.14 OTHER INCOME

in ₹

Particulars	Year ended December 31, 2012	2011
Interest received on deposits with banks and others	-	14,722
Miscellaneous income, net	6,728,946	-
Gains / (losses) on foreign currency, net	(286,727)	(309,825)
	6,442,219	**(295,103)**

2.15 EXPENSES

in ₹

Particulars	Year ended December 31, 2012	2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	182,547,369	48,540,465
Staff welfare	1,656,197	141,644
	184,203,566	48,682,109
Cost of technical sub-contractors		
Technical sub-contractors - subsidiaries	-	40,407
Technical sub-contractors - others	11,828,546	1,641,831
	11,828,546	1,682,238
Travel expenses		
Overseas travel expenses	43,337,441	12,330,303
	43,337,441	12,330,303
Cost of software packages and others		
For own use	-	698,022
	-	698,022
Communication expenses		
Telephone charges	1,797,861	416,322
	1,797,861	416,322
Other expenses		
Office maintenance	1,814,801	647,387
Power and fuel	-	6,956
Brand building	720,875	2,731,953
Rent	8,283,678	3,244,300
Repairs to plant and machinery	21,167	-
Computer maintenance	343,561	155,459
Insurance charges	236,639	202,481
Marketing expenses	2,896,169	954,468
Printing and Stationery	200,002	190,395
Postage and courier	106,236	45,485
Books and periodicals	28,513	-
Auditor's remuneration		
Statutory audit fees	42,436	31,196
Bank charges and commission	38,678	26,312
Others	146,047	20,347
	14,878,802	8,256,739

2.16 TAX EXPENSE

in ₹

	Year ended December 31, 2012	2011
Current tax		
Income taxes	6,557,699	3,480,749
Deferred taxes	(11,311,760)	(4,195,216)
	(4,754,061)	**(714,467)**

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 Related Party	Country	Holding as at	
		December 31, 2012	December 31, 2011
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 [(1)]	India
Infosys Australia [(1)]	Australia
Infosys Consulting Inc [(1)]	USA
Infosys Mexico [(1)]	Mexico
Infosys Sweden [(1)]	Sweden
Infosys Shanghai [(1)]	China
Infosys Brasil [(1)]	Brazil
Infosys Public Services, Inc. [(1)]	USA
Infosys Consulting India Limited [(1)]	India
Infosys BPO s. r. o [(2)]	Czech Republic
Infosys BPO (Poland) Sp Z.o.o [(2)]	Poland
McCamish Systems LLC [(2)]	USA
Portland Group Pty Ltd[(2)]	Australia
Portland Procurement Services Pty Ltd[(2)]	Australia
Lodestone Management Consultants (Canada) Inc. [(3)]	Canada
Lodestone Management Consultants Inc. [(3)]	USA
Lodestone Management Consultants Pty Limited [(3)]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [(3)(4)]	Thailand
Lodestone Management Consultants AG [(3)]	Switzerland
Lodestone Augmentis AG [(3)]	Switzerland
Hafner Bauer & Ödman GmbH [(3)]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [(3)(5)]	Belgium
Lodestone Management Consultants GmbH [(3)]	Germany
Lodestone Management Consultants Pte Ltd. [(3)]	Singapore
Lodestone Augmentis Ltd[(3)(4)]	Singapore
Lodestone Management Consultants SAS [(3)]	France
Lodestone Management Consultants s.r.o. [(3)]	Czech Republic
Lodestone Management Consultants GmbH [(3)]	Austria
Lodestone Management Consultants China Co., Ltd. [(3)]	China
Lodestone Management Consultants Ltd. [(3)]	UK
Lodestone Management Consultants B.V. [(3)]	Netherlands
Lodestone Management Consultants Ltda. [(3)(5)]	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

[(1)] *Wholly owned subsidiaries of Infosys Limited.*

[(2)] *Wholly owned subsidiaries of Infosys BPO.*

[(3)] *Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

[(4)] *Under liquidation*

[(5)] *Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade Receivables		
Lodestone Management Consultants GmbH	(402,113)	-
Trade Payables		
Lodestone Management Consultants AG	1,146,517	780,336
Lodestone Management Consultants Sp. z.o.o.	1,189,934	-
Lodestone Management Consultants Pte Ltd.	939,383	853,118

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	2011
Capital transactions:		
Revenue transactions:		
Purchase of shared services including facilities and personnel		
Lodestone Management Consultants Pte Ltd.	-	40,407
Sale of shared services including facilities and personnel		
Lodestone Management Consultants Pty Limited	362,950	-
Lodestone Management Consultants AG	1,102,918	-
Lodestone Management Consultants GmbH	34,007,563	-
Lodestone Management Consultants SAS	812,628	-
Lodestone Management Consultants Pte Ltd.	7,291,580	-

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 ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	**2011**
Income from consultancy services	211,123,069	63,063,091
Cost of Services	234,337,559	61,948,091
GROSS PROFIT	**(23,214,490)**	**1,115,000**
Selling and marketing expenses	3,617,044	3,686,421
General and administration expenses	22,544,386	11,420,020
	26,161,430	15,106,441
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	**(49,375,920)**	**(13,991,441)**
Interest	8,294	135,249
Depreciation and amortization	3,056,064	886,533
OPERATING PROFIT	**(52,440,278)**	**(15,013,223)**
Other income	6,442,219	(295,103)
PROFIT BEFORE TAX	**(45,998,059)**	**(15,308,326)**
Tax expense:		
Current tax	6,557,699	3,480,749
Deferred tax	(11,311,760)	(4,195,216)
PROFIT FOR THE YEAR	**(41,243,998)**	**(14,593,859)**

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Peter Ödman
Director

Lin Li
Director

Bangalore
January 11 , 2013

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 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Loss*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership no. 202841
Firms regn. No. 006673s

11th January, 2013
BANGALORE

Lodestone Management Consultants GmbH

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	5,393,200	1,046,390
Reserves and surplus	2.2	(15,273,269)	(3,148,308)
		(9,880,069)	(2,101,918)
CURRENT LIABILITIES			
Unsecured Loans		17,319,511	-
Trade payables	2.4	48,882	2,446,059
Other current liabilities	2.5	5,935,468	2,405,633
Short-term provisions	2.6	729,445	-
		24,033,306	4,851,692
		14,153,237	**2,749,774**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	230,485	-
		230,485	-
Deferred tax assets	2.3	5,182,000	1,152,105
		5,412,485	1,152,105
CURRENT ASSETS			
Trade receivables	2.8	2,178,489	-
Cash and cash equivalents	2.9	5,778,401	1,247,154
Short-term loans and advances	2.10	783,862	350,515
		8,740,752	1,597,669
		14,153,237	**2,749,774**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath *Partner* Membership No. 202841	Peter Odman *Partner*	Ronald Hafner *Director*	Rolf Schläpfer *Chief Financial Officer*
	Michael E. Graf *Partner*	Yvonne Felice Fernandez *Chief Human Relations Officer*	Andrea Bertschinger *Head of Finance*
Bangalore January 11 , 2013	Karsten Oetschmann *Partner*	Norbert Kettner *Partner*	Mario Pohl *HR & Operations Manager*

Lodestone Management Consultants GmbH

in ₹

Statement of Profit and Loss for the	Note	Year ended December 31,	
		2012	2011
Income from Consultancy services	2.11	28,806,448	-
Other income	2.12	303	723
Total revenue		**28,806,751**	**723**
Expenses			
Employee benefit expenses	2.13	35,016,621	2,316,661
Cost of technical sub-contractors	2.13	(1,128)	-
Travel expenses	2.13	6,386,039	227,348
Communication expenses	2.13	420,126	-
Professional charges		1,677,634	1,787,965
Depreciation and amortisation expense	2.7	96,699	-
Other expenses	2.13	16,933	67,276
Total expenses		**43,612,924**	**4,399,250**
PROFIT BEFORE INTEREST AND TAX		**(14,806,173)**	**(4,398,527)**
Interest expense		279,601	-
PROFIT BEFORE TAX		**(15,085,774)**	**(4,398,527)**
Tax expense:			
Current tax	2.14	112,184	-
Deferred tax	2.14	(3,766,639)	(1,083,974)
PROFIT FOR THE YEAR		**(11,431,319)**	**(3,314,553)**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath *Partner* Membership No. 202841	Peter Odman *Partner*	Ronald Hafner *Director*	Rolf Schläpfer *Chief Financial Officer*
	Michael E. Graf *Partner*	Yvonne Felice Fernandez *Chief Human Relations Officer*	Andrea Bertschinger *Head of Finance*
Bangalore January 11 , 2013	Karsten Oetschmann *Partner*	Norbert Kettner *Partner*	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, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the Euro.

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 recognising 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 recognised as services are rendered.

An expected project loss is recognised 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 Fixed 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

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 in the books of Holding Company

Foreign currency transactions during the period are translated into CHF at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated intoCHF at the exchange rates ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

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, 2012

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

2.1 SHARE CAPITAL

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Issued & Subscribed - 80,000 Euro	5,393,200	4,922,209
Less: Unpaid	-	3,875,819
Issued, Subscribed and Paid-Up	**5,393,200**	**1,046,390**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Currency Translation Reserve	(527,397)	166,245
Surplus- Opening Balance	(3,314,553)	-
Add: Net profit after tax transferred from Statement of Profit and Loss	(11,431,319)	(3,314,553)
Surplus- Closing Balance	**(14,745,872)**	**(3,314,553)**
	(15,273,269)	**(3,148,308)**

2.3 DEFERRED TAXES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Deferred tax assets		
Accumulated Losses	5,182,000	1,152,105
	5,182,000	**1,152,105**

2.4 TRADE PAYABLES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Trade payables (1)	48,882	2,446,059
	48,882	**2,446,059**
(1) *Includes dues to holding company and fellow subsidiaries (refer to note 2.16)*	50,368	2,446,060

2.5 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Accrued salaries and benefits		
Bonus and incentives	3,045,186	-
Other liabilities		
Provision for expenses	1,232,521	1,676,526
Withholding and other taxes payable	1,657,761	729,107
	5,935,468	**2,405,633**

2.6 SHORT-TERM PROVISIONS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Provision for employee benefits		
Unavailed leave	729,445	-
	729,445	**-**

2.7 FIXED ASSETS

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at Jan 1, 2012	Additions during the year	Deductions/ Retirement during the year	As at December 31, 2012	As at Jan 1, 2012	For the year	Deductions/ adjustment during the year	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible assets :										
Computer equipment	-	331,901	-	331,901	-	96,699	(4,717)	101,416	230,485	-
Total	**-**	**331,901**	**-**	**331,901**	**-**	**96,699**	**(4,717)**	**101,416**	**230,485**	**-**
Previous year	-	-	-	-	-	-	-	-	-	

2.8 TRADE RECEIVABLES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Other debts		
Unsecured		
Considered good[(1)]	2,178,489	-
Considered doubtful	-	-
	2,178,489	-
Less: Provision for doubtful debts	-	-
	2,178,489	-
	2,178,489	**-**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.16)*	2,138,466	-

2.9 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Cash on hand	-	-
Balances with banks		
In current accounts	5,778,401	1,247,154
	5,778,401	**1,247,154**

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

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
In current accounts		
Bank Account Euro	5,778,401	1,247,154
	5,778,401	1,247,154
Total bank balances	**5,778,401**	**1,247,154**

2.10 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	101,506	70,483
Withholding and other taxes receivable	682,356	280,032
	783,862	**350,515**

2.11 INCOME FROM CONSULTANCY SERVICES

in ₹

Particulars	Year ended December 31, 2012	2011
Income from consultancy services	28,806,448	-
	28,806,448	**-**

2.12 OTHER INCOME

in ₹

Particulars	Year ended December 31, 2012	2011
Interest received on deposits with banks and others	2,537	723
Gains / (losses) on foreign currency, net	(2,234)	-
	303	**723**

2.13 EXPENSES

in ₹

Particulars	Year ended December 31, 2012	2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	35,016,621	2,316,661
	35,016,621	2,316,661
Cost of technical sub-contractors		
Technical sub-contractors - subsidiaries	(1,128)	-
	(1,128)	-
Travel expenses		
Overseas travel expenses	6,386,039	227,348
	6,386,039	227,348
Communication expenses		
Telephone charges	420,126	-
	420,126	-
Other expenses		
Brand building	5,322	-
Insurance charges	144,431	15,006
Marketing expenses	3,342	-
Printing and Stationery	6,833	2,897
Auditor's remuneration		
Statutory audit fees	(316,898)	-
Bank charges and commission	110,001	11,489
Others	63,902	37,884
	16,933	67,276

2.14 TAX EXPENSE

in ₹

	Year ended December 31, 2012	2011
Current tax		
Income taxes	112,184	-
Deferred taxes	(3,766,639)	(1,083,974)
	(3,654,455)	**(1,083,974)**

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 Related Party	Country	Holding as at	
		December 31, 2012	December 31, 2011
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 [(1)]	India
Infosys Australia [(1)]	Australia
Infosys Consulting Inc [(1)]	USA
Infosys Mexico [(1)]	Mexico
Infosys Sweden [(1)]	Sweden
Infosys Shanghai [(1)]	China
Infosys Brasil [(1)]	Brazil
Infosys Public Services, Inc. [(1)]	USA
Infosys Consulting India Limited [(1)]	India
Infosys BPO s. r. o [(2)]	Czech Republic
Infosys BPO (Poland) Sp Z.o.o [(2)]	Poland
McCamish Systems LLC [(2)]	USA
Portland Group Pty Ltd[(2)]	Australia
Portland Procurement Services Pty Ltd[(2)]	Australia
Lodestone Management Consultants (Canada) Inc. [(3)]	Canada
Lodestone Management Consultants Inc. [(3)]	USA
Lodestone Management Consultants Pty Limited [(3)]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [(3)(4)]	Thailand
Lodestone Management Consultants AG [(3)]	Switzerland
Lodestone Augmentis AG [(3)]	Switzerland
Hafner Bauer & Ödman GmbH [(3)]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [(3)(5)]	Belgium
Lodestone Management Consultants GmbH [(3)]	Germany
Lodestone Management Consultants Pte Ltd. [(3)]	Singapore
Lodestone Augmentis Ltd[(3)(4)]	Singapore
Lodestone Management Consultants SAS [(3)]	France
Lodestone Management Consultants s.r.o. [(3)]	Czech Republic
Lodestone Management Consultants GmbH [(3)]	Austria
Lodestone Management Consultants China Co., Ltd. [(3)]	China
Lodestone Management Consultants Ltd. [(3)]	UK
Lodestone Management Consultants B.V. [(3)]	Netherlands
Lodestone Management Consultants Ltda. [(3)(5)]	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

[(1)] Wholly owned subsidiaries of Infosys Limited.
[(2)] Wholly owned subsidiaries of Infosys BPO.
[(3)] Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012
[(4)] Under liquidation
[(5)] Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured Loans		
Lodestone Holding AG	17,319,511	-
	-	-
Trade Receivables		
Lodestone Management Consultants AG	303,167	-
Lodestone Management Consultants GmbH	1,167,451	-
Lodestone Management Consultants Ltd.	667,848	-
Trade Payables		
Lodestone Management Consultants AG	-	2,382,882
Lodestone Management Consultants GmbH, Germany	-	63,178
Lodestone Management Consultants Sp. z.o.o.	50,130	-
FX valuation on above	238	

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	2011
Capital transactions:		
Revenue transactions:		
Interest expense		
Lodestone Holding AG	279,601	-
Sale of shared services including facilities and personnel		
Lodestone Management Consultants AG	5,519,313	-
Lodestone Management Consultants GmbH	16,289,248	-
Lodestone Management Consultants Ltd.	1,535,295	-

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 ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	2011
Income from consultancy services	28,806,448	-
Cost of Services	41,678,736	2,526,201
GROSS PROFIT	**(12,872,288)**	**(2,526,201)**
Selling and marketing expenses	8,665	-
General and administration expenses	1,828,824	1,873,049
	1,837,489	1,873,049
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	**(14,709,777)**	**(4,399,250)**
Interest	279,601	-
Depreciation and amortization	96,699	-
OPERATING PROFIT	**(15,086,077)**	**(4,399,250)**
Other income	303	723
PROFIT BEFORE TAX	**(15,085,774)**	**(4,398,527)**
Tax expense:		
Current tax	112,184	-
Deferred tax	(3,766,639)	(1,083,974)
PROFIT FOR THE YEAR	**(11,431,319)**	**(3,314,553)**

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Peter Odman
Partner

Ronald Hafner
Director

Rolf Schläpfer
Chief Financial Officer

Michael E. Graf
Partner

Yvonne Felice Fernandez
Chief Human Relations Officer

Andrea Bertschinger
Head of Finance

Bangalore
January 11 , 2013

Karsten Oetschmann
Partner

Norbert Kettner
Partner

Mario Pohl
HR & Operations Manager

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 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Profit*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership no. 202841
Firms regn. No. 006673s

11th January, 2013
BANGALORE

Lodestone Management Consultants GmbH

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	6,536,435	6,536,435
Reserves and surplus	2.2	327,424,843	130,807,120
		333,961,278	137,343,555
NON-CURRENT LIABILITIES			
Deferred tax liabilities	2.3	-	521,107
		-	521,107
CURRENT LIABILITIES			
Trade payables	2.4	156,874,952	412,800,587
Other current liabilities	2.5	644,532,578	517,373,274
Short-term provisions	2.6	144,384,829	76,550,286
		945,792,359	1,006,724,147
		1,279,753,637	**1,144,588,809**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	15,257,972	17,331,462
		15,257,972	17,331,462
Long-term loans and advances	2.9	29,604,022	-
		44,861,994	17,331,462
CURRENT ASSETS			
Trade receivables	2.10	978,060,031	941,926,779
Cash and cash equivalents	2.11	164,906,431	112,841,664
Short-term loans and advances	2.12	91,925,181	72,488,904
		1,234,891,643	1,127,257,347
		1,279,753,637	**1,144,588,809**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Michael E. Graf
Partner

Stephan Kerner
Partner

Helge König
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Norbert Kettner
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Karsten Ötschmann
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Stephan Bode
Partner

Thorsten Drechsler
Partner

Jochen Fortner
Partner

Rüdiger Frach
Partner

Bangalore
January 11 , 2013

Alexander Pfanner
Partner

Martin Zirkel
Partner

Lodestone Management Consultants GmbH

in ₹

Statement of Profit and Loss for the	Note	Year ended December 31, 2012	Year ended December 31, 2011
Income from Consultancy Services	2.13	4,682,342,115	3,357,613,121
Other income	2.14	(12,827,228)	(1,946,010)
Total revenue		**4,669,514,887**	**3,355,667,111**
Expenses			
Employee benefit expenses	2.15	1,802,014,121	1,359,586,132
Cost of technical sub-contractors	2.15	1,844,848,877	1,220,982,609
Travel expenses	2.15	504,791,797	414,741,072
Cost of software packages and others	2.15	565,312	5,936,991
Communication expenses	2.15	41,786,723	35,292,672
Professional charges		154,956,965	137,328,695
Depreciation and amortisation expense	2.7	7,465,119	5,606,257
Other expenses	2.15	60,543,859	47,774,102
Total expenses		**4,416,972,773**	**3,227,248,530**
PROFIT BEFORE INTEREST AND TAX		**252,542,114**	**128,418,581**
Interest expense		249,173	991,400
PROFIT BEFORE TAX		**252,292,941**	**127,427,181**
Tax expense:			
Current tax	2.16	81,954,036	29,760,762
Deferred tax	2.16	553,772	(1,372,040)
PROFIT FOR THE YEAR		**169,785,133**	**99,038,459**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
January 11 , 2013

Michael E. Graf *Partner*	Stephan Kerner *Partner*	Helge König *Partner*
Norbert Kettner *Partner*	Karsten Ötschmann *Partner*	Stephan Bode *Partner*
Thorsten Drechsler *Partner*	Jochen Fortner *Partner*	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 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, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the Euro.

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.

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1.6 Revenue recognition

The method for recognising 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 recognised as services are rendered.

An expected project loss is recognised 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 Fixed 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.

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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

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 in the books of Holding Company

Foreign currency transactions during the period are translated into CHF at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated intoCHF at the exchange rates ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

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 recognised 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, 2012

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

2.1 SHARE CAPITAL

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Issued, Subscribed and Paid-Up		
86,000 EURO	6,536,435	6,536,435
	6,536,435	**6,536,435**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Currency Translation Reserve	22,081,523	(4,751,067)
Surplus- Opening Balance	135,558,187	36,519,728
Add: Net profit after tax transferred from Statement of Profit and Loss	169,785,133	99,038,459
Surplus- Closing Balance	**305,343,320**	**135,558,187**
	327,424,843	**130,807,120**

2.3 DEFERRED TAXES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Deferred tax liability		
Other Assets	-	521,107
	-	**521,107**

2.4 TRADE PAYABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade payables [(1)]	156,874,952	412,800,587
	156,874,952	**412,800,587**
[(1)] *Includes dues to holding company and fellow subsidiaries (refer to note 2.18)*	69,420,557	238,913,930

2.5 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Accrued salaries and benefits		
Salaries and benefits	1,410,904	(1,519,963)
Bonus and incentives	223,589,167	205,073,573
Other liabilities		
Employee Advances	-	47,850,540
Provision for expenses	169,506,000	45,649,656
Withholding and other taxes payable	106,926,138	88,472,097
Other payables	2,145,135	34,669,533
Advances received from clients	133,667,097	-
Unearned revenue	7,288,137	97,177,838
	644,532,578	**517,373,274**

2.6 SHORT-TERM PROVISIONS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Provision for employee benefits		
Unavailed leave	94,162,748	58,757,458
Provision for Income taxes	50,222,081	17,792,828
	144,384,829	**76,550,286**

2.7 FIXED ASSETS

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at Jan 1, 2012	Additions during the period	Deductions/ Retirement during the period	As at December 31, 2012	As at Jan 1, 2012	For the period	Deductions/ adjustment during the period	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible assets :										
Office equipment	287,264	16,097	-	303,361	51,371	88,637	(7,087)	147,095	156,266	235,893
IT Equipment	23,609,308	6,097,889	-	29,707,197	12,144,509	6,528,920	(990,557)	19,663,986	10,043,211	11,464,799
Furniture and fixtures	6,913,413	387,408	-	7,300,821	1,282,643	847,562	(112,121)	2,242,326	5,058,495	5,630,770
Total	**30,809,985**	**6,501,394**	**-**	**37,311,379**	**13,478,523**	**7,465,119**	**(1,109,765)**	**22,053,407**	**15,257,972**	**17,331,462**
Previous year	**17,570,090**	**19,859,040**	**6,619,145**	**30,809,985**	**6,619,144**	**5,606,257**	**(1,253,122)**	**13,478,523**	**17,331,462**	

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,	
	2012	2011
Lease rentals recognized during the period	12,921,110	8,289,838

in ₹

	As at	
Lease obligations payable	December 31, 2012	December 31, 2011
Within one year of the balance sheet date	12,798,034	12,921,110
Due in a period between one year and five years	3,155,680	15,953,714

2.9 LONG-TERM LOANS AND ADVANCES

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Unsecured, considered good		
Loans and advances to employees	29,604,022	-
	29,604,022	**-**

2.10 TRADE RECEIVABLES

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Other debts		
Unsecured		
Considered good[(1)]	978,060,031	941,926,779
Considered doubtful	-	-
	978,060,031	941,926,779
Less: Provision for doubtful debts	-	-
	978,060,031	941,926,779
	978,060,031	**941,926,779**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.18)*	81,799,760	184,557,852

2.11 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Cash on hand	547	32,520
Balances with banks		
In current accounts	164,905,884	112,809,144
	164,906,431	**112,841,664**

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

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
In current accounts		
Commerzbank (EURO)	164,900,702	112,812,226
Commerzbank (USD)	5,181	(3,082)
	164,905,883	112,809,144
Total bank balances	**164,905,883**	**112,809,144**

2.12 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	7,136,611	3,844,695
Withholding and other taxes receivable	1,208,941	941,511
Others	170,916	-
	8,516,468	4,786,206
Unbilled revenues	68,854,028	58,959,973
Loans and advances to employees		
Salary advances	-	137,314
Rental deposits	14,554,685	8,605,411
	91,925,181	**72,488,904**

2.13 INCOME FROM CONSULTANCY SERVICE

in ₹

Particulars	Year ended December 31, 2012	2011
Income from consultancy services	4,682,342,115	3,357,613,121
	4,682,342,115	**3,357,613,121**

2.14 OTHER INCOME

in ₹

Particulars	Year ended December 31, 2012	2011
Interest received on deposits with banks and others	(1,441)	-
Miscellaneous income, net	1,286,428	2,291,766
Gains / (losses) on foreign currency, net	(14,112,215)	(4,237,776)
	(12,827,228)	**(1,946,010)**

2.15 EXPENSES

in ₹

Particulars	Year ended December 31, 2012	2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	1,790,498,785	1,329,489,969
Staff welfare	11,515,336	30,096,163
	1,802,014,121	1,359,586,132
Cost of technical sub-contractors		
Technical sub-contractors - subsidiaries	858,968,261	549,890,943
Technical sub-contractors - others	985,880,616	671,091,666
	1,844,848,877	1,220,982,609
Travel expenses		
Overseas travel expenses	504,791,797	414,741,072
	504,791,797	414,741,072
Cost of software packages and others		
For own use	565,312	5,936,991
	565,312	5,936,991
Communication expenses		
Telephone charges	41,786,723	35,292,672
	41,786,723	35,292,672
Other expenses		
Office maintenance	2,910,738	2,599,834
Power and fuel	855,939	774,548
Brand building	11,056,396	14,767,504
Rent	12,921,110	8,289,838
Rates and taxes, excluding taxes on income	1,489,259	-
Repairs to plant and machinery	6	22,377
Computer maintenance	683,547	539,100
Insurance charges	2,717,663	463,993
Marketing expenses	13,950,692	9,690,030
Printing and Stationery	658,513	1,377,338
Professional membership and seminar participation fees	156,186	68,951
Postage and courier	771,751	646,677
Advertisements	131,978	3,060,671
Provision for bad and doubtful debts and advances	872	-
Books and periodicals	262,860	496,988
Auditor's remuneration		
Statutory audit fees	7,251,010	797,706
Bank charges and commission	2,032,402	984,927
Others	2,692,937	3,193,620
	60,543,859	47,774,102

2.16 TAX EXPENSE

in ₹

	Year ended December 31, 2012	2011
Current tax		
Income taxes	81,954,036	29,760,762
Deferred taxes	553,772	(1,372,040)
	82,507,808	**28,388,722**

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 Related Party	Country	Holding as at	
		December 31, 2012	December 31, 2011
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 (1)	India
Infosys Australia (1)	Australia
Infosys Consulting Inc (1)	USA
Infosys Mexico (1)	Mexico
Infosys Sweden (1)	Sweden
Infosys Shanghai (1)	China
Infosys Brasil (1)	Brazil
Infosys Public Services, Inc. (1)	USA
Infosys Consulting India Limited (1)	India
Infosys BPO s. r. o (2)	Czech Republic
Infosys BPO (Poland) Sp Z.o.o (2)	Poland
McCamish Systems LLC (2)	USA
Portland Group Pty Ltd(2)	Australia
Portland Procurement Services Pty Ltd(2)	Australia
Lodestone Management Consultants (Canada) Inc. (3)	Canada
Lodestone Management Consultants Inc. (3)	USA
Lodestone Management Consultants Pty Limited (3)	Australia
Lodestone Management Consultants (Asia Pacific) Limited (3)(4)	Thailand
Lodestone Management Consultants AG (3)	Switzerland
Lodestone Augmentis AG (3)	Switzerland
Hafner Bauer & Ödman GmbH (3)	Switzerland
Lodestone Management Consultants (Belgium) S.A. (3)(5)	Belgium
Lodestone Management Consultants GmbH (3)	Germany
Lodestone Management Consultants Pte Ltd. (3)	Singapore
Lodestone Augmentis Ltd(3)(4)	Singapore
Lodestone Management Consultants SAS (3)	France
Lodestone Management Consultants s.r.o. (3)	Czech Republic
Lodestone Management Consultants GmbH (3)	Austria
Lodestone Management Consultants China Co., Ltd. (3)	China
Lodestone Management Consultants Ltd. (3)	UK
Lodestone Management Consultants B.V. (3)	Netherlands
Lodestone Management Consultants Ltda. (3)(5)	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

(1) Wholly owned subsidiaries of Infosys Limited.

(2) Wholly owned subsidiaries of Infosys BPO.

(3) Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012

(4) Under liquidation

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

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade Receivables		
Lodestone Management Consultants (Canada) Inc.	2,067,557	-
Lodestone Management Consultants Inc.	22,689,802	775,378
Lodestone Management Consultants AG	50,833,122	111,055,037
Lodestone Management Consultants (Belgium) S.A.	460,555	51,179,361
Lodestone Management Consultants Pte Ltd.	1,180,852	-
Lodestone Management Consultants SAS	-	20,458,882
Lodestone Management Consultants s.r.o.	-	56,917
Lodestone Management Consultants GmbH, Austria	-	63,178
Lodestone Management Consultants Ltd.	1,083,648	675,365
Lodestone Management Consultants B.V.	3,393,666	117,861
Lodestone Management Consultants Sp. z.o.o.	90,558	56,917
Lodestone Management Consultants Portugal, Unipessoal, Lda.	-	62,039
S.C. Lodestone Management Consultants S.R.L.	-	56,917
Trade Payables		
Lodestone Management Consultants Inc.	-	7,429,817
Lodestone Management Consultants Pty Limited	50,739	12,044,564
Lodestone Management Consultants AG	45,791,214	141,149,164
Lodestone Management Consultants (Belgium) S.A.	1,122,672	12,240,614
Lodestone Management Consultants Pte Ltd.	560,089	6,348,334
Lodestone Management Consultants s.r.o.	538,757	805,728
Lodestone Management Consultants GmbH	1,167,451	-
Lodestone Management Consultants China Co., Ltd.	(887,713)	-
Lodestone Management Consultants Ltd.	5,313,276	4,575,255
Lodestone Management Consultants B.V.	667,032	1,976,743
Lodestone Management Consultants Sp. z.o.o.	8,900,931	35,860,343
Lodestone Management Consultants Portugal, Unipessoal, Lda.	4,745,372	5,380,637
S.C. Lodestone Management Consultants S.R.L.	1,538,358	11,102,731
FX Valuation on above	(87,621)	-

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	2011
Capital transactions:		
Revenue transactions:		
Purchase of shared services including facilities and personnel		
Lodestone Management Consultants Pty Limited	12,058,378	11,611,254
Lodestone Management Consultants (Belgium) S.A.	44,962,583	41,155,215
Lodestone Management Consultants AG	537,632,960	360,812,325
Lodestone Management Consultants s.r.o.	18,784,100	655,731
Lodestone Management Consultants Ltd.	61,680,590	38,107,791
Lodestone Management Consultants B.V.	13,212,477	1,542,523
Lodestone Management Consultants Sp. z.o.o.	133,197,310	124,070,321
Lodestone Management Consultants Portugal, Unipessoal, Lda.	50,570,804	11,506,454
S.C. Lodestone Management Consultants S.R.L.	25,668,833	22,445,038
Lodestone Management Consultants Pte Ltd.	7,657,003	4,108,327
Lodestone Management Consultants Inc.	1,369,565	5,506,098
Lodestone Management Consultants GmbH	14,657,675	-
Lodestone Management Consultants (Canada) Inc.	920,711	-
Lodestone Management Consultants China Co., Ltd.	30,267,782	-
Lodestone Management Consultants SAS	9,798,050	-
Sale of shared services including facilities and personnel		-
Lodestone Management Consultants (Belgium) S.A.	13,518,194	26,692,569
Lodestone Management Consultants AG	760,046,255	809,241,623
Lodestone Management Consultants SAS	3,398,656	19,346,649
Lodestone Management Consultants Ltd.	11,340,613	12,800,645
Lodestone Management Consultants Inc.	32,320,930	1,493,103
Lodestone Management Consultants Pte Ltd.	3,453,614	-
Lodestone Management Consultants B.V.	21,729,578	-
Lodestone Management Consultants (Canada) Inc.	1,974,650	-
Lodestone Management Consultants China Co., Ltd.	(223,853)	-

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 ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	**2011**
Income from consultancy services	4,682,342,115	3,357,613,121
Cost of Services	4,102,947,865	2,985,760,792
GROSS PROFIT	**579,394,250**	**371,852,329**
Selling and marketing expenses	25,007,088	24,457,534
General and administration expenses	281,552,701	211,423,947
	306,559,789	235,881,481
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	**272,834,461**	**135,970,848**
Interest	249,173	991,400
Depreciation and amortization	7,465,119	5,606,257
OPERATING PROFIT	**265,120,169**	**129,373,191**
Other income	(12,827,228)	(1,946,010)
PROFIT BEFORE TAX	**252,292,941**	**127,427,181**
Tax expense:		
Current tax	81,954,036	29,760,762
Deferred tax	553,772	(1,372,040)
PROFIT FOR THE YEAR	**169,785,133**	**99,038,459**

As per our report attached

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Michael E. Graf
Partner

Stephan Kerner
Partner

Helge König
Partner

Norbert Kettner
Partner

Karsten Ötschmann
Partner

Stephan Bode
Partner

Thorsten Drechsler
Partner

Jochen Fortner
Partner

Rüdiger Frach
Partner

Bangalore
January 11 , 2013

Alexander Pfanner
Partner

Martin Zirkel
Partner

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 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Profit*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership no. 202841
Firms regn. No. 006673s

11th January, 2013
BANGALORE

Lodestone Management Consultants Inc.

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	6,207,500	6,207,500
Reserves and surplus	2.2	(166,101,036)	(198,053,884)
		(159,893,536)	(191,846,384)
CURRENT LIABILITIES			
Unsecured Loans		322,212,277	214,849,429
Trade payables	2.4	92,908,516	144,289,205
Other current liabilities	2.5	68,111,330	68,260,475
Short-term provisions	2.6	10,195,165	7,478,459
		493,427,288	434,877,568
		333,533,752	**243,031,184**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	1,797,913	3,682,608
		1,797,913	3,682,608
Deferred tax assets	2.3	30,382,809	29,337,595
Long-term loans and advances	2.9	20,201,589	21,043,309
		52,382,311	54,063,512
CURRENT ASSETS			
Trade receivables	2.10	169,064,390	154,267,779
Cash and cash equivalents	2.11	60,829,063	5,571,342
Short-term loans and advances	2.12	51,257,988	29,128,551
		281,151,441	188,967,672
		333,533,752	**243,031,184**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath	Jim Williams	Jürgen Bauer
Partner	*Partner*	*Partner*
Membership No. 202841		

Bangalore
January 11 , 2013

Lodestone Management Consultants Inc.

in ₹

Statement of Profit and Loss for the	Note	Year ended December 31,	
		2012	2011
Income from Consultancy services	2.13	939,161,898	667,861,832
Other income	2.14	(2,137,109)	(8,198,462)
Total revenue		**937,024,789**	**659,663,370**
Expenses			
Employee benefit expenses	2.15	454,350,646	351,617,020
Cost of technical sub-contractors	2.15	227,717,248	250,521,829
Travel expenses	2.15	145,244,451	94,364,169
Cost of software packages and others	2.15	-	1,875,774
Communication expenses	2.15	5,643,748	3,713,564
Professional charges		44,283,400	26,088,432
Depreciation and amortisation expense	2.7	1,662,097	3,100,511
Other expenses	2.15	15,800,029	17,528,325
Total expenses		**894,701,619**	**748,809,624**
PROFIT BEFORE INTEREST AND TAX		**42,323,170**	**(89,146,254)**
Interest expense		5,266,259	3,615,677
PROFIT BEFORE TAX		**37,056,911**	**(92,761,931)**
Tax expense:			
Current tax	2.16	(506,161)	(7,844,147)
Deferred tax	2.16	301,421	(27,281,883)
PROFIT FOR THE YEAR		**37,261,651**	**(57,635,901)**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Jim Williams
Partner

Jürgen Bauer
Partner

Bangalore
January 11 , 2013

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 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, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the US Dollar.

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 recognising 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 recognised as services are rendered.

An expected project loss is recognised 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 Fixed 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

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 in the books of Holding Company

Foreign currency transactions during the period are translated into CHF at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated intoCHF at the exchange rates ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

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 recognised 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, 2012

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

2.1 SHARE CAPITAL

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Issued, Subscribed and Paid-Up		
100,000 USD	6,207,500	6,207,500
	6,207,500	**6,207,500**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Currency Translation Reserve	(6,078,656)	(769,853)
Surplus- Opening Balance	(197,284,031)	(139,648,130)
Add: Net profit after tax transferred from Statement of Profit and Loss	37,261,651	(57,635,901)
Surplus- Closing Balance	**(160,022,380)**	**(197,284,031)**
	(166,101,036)	**(198,053,884)**

2.3 DEFERRED TAXES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Deferred tax asset		
Accumulated Losses	30,382,809	29,337,595
	30,382,809	**29,337,595**

2.4 TRADE PAYABLES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Trade payables (1)	92,908,516	144,289,205
	92,908,516	**144,289,205**
(1) *Includes dues to holding company and fellow subsidiaries (refer to note 2.18)*	82,539,212	131,212,416

2.5 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Accrued salaries and benefits		
Bonus and incentives	34,015,646	29,104,737
Other liabilities		
Provision for expenses	35,027,984	39,155,738
Other payables	(1,056,351)	-
Unearned revenue	124,051	-
	68,111,330	**68,260,475**

2.6 SHORT-TERM PROVISIONS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Provision for employee benefits		
Unavailed leave	9,722,573	7,478,459
Provision for Income taxes	472,592	-
	10,195,165	**7,478,459**

2.7 FIXED ASSETS

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at Jan 1, 2012	Additions during the year	Deductions/ Retirement during the year	As at December 31, 2012	As at Jan 1, 2012	For the year	Deductions/ adjustment during the year	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible assets :										
Office equipment	244,889	90,984	253,459	82,414	103,827	164,291	249,804	18,314	64,100	141,062
IT Equipment	11,052,367	652,915	-	11,705,282	8,192,549	1,486,046	(292,874)	9,971,469	1,733,813	2,859,818
Furniture and fixtures	1,229,599	-	1,229,599	-	547,871	11,760	559,631	-	-	681,728
Total	**12,526,855**	**743,899**	**1,483,058**	**11,787,696**	**8,844,247**	**1,662,097**	**516,561**	**9,989,783**	**1,797,913**	**3,682,608**
Previous year	**9,158,028**	**7,888,951**	**4,520,124**	**12,526,855**	**4,520,124**	**3,100,511**	**(1,223,612)**	**8,844,247**	**3,682,608**	

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, 2012	2011
Lease rentals recognized during the period	7,764,763	8,281,379

in ₹

Lease obligations payable	As at December 31, 2012	December 31, 2011
Within one year of the balance sheet date	5,777,926	7,764,763
Due in a period between one year and five years	-	5,777,926

2.9 LONG-TERM LOANS AND ADVANCES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Other loans and advances		
Advance income taxes	15,775,104	21,043,309
Loans and advances to employees	4,426,485	-
	20,201,589	**21,043,309**

2.10 TRADE RECEIVABLES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Other debts		
Unsecured		
Considered good[(1)]	169,064,390	154,267,779
	169,064,390	**154,267,779**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.18)*	8,482,662	41,487,086

2.11 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Cash on hand	-	3,904
Balances with banks		
In current accounts	60,829,063	5,567,438
	60,829,063	**5,571,342**

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

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
In current accounts		
Bank of America (USD)	60,829,063	5,567,438
	60,829,063	5,567,438
Total bank balances	**60,829,063**	**5,567,438**

2.12 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	2,814,107	1,877,439
Others	24,673,708	-
	27,487,815	1,877,439
Unbilled revenues	18,761,358	-
Loans and advances to employees		
Salary advances	2,994,817	21,084,430
Rental deposits	2,013,998	6,166,682
	51,257,988	**29,128,551**

2.13 INCOME FROM CONSULTANCY SERVICES

in ₹

Particulars	Year ended December 31, 2012	2011
Income from consultancy services	939,161,898	667,861,832
	939,161,898	**667,861,832**

2.14 OTHER INCOME

in ₹

Particulars	Year ended December 31, 2012	2011
Interest received on deposits with banks and others	20,199	-
Miscellaneous income, net	913,965	-
Gains / (losses) on foreign currency, net	(3,071,273)	(8,198,462)
	(2,137,109)	**(8,198,462)**

2.15 EXPENSES

in ₹

Particulars	Year ended December 31, 2012	2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	449,257,815	347,576,316
Staff welfare	5,092,831	4,040,704
	454,350,646	351,617,020
Cost of technical sub-contractors		
Technical sub-contractors - subsidiaries	185,037,458	114,335,098
Technical sub-contractors - others	42,679,790	136,186,731
	227,717,248	250,521,829
Travel expenses		
Overseas travel expenses	145,244,451	94,364,169
	145,244,451	94,364,169
Cost of software packages and others		
For own use	-	1,875,774
	-	1,875,774
Communication expenses		
Telephone charges	5,643,748	3,713,564
	5,643,748	3,713,564
Other expenses		
Brand building	444,332	1,581,018
Rent	7,764,763	8,281,379
Computer maintenance	69,026	154,745
Insurance charges	863,792	855,678
Marketing expenses	3,097,273	3,732,156
Printing and Stationery	254,339	551,579
Professional membership and seminar participation fees	399,708	328,346
Postage and courier	523,714	973,461
Advertisements	176,457	661,313
Books and periodicals	36,711	7,827
Bank charges and commission	404,587	184,613
Others	1,765,327	216,210
	15,800,029	17,528,325

2.16 TAX EXPENSE

in ₹

	Year ended December 31, 2012	2011
Current tax		
Income taxes	(506,161)	(7,844,147)
Deferred taxes	301,421	(27,281,883)
	(204,740)	**(35,126,030)**

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 Related Party	Country	Holding as at	
		December 31, 2012	December 31, 2011
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 [1]	India
Infosys Australia [1]	Australia
Infosys Consulting Inc [1]	USA
Infosys Mexico [1]	Mexico
Infosys Sweden [1]	Sweden
Infosys Shanghai [1]	China
Infosys Brasil [1]	Brazil
Infosys Public Services, Inc. [1]	USA
Infosys Consulting India Limited [1]	India
Infosys BPO s. r. o [2]	Czech Republic
Infosys BPO (Poland) Sp Z.o.o [2]	Poland
McCamish Systems LLC [2]	USA
Portland Group Pty Ltd[2]	Australia
Portland Procurement Services Pty Ltd[2]	Australia
Lodestone Management Consultants (Canada) Inc. [3]	Canada
Lodestone Management Consultants Inc. [3]	USA
Lodestone Management Consultants Pty Limited [3]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [3][4]	Thailand
Lodestone Management Consultants AG [3]	Switzerland
Lodestone Augmentis AG [3]	Switzerland
Hafner Bauer & Ödman GmbH [3]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [3][5]	Belgium
Lodestone Management Consultants GmbH [3]	Germany
Lodestone Management Consultants Pte Ltd. [3]	Singapore
Lodestone Augmentis Ltd[3][4]	Singapore
Lodestone Management Consultants SAS [3]	France
Lodestone Management Consultants s.r.o. [3]	Czech Republic
Lodestone Management Consultants GmbH [3]	Austria
Lodestone Management Consultants China Co., Ltd. [3]	China
Lodestone Management Consultants Ltd. [3]	UK
Lodestone Management Consultants B.V. [3]	Netherlands
Lodestone Management Consultants Ltda. [3][5]	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

[1] *Wholly owned subsidiaries of Infosys Limited.*
[2] *Wholly owned subsidiaries of Infosys BPO.*
[3] *Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*
[4] *Under liquidation*
[5] *Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured Loans		
Lodestone Holding AG	322,212,277	214,849,429
Trade Receivables		
Lodestone Management Consultants AG	954,129	10,704,244
Lodestone Management Consultants Ltd.	7,528,533	4,067,582
Lodestone Management Consultants (Belgium) S.A.	-	19,285,442
Lodestone Management Consultants GmbH	-	7,429,818
Trade Payables		
Lodestone Management Consultants AG	49,237,001	103,774,558
Lodestone Management Consultants (Canada) Inc.	4,943,918	14,094,564
Lodestone Management Consultants GmbH	21,959,778	852,536
Lodestone Management Consultants Sp. z.o.o.	526,823	321,647
S.C. Lodestone Management Consultants S.R.L.	1,315,458	-
Lodestone Management Consultants Ltd.	3,787,164	-
Lodestone Management Consultants (Belgium) S.A.	-	426,623
Lodestone Management Consultants Portugal, Unipessoal, Lda.	-	1,745,148
Lodestone Management Consultants SAS	-	6,089,442
FX Valuation on above	769,070	3,907,898

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	2011
Capital transactions:		
Revenue transactions:		
Purchase of shared services including facilities and personnel		
Lodestone Management Consultants (Belgium) S.A.	-	224,607
Lodestone Management Consultants (Canada) Inc.	43,420,191	46,017,329
Lodestone Management Consultants AG	84,624,111	45,019,780
Lodestone Management Consultants GmbH	30,106,578	1,655,785
Lodestone Management Consultants SAS	-	6,087,746
Lodestone Management Consultants Ltd.	29,081,413	20,178,463
Lodestone Management Consultants Sp. z.o.o.	4,651,483	6,986,718
Lodestone Management Consultants Portugal, Unipessoal, Lda.	1,260,462	2,572,107
S.C. Lodestone Management Consultants S.R.L.	8,981,215	-
Interest expense		
Lodestone Holding AG	5,176,018	3,615,677
Sale of shared services including facilities and personnel		
Lodestone Management Consultants AG	172,144,753	108,495,595
Lodestone Management Consultants GmbH	1,521,774	6,736,112
Lodestone Management Consultants Ltd.	29,572,902	13,510,826

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 ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	**2011**
Income from consultancy services	939,161,898	667,861,832
Cost of Services	765,107,942	661,185,645
GROSS PROFIT	**174,053,956**	**6,676,187**
Selling and marketing expenses	3,541,604	5,313,173
General and administration expenses	124,389,976	79,210,295
	127,931,580	84,523,468
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	**46,122,376**	**(77,847,281)**
Interest	5,266,259	3,615,677
Depreciation and amortization	1,662,097	3,100,511
OPERATING PROFIT	**39,194,020**	**(84,563,469)**
Other income	(2,137,109)	(8,198,462)
PROFIT BEFORE TAX	**37,056,911**	**(92,761,931)**
Tax expense:		
Current tax	(506,161)	(7,844,147)
Deferred tax	301,421	(27,281,883)
PROFIT FOR THE YEAR	**37,261,651**	**(57,635,901)**

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Jim Williams
Partner

Jürgen Bauer
Partner

Bangalore
January 11 , 2013

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 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Profit*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership no. 202841
Firms regn. No. 006673s

11th January, 2013
BANGALORE

Lodestone Management Consultants Ltd.

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	5,825,500	5,825,500
Reserves and surplus	2.2	(74,715,107)	(160,741,135)
		(68,889,607)	(154,915,635)
CURRENT LIABILITIES			
Unsecured Loans		154,773,631	68,778,619
Trade payables	2.4	85,526,352	253,916,121
Other current liabilities	2.5	130,325,670	85,823,166
Short-term provisions	2.6	7,464,526	5,667,670
		378,090,179	414,185,576
		309,200,572	**259,269,941**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	10,433,092	12,708,303
		10,433,092	12,708,303
Deferred tax assets	2.3	11,733,596	10,855,576
Long-term loans and advances	2.9	5,145,130	-
		27,311,818	23,563,879
CURRENT ASSETS			
Trade receivables	2.10	102,952,881	124,366,799
Cash and cash equivalents	2.11	3,658,914	48,390,192
Short-term loans and advances	2.12	175,276,959	62,949,071
		281,888,754	235,706,062
		309,200,572	**259,269,941**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Harry Singh
Partner

Anthoula Madden
Partner

John O Sullivan
Partner

Ian Stuart
Partner

Brandon Bichler
Partner

Mandeep Kwatra
Partner

Bangalore
January 11 , 2013

Mark Bryant
Partner

Jeremy Milward
Partner

Lodestone Management Consultants Ltd.

in ₹

Statement of Profit and Loss for the	Note	Year ended December 31,	
		2012	2011
Income from Consultancy services	2.13	1,053,190,633	745,202,850
Other income	2.14	8,558,410	176,739
Total revenue		**1,061,749,043**	**745,379,589**
Expenses			
Employee benefit expenses	2.15	572,925,135	354,456,341
Cost of technical sub-contractors	2.15	192,475,847	183,919,530
Travel expenses	2.15	114,157,723	73,819,113
Cost of software packages and others	2.15	-	1,263,130
Communication expenses	2.15	6,891,576	5,258,210
Professional charges		40,512,297	34,542,624
Depreciation and amortisation expense	2.7	3,810,621	1,602,489
Other expenses	2.15	35,016,800	12,804,507
Total expenses		**965,789,999**	**667,665,944**
PROFIT BEFORE INTEREST AND TAX		**95,959,044**	**77,713,645**
Interest expense		3,481,888	7,495,344
PROFIT BEFORE TAX		**92,477,156**	**70,218,301**
Tax expense:			
Deferred tax	2.16	(1,542,746)	17,489,597
PROFIT FOR THE YEAR		**94,019,902**	**52,728,704**
EARNINGS PER EQUITY SHARE			
Equity shares of par value GBP 1 each			
Basic		1,880	1,055
Number of shares used in computing earnings per share			
Basic		50,000	50,000
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

As per our report attached
for Shenoy & Kamath
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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 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, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is Great British Pound.

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 recognising 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 recognised as services are rendered.

An expected project loss is recognised 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 Fixed 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

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 in the books of Holding Company

Foreign currency transactions during the period are translated into CHF at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated intoCHF at the exchange rates ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

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 recognised 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, 2012

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

2.1 SHARE CAPITAL

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Issued, Subscribed and Paid-Up		
50,000 (50,000) equity shares of GBP 1/- par value	5,825,500	5,825,500
	5,825,500	**5,825,500**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Currency Translation Reserve	10,026,341	18,020,215
Surplus- Opening Balance	(178,761,350)	(231,490,054)
Add: Net profit after tax transferred from Statement of Profit and Loss	94,019,902	52,728,704
Surplus- Closing Balance	**(84,741,448)**	**(178,761,350)**
	(74,715,107)	**(160,741,135)**

2.3 DEFERRED TAXES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Deferred tax asset		
Accumulated Losses	11,733,596	10,855,576
	11,733,596	**10,855,576**

2.4 TRADE PAYABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade payables [(1)]	85,526,352	253,916,121
	85,526,352	**253,916,121**
[(1)] *Includes dues to holding company and fellow subsidiaries (refer to note 2.18)*	62,287,406	216,539,118

2.5 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Accrued salaries and benefits		
Bonus and incentives	43,011,626	31,740,896
Other liabilities		
Provision for expenses	14,445,459	12,620,246
Withholding and other taxes payable	64,502,310	28,306,452
Other payables	92,012	7,040,642
Unearned revenue	8,274,263	6,114,930
	130,325,670	**85,823,166**

2.6 SHORT-TERM PROVISIONS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Provision for employee benefits	7,464,526	5,667,670
	7,464,526	**5,667,670**

2.7 FIXED ASSETS

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at Jan 1, 2012	Additions during the year	Deductions/ Retirement during the year	As at December 31, 2012	As at Jan 1, 2012	For the year	Deductions/ adjustment during the year	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible assets :										
Leasehold Improvements	10,099,184	816,842	-	10,916,026	839,544	2,097,335	(154,663)	3,091,542	7,824,484	9,259,640
IT Equipment	4,546,673	1,032,912	-	5,579,585	1,098,010	1,713,286	(159,681)	2,970,977	2,608,608	3,448,663
Total	**14,645,857**	**1,849,754**	**-**	**16,495,611**	**1,937,554**	**3,810,621**	**(314,344)**	**6,062,519**	**10,433,092**	**12,708,303**
Previous year	**500,439**	**14,145,418**	**-**	**14,645,857**	**-**	**1,602,489**	**(335,065)**	**1,937,554**	**12,708,303**	

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,	
	2012	2011
Lease rentals recognized during the period	8,714,085	1,518,851

in ₹

Lease obligations payable	As at December 31, 2012	As at December 31, 2011
Within one year of the balance sheet date	8,399,415	8,714,085
Due in a period between one year and five years	19,813,415	28,212,830

2.9 LONG-TERM LOANS AND ADVANCES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Unsecured, considered good		
Loans and advances to employees	5,145,130	-
	5,145,130	**-**

2.10 TRADE RECEIVABLES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Other debts		
Unsecured		
Considered good[(1)]	102,952,881	124,366,799
Considered doubtful	-	-
	102,952,881	124,366,799
Less: Provision for doubtful debts	-	-
	102,952,881	124,366,799
	102,952,881	**124,366,799**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.18)*	24,755,971	19,416,663

2.11 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Balances with banks		
In current accounts	3,658,914	48,390,192
	3,658,914	**48,390,192**

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

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
In current accounts		
Barclays (GBP)	3,658,914	48,390,192
	3,658,914	48,390,192
Total bank balances	**3,658,914**	**48,390,192**

2.12 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	3,140,152	6,039,321
Withholding and other taxes receivable	23,077	4,693
Others	45,998,866	4,109,726
	49,162,095	10,153,740
Unbilled revenues	122,957,015	49,751,273
Loans and advances to employees		
Salary advances	110,122	-
Rental deposits	3,047,727	3,044,058
	175,276,959	**62,949,071**

2.13 INCOME FROM CONSULTANCY SERVICES

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Income from consultancy services	1,053,190,633	745,202,850
	1,053,190,633	**745,202,850**

2.14 OTHER INCOME

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Gains / (losses) on foreign currency, net	8,558,410	176,739
	8,558,410	**176,739**

2.15 EXPENSES

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	568,735,248	351,444,972
Staff welfare	4,189,887	3,011,369
	572,925,135	354,456,341
Cost of technical sub-contractors		
Technical sub-contractors - subsidiaries	174,712,098	165,135,510
Technical sub-contractors - others	17,763,749	18,784,020
	192,475,847	183,919,530
Travel expenses		
Overseas travel expenses	114,157,723	73,819,113
	114,157,723	73,819,113
Cost of software packages and others		
For own use	-	1,263,130
	-	1,263,130
Communication expenses		
Telephone charges	6,891,576	5,258,210
	6,891,576	5,258,210
Other expenses		
Office maintenance	2,977,968	4,416,228
Brand building	176,212	974,695
Rent	8,714,085	1,518,851
Insurance charges	1,292,138	770,876
Marketing expenses	2,961,143	1,804,154
Printing and Stationery	473,930	690,480
Professional membership and seminar participation fees	243,383	44,518
Postage and courier	7,367	365,788
Advertisements	33,630	604,393
Books and periodicals	13,284	17,477
Auditor's remuneration		
Statutory audit fees	1,283,177	625,296
Bank charges and commission	245,513	214,719
Others	16,594,970	757,032
	35,016,800	12,804,507

2.16 TAX EXPENSE

in ₹

	Year ended December 31, 2012	Year ended December 31, 2011
Current tax		
Deferred taxes	(1,542,746)	17,489,597
	(1,542,746)	**17,489,597**

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 Related Party	Country	Holding as at	
		December 31, 2012	December 31, 2011
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 [(1)]	India
Infosys Australia [(1)]	Australia
Infosys Consulting Inc [(1)]	USA
Infosys Mexico [(1)]	Mexico
Infosys Sweden [(1)]	Sweden
Infosys Shanghai [(1)]	China
Infosys Brasil [(1)]	Brazil
Infosys Public Services, Inc. [(1)]	USA
Infosys Consulting India Limited [(1)]	India
Infosys BPO s. r. o [(2)]	Czech Republic
Infosys BPO (Poland) Sp Z.o.o [(2)]	Poland
McCamish Systems LLC [(2)]	USA
Portland Group Pty Ltd[(2)]	Australia
Portland Procurement Services Pty Ltd[(2)]	Australia
Lodestone Management Consultants (Canada) Inc. [(3)]	Canada
Lodestone Management Consultants Inc. [(3)]	USA
Lodestone Management Consultants Pty Limited [(3)]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [(3)(4)]	Thailand
Lodestone Management Consultants AG [(3)]	Switzerland
Lodestone Augmentis AG [(3)]	Switzerland
Hafner Bauer & Ödman GmbH [(3)]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [(3)(5)]	Belgium
Lodestone Management Consultants GmbH [(3)]	Germany
Lodestone Management Consultants Pte Ltd. [(3)]	Singapore
Lodestone Augmentis Ltd[(3)(4)]	Singapore
Lodestone Management Consultants SAS [(3)]	France
Lodestone Management Consultants s.r.o. [(3)]	Czech Republic
Lodestone Management Consultants GmbH [(3)]	Austria
Lodestone Management Consultants China Co., Ltd. [(3)]	China
Lodestone Management Consultants Ltd. [(3)]	UK
Lodestone Management Consultants B.V. [(3)]	Netherlands
Lodestone Management Consultants Ltda. [(3)(5)]	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

[(1)] *Wholly owned subsidiaries of Infosys Limited.*

[(2)] *Wholly owned subsidiaries of Infosys BPO.*

[(3)] *Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

[(4)] *Under liquidation*

[(5)] *Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured Loans		
Lodestone Holding AG	154,773,631	68,778,619
Trade Receivables		
Lodestone Management Consultants Inc.	3,805,718	-
Lodestone Management Consultants Pty Limited	2,617,503	-
Lodestone Management Consultants AG	11,718,119	12,813,804
Lodestone Management Consultants GmbH, Germany	5,303,510	4,575,256
Lodestone Management Consultants SAS	19,545	2,027,603
Lodestone Management Consultants B.V.	1,291,576	-
Trade Payables		
Lodestone Management Consultants Inc.	7,572,063	4,061,970
Lodestone Management Consultants Pty Limited	4,951,445	-
Lodestone Management Consultants AG	35,919,703	186,105,675
Lodestone Augmentis AG	-	3,452,931
Lodestone Management Consultants (Belgium) S.A.	4,771,378	616,360
Lodestone Management Consultants GmbH, Germany	1,081,657	679,210
Lodestone Management Consultants Pte Ltd.	2,400,803	-
Lodestone Management Consultants SAS	-	15,814,737
Lodestone Management Consultants GmbH, Austria	667,848	-
Lodestone Management Consultants B.V.	-	401,945
Lodestone Management Consultants Sp. z.o.o.	726,647	161,453
Lodestone Management Consultants Portugal, Unipessoal, Lda.	4,116,408	6,083,112
FX Valuation on above	79,454	(838,275)

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	2011
Capital transactions:		
Revenue transactions:		
Purchase of shared services including facilities and personnel		
Infosys Limited	1,469,145	-
Lodestone Management Consultants (Belgium) S.A.	10,841,536	4,727,592
Lodestone Management Consultants (Canada) Inc.	-	3,331,749
Lodestone Management Consultants AG	115,472,281	99,322,975
Lodestone Augmentis AG	-	3,370,788
Lodestone Management Consultants GmbH	11,196,951	13,556,430
Lodestone Management Consultants SAS	-	27,379,745
Lodestone Management Consultants B.V.	-	100,564
Lodestone Management Consultants Sp. z.o.o.	1,673,206	1,052,069
Lodestone Management Consultants Portugal, Unipessoal, Lda.	16,085,571	12,923,799
Lodestone Management Consultants Inc.	29,102,141	14,296,271
Lodestone Management Consultants GmbH	1,510,618	-
Lodestone Management Consultants Pty Limited	4,679,982	-
Lodestone Management Consultants Pte Ltd.	11,192,719	-
Interest expense		
Lodestone Holding AG	3,395,376	1,910,544
Lodestone Management Consultants AG	-	5,584,800
Sale of shared services including facilities and personnel		
Infosys Limited	16,171,999	-
Lodestone Management Consultants (Belgium) S.A.	3,580,900	11,411,072
Lodestone Management Consultants AG	207,023,611	129,016,671
Lodestone Management Consultants GmbH	68,675,360	46,620,737
Lodestone Management Consultants SAS	2,587,887	4,716,785
Lodestone Management Consultants Inc.	31,387,373	18,211,535
Lodestone Management Consultants Pty Limited	2,574,166	-
Lodestone Management Consultants B.V.	1,239,648	-

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 ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	**2011**
Income from consultancy services	1,053,190,633	745,202,850
Cost of Services	867,683,720	605,489,905
GROSS PROFIT	**185,506,913**	**139,712,945**
Selling and marketing expenses	3,137,355	2,778,849
General and administration expenses	91,158,303	57,794,701
	94,295,658	60,573,550
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	**91,211,255**	**79,139,395**
Interest	3,481,888	7,495,344
Depreciation and amortization	3,810,621	1,602,489
OPERATING PROFIT	**83,918,746**	**70,041,562**
Other income	8,558,410	176,739
PROFIT BEFORE TAX	**92,477,156**	**70,218,301**
Tax expense:		
Deferred tax	(1,542,746)	17,489,597
PROFIT FOR THE YEAR	**94,019,902**	**52,728,704**

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Harry Singh
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Anthoula Madden
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Bangalore
January 11 , 2013

Mark Bryant
Partner

Jeremy Milward
Partner

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 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Loss*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership no. 202841
Firms regn. No. 006673s

11th January, 2013
BANGALORE

Lodestone Management Consultants Ltda.

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	3,965,645	3,965,645
Reserves and surplus	2.2	(101,333,795)	(9,832,572)
		(97,368,150)	(5,866,927)
CURRENT LIABILITIES			
Unsecured Loans		276,291,334	29,461,780
Trade payables	2.4	12,861,182	13,090,043
Other current liabilities	2.5	59,719,050	4,029,381
Short-term provisions	2.6	10,770,708	325,238
		359,642,274	46,906,442
		262,274,124	**41,039,515**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	14,679,473	8,177,458
Intangible assets		2,257,961	-
		16,937,434	8,177,458
Deferred tax assets	2.3	44,927,062	5,236,500
Long-term loans and advances	2.9	-	1,193,591
		61,864,496	14,607,549
CURRENT ASSETS			
Trade receivables	2.10	42,726,992	9,789,396
Cash and cash equivalents	2.11	7,520,020	1,784,847
Short-term loans and advances	2.12	150,162,616	14,857,723
		200,409,628	26,431,966
		262,274,124	**41,039,515**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Claudio Elsas
Partner

Punet Singh Gill
Partner

Bangalore
January 11, 2013

Lodestone Management Consultants Ltda.

in ₹

Statement of Profit and Loss for the	Note	Year ended December 31,	
		2012	2011
Income from Consultancy services	2.13	309,335,289	21,169,001
Other income	2.14	(19,181,877)	(1,368,054)
Total revenue		**290,153,412**	**19,800,947**
Expenses			
Employee benefit expenses	2.15	229,536,086	8,695,454
Cost of technical sub-contractors	2.15	108,193,172	9,245,094
Travel expenses	2.15	36,206,029	2,974,981
Cost of software packages and others	2.15	(320,968)	284,603
Communication expenses	2.15	1,974,128	119,792
Professional charges		5,114,216	5,919,461
Depreciation and amortisation expense	2.7	4,372,412	345,195
Other expenses	2.15	27,399,392	6,291,729
Total expenses		**412,474,467**	**33,876,309**
PROFIT BEFORE INTEREST AND TAX		**(122,321,055)**	**(14,075,362)**
Interest expense		7,880,823	250,625
PROFIT BEFORE TAX		**(130,201,878)**	**(14,325,987)**
Tax expense:			
Current tax	2.16	405,343	143,460
Deferred tax	2.16	(39,331,090)	(4,926,834)
PROFIT FOR THE YEAR		**(91,276,131)**	**(9,542,613)**
EARNINGS PER EQUITY SHARE			
Equity shares of par value BRL 1 each			
Basic		(609)	(64)
Number of shares used in computing earnings per share			
Basic		150,000	150,000
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath	Claudio Elsas	Punet Singh Gill
Partner	*Partner*	*Partner*
Membership No. 202841		

Bangalore
January 11, 2013

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, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the BRL.

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 recognising 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 recognised as services are rendered.

An expected project loss is recognised 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 Fixed 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

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 in the books of Holding Company

Foreign currency transactions during the period are translated into CHF at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated intoCHF at the exchange rates ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

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 recognised 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, 2012

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

2.1 SHARE CAPITAL

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Issued, Subscribed and Paid-Up		
150,000 (150,000) equity shares of BRL 1/- par value	3,965,645	3,965,645
	3,965,645	**3,965,645**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Currency Translation Reserve	(515,051)	(289,959)
Surplus- Opening Balance	(9,542,613)	-
Add: Net profit after tax transferred from Statement of Profit and Loss	(91,276,131)	(9,542,613)
Surplus- Closing Balance	**(100,818,744)**	**(9,542,613)**
	(101,333,795)	**(9,832,572)**

2.3 DEFERRED TAXES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Deferred tax asset		
Accumulaed Losses	44,927,062	5,236,500
	44,927,062	**5,236,500**

2.4 TRADE PAYABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade payables (1)	12,861,182	13,090,043
	12,861,182	**13,090,043**
(1) *Includes dues to holding company and fellow subsidiaries (refer to note 2.18)*	-	8,134,944

2.5 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Accrued salaries and benefits		
Bonus and incentives	18,662,758	1,657,700
Other liabilities		
Provision for expenses	-	116,435
Withholding and other taxes payable	39,579,830	1,899,275
Other payables	1,476,462	355,971
	59,719,050	**4,029,381**

2.6 SHORT-TERM PROVISIONS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Provision for employee benefits		
Unavailed leave	10,770,708	325,238
	10,770,708	**325,238**

2.7 FIXED ASSETS

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at Jan 1, 2012	Additions during the year	Deductions/ Retirement during the year	As at December 31, 2012	As at Jan 1, 2012	For the year	Deductions/ adjustment during the year	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible assets :										
Leasehold Improvements	3,568,682	541,757	-	4,110,439	288,529	1,900,862	(128,665)	2,318,056	1,792,383	3,280,153
Office equipment	-	2,874,396	-	2,874,396	-	245,500	(18,717)	264,217	2,610,179	-
IT Equipment	1,311,237	5,282,385	-	6,593,622	41,877	689,829	(50,233)	781,939	5,811,683	1,269,360
Furniture and fixtures	3,661,574	1,321,732	-	4,983,306	33,629	451,892	(32,557)	518,078	4,465,228	3,627,945
	8,541,493	10,020,270	-	18,561,763	364,035	3,288,083	(230,172)	3,882,290	14,679,473	8,177,458
Intangible assets :										
Capital Contracts	-	2,675,804	-	2,675,804	-	1,032,417	-	1,032,417	1,643,387	-
IT Software	-	670,443	-	670,443	-	51,912	(3,957)	55,869	614,574	-
	-	3,346,247	-	3,346,247	-	1,084,329	(3,957)	1,088,286	2,257,961	-
Total	**8,541,493**	**13,366,517**	**-**	**21,908,010**	**364,035**	**4,372,412**	**(234,129)**	**4,970,576**	**16,937,434**	**8,177,458**
Previous year	**3,393,022**	**5,148,471**	**-**	**8,541,493**	**-**	**345,195**	**(18,840)**	**364,035**	**8,177,458**	

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,	
	2012	2011
Lease rentals recognized during the period	3,497,910	4,755,207

in ₹

	As at	
Lease obligations payable	December 31, 2012	December 31, 2011
Within one year of the balance sheet date	3,305,039	3,497,910
Due in a period between one year and five years	-	3,305,039

2.9 LONG-TERM LOANS AND ADVANCES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Unsecured, considered good		
Rental deposits	-	1,193,591
	-	**1,193,591**

2.10 TRADE RECEIVABLES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Other debts		
Unsecured		
Considered good	42,726,992	9,789,396
Considered doubtful	-	-
	42,726,992	9,789,396
Less: Provision for doubtful debts	-	-
	42,726,992	9,789,396
	42,726,992	**9,789,396**

2.11 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Cash on hand	9,516	-
Balances with banks		
In current accounts	7,510,504	1,784,847
	7,520,020	**1,784,847**

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

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
In current accounts		
HSBC (BRL)	7,510,504	1,784,847
	7,510,504	1,784,847
Total bank balances	**7,510,504**	**1,784,847**

2.12 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	20,007,238	1,821,976
Withholding and other taxes receivable	14,640,571	895,264
Others	4,339,274	-
	38,987,083	2,717,240
Unbilled revenues	110,049,188	-
Salary advances	-	12,140,483
Rental deposits	1,126,345	-
	150,162,616	**14,857,723**

2.13 INCOME FROM CONSULTANCY SERVICES

in ₹

Particulars	Year ended December 31, 2012	2011
Income from consultancy services	309,335,289	21,169,001
	309,335,289	**21,169,001**

2.14 OTHER INCOME

in ₹

Particulars	Year ended December 31, 2012	2011
Gains / (losses) on foreign currency, net	(19,181,877)	(1,368,054)
	(19,181,877)	**(1,368,054)**

2.15 EXPENSES

in ₹

Particulars	Year ended December 31, 2012	2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	228,230,993	8,469,838
Staff welfare	1,305,093	225,616
	229,536,086	8,695,454
Cost of technical sub-contractors		
Technical sub-contractors - others	108,193,172	9,245,094
	108,193,172	9,245,094
Travel expenses		
Overseas travel expenses	36,206,029	2,974,981
	36,206,029	2,974,981
Cost of software packages and others		
For own use	(320,968)	284,603
	(320,968)	284,603
Communication expenses		
Telephone charges	1,974,128	119,792
	1,974,128	119,792
Other expenses		
Office maintenance	115,526	3,014
Power and fuel	292,289	12,841
Brand building	667,948	637,626
Rent	3,497,910	4,755,207
Insurance charges	(131,736)	132,852
Marketing expenses	749,044	24,885
Postage and courier	198,987	102,894
Books and periodicals	22,761	-
Bank charges and commission	206,628	37,599
Others	21,780,035	584,811
	27,399,392	6,291,729

2.16 TAX EXPENSE

in ₹

	Year ended December 31, 2012	2011
Current tax		
Income taxes	405,343	143,460
Deferred taxes	(39,331,090)	(4,926,834)

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 Related Party	Country	Holding as at	
		December 31, 2012	December 31, 2011
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 [1]	India
Infosys Australia [1]	Australia
Infosys Consulting Inc [1]	USA
Infosys Mexico [1]	Mexico
Infosys Sweden [1]	Sweden
Infosys Shanghai [1]	China
Infosys Brasil [1]	Brazil
Infosys Public Services, Inc. [1]	USA
Infosys Consulting India Limited [1]	India
Infosys BPO s. r. o [2]	Czech Republic
Infosys BPO (Poland) Sp Z.o.o [2]	Poland
McCamish Systems LLC [2]	USA
Portland Group Pty Ltd[2]	Australia
Portland Procurement Services Pty Ltd[2]	Australia
Lodestone Management Consultants (Canada) Inc. [3]	Canada
Lodestone Management Consultants Inc. [3]	USA
Lodestone Management Consultants Pty Limited [3]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [3][4]	Thailand
Lodestone Management Consultants AG [3]	Switzerland
Lodestone Augmentis AG [3]	Switzerland
Hafner Bauer & Ödman GmbH [3]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [3][5]	Belgium
Lodestone Management Consultants GmbH [3]	Germany
Lodestone Management Consultants Pte Ltd. [3]	Singapore
Lodestone Augmentis Ltd[3][4]	Singapore
Lodestone Management Consultants SAS [3]	France
Lodestone Management Consultants s.r.o. [3]	Czech Republic
Lodestone Management Consultants GmbH [3]	Austria
Lodestone Management Consultants China Co., Ltd. [3]	China
Lodestone Management Consultants Ltd. [3]	UK
Lodestone Management Consultants B.V. [3]	Netherlands
Lodestone Management Consultants Ltda. [3][5]	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

[1] *Wholly owned subsidiaries of Infosys Limited.*

[2] *Wholly owned subsidiaries of Infosys BPO.*

[3] *Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

[4] *Under liquidation*

[5] *Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured Loans		
Lodestone Holding AG	276,291,334	29,446,743
Trade Payables		
Lodestone Management Consultants AG	-	8,134,944

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	2011
Capital transactions:		
Revenue transactions:		
Interest expense		
Lodestone Holding AG	7,880,823	250,625

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 ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	2011
Income from consultancy services	309,335,289	21,169,001
Cost of Services	358,835,818	21,200,132
GROSS PROFIT	**(49,500,529)**	**(31,131)**
Selling and marketing expenses	1,416,992	662,511
General and administration expenses	47,849,245	11,668,471
	49,266,237	12,330,982
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	**(98,766,766)**	**(12,362,113)**
Interest	7,880,823	250,625
Depreciation and amortization	4,372,412	345,195
OPERATING PROFIT	**(111,020,001)**	**(12,957,933)**
Other income	(19,181,877)	(1,368,054)
PROFIT BEFORE TAX	**(130,201,878)**	**(14,325,987)**
Tax expense:		
Current tax	405,343	143,460
Deferred tax	(39,331,090)	(4,926,834)
PROFIT FOR THE YEAR	**(91,276,131)**	**(9,542,613)**

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Claudio Elsas
Partner

Punet Singh Gill
Partner

Bangalore
January 11, 2013

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 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Loss*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership no. 202841
Firms regn. No. 006673s

11th January, 2013
BANGALORE

Lodestone Management Consultants Portugal, Unipessoal, Lda.

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	48,600,885	444,075
Reserves and surplus	2.2	(35,395,395)	(20,379,729)
		13,205,490	(19,935,654)
CURRENT LIABILITIES			
Trade payables	2.4	595,561	67,318,641
Other current liabilities	2.5	16,794,190	13,064,630
Short-term provisions	2.6	175,199	1,961,354
		17,564,950	82,344,625
		30,770,440	**62,408,971**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	287,864	538,766
		287,864	538,766
Deferred tax assets	2.3	9,946,504	7,909,966
		10,234,368	8,448,732
CURRENT ASSETS			
Trade receivables	2.8	13,469,070	42,604,507
Cash and cash equivalents	2.9	6,087,424	8,999,980
Short-term loans and advances	2.10	979,578	2,355,752
		20,536,072	53,960,239
		30,770,440	**62,408,971**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Ralph Bäumle
Partner

Bangalore
January 11 , 2013

Lodestone Management Consultants Portugal, Unipessoal, Lda.

in ₹

Statement of Profit and Loss for the	Note	Year ended December 31,	
		2012	2011
Income from Consultancy services	2.11	156,880,694	142,999,732
Other income	2.12	(69,334)	406,287
Total revenue		**156,811,360**	**143,406,019**
Expenses			
Employee benefit expenses	2.13	113,155,349	94,268,567
Travel expenses	2.13	63,592,568	63,218,545
Cost of software packages and others	2.13	-	657,254
Professional charges		913,064	1,263,690
Depreciation and amortisation expense	2.7	270,392	220,513
Other expenses	2.13	146,876	338,913
Total expenses		**178,078,249**	**159,967,482**
PROFIT BEFORE TAX		**(21,266,889)**	**(16,561,463)**
Tax expense:			
Deferred tax	2.14	(5,314,648)	(4,092,293)
PROFIT FOR THE YEAR		**(15,952,241)**	**(12,469,170)**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Ralph Bäumle
Partner

Bangalore
January 11 , 2013

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 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, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the Euro.

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 recognising 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 recognised as services are rendered.

An expected project loss is recognised 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 Fixed 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

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 in the books of Holding Company

Foreign currency transactions during the period are translated into CHF at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated intoCHF at the exchange rates ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

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, 2012

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

2.1 SHARE CAPITAL

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Issued, Subscribed and Paid-Up		
6,000 EURO	48,600,885	444,075
	48,600,885	**444,075**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Currency Translation Reserve	(67,318)	(1,003,893)
Surplus- Opening Balance	(19,375,836)	(6,906,666)
Add: Net profit after tax transferred from Statement of Profit and Loss	(15,952,241)	(12,469,170)
Surplus- Closing Balance	**(35,328,077)**	**(19,375,836)**
	(35,395,395)	**(20,379,729)**

2.3 DEFERRED TAXES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Deferred tax asset		
Accumulated Losses	9,946,504	7,909,966
	9,946,504	**7,909,966**

2.4 TRADE PAYABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade payables [1]	595,561	67,318,641
	595,561	**67,318,641**
[1] *Includes dues to holding company and fellow subsidiaries (refer to note 2.16)*	497,462	67,222,144

2.5 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Accrued salaries and benefits		
Bonus and incentives	7,986,363	8,198,944
Other liabilities		
Provision for expenses	1,659,567	(224,608)
Withholding and other taxes payable	4,834,388	2,588,252
Other payables	2,313,872	2,502,042
	16,794,190	**13,064,630**

2.6 SHORT-TERM PROVISIONS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Provision for employee benefits		
Unavailed leave	3,935,178	1,961,354
Provision for Income taxes	(3,759,979)	-
	175,199	**1,961,354**

2.7 FIXED ASSETS

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at Jan 1, 2012	Additions during the year	Deductions/ Retirement during the year	As at December 31, 2012	As at Jan 1, 2012	For the year	Deductions/ adjustment during the year	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible assets :										
IT Equipment	798,610	44,752	-	843,362	259,844	270,392	(25,262)	555,498	287,864	538,766
Total	**798,610**	**44,752**	**-**	**843,362**	**259,844**	**270,392**	**(25,262)**	**555,498**	**287,864**	**538,766**
Previous year	**458,382**	**364,286**	**24,058**	**798,610**	**24,057**	**220,513**	**(15,274)**	**259,844**	**538,766**	

2.8 TRADE RECEIVABLES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Other debts		
Unsecured		
Considered good[(1)]	13,469,070	42,604,507
Considered doubtful	-	-
	13,469,070	42,604,507
Less: Provision for doubtful debts	-	-
	13,469,070	42,604,507
	13,469,070	**42,604,507**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.16)*	13,469,069	42,604,507

2.9 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Balances with banks		
In current accounts	6,087,424	8,999,980
	6,087,424	**8,999,980**

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

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
In current accounts		
Barclays (Euro)	6,087,424	8,999,980
	6,087,424	8,999,980
Total bank balances	**6,087,424**	**8,999,980**

2.10 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	670,505	1,387,039
Withholding and other taxes receivable	309,073	968,713
	979,578	**2,355,752**

2.11 INCOME FROM CONSULTANCY SERVICES

in ₹

Particulars	Year ended December 31,	
	2012	**2011**
Income from consultancy services	156,880,694	142,999,732
	156,880,694	**142,999,732**

2.12 OTHER INCOME

in ₹

Particulars	Year ended December 31,	
	2012	**2011**
Miscellaneous income, net	23,537	-
Gains / (losses) on foreign currency, net	(92,871)	406,287
	(69,334)	**406,287**

2.13 EXPENSES

in ₹

Particulars	Year ended December 31,	
	2012	**2011**
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	113,116,066	92,384,752
Staff welfare	39,283	1,883,815
	113,155,349	94,268,567
Travel expenses		
Overseas travel expenses	63,592,568	63,218,545
	63,592,568	63,218,545
Cost of software packages and others		
For own use	-	657,254
	-	657,254
Other expenses		
Rent	-	50,551
Insurance charges	-	110,178
Printing and Stationery	-	12,389
Postage and courier	-	5,132
Bank charges and commission	146,876	133,148
Others	-	27,515
	146,876	338,913

2.14 TAX EXPENSE

in ₹

	Year ended December 31,	
	2012	**2011**
Current tax		
Deferred taxes	(5,314,648)	(4,092,293)
	(5,314,648)	**(4,092,293)**

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 Related Party	Country	Holding as at	
		December 31, 2012	December 31, 2011
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 [(1)]	India
Infosys Australia [(1)]	Australia
Infosys Consulting Inc [(1)]	USA
Infosys Mexico [(1)]	Mexico
Infosys Sweden [(1)]	Sweden
Infosys Shanghai [(1)]	China
Infosys Brasil [(1)]	Brazil
Infosys Public Services, Inc. [(1)]	USA
Infosys Consulting India Limited [(1)]	India
Infosys BPO s. r. o [(2)]	Czech Republic
Infosys BPO (Poland) Sp Z.o.o [(2)]	Poland
McCamish Systems LLC [(2)]	USA
Portland Group Pty Ltd[(2)]	Australia
Portland Procurement Services Pty Ltd[(2)]	Australia
Lodestone Management Consultants (Canada) Inc. [(3)]	Canada
Lodestone Management Consultants Inc. [(3)]	USA
Lodestone Management Consultants Pty Limited [(3)]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [(3)(4)]	Thailand
Lodestone Management Consultants AG [(3)]	Switzerland
Lodestone Augmentis AG [(3)]	Switzerland
Hafner Bauer & Ödman GmbH [(3)]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [(3)(5)]	Belgium
Lodestone Management Consultants GmbH [(3)]	Germany
Lodestone Management Consultants Pte Ltd. [(3)]	Singapore
Lodestone Augmentis Ltd[(3)(4)]	Singapore
Lodestone Management Consultants SAS [(3)]	France
Lodestone Management Consultants s.r.o. [(3)]	Czech Republic
Lodestone Management Consultants GmbH [(3)]	Austria
Lodestone Management Consultants China Co., Ltd. [(3)]	China
Lodestone Management Consultants Ltd. [(3)]	UK
Lodestone Management Consultants B.V. [(3)]	Netherlands
Lodestone Management Consultants Ltda. [(3)(5)]	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

[(1)] *Wholly owned subsidiaries of Infosys Limited.*

[(2)] *Wholly owned subsidiaries of Infosys BPO.*

[(3)] *Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

[(4)] *Under liquidation*

[(5)] *Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade Receivables		
Lodestone Management Consultants AG	4,572,649	7,039,194
Lodestone Management Consultants (Belgium) S.A.	-	22,762,584
Lodestone Management Consultants GmbH, Germany	4,745,372	5,380,637
Lodestone Management Consultants Ltd.	4,151,048	5,837,957
Lodestone Management Consultants Inc.	-	1,584,135
Trade Payables		
Lodestone Management Consultants AG	-	67,160,105
Lodestone Management Consultants GmbH	-	62,039
Lodestone Management Consultants Sp. z.o.o.	497,462	-

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	2011
Capital transactions:		
Revenue transactions:		
Sale of shared services including facilities and personnel		
Lodestone Management Consultants AG	83,292,271	92,557,335
Lodestone Management Consultants (Belgium) S.A.		21,830,356
Lodestone Management Consultants GmbH	55,958,342	14,076,895
Lodestone Management Consultants Ltd.	16,278,066	12,213,759
Lodestone Management Consultants Inc.	1,352,015	2,321,387

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 ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	**2011**
Income from consultancy services	156,880,694	142,999,732
Cost of Services	176,162,443	158,144,366
GROSS PROFIT	**(19,281,749)**	**(15,144,634)**
Selling and marketing expenses	-	-
General and administration expenses	1,645,414	1,602,603
	1,645,414	1,602,603
OPERATING PROFIT BEFORE DEPRECIATION	**(20,927,163)**	**(16,747,237)**
Depreciation and amortization	270,392	220,513
OPERATING PROFIT	**(21,197,555)**	**(16,967,750)**
Other income	(69,334)	406,287
PROFIT BEFORE TAX	**(21,266,889)**	**(16,561,463)**
Tax expense:		
Current tax	-	-
Deferred tax	(5,314,648)	(4,092,293)
PROFIT FOR THE YEAR	**(15,952,241)**	**(12,469,170)**

As per our report attached

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Ralph Bäumle
Partner

Bangalore
January 11 , 2013

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 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Loss*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership no. 202841
Firms regn. No. 006673s

11th January, 2013
BANGALORE

Lodestone Management Consultants Pte Ltd.

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	3,444,208	3,444,208
Reserves and surplus	2.2	(206,554,929)	(148,174,105)
		(203,110,721)	(144,729,897)
CURRENT LIABILITIES			
Unsecured Loans		287,387,851	123,487,056
Trade payables	2.4	21,552,265	92,966,799
Other current liabilities	2.5	27,110,283	30,221,800
Short-term provisions	2.6	1,994,486	2,919,908
		338,044,885	249,595,563
		134,934,164	**104,865,666**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	1,714,239	2,615,201
		1,714,239	2,615,201
Non-current investments		-	2,041,057
Deferred tax assets	2.3	30,773,651	19,483,712
Long-term loans and advances	2.9	1,246,778	-
		33,734,668	24,139,970
CURRENT ASSETS			
Trade receivables	2.10	19,170,870	69,775,313
Cash and cash equivalents	2.11	12,142,483	4,879,454
Short-term loans and advances	2.12	69,886,143	6,070,929
		101,199,496	80,725,696
		134,934,164	**104,865,666**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath *Partner* Membership No. 202841	Peter Ödman *Director*	Rolf Schläpfer *Director*
Bangalore January 11 , 2013	Stephen Wise *Director*	Thamarai *Secretary*

Lodestone Management Consultants Pte Ltd.

in ₹

Statement of Profit and Loss for the	Note	Year ended December 31, 2012	2011
Income from Consultancy services	2.13	176,946,953	332,333,949
Other income	2.14	50,097,797	12,586,417
Total revenue		**227,044,750**	**344,920,366**
Expenses			
Employee benefit expenses	2.15	173,581,034	235,923,951
Cost of technical sub-contractors	2.15	48,632,373	79,004,166
Travel expenses	2.15	29,599,525	44,277,851
Cost of software packages and others	2.15	(27,944)	245,103
Communication expenses	2.15	2,713,574	2,356,085
Professional charges		2,205,797	20,387,943
Depreciation and amortisation expense	2.7	1,526,321	1,056,544
Other expenses	2.15	13,108,685	11,244,361
Total expenses		**271,339,365**	**394,496,004**
PROFIT BEFORE INTEREST AND TAX		**(44,294,615)**	**(49,575,638)**
Interest expense		5,624,101	2,360,397
PROFIT BEFORE TAX		**(49,918,716)**	**(51,936,035)**
Tax expense:			
Deferred tax	2.16	(8,488,476)	(9,203,914)
PROFIT FOR THE YEAR		**(41,430,240)**	**(42,732,121)**
EARNINGS PER EQUITY SHARE			
Equity shares of par value SGD 1 each			
Basic		(414)	(427)
Number of shares used in computing earnings per share			
Basic		100,000	100,000
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath	Peter Ödman	Rolf Schläpfer
Partner	*Director*	*Director*
Membership No. 202841		
Bangalore	Stephen Wise	Thamarai
January 11 , 2013	*Director*	*Secretary*

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 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, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the Singapore Dollar.

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 recognising 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 recognised as services are rendered.

An expected project loss is recognised 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 Fixed 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

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 in the books of Holding Company

Foreign currency transactions during the period are translated into CHF at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated intoCHF at the exchange rates ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

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 recognised 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, 2012

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

2.1 SHARE CAPITAL

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Issued, Subscribed and Paid-Up		
100,000 (100,000) equity shares of SGD 1/- par value	3,444,208	3,444,208
	3,444,208	**3,444,208**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Currency Translation Reserve	(29,305,621)	(15,661,280)
Surplus- Opening Balance	(132,512,825)	(89,780,704)
Add: Net profit after tax transferred from Statement of Profit and Loss	(41,430,240)	(42,732,121)
Add: Received from Lodestone Augmentis Ltd.	(3,306,243)	-
Surplus- Closing Balance	**(177,249,308)**	**(132,512,825)**
	(206,554,929)	**(148,174,105)**

2.3 DEFERRED TAXES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Deferred tax asset		
Accumulated Losses	30,773,651	19,483,712
	30,773,651	**19,483,712**

2.4 TRADE PAYABLES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Trade payables [(1)]	21,552,265	92,966,799
	21,552,265	**92,966,799**
[(1)] *Includes dues to holding company and fellow subsidiaries (refer to note 2.18)*	18,595,840	86,807,458

2.5 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Accrued salaries and benefits		
Salaries and benefits	(45,003)	(40,821)
Bonus and incentives	12,068,831	30,217,160
Other liabilities		
Provision for expenses	4,976,895	2,137,632
Withholding and other taxes payable	8,986,568	12,885,770
Other payables	402,960	(282,328)
Unearned revenue	720,032	(14,695,613)
	27,110,283	**30,221,800**

2.6 SHORT-TERM PROVISIONS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Provision for employee benefits		
Unavailed leave	1,994,486	2,919,908
	1,994,486	**2,919,908**

2.7 FIXED ASSETS

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at Jan 1, 2012	Additions during the year	Deductions/ Retirement during the year	As at December 31, 2012	As at Jan 1, 2012	For the year	Deductions/ adjustment during the year	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible assets :										
Leasehold Improvements	-	3,380,738	-	3,380,738	-	957,923	(2,422,815)	3,380,738	-	-
Office equipment	446,345	114,604	473	560,476	401,063	11,495	(68,490)	481,048	79,428	45,282
IT Equipment	5,995,267	930,316	-	6,925,583	3,642,796	419,870	(1,435,140)	5,497,806	1,427,777	2,352,471
Furniture and fixtures	333,369	34,152	-	367,521	115,921	9,263	(35,303)	160,487	207,034	217,448
	6,774,981	4,459,810	473	11,234,318	4,159,780	1,398,551	(3,961,748)	9,520,079	1,714,239	2,615,201
Intangible assets :										
IT Software	-	450,931	-	450,931	-	127,770	(323,161)	450,931	-	-
	-	450,931	-	450,931	-	127,770	(323,161)	450,931	-	-
Total	**6,774,981**	**4,910,741**	**473**	**11,685,249**	**4,159,780**	**1,526,321**	**(4,284,909)**	**9,971,010**	**1,714,239**	**2,615,201**
Previous year	**6,676,497**	**4,949,053**	**4,850,569**	**6,774,981**	**4,850,568**	**1,056,544**	**1,747,332**	**4,159,780**	**2,615,201**	

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, 2012	Year ended December 31, 2011
Lease rentals recognized during the period	6,087,979	5,830,858

in ₹

Lease obligations payable	As at December 31, 2012	As at December 31, 2011
Within one year of the balance sheet date	1,244,195	6,087,979
Due in a period between one year and five years	-	1,244,195

2.9 LONG-TERM LOANS AND ADVANCES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Other loans and advances		
Advance income taxes	(165,516)	-
Loans and advances to employees	1,412,294	-
	1,246,778	**-**

2.10 TRADE RECEIVABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Other debts		
Unsecured		
Considered good[(1)]	19,170,870	69,775,313
Considered doubtful	-	-
	19,170,870	69,775,313
Less: Provision for doubtful debts	-	-
	19,170,870	69,775,313
	19,170,870	**69,775,313**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.18)*	8,016,084	60,189,445

2.11 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Cash on hand	48,968	44,767
Balances with banks		
In current accounts	12,093,515	4,834,687
	12,142,483	**4,879,454**

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

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
In current accounts		
Citibank (SGD)	12,077,824	4,819,529
Citibank (USD)	15,691	15,158
	12,093,515	4,834,687
Total bank balances	**12,093,515**	**4,834,687**

2.12 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	572,171	4,048,339
Withholding and other taxes receivable	674,756	438,444
Others	58,035,197	-
	59,282,124	4,486,783
Unbilled revenues	9,417,453	243,135
Loans and advances to employees		
Salary advances	-	349,996
Rental deposits	1,186,566	991,015
	69,886,143	**6,070,929**

2.13 INCOME FROM CONSULTANCY SERVICES

in ₹

Particulars	Period ended December 31, 2012	2011
Income from consultancy services	176,946,953	332,333,949
	176,946,953	**332,333,949**

2.14 OTHER INCOME

in ₹

Particulars	Period ended December 31, 2012	2011
Interest received on deposits with banks and others	7,308	28,278
Miscellaneous income, net	48,550,805	13,527,291
Gains / (losses) on foreign currency, net	1,539,684	(969,152)
	50,097,797	**12,586,417**

2.15 EXPENSES

in ₹

Particulars	Period ended December 31, 2012	2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	172,867,114	232,880,828
Staff welfare	713,920	3,043,123
	173,581,034	235,923,951
Cost of technical sub-contractors		
Technical sub-contractors - subsidiaries	26,694,930	33,602,936
Technical sub-contractors - others	21,937,443	45,401,230
	48,632,373	79,004,166
Travel expenses		
Overseas travel expenses	29,599,525	44,277,851
	29,599,525	44,277,851
Cost of software packages and others		
For own use	(27,944)	245,103
	(27,944)	245,103
Communication expenses		
Telephone charges	2,713,574	2,356,085
	2,713,574	2,356,085
Other expenses		
Office maintenance	802,537	613,404
Power and fuel	-	66,535
Brand building	462,723	1,490,009
Rent	6,087,979	5,830,858
Rates and taxes, excluding taxes on income	106,283	-
Repairs to plant and machinery	53,694	33,865
Computer maintenance	-	51,835
Insurance charges	1,997,652	356,223
Marketing expenses	1,310,285	1,474,714
Printing and Stationery	110,985	289,438
Professional membership and seminar participation fees	96,794	-
Postage and courier	166,412	137,504
Advertisements	-	74,862
Provision for bad and doubtful debts and advances	-	(1,904)
Books and periodicals	19,646	42,555
Auditor's remuneration		
Statutory audit fees	1,499,951	187,187
Bank charges and commission	372,396	462,354
Others	21,348	134,922
	13,108,685	11,244,361

2.16 TAX EXPENSE

in ₹

	Period ended December 31, 2012	2011
Current tax		
Deferred taxes	(8,488,476)	(9,203,914)
	(8,488,476)	**(9,203,914)**

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 Related Party	Country	Holding as at	
		December 31, 2012	December 31, 2011
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 [1]	India
Infosys Australia [1]	Australia
Infosys Consulting Inc [1]	USA
Infosys Mexico [1]	Mexico
Infosys Sweden [1]	Sweden
Infosys Shanghai [1]	China
Infosys Brasil [1]	Brazil
Infosys Public Services, Inc. [1]	USA
Infosys Consulting India Limited [1]	India
Infosys BPO s. r. o [2]	Czech Republic
Infosys BPO (Poland) Sp Z.o.o [2]	Poland
McCamish Systems LLC [2]	USA
Portland Group Pty Ltd[2]	Australia
Portland Procurement Services Pty Ltd[2]	Australia
Lodestone Management Consultants (Canada) Inc. [3]	Canada
Lodestone Management Consultants Inc. [3]	USA
Lodestone Management Consultants Pty Limited [3]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [3][4]	Thailand
Lodestone Management Consultants AG [3]	Switzerland
Lodestone Augmentis AG [3]	Switzerland
Hafner Bauer & Ödman GmbH [3]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [3][5]	Belgium
Lodestone Management Consultants GmbH [3]	Germany
Lodestone Management Consultants Pte Ltd. [3]	Singapore
Lodestone Augmentis Ltd[3][4]	Singapore
Lodestone Management Consultants SAS [3]	France
Lodestone Management Consultants s.r.o. [3]	Czech Republic
Lodestone Management Consultants GmbH [3]	Austria
Lodestone Management Consultants China Co., Ltd. [3]	China
Lodestone Management Consultants Ltd. [3]	UK
Lodestone Management Consultants B.V. [3]	Netherlands
Lodestone Management Consultants Ltda. [3][5]	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

[1] *Wholly owned subsidiaries of Infosys Limited.*

[2] *Wholly owned subsidiaries of Infosys BPO.*

[3] *Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

[4] *Under liquidation*

[5] *Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured Loans		
Lodestone Holding AG	288,750,295	123,487,056
FX Valuation on above	(1,362,444)	-
Trade Receivables		
Lodestone Management Consultants AG	136,592	1,139,279
Lodestone Management Consultants Pty Limited	3,889,659	28,122,754
Lodestone Management Consultants GmbH, Germany	563,600	6,348,295
Lodestone Management Consultants (Asia Pacific) Limited	-	3,620,157
Lodestone Augmentis Ltd.	-	20,040,355
Lodestone Management Consultants Ltd.	2,410,747	-
Lodestone Management Consultants China Co., Ltd.	940,533	853,134
FX Valuation on above	74,953	65,471
Trade Payables		
Lodestone Management Consultants AG	95,123	2,272,507
Lodestone Management Consultants Pty Limited	15,601,667	55,242,615
Lodestone Management Consultants Sp. z.o.o.	912,889	561,855
Lodestone Management Consultants (Asia Pacific) Limited	-	19,420,467
Lodestone Augmentis Ltd.	-	8,316,303
Lodestone Management Consultants GmbH	1,119,065	-
Lodestone Management Consultants SAS	57,427	-
FX Valuation on above	809,669	993,711

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	2011
Capital transactions:		
Revenue transactions:		
Purchase of shared services including facilities and personnel		
Lodestone Management Consultants Pty Limited	10,886,415	27,593,260
Lodestone Management Consultants Sp. z.o.o.	694,007	496,972
Lodestone Augmentis Ltd.	4,434,809	5,220,283
Lodestone Management Consultants (Asia Pacific) Limited	-	292,421
Lodestone Management Consultants AG	1,462,597	-
Lodestone Management Consultants China Co., Ltd.	6,192,901	
Lodestone Management Consultants GmbH	2,975,815	
Lodestone Management Consultants SAS	48,389	
Interest expense		
Lodestone Holding AG	5,610,983	2,307,331
Sale of shared services including facilities and personnel		
Lodestone Management Consultants Pty Limited	43,504,435	16,204,323
Lodestone Management Consultants AG	14,300,528	2,049,005
Lodestone Management Consultants China Co., Ltd.	-	37,767
Lodestone Management Consultants GmbH	8,492,445	5,026,092
Lodestone Augmentis Ltd.	476,708	825,088
Lodestone Management Consultants (Asia Pacific) Limited	-	1,824,570
Lodestone Management Consultants Ltd.	11,353,006	-

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 ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	**2011**
Income from consultancy services	176,946,953	332,333,949
Cost of Services	225,240,726	337,393,121
GROSS PROFIT	**(48,293,773)**	**(5,059,172)**
Selling and marketing expenses	1,773,008	2,964,723
General and administration expenses	42,799,310	53,081,616
	44,572,318	56,046,339
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	**(92,866,091)**	**(61,105,511)**
Interest	5,624,101	2,360,397
Depreciation and amortization	1,526,321	1,056,544
OPERATING PROFIT	**(100,016,513)**	**(64,522,452)**
Other income	50,097,797	12,586,417
PROFIT BEFORE TAX	**(49,918,716)**	**(51,936,035)**
Tax expense:		
Deferred tax	(8,488,476)	(9,203,914)
PROFIT FOR THE YEAR	**(41,430,240)**	**(42,732,121)**

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Peter Ödman
Director

Rolf Schläpfer
Director

Bangalore
January 11 , 2013

Stephen Wise
Director

Thamarai
Secretary

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 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Loss*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership no. 202841
Firms regn. No. 006673s

11th January, 2013
BANGALORE

Lodestone Management Consultants Pty Limited.

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	14,914	14,914
Reserves and surplus	2.2	(216,067,168)	(9,300,569)
		(216,052,254)	(9,285,655)
CURRENT LIABILITIES			
Unsecured Loans		385,686,047	122,743,809
Trade payables	2.4	34,733,942	79,622,152
Other current liabilities	2.5	72,576,794	84,512,269
Short-term provisions	2.6	2,409,768	17,249,279
		495,406,551	304,127,509
		279,354,297	**294,841,854**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	30,537,862	3,232,998
Intangible assets		85,467	274,931
		30,623,329	3,507,929
Deferred tax assets	2.3	100,006,049	20,739,914
Long-term loans and advances	2.9	9,653,761	14,097,710
		140,283,139	38,345,553
CURRENT ASSETS			
Trade receivables	2.10	96,735,739	194,507,498
Cash and cash equivalents	2.11	20,926,288	2,460,048
Short-term loans and advances	2.12	21,409,131	59,528,755
		139,071,158	256,496,301
		279,354,297	**294,841,854**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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 No. 202841			

Bangalore
January 11 , 2013

Lodestone Management Consultants Pty Limited.

in ₹

Statement of Profit and Loss for the	Note	Year ended December 31,	
		2012	2011
Income from consultancy services	2.13	460,329,440	863,569,790
Other income	2.14	(3,340,187)	3,926,390
Total revenue		**456,989,253**	**867,496,180**
Expenses			
Employee benefit expenses	2.15	463,236,798	450,158,437
Cost of technical sub-contractors	2.15	154,785,925	326,447,575
Travel expenses	2.15	45,741,173	23,397,280
Cost of software packages and others	2.15	929,707	8,130,692
Communication expenses	2.15	8,649,319	3,403,277
Professional charges		25,120,277	39,336,486
Depreciation and amortisation expense	2.7	4,705,823	2,372,467
Other expenses	2.15	30,160,639	21,464,252
Total expenses		**733,329,661**	**874,710,466**
PROFIT BEFORE INTEREST AND TAX		**(276,340,408)**	**(7,214,286)**
Interest expense		13,668,067	6,547,822
PROFIT BEFORE TAX		**(290,008,475)**	**(13,762,108)**
Tax expense:			
Current tax	2.16	-	(515,570)
Deferred tax	2.16	(84,156,290)	(5,157,098)
PROFIT FOR THE YEAR		**(205,852,185)**	**(8,089,440)**
EARNINGS PER EQUITY SHARE			
Equity shares of par value AUD 1 each			
Basic		(686,174)	(26,965)
Number of shares used in computing earnings per share			
Basic		300	300
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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 No. 202841			

Bangalore
January 11 , 2013

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, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the Australian Dollar.

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 recognising 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 recognised as services are rendered.

An expected project loss is recognised 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 Fixed 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

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 in the books of Holding Company

Foreign currency transactions during the period are translated into CHF at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated intoCHF at the exchange rates ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

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 recognised 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, 2012

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

2.1 SHARE CAPITAL

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Issued, Subscribed and Paid-Up		
300 (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, 2012	As at December 31, 2011
Currency Translation Reserve	(10,101,474)	(9,187,060)
Surplus- Opening Balance	(113,509)	7,975,931
Add: Net profit after tax transferred from Statement of Profit and Loss	(205,852,185)	(8,089,440)
Surplus- Closing Balance	**(205,965,694)**	**(113,509)**
	(216,067,168)	**(9,300,569)**

2.3 DEFERRED TAXES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Deferred tax asset		
Accumulated Losses	100,006,049	20,739,914
	100,006,049	**20,739,914**

2.4 TRADE PAYABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade payables [1]	34,733,942	79,622,152
	34,733,942	**79,622,152**
[1] *Includes dues to holding company and fellow subsidiaries (refer to note 2.18)*	31,063,112	52,495,868

2.5 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Accrued salaries and benefits		
Bonus and incentives	19,520,643	22,570,013
Other liabilities		
Provision for expenses[1]	21,258,828	16,360,451
Withholding and other taxes payable	28,454,874	43,602,254
Other payables	156,087	1,979,551
Unearned revenue	3,186,362	-
	72,576,794	**84,512,269**
[1] *Includes dues to holding company and fellow subsidiaries (refer to note 2.18)*	1,475,074	-

2.6 SHORT-TERM PROVISIONS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Provision for employee benefits		
Unavailed leave	13,899,884	11,224,567
Provision for Income taxes	(11,490,116)	6,024,712
	2,409,768	**17,249,279**

2.7 FIXED ASSETS

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at Jan 1, 2012	Additions during the year	Deductions/ Retirement during the year	As at December 31, 2012	As at Jan 1, 2012	For the year	Deductions/ adjustment during the year	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible assets :										
Leasehold Improvements	289,687	30,777,487	-	31,067,174	143,070	2,579,188	(41,311)	2,763,569	28,303,605	146,617
Office equipment	345,977	19,705	-	365,682	302,461	45,412	(17,809)	365,682	-	43,516
Computer equipment	9,348,090	1,320,350	25,526	10,642,914	6,389,195	1,851,900	(361,829)	8,602,924	2,039,990	2,958,895
Furniture and fixtures	1,414,537	213,225	-	1,627,762	1,330,567	26,806	(76,122)	1,433,495	194,267	83,970
	11,398,291	32,330,767	25,526	43,703,532	8,165,293	4,503,306	(497,071)	13,165,670	30,537,862	3,232,998
Intangible assets :										
software	645,252	36,748	-	682,000	370,321	202,517	(23,695)	596,533	85,467	274,931
	645,252	36,748	-	682,000	370,321	202,517	(23,695)	596,533	85,467	274,931
Total	**12,043,543**	**32,367,515**	**25,526**	**44,385,532**	**8,535,614**	**4,705,823**	**(520,766)**	**13,762,203**	**30,623,329**	**3,507,929**
Previous year	**8,117,559**	**8,775,052**	**4,849,068**	**12,043,543**	**4,849,068**	**2,372,467**	**(1,314,079)**	**8,535,614**	**3,507,929**	

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,	
	2012	2011
Lease rentals recognized during the period	7,468,152	10,110,822

in ₹

Lease obligations payable	As at	
	December 31, 2012	December 31, 2011
Within one year of the balance sheet date	13,963,669	7,468,152
Due in a period between one year and five years	25,702,321	39,665,990

2.9 LONG-TERM LOANS AND ADVANCES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Other loans and advances		
Advance income taxes	9,653,761	14,097,710
	9,653,761	**14,097,710**

2.10 TRADE RECEIVABLES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Other debts		
Unsecured		
Considered good[(1)]	96,735,739	194,507,498
Considered doubtful	-	-
	96,735,739	194,507,498
Less: Provision for doubtful debts	-	-
	96,735,739	194,507,498
	96,735,739	**194,507,498**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.18)*	21,705,038	72,017,614

2.11 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Cash on hand	28,423	28,146
Balances with banks		
In current accounts	20,897,865	2,431,902
	20,926,288	**2,460,048**

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

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
In current accounts		
Westpac (Australia)	20,897,865	2,431,902
	20,897,865	2,431,902
Total bank balances	**20,897,865**	**2,431,902**

2.12 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	7,693,243	6,814,122
Withholding and other taxes receivable	3,145,929	9,642,310
Others		578,534
	10,839,172	17,034,966
Unbilled revenues	4,921,084	41,726,975
Loans and advances to employees		
Rental deposits	5,648,875	766,814
	21,409,131	**59,528,755**

2.13 INCOME FROM CONSULTANCY SERVICES

in ₹

Particulars	Year ended December 31, 2012	2011
Income from consultancy services	460,329,440	863,569,790
	460,329,440	**863,569,790**

2.14 OTHER INCOME

in ₹

Particulars	Year ended December 31, 2012	2011
Interest received on deposits with banks and others	78,583	-
Miscellaneous income, net	(54,099)	3,543,737
Gains / (losses) on foreign currency, net	(3,364,671)	382,653
	(3,340,187)	**3,926,390**

2.15 EXPENSES

in ₹

Particulars	Year ended December 31, 2012	2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	459,232,715	444,535,227
Staff welfare	4,004,083	5,623,210
	463,236,798	450,158,437
Cost of technical sub-contractors		
Technical sub-contractors - subsidiaries	41,476,284	16,926,638
Technical sub-contractors - others	113,309,641	309,520,937
	154,785,925	326,447,575
Travel expenses		
Overseas travel expenses	45,741,173	23,397,280
	45,741,173	23,397,280
Cost of software packages and others		
For own use	929,707	8,130,692
	929,707	8,130,692
Communication expenses		
Telephone charges	8,649,319	3,403,277
	8,649,319	3,403,277
Other expenses		
Office maintenance	1,669,334	893,556
Power and fuel	651,809	409,120
Brand building	62,552	2,811,551
Rent	7,468,152	10,110,822
Rates and taxes, excluding taxes on income	6,629	-
Repairs to plant and machinery	3,639	-
Computer maintenance	2,189,915	154,728
Insurance charges	1,306,708	3,177,107
Marketing expenses	1,700,355	983,943
Printing and Stationery	1,360,235	700,754
Professional membership and seminar participation fees	184,698	287,154
Postage and courier	320,985	140,586
Advertisements	836,906	431,792
Provision for bad and doubtful debts and advances	(147,871)	(4,068)
Books and periodicals	36,338	74,397
Auditor's remuneration		
Statutory audit fees	2,922,009	914,120
Bank charges and commission	246,325	80,445
Others	9,341,921	298,245
	30,160,639	21,464,252

2.16 TAX EXPENSE

in ₹

	Year ended December 31, 2012	2011
Current tax		
Income taxes	-	(515,570)
Deferred taxes	(84,156,290)	(5,157,098)
	(84,156,290)	**(5,672,668)**

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 Related Party	Country	Holding as at	
		December 31, 2012	December 31, 2011
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 [1]	India
Infosys Australia [1]	Australia
Infosys Consulting Inc [1]	USA
Infosys Mexico [1]	Mexico
Infosys Sweden [1]	Sweden
Infosys Shanghai [1]	China
Infosys Brasil [1]	Brazil
Infosys Public Services, Inc. [1]	USA
Infosys Consulting India Limited [1]	India
Infosys BPO s. r. o [2]	Czech Republic
Infosys BPO (Poland) Sp Z.o.o [2]	Poland
McCamish Systems LLC [2]	USA
Portland Group Pty Ltd[2]	Australia
Portland Procurement Services Pty Ltd[2]	Australia
Lodestone Management Consultants (Canada) Inc. [3]	Canada
Lodestone Management Consultants Inc. [3]	USA
Lodestone Management Consultants Pty Limited [3]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [3][4]	Thailand
Lodestone Management Consultants AG [3]	Switzerland
Lodestone Augmentis AG [3]	Switzerland
Hafner Bauer & Ödman GmbH [3]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [3][5]	Belgium
Lodestone Management Consultants GmbH [3]	Germany
Lodestone Management Consultants Pte Ltd. [3]	Singapore
Lodestone Augmentis Ltd[3][4]	Singapore
Lodestone Management Consultants SAS [3]	France
Lodestone Management Consultants s.r.o. [3]	Czech Republic
Lodestone Management Consultants GmbH [3]	Austria
Lodestone Management Consultants China Co., Ltd. [3]	China
Lodestone Management Consultants Ltd. [3]	UK
Lodestone Management Consultants B.V. [3]	Netherlands
Lodestone Management Consultants Ltda. [3][5]	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

[1] *Wholly owned subsidiaries of Infosys Limited.*

[2] *Wholly owned subsidiaries of Infosys BPO.*

[3] *Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

[4] *Under liquidation*

[5] *Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured Loans		
Lodestone Holding AG	385,686,047	122,743,809
Trade Receivables		
Lodestone Management Consultants AG	974,483	2,949,819
Lodestone Management Consultants GmbH, Germany	49,622	12,044,564
Lodestone Management Consultants Pte Ltd.	15,314,961	57,026,873
Lodestone Management Consultants Ltd.	4,897,985	-
FX Valuation on above	467,987	(3,642)
Trade Payables		
Lodestone Management Consultants AG	21,335,477	22,448,132
Lodestone Management Consultants Sp. z.o.o.	1,192,364	1,768,919
Lodestone Management Consultants Pte Ltd.	3,861,935	28,798,970
Lodestone Management Consultants Ltd.	2,571,924	-
Lodestone Management Consultants SAS	354,838	-
FX Valuation on above	1,746,574	(520,153)

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	2011
Capital transactions:		
Revenue transactions:		
Purchase of shared services including facilities and personnel		
Lodestone Management Consultants Sp. z.o.o.	1,150,034	1,482,213
Lodestone Management Consultants Pte Ltd.	37,507,572	15,444,426.00
Lodestone Management Consultants Ltd.	2,210,770	-
Lodestone Management Consultants SAS	299,013	-
Lodestone Management Consultants China Co., Ltd.	308,895	-
Interest expense		
Lodestone Holding AG	13,668,067	6,547,822
Sale of shared services including facilities and personnel		
Lodestone Management Consultants AG	11,636,696.00	13,276,930
Lodestone Management Consultants GmbH	10,896,789.00	14,205,107
Lodestone Management Consultants Pte Ltd.	10,309,251.00	29,621,357
Lodestone Management Consultants (Asia Pacific) Limited	-	42,103
Lodestone Management Consultants Ltd.	3,867,721.00	-

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 ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	**2011**
Income from consultancy services	460,329,440	863,569,790
Cost of Services	642,930,506	786,064,610
GROSS PROFIT	**(182,601,066)**	**77,505,180**
Selling and marketing expenses	1,762,907	3,795,494
General and administration expenses	83,930,425	82,477,895
	85,693,332	86,273,389
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	**(268,294,398)**	**(8,768,209)**
Interest	13,668,067	6,547,822
Depreciation and amortization	4,705,823	2,372,467
OPERATING PROFIT	**(286,668,288)**	**(17,688,498)**
Other income	(3,340,187)	3,926,390
PROFIT BEFORE TAX	**(290,008,475)**	**(13,762,108)**
Tax expense:		
Current tax	-	(515,570)
Deferred tax	(84,156,290)	(5,157,098)
PROFIT FOR THE YEAR	**(205,852,185)**	**(8,089,440)**

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 No. 202841			

Bangalore
January 11 , 2013

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 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Profit*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership no. 202841
Firms regn. No. 006673s

11th January, 2013
BANGALORE

Lodestone Management Consultants s.r.o

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	789,777	789,777
Reserves and surplus	2.2	1,764,327	(937,255)
		2,554,104	(147,478)
CURRENT LIABILITIES			
Trade payables	2.4	34,642	190,972
Other current liabilities	2.5	8,484,535	3,222,312
Short-term provisions	2.6	2,427,088	333,188
		10,946,265	3,746,472
		13,500,369	**3,598,994**
ASSETS			
NON-CURRENT ASSETS			
Deferred tax assets	2.3	226,416	209,114
Long-term loans and advances	2.7	9,757	183,171
		236,173	392,285
CURRENT ASSETS			
Trade receivables	2.8	9,638,798	1,655,105
Cash and cash equivalents	2.9	3,184,993	-
Short-term loans and advances	2.10	440,405	1,551,604
		13,264,196	3,206,709
		13,500,369	**3,598,994**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Peter Fischer
Partner

Robert Boreczek
Partner

Rolf Schläpfer
Partner

Bangalore
January 11 , 2013

Lodestone Management Consultants s.r.o

in ₹

Statement of Profit and Loss for the	Note	Year ended December 31,	
		2012	**2011**
Income from Consultancy services	2.11	48,666,313	14,082,678
Other income	2.12	(17,193)	(19,349)
Total revenue		**48,649,120**	**14,063,329**
Expenses			
Employee benefit expenses	2.13	28,064,225	9,683,792
Cost of technical sub-contractors	2.13	165,255	-
Travel expenses	2.13	14,818,498	3,222,451
Cost of software packages and others	2.13	-	116,274
Communication expenses	2.13	10,354	3,362
Professional charges		1,934,838	1,706,716
Other expenses	2.13	535,816	348,496
Total expenses		**45,528,986**	**15,081,091**
PROFIT BEFORE TAX		**3,120,134**	**(1,017,762)**
Tax expense:			
Current tax	2.14	614,327	6,328
Deferred tax	2.14	7,598	(196,748)
PROFIT FOR THE YEAR		**2,498,209**	**(827,342)**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Peter Fischer
Partner

Robert Boreczek
Partner

Rolf Schläpfer
Partner

Bangalore
January 11 , 2013

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 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, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the Czech koruna.

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 recognising 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 recognised as services are rendered.

An expected project loss is recognised 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 Fixed 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

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 in the books of Holding Company

Foreign currency transactions during the period are translated into CHF at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated intoCHF at the exchange rates ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

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, 2012

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

2.1 SHARE CAPITAL

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Issued, Subscribed and Paid-Up		
200,000 CZK	789,777	789,777
	789,777	**789,777**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Currency Translation Reserve	225,246	(36,591)
Legal reserve - Opening balance	-	-
Add: Transferred from Surplus	58,464	-
	58,464	-
Surplus- Opening Balance	(900,664)	(73,322)
Add: Net profit after tax transferred from Statement of Profit and Loss	2,498,209	(827,342)
Amount available for appropriation	1,597,545	(900,664)
Appropriations:		
Amount transferred to legal reserve	58,464	-
Surplus- Closing Balance	**1,539,081**	**(900,664)**
	1,764,327	**(937,255)**

2.3 DEFERRED TAXES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Deferred tax asset		
Accumulated Losses	226,416	209,114
	226,416	**209,114**

2.4 TRADE PAYABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade payables [(1)]	34,642	190,972
	34,642	**190,972**
[(1)] *Includes dues to holding company and fellow subsidiaries (refer to note 2.16)*	34,642	177,978

2.5 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Accrued salaries and benefits		
Salaries and benefits	1,610,278	825,597
Bonus and incentives	2,804,931	1,003,751
Other liabilities		
Provision for expenses	2,955,235	708,117
Withholding and other taxes payable	1,088,325	451,448
Other payables	25,766	233,399
	8,484,535	**3,222,312**

2.6 SHORT-TERM PROVISIONS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Provision for employee benefits		
Unavailed leave	1,936,956	333,188
Provision for Income taxes	490,132	-
	2,427,088	**333,188**

2.7 LONG-TERM LOANS AND ADVANCES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Unsecured, considered good		
Rental deposits	-	40,995
Other loans and advances		
Advance income taxes	9,757	142,176
	9,757	**183,171**

2.8 TRADE RECEIVABLES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Other debts		
Unsecured		
Considered good[(1)]	9,638,798	1,655,105
Considered doubtful	-	-
	9,638,798	1,655,105
Less: Provision for doubtful debts	-	-
	9,638,798	1,655,105
	9,638,798	**1,655,105**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.*	9,638,798	1,655,105

2.9 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Balances with banks		
In current accounts	3,184,993	-
	3,184,993	**-**

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

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
In current accounts		
Raiffeisenbank a.s. (CZK)	3,184,993	-
	3,184,993	-
Total bank balances	**3,184,993**	**-**

2.10 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	102,241	109,650
Withholding and other taxes receivable	292,970	34,141
Others	-	849,222
	395,211	993,013
Loans and advances to employees		
Salary advances	807	558,591
Rental deposits	44,387	-
	440,405	**1,551,604**

2.11 INCOME FROM CONSULTANCY SERVICES

in ₹

Particulars	Year ended December 31,	
	2012	2011
Income from consultancy services	48,666,313	14,082,678
	48,666,313	**14,082,678**

2.12 OTHER INCOME

in ₹

Particulars	Year ended December 31,	
	2012	2011
Interest received on deposits with banks and others	189	78
Miscellaneous income, net	2	7
Gains / (losses) on foreign currency, net	(17,384)	(19,434)
	(17,193)	**(19,349)**

2.13 EXPENSES

in ₹

Particulars	Year ended December 31,	
	2012	2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	28,007,071	9,656,198
Staff welfare	57,154	27,594
	28,064,225	9,683,792
Cost of technical sub-contractors		
Technical sub-contractors - subsidiaries	165,255	-
	165,255	-
Travel expenses		
Overseas travel expenses	14,818,498	3,222,451
	14,818,498	3,222,451
Cost of software packages and others		
For own use	-	116,274
	-	116,274
Communication expenses		
Telephone charges	10,354	3,362
	10,354	3,362
Other expenses		
Office maintenance	326,658	-
Rent	107,263	93,515
Insurance charges	65,962	13,673
Marketing expenses	-	51,203
Printing and Stationery	-	3,591
Postage and courier	5,187	1,040
Bank charges and commission	30,753	13,628
Others	(7)	171,846
	535,816	348,496

2.14 TAX EXPENSE

in ₹

	Year ended December 31,	
	2012	2011
Current tax		
Income taxes	614,327	6,328
Deferred taxes	7,598	(196,748)
	621,925	**(190,420)**

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 Related Party	Country	Holding as at	
		December 31, 2012	December 31, 2011
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 [1]	India
Infosys Australia [1]	Australia
Infosys Consulting Inc [1]	USA
Infosys Mexico [1]	Mexico
Infosys Sweden [1]	Sweden
Infosys Shanghai [1]	China
Infosys Brasil [1]	Brazil
Infosys Public Services, Inc. [1]	USA
Infosys Consulting India Limited [1]	India
Infosys BPO s. r. o [2]	Czech Republic
Infosys BPO (Poland) Sp Z.o.o [2]	Poland
McCamish Systems LLC [2]	USA
Portland Group Pty Ltd[2]	Australia
Portland Procurement Services Pty Ltd[2]	Australia
Lodestone Management Consultants (Canada) Inc. [3]	Canada
Lodestone Management Consultants Inc. [3]	USA
Lodestone Management Consultants Pty Limited [3]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [3][4]	Thailand
Lodestone Management Consultants AG [3]	Switzerland
Lodestone Augmentis AG [3]	Switzerland
Hafner Bauer & Ödman GmbH [3]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [3][5]	Belgium
Lodestone Management Consultants GmbH [3]	Germany
Lodestone Management Consultants Pte Ltd. [3]	Singapore
Lodestone Augmentis Ltd[3][4]	Singapore
Lodestone Management Consultants SAS [3]	France
Lodestone Management Consultants s.r.o. [3]	Czech Republic
Lodestone Management Consultants GmbH [3]	Austria
Lodestone Management Consultants China Co., Ltd. [3]	China
Lodestone Management Consultants Ltd. [3]	UK
Lodestone Management Consultants B.V. [3]	Netherlands
Lodestone Management Consultants Ltda. [3][5]	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

[1] *Wholly owned subsidiaries of Infosys Limited.*

[2] *Wholly owned subsidiaries of Infosys BPO.*

[3] *Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

[4] *Under liquidation*

[5] *Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade Receivables		
Lodestone Management Consultants AG	9,097,834	849,393
Lodestone Management Consultants GmbH, Germany	540,963	805,712
Trade Payables		
Lodestone Management Consultants AG	-	121,033
Lodestone Management Consultants GmbH	-	56,945
Lodestone Management Consultants Sp. z.o.o.	34,766	-
FX Valuation on above	(123)	-

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	2011
Capital transactions:		
Revenue transactions:		
Purchase of shared services including facilities and personnel		
Lodestone Management Consultants Sp. z.o.o.	165,255	-
Sale of shared services including facilities and personnel		
Lodestone Management Consultants AG	27,785,269	13,280,462
Lodestone Management Consultants GmbH	20,881,044	802,216

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 ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	**2011**
Income from consultancy services	48,666,313	14,082,678
Cost of Services	43,054,661	12,998,591
GROSS PROFIT	**5,611,652**	**1,084,087**
Selling and marketing expenses	-	51,203
General and administration expenses	2,474,325	2,031,297
	2,474,325	2,082,500
OPERATING PROFIT	**3,137,327**	**(998,413)**
Other income	(17,193)	(19,349)
PROFIT BEFORE TAX	**3,120,134**	**(1,017,762)**
Tax expense:		
Current tax	614,327	6,328
Deferred tax	7,598	(196,748)
PROFIT FOR THE YEAR	**2,498,209**	**(827,342)**

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Peter Fischer
Partner

Robert Boreczek
Partner

Bangalore
January 11 , 2013

Rolf Schläpfer
Partner

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 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Profit*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership no. 202841
Firms regn. No. 006673s

11th January, 2013
BANGALORE

Lodestone Management Consultants SAS.

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	5,279,504	5,279,504
Reserves and surplus	2.2	(18,561,524)	(18,710,700)
		(13,282,020)	(13,431,196)
CURRENT LIABILITIES			
Trade payables	2.4	1,337,722	88,740,659
Other current liabilities	2.5	45,345,181	71,315,465
Short-term provisions	2.6	8,100,799	3,696,635
		54,783,702	163,752,759
		41,501,682	**150,321,563**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	59,504	111,617
		59,504	111,617
Deferred tax assets	2.3	7,751,598	6,280,445
		7,811,102	6,392,062
CURRENT ASSETS			
Trade receivables	2.8	17,749,538	138,829,711
Cash and cash equivalents	2.9	13,418,998	3,863,861
Short-term loans and advances	2.10	2,522,044	1,235,929
		33,690,580	143,929,501
		41,501,682	**150,321,563**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath	Peter Ödman	Rolf Schläpfer	Yvonne Felice Fernandez
Partner	*Director*	*Chief Financial Officer*	*Chief Human Relaions Officer*
Membership No. 202841			
Bangalore	Rolf Gmünder	Jacques Le Ny	
January 11 , 2013	*Partner*	*Partner*	

Lodestone Management Consultants SAS.

in ₹

Statement of Profit and Loss for the	Note	Year ended December 31,	
		2012	**2011**
Income from Consultancy services	2.11	206,710,684	282,445,517
Other income	2.12	(1,222,932)	542,064
Total revenue		**205,487,752**	**282,987,581**
Expenses			
Employee benefit expenses	2.13	122,450,071	94,210,840
Cost of technical sub-contractors	2.13	56,562,768	160,867,439
Travel expenses	2.13	18,036,510	12,332,579
Cost of software packages and others	2.13	-	558,720
Communication expenses	2.13	1,214,620	657,035
Professional charges		2,928,091	13,505,041
Depreciation and amortisation expense	2.7	55,642	78,439
Other expenses	2.13	1,566,352	1,811,258
Total expenses		**202,814,054**	**284,021,351**
PROFIT BEFORE TAX		**2,673,698**	**(1,033,770)**
Tax expense:			
Current tax	2.14	2,249,394	340,063
Deferred tax	2.14	(914,827)	-
PROFIT FOR THE YEAR		**1,339,131**	**(1,373,833)**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath *Partner* Membership No. 202841	Peter Ödman *Director*	Rolf Schläpfer *Chief Financial Officer*	Yvonne Felice Fernandez *Chief Human Relaions Officer*
Bangalore January 11 , 2013		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 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, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the Euro.

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 recognising 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 recognised as services are rendered.

An expected project loss is recognised 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 Fixed 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

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 in the books of Holding Company

Foreign currency transactions during the period are translated into CHF at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated intoCHF at the exchange rates ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

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, 2012

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

2.1 SHARE CAPITAL

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Issued, Subscribed and Paid-Up		
80,000 EURO	5,279,504	5,279,504
	5,279,504	**5,279,504**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Currency Translation Reserve	(1,096,468)	93,487
Surplus- Opening Balance	(18,804,187)	(17,430,354)
Add: Net profit after tax transferred from Statement of Profit and Loss	1,339,131	(1,373,833)
Surplus- Closing Balance	**(17,465,056)**	**(18,804,187)**
	(18,561,524)	**(18,710,700)**

2.3 DEFERRED TAXES

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Deferred tax asset		
Accumulated Losses	7,751,598	6,280,445
	7,751,598	**6,280,445**

2.4 TRADE PAYABLES

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Trade payables [(1)]	1,337,722	88,740,659
	1,337,722	**88,740,659**
[(1)] *Includes dues to holding company and fellow subsidiaries (refer to note 2.16)*	319,743	85,427,833

2.5 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Accrued salaries and benefits		
Bonus and incentives	10,911,917	11,477,268
Other liabilities		
Provision for expenses	8,697,070	17,150,479
Withholding and other taxes payable	16,262,963	36,813,851
Other payables	765,291	571,205
Advances received from clients	1,162,358	-
Unearned revenue	7,545,582	5,302,662
	45,345,181	**71,315,465**

2.6 SHORT-TERM PROVISIONS

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Provision for employee benefits		
Unavailed leave	8,100,799	3,696,635
	8,100,799	**3,696,635**

2.7 FIXED ASSETS

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at Jan 1, 2012	Additions during the year	Deductions/ Retirement during the year	As at December 31, 2012	As at Jan 1, 2012	For the year	Deductions/ adjustment during the year	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible assets :										
IT Eequipment	225,982	12,663	-	238,645	114,365	55,642	(9,134)	179,141	59,504	111,617
Total	**225,982**	**12,663**	**-**	**238,645**	**114,365**	**55,642**	**(9,134)**	**179,141**	**59,504**	**111,617**
Previous year	**196,665**	**29,317**	**-**	**225,982**	**-**	**78,439**	**(35,926)**	**114,365**	**111,617**	

2.8 TRADE RECEIVABLES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Other debts		
Unsecured		
Considered good(1)	17,749,538	138,829,711
Considered doubtful	-	-
	17,749,538	138,829,711
Less: Provision for doubtful debts	-	-
	17,749,538	138,829,711
	17,749,538	**138,829,711**
(1) *Includes dues from holding company and fellow subsidiaries (refer to note 2.16)*	11,938,585	26,049,869

2.9 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Cash on hand	-	-
Balances with banks		
In current accounts	13,418,998	3,863,861
	13,418,998	**3,863,861**

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

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
In current accounts		
CIC (Euro)	13,418,998	3,863,861
	13,418,998	3,863,861
Total bank balances	**13,418,998**	**3,863,861**

2.10 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	148,060	93,059
Withholding and other taxes receivable	17,044	1,094,329
Others	389,784	48,541
	554,888	1,235,929
Unbilled revenues	1,967,156	-
	2,522,044	**1,235,929**

2.11 INCOME FROM CONSULTANCY SERVICES

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Income from consultancy services	206,710,684	282,445,517
	206,710,684	**282,445,517**

2.12 OTHER INCOME

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Miscellaneous income, net	170	454
Gains / (losses) on foreign currency, net	(1,223,102)	541,610
	(1,222,932)	**542,064**

2.13 EXPENSES

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	122,418,936	93,502,661
Staff welfare	31,135	708,179
	122,450,071	94,210,840
Cost of technical sub-contractors		
Technical sub-contractors - subsidiaries	43,313,931	116,351,377
Technical sub-contractors - others	13,248,837	44,516,062
	56,562,768	160,867,439
Travel expenses		
Overseas travel expenses	18,036,510	12,332,579
	18,036,510	12,332,579
Cost of software packages and others		
For own use	-	558,720
	-	558,720
Communication expenses		
Telephone charges	1,214,620	657,035
	1,214,620	657,035
Other expenses		
Office maintenance	-	6,524
Brand building	22,454	16,990
Rent	83,512	122,547
Rates and taxes, excluding taxes on income	18,695	-
Insurance charges	140,621	109,371
Marketing expenses	397,836	616,785
Printing and Stationery	2,664	26,362
Postage and courier	-	463
Books and periodicals	375	919
Auditor's remuneration		
Statutory audit fees	551,019	566,554
Bank charges and commission	349,306	344,380
Others	(130)	363
	1,566,352	1,811,258

2.14 TAX EXPENSE

in ₹

	Year ended December 31, 2012	Year ended December 31, 2011
Current tax		
Income taxes	2,249,394	340,063
Deferred taxes	(914,827)	-
	1,334,567	**340,063**

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 Related Party	Country	Holding as at	
		December 31, 2012	December 31, 2011
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 [(1)]	India
Infosys Australia [(1)]	Australia
Infosys Consulting Inc [(1)]	USA
Infosys Mexico [(1)]	Mexico
Infosys Sweden [(1)]	Sweden
Infosys Shanghai [(1)]	China
Infosys Brasil [(1)]	Brazil
Infosys Public Services, Inc. [(1)]	USA
Infosys Consulting India Limited [(1)]	India
Infosys BPO s. r. o [(2)]	Czech Republic
Infosys BPO (Poland) Sp Z.o.o [(2)]	Poland
McCamish Systems LLC [(2)]	USA
Portland Group Pty Ltd[(2)]	Australia
Portland Procurement Services Pty Ltd[(2)]	Australia
Lodestone Management Consultants (Canada) Inc. [(3)]	Canada
Lodestone Management Consultants Inc. [(3)]	USA
Lodestone Management Consultants Pty Limited [(3)]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [(3)(4)]	Thailand
Lodestone Management Consultants AG [(3)]	Switzerland
Lodestone Augmentis AG [(3)]	Switzerland
Hafner Bauer & Ödman GmbH [(3)]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [(3)(5)]	Belgium
Lodestone Management Consultants GmbH [(3)]	Germany
Lodestone Management Consultants Pte Ltd. [(3)]	Singapore
Lodestone Augmentis Ltd[(3)(4)]	Singapore
Lodestone Management Consultants SAS [(3)]	France
Lodestone Management Consultants s.r.o. [(3)]	Czech Republic
Lodestone Management Consultants GmbH [(3)]	Austria
Lodestone Management Consultants China Co., Ltd. [(3)]	China
Lodestone Management Consultants Ltd. [(3)]	UK
Lodestone Management Consultants B.V. [(3)]	Netherlands
Lodestone Management Consultants Ltda. [(3)(5)]	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

[(1)] *Wholly owned subsidiaries of Infosys Limited.*

[(2)] *Wholly owned subsidiaries of Infosys BPO.*

[(3)] *Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

[(4)] *Under liquidation*

[(5)] *Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade Receivables		
Lodestone Management Consultants AG	10,997,543	5,326,446
Lodestone Management Consultants Ltd.	-	14,974,614
Lodestone Management Consultants Inc.	-	5,748,809
Lodestone Management Consultants Pty Limited	362,160	-
Lodestone Management Consultants (Belgium) S.A.	520,153	-
Lodestone Management Consultants Pte Ltd.	58,729	-
Trade Payables		
Lodestone Management Consultants AG	(1,307,580)	39,691,767
Lodestone Management Consultants (Belgium) S.A.	481,172	14,132,546
Lodestone Management Consultants GmbH	-	20,458,882
Lodestone Management Consultants Sp. z.o.o.	1,055,638	9,930,077
Lodestone Management Consultants Ltd.	19,581	1,981,994
FX Valuation on above	70,932	(767,433)

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	2011
Capital transactions:		
Revenue transactions:		
Purchase of shared services including facilities and personnel		
Lodestone Management Consultants (Belgium) S.A.	8,111,167	26,308,690
Lodestone Management Consultants AG	28,187,230	61,393,390
Lodestone Management Consultants GmbH	3,319,866	19,265,190
Lodestone Management Consultants Ltd.	2,514,442	4,692,897
Lodestone Management Consultants Sp. z.o.o.	385,366	9,189,621
Lodestone Management Consultants China Co., Ltd.	782,430	-
Sale of shared services including facilities and personnel		
Lodestone Management Consultants AG	111,420,971	42,125,542
Lodestone Management Consultants Ltd.	-	25,875,488
Lodestone Management Consultants Inc.	-	5,494,333
Lodestone Management Consultants Pty Limited	348,036	-
Lodestone Management Consultants (Belgium) S.A.	2,184,795	-
Lodestone Management Consultants GmbH	10,905,214	-
Lodestone Management Consultants Pte Ltd.	56,438	-

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 ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	**2011**
Income from consultancy services	206,710,684	282,445,517
Cost of Services	197,935,070	268,533,911
GROSS PROFIT	**8,775,614**	**13,911,606**
Selling and marketing expenses	420,290	633,775
General and administration expenses	4,403,052	14,775,226
	4,823,342	15,409,001
OPERATING PROFIT BEFORE DEPRECIATION	**3,952,272**	**(1,497,395)**
Interest	-	-
Depreciation and amortization	55,642	78,439
OPERATING PROFIT	**3,896,630**	**(1,575,834)**
Other income	(1,222,932)	542,064
PROFIT BEFORE TAX	**2,673,698**	**(1,033,770)**
Tax expense:		
Current tax	2,249,394	340,063
Deferred tax	(914,827)	-
PROFIT FOR THE YEAR	**1,339,131**	**(1,373,833)**

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

M. Rathnakar Kamath	Peter Ödman	Rolf Schläpfer	Yvonne Felice Fernandez
Partner	*Director*	*Chief Financial Officer*	*Chief Human Relaions Officer*
Membership No. 202841			
Bangalore	Rolf Gmünder	Jacques Le Ny	
January 11 , 2013	*Partner*	*Partner*	

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 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Profit*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;
d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership no. 202841
Firms regn. No. 006673s

11th January, 2013
BANGALORE

Lodestone Management Consultants Sp. z.o.o.

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	30,988,260	2,196,500
Reserves and surplus	2.2	(24,943,580)	(25,100,367)
		6,044,680	(22,903,867)
CURRENT LIABILITIES			
Unsecured Loans		-	28,272,478
Trade payables	2.4	31,162,681	88,393,418
Other current liabilities	2.5	49,443,681	51,424,555
Short-term provisions	2.6	6,091,783	9,740,220
		86,698,145	177,830,671
		92,742,825	**154,926,804**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	3,018,276	3,344,636
		3,018,276	3,344,636
Deferred tax assets	2.3	10,548,612	10,265,605
		13,566,888	13,610,241
CURRENT ASSETS			
Trade receivables	2.9	41,091,690	90,701,652
Cash and cash equivalents	2.10	30,377,799	27,154,602
Short-term loans and advances	2.11	7,706,448	23,460,309
		79,175,937	141,316,563
		92,742,825	**154,926,804**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath *Partner* Membership No. 202841	Peter Fischer *Director*	Robert Boreczek *Director*
Bangalore January 11 , 2013	Rolf Schläpfer *Director*	

Lodestone Management Consultants Sp. z.o.o.

in ₹

Statement of Profit and Loss for the	**Note**	**Year ended December 31,**	
		2012	**2011**
Income from Consultancy services	2.12	495,378,914	457,167,393
Other income	2.13	3,522,877	(5,205,823)
Total revenue		**498,901,791**	**451,961,570**
Expenses			
Employee benefit expenses	2.14	246,079,551	223,561,783
Cost of technical sub-contractors	2.14	131,942,661	130,543,115
Travel expenses	2.14	82,150,336	84,344,616
Cost of software packages and others	2.14	33,233	2,106,251
Communication expenses	2.14	4,310,778	4,724,035
Professional charges		20,980,542	17,837,970
Depreciation and amortisation expense	2.7	1,824,993	1,347,247
Other expenses	2.14	10,144,089	8,317,507
Total expenses		**497,466,183**	**472,782,524**
PROFIT BEFORE INTEREST AND TAX		**1,435,608**	**(20,820,954)**
Interest expense		124,450	135,148
PROFIT BEFORE TAX		**1,311,158**	**(20,956,102)**
Tax expense:			
Current tax	2.15	-	763,977
Deferred tax	2.15	1,016,465	(9,658,539)
PROFIT FOR THE YEAR		**294,693**	**(12,061,540)**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath	Peter Fischer	Robert Boreczek
Partner	*Director*	*Director*
Membership No. 202841		
Bangalore	Rolf Schläpfer	
January 11 , 2013	*Director*	

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 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, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the Polish złoty.

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 recognising 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 recognised as services are rendered.

An expected project loss is recognised 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 Fixed 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

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 in the books of Holding Company

Foreign currency transactions during the period are translated into CHF at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated intoCHF at the exchange rates ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

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 recognised 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, 2012

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

2.1 SHARE CAPITAL

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Issued, Subscribed and Paid-Up		
100,000 PLN	30,988,260	2,196,500
	30,988,260	**2,196,500**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	December 31, 2012	**December 31, 2011**
Currency Translation Reserve	6,251,713	6,389,619
Surplus- Opening Balance	(31,489,986)	(19,428,446)
Add: Net profit after tax transferred from Statement of Profit and Loss	294,693	(12,061,540)
Surplus- Closing Balance	**(31,195,293)**	**(31,489,986)**
	(24,943,580)	**(25,100,367)**

2.3 DEFERRED TAXES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Deferred tax asset		
Accumulated Losses	10,548,612	10,265,605
	10,548,612	**10,265,605**

2.4 TRADE PAYABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade payables [(1)]	31,162,681	88,393,418
	31,162,681	**88,393,418**
[(1)] *Includes dues to holding company and fellow subsidiaries (refer to note 2.17)*	4,383,137	42,283,052

2.5 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Accrued salaries and benefits		
Salaries and benefits	12,793,379	11,041,867
Bonus and incentives	28,386,001	28,525,095
Other liabilities		
Provision for expenses	6,419,765	5,748,943
Withholding and other taxes payable	-	-
Other payables	1,844,536	6,108,650
	49,443,681	**51,424,555**

2.6 SHORT-TERM PROVISIONS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Provision for employee benefits		
Unavailed leave	6,091,783	9,740,220
	6,091,783	**9,740,220**

2.7 FIXED ASSETS

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at Jan 1, 2012	Additions during the year	Deductions/ Retirement during the year	As at December 31, 2012	As at Jan 1, 2012	For the year	Deductions/ adjustment during the year	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible assets :										
Leasehold Improvements	55,443	8,629	-	64,072	13,399	17,523	(3,369)	34,291	29,781	42,044
IT Equipment	4,913,430	1,861,523	203,521	6,571,432	1,694,763	1,792,696	(176,600)	3,664,059	2,907,373	3,218,667
Furniture and fixtures	136,781	21,277	-	158,058	52,856	14,774	(9,306)	76,936	81,122	83,925
Total	**5,105,654**	**1,891,429**	**203,521**	**6,793,562**	**1,761,018**	**1,824,993**	**(189,275)**	**3,775,286**	**3,018,276**	**3,344,636**
Previous year	**2,391,391**	**3,150,377**	**436,114**	**5,105,654**	**436,113**	**1,347,247**	**22,342**	**1,761,018**	**3,344,636**	

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,	
	2012	2011
Lease rentals recognized during the period	6,101,272	4,517,772

in ₹

Lease obligations payable	As at December 31, 2012	December 31, 2011
Within one year of the balance sheet date	1,525,869	6,101,272
Due in a period between one year and five years	-	1,525,869

2.9 TRADE RECEIVABLES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Other debts		
Unsecured		
Considered good[(1)]	41,091,690	90,701,652
Considered doubtful	-	-
	41,091,690	90,701,652
Less: Provision for doubtful debts	-	-
	41,091,690	90,701,652
	41,091,690	**90,701,652**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.17)*	37,398,374	87,820,388

2.10 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Balances with banks		
In current accounts	30,377,799	27,154,602
	30,377,799	**27,154,602**

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

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
In current accounts		
Bank Zachodni WBK S.A. (PLN)	30,166,698	27,154,602
Bank Zachodni WBK S.A. (EURO)	211,101	-
	30,377,799	27,154,602
Total bank balances	**30,377,799**	**27,154,602**

2.11 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at December 31, 2012	As at December 31, 2011
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	1,128,384	626,954
Withholding and other taxes receivable	6,075,382	10,504,112
Others	-	5,004,900
	7,203,766	16,135,966
Unbilled revenues	67,134	1,640
Rental deposits	435,548	7,322,703
	7,706,448	**23,460,309**

2.12 INCOME FROM CONSULTANCY SERVICES

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Income from consultancy services	495,378,914	457,167,393
	495,378,914	**457,167,393**

2.13 OTHER INCOME

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Interest received on deposits with banks and others	51,597	32,052
Miscellaneous income, net	1,195,036	236,985
Gains / (losses) on foreign currency, net	2,276,244	(5,474,860)
	3,522,877	**(5,205,823)**

2.14 EXPENSES

in ₹

Particulars	Year ended December 31, 2012	Year ended December 31, 2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	244,650,473	217,276,449
Staff welfare	1,429,078	6,285,334
	246,079,551	223,561,783
Cost of technical sub-contractors		
Technical sub-contractors - others	131,942,661	130,543,115
	131,942,661	130,543,115
Travel expenses		
Overseas travel expenses	82,150,336	84,344,616
	82,150,336	84,344,616
Cost of software packages and others		
For own use	33,233	2,106,251
	33,233	2,106,251
Communication expenses		
Telephone charges	4,310,778	4,724,035
	4,310,778	4,724,035
Other expenses		
Office maintenance	464,210	1,076,496
Power and fuel	137,649	111,959
Rent	6,101,272	4,517,772
Rates and taxes, excluding taxes on income	274,311	306,654
Computer maintenance	18,652	-
Insurance charges	71,281	47,885
Marketing expenses	680,790	532,445
Printing and Stationery	163,522	133,530
Postage and courier	287,595	173,028
Books and periodicals	59,264	67,721
Auditor's remuneration		
Statutory audit fees	604,282	493,229
Bank charges and commission	189,944	175,306
Others	1,091,317	681,482
	10,144,089	8,317,507

2.15 TAX EXPENSE

in ₹

	Year ended December 31, 2012	Year ended December 31, 2011
Current tax		
Income taxes	-	763,977
Deferred taxes	1,016,465	(9,658,539)
	1,016,465	**(8,894,562)**

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 Related Party	Country	Holding as at	
		December 31, 2012	December 31, 2011
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 [1]	India
Infosys Australia [1]	Australia
Infosys Consulting Inc [1]	USA
Infosys Mexico [1]	Mexico
Infosys Sweden [1]	Sweden
Infosys Shanghai [1]	China
Infosys Brasil [1]	Brazil
Infosys Public Services, Inc. [1]	USA
Infosys Consulting India Limited [1]	India
Infosys BPO s. r. o [2]	Czech Republic
Infosys BPO (Poland) Sp Z.o.o [2]	Poland
McCamish Systems LLC [2]	USA
Portland Group Pty Ltd[2]	Australia
Portland Procurement Services Pty Ltd[2]	Australia
Lodestone Management Consultants (Canada) Inc. [3]	Canada
Lodestone Management Consultants Inc. [3]	USA
Lodestone Management Consultants Pty Limited [3]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [3][4]	Thailand
Lodestone Management Consultants AG [3]	Switzerland
Lodestone Augmentis AG [3]	Switzerland
Hafner Bauer & Ödman GmbH [3]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [3][5]	Belgium
Lodestone Management Consultants GmbH [3]	Germany
Lodestone Management Consultants Pte Ltd. [3]	Singapore
Lodestone Augmentis Ltd[3][4]	Singapore
Lodestone Management Consultants SAS [3]	France
Lodestone Management Consultants s.r.o. [3]	Czech Republic
Lodestone Management Consultants GmbH [3]	Austria
Lodestone Management Consultants China Co., Ltd. [3]	China
Lodestone Management Consultants Ltd. [3]	UK
Lodestone Management Consultants B.V. [3]	Netherlands
Lodestone Management Consultants Ltda. [3][5]	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

[1] *Wholly owned subsidiaries of Infosys Limited.*

[2] *Wholly owned subsidiaries of Infosys BPO.*

[3] *Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

[4] *Under liquidation*

[5] *Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured Loans		
Lodestone Holding AG	-	28,272,478
Trade Receivables		
Lodestone Management Consultants (Canada) Inc.	67,920	-
Lodestone Management Consultants Inc.	522,494	321,671
Lodestone Management Consultants Pty Limited	1,245,491	1,531,790
Lodestone Management Consultants AG	20,286,295	40,282,093
Lodestone Augmentis AG	15,154	35,963
Lodestone Management Consultants (Belgium) S.A.	1,060,743	75,867
Lodestone Management Consultants GmbH, Germany	8,899,553	35,859,699
Lodestone Management Consultants Pte Ltd.	937,666	525,489
Lodestone Management Consultants SAS	1,128,193	9,027,253
Lodestone Management Consultants s.r.o.	34,651	-
Lodestone Management Consultants GmbH, Austria	50,463	-
Lodestone Management Consultants China Co., Ltd.	1,192,442	-
Lodestone Management Consultants Ltd.	736,058	160,563
Lodestone Management Consultants B.V.	687,732	-
Lodestone Management Consultants Portugal, Unipessoal, Lda.	533,519	-
Trade Payables		
Lodestone Management Consultants AG	4,285,183	39,036,315
Lodestone Management Consultants GmbH, Germany	91,914	56,391
FX Valuation on above	6,040	3,190,346

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	2011
Capital transactions:		
Revenue transactions:		
Purchase of shared services including facilities and personnel		
Lodestone Management Consultants AG	14,480,050	11,391,016
Interest expense		
Lodestone Holding AG	124,450	135,148
Sale of shared services including facilities and personnel		
Lodestone Management Consultants Pty Limited	1,329,084	1,555,141
Lodestone Management Consultants (Belgium) S.A.	2,901,016	7,830,033
Lodestone Management Consultants AG	319,336,469	269,692,246
Lodestone Augmentis AG	3,677	36,512
Lodestone Management Consultants GmbH	147,196,177	151,786,543
Lodestone Management Consultants SAS	393,664	9,236,399
Lodestone Management Consultants Ltd.	1,691,032	994,267
Lodestone Management Consultants Pte Ltd.	803,706	533,500
Lodestone Management Consultants Inc.	4,982,870	6,305,676
Lodestone Management Consultants GmbH Austria	121,481	-
Lodestone Management Consultants (Canada) Inc.	63,843	-
Lodestone Management Consultants Ltda.	471,402	-
Lodestone Management Consultants China Co., Ltd.	1,121,720	-
Lodestone Management Consultants s.r.o.	161,679	-
Lodestone Management Consultants B.V.	2,161,184	-
Lodestone Management Consultants Portugal, Unipessoal, Lda.	501,906	-
S.C. Lodestone Management Consultants S.R.L.	368,841	-

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 ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	**2011**
Income from consultancy services	495,378,914	457,167,393
Cost of Services	456,949,009	439,721,101
GROSS PROFIT	**38,429,905**	**17,446,292**
Selling and marketing expenses	680,790	532,445
General and administration expenses	38,011,391	31,181,731
	38,692,181	31,714,176
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	**(262,276)**	**(14,267,884)**
Interest	124,450	135,148
Depreciation and amortization	1,824,993	1,347,247
OPERATING PROFIT	**(2,211,719)**	**(15,750,279)**
Other income	3,522,877	(5,205,823)
PROFIT BEFORE TAX	**1,311,158**	**(20,956,102)**
Tax expense:		
Current tax	-	763,977
Deferred tax	1,016,465	(9,658,539)
PROFIT FOR THE YEAR	**294,693**	**(12,061,540)**

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Peter Fischer
Director

Robert Boreczek
Director

Bangalore
January 11 , 2013

Rolf Schläpfer
Director

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 31st December 2012, the profit and loss account(`Financial Statement`) 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:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance 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``) 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 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 31st December 2012;
2) In the case of the statement of profit and loss, of the ***Loss*** for the year ended on that date;

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 and statement of profit and loss account dealt with by this Report are in agreement with the books of accounts;

d) In our opinion, the Balance Sheet and statement of profit and loss account comply with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

For **SHENOY & KAMATH**
Chartered Accountants

(M RATHNAKAR KAMATH)
Partner
Membership number: 202841
Firms Regn. no 006673S

BANGALORE
January, 11 2013

S.C. Lodestone Management Consultants S.R.L.

in ₹

Balance Sheet as at	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	21,849,784	2,127,997
Reserves and surplus	2.2	(11,587,075)	(11,125,474)
		10,262,709	(8,997,477)
CURRENT LIABILITIES			
Unsecured Loans		4,440,126	22,924,349
Trade payables	2.4	-	2,459,307
Other current liabilities	2.5	10,010,047	6,661,091
Short-term provisions	2.6	4,341,329	2,511,639
		18,791,502	34,556,386
		29,054,211	**25,558,909**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	650,567	370,394
Intangible assets		-	2,705
		650,567	373,099
Deferred tax assets	2.3	2,194,403	1,846,215
		2,844,970	2,219,314
CURRENT ASSETS			
Trade receivables	2.9	12,359,407	15,779,628
Cash and cash equivalents	2.10	10,708,328	5,657,933
Short-term loans and advances	2.11	3,141,506	1,902,034
		26,209,241	23,339,595
		29,054,211	**25,558,909**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Peter Fischer
Director

Robert Boreczek
Director

Bangalore
January 11 , 2013

Rolf Schläpfer
Director

Cristin Florescu
Director

S.C. Lodestone Management Consultants S.R.L.

in ₹

Statement of Profit and Loss for the	Note	Year ended December 31,	
		2012	2011
Income from Consultany services	2.12	92,741,757	61,964,356
Other income	2.13	(1,274,139)	(315,877)
Total revenue		**91,467,618**	**61,648,479**
Expenses			
Employee benefit expenses	2.14	61,686,429	38,288,506
Cost of technical sub-contractors	2.14	-	1,317,999
Travel expenses	2.14	23,744,713	16,958,874
Cost of software packages and others	2.14	-	258,015
Professional charges		1,047,686	1,243,987
Depreciation and amortisation expense	2.7	498,736	221,104
Other expenses	2.14	5,378,411	1,688,694
Total expenses		**92,355,975**	**59,977,179**
PROFIT BEFORE INTEREST AND TAX		**(888,357)**	**1,671,300**
Interest expense		1,002,874	1,039,883
PROFIT BEFORE TAX		**(1,891,231)**	**631,417**
Tax expense:			
Current tax	2.15	-	476,263
Deferred tax	2.15	(305,803)	(435,759)
PROFIT FOR THE YEAR		**(1,585,428)**	**590,913**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

M. Rathnakar Kamath	Peter Fischer	Robert Boreczek
Partner	*Director*	*Director*
Membership No. 202841		
Bangalore	Rolf Schläpfer	Cristin Florescu
January 11 , 2013	*Director*	*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 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, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied to all periods presented in the financial report.

1.3 Reporting currency

The Company's reporting currency is the Romanian leu.

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 recognising 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 recognised as services are rendered.

An expected project loss is recognised 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 Fixed 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

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 in the books of Holding Company

Foreign currency transactions during the period are translated into CHF at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated intoCHF at the exchange rates ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

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 recognised 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, 2012

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

2.1 SHARE CAPITAL

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Issued, Subscribed and Paid-Up		
100,000 RON	21,849,784	2,127,997
	21,849,784	**2,127,997**

2.2 RESERVES AND SURPLUS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Currency Translation Reserve	4,109,742	2,985,915
Legal reserve - Opening balance	-	-
Add: Transferred from Surplus	400,479	-
	400,479	**-**
Surplus- Opening Balance	(14,111,389)	(14,702,302)
Add: Net profit after tax transferred from Statement of Profit and Loss	(1,585,428)	590,913
Amount available for appropriation	(15,696,817)	(14,111,389)
Appropriations:		
Amount transferred to legal reserve	400,479	-
Surplus- Closing Balance	**(16,097,296)**	**(14,111,389)**
	(11,587,075)	**(11,125,474)**

2.3 DEFERRED TAXES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Deferred tax asset		
Accumulated Losses	2,194,403	1,846,215
	2,194,403	**1,846,215**

2.4 TRADE PAYABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Trade payables [(1)]	-	2,459,307
	-	**2,459,307**
[(1)] *Includes dues to holding company and fellow subsidiaries (refer to note 2.17)*	-	2,267,747

2.5 OTHER CURRENT LIABILITIES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Accrued salaries and benefits		
Bonus and incentives	6,443,751	5,188,229
Other liabilities		
Provision for expenses	1,911,753	587,512
Withholding and other taxes payable	1,654,543	885,350
	10,010,047	**6,661,091**

2.6 SHORT-TERM PROVISIONS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Provision for employee benefits		
Unavailed leave	4,020,430	2,511,639
Provision for Income taxes	320,899	-
	4,341,329	**2,511,639**

2.7 FIXED ASSETS

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at Jan 1, 2012	Additions during the year	Deductions/ Retirement during the year	As at December 31, 2012	As at Jan 1, 2012	For the year	Deductions/ adjustment during the year	As at December 31, 2012	As at December 31, 2012	As at December 31, 2011
Tangible assets :										
IT Equipment	614,072	807,716	-	1,421,788	243,678	496,089	(31,454)	771,221	650,567	370,394
	614,072	807,716	-	1,421,788	243,678	496,089	(31,454)	771,221	650,567	370,394
Intangible assets :										
Intellectual property rights	16,239	341	-	16,580	13,534	2,647	(399)	16,580	-	2,705
	16,239	341	-	16,580	13,534	2,647	(399)	16,580	-	2,705
Total	**630,311**	**808,057**	**-**	**1,438,368**	**257,212**	**498,736**	**(31,853)**	**787,801**	**650,567**	**373,099**
Previous year	**210,904**	**508,746**	**89,339**	**630,311**	**23,909**	**221,104**	**(12,199)**	**257,212**	**373,099**	

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,	
	2012	2011
Lease rentals recognized during the period	1,655,285	1,366,884

in ₹

	As at	
Lease obligations payable	December 31, 2012	December 31, 2011
Within one year of the balance sheet date	365,415	1,655,285
Due in a period between one year and five years	-	365,415

2.9 TRADE RECEIVABLES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Other debts		
Unsecured		
Considered good[(1)]	12,359,407	15,779,628
	12,359,407	**15,779,628**
[(1)] *Includes dues from holding company and fellow subsidiaries (refer to note 2.17)*	12,359,277	15,779,501

2.10 CASH AND CASH EQUIVALENTS

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Cash on hand	373	104
Balances with banks		
In current accounts	10,707,955	5,657,829
	10,708,328	**5,657,933**

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

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
In current accounts		
Raiffeisen Bank S.A. (RON)	10,707,955	5,657,829
	10,707,955	5,657,829
Total bank balances	**10,707,955**	**5,657,829**

2.11 SHORT-TERM LOANS AND ADVANCES

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	402,849	227,752
Withholding and other taxes receivable	2,618,541	1,732,634
Others	4,521	-
	3,025,911	1,960,386
Loans and advances to employees		
Salary advances	-	(168,112)
Rental deposits	115,595	109,760
	3,141,506	**1,902,034**

2.12 INCOME FROM CONSULTANCY SERVICES

in ₹

Particulars	Year ended December 31,	
	2012	2011
Income from consultancy services	92,741,757	61,964,356
	92,741,757	**61,964,356**

2.13 OTHER INCOME

in ₹

Particulars	Year ended December 31,	
	2012	2011
Interest received on deposits with banks and others	4,373	-
Miscellaneous income, net	-	13,362
Gains / (losses) on foreign currency, net	(1,278,512)	(329,239)
	(1,274,139)	**(315,877)**

2.14 EXPENSES

in ₹

Particulars	Year ended December 31,	
	2012	2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	61,518,739	37,387,648
Staff welfare	167,690	900,858
	61,686,429	38,288,506
Cost of technical sub-contractors		
Technical sub-contractors - others	-	1,317,999
	-	1,317,999
Travel expenses		
Overseas travel expenses	23,744,713	16,958,874
	23,744,713	16,958,874
Cost of software packages and others		
For own use	-	258,015
	-	258,015
Other expenses		
Rent	1,655,285	1,366,884
Repairs to plant and machinery	-	58,939
Insurance charges	-	60,806
Printing and Stationery	48,163	-
Postage and courier	1,090,307	-
Bank charges and commission	242,592	138,704
Others	2,342,064	63,361
	5,378,411	1,688,694

2.15 TAX EXPENSE

in ₹

	Year ended December 31,	
	2012	2011
Current tax		
Income taxes	-	476,263
Deferred taxes	(305,803)	(435,759)
	(305,803)	**40,504**

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 Related Party	Country	Holding as at	
		December 31, 2012	December 31, 2011
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 [(1)]	India
Infosys Australia [(1)]	Australia
Infosys Consulting Inc [(1)]	USA
Infosys Mexico [(1)]	Mexico
Infosys Sweden [(1)]	Sweden
Infosys Shanghai [(1)]	China
Infosys Brasil [(1)]	Brazil
Infosys Public Services, Inc. [(1)]	USA
Infosys Consulting India Limited [(1)]	India
Infosys BPO s. r. o [(2)]	Czech Republic
Infosys BPO (Poland) Sp Z.o.o [(2)]	Poland
McCamish Systems LLC [(2)]	USA
Portland Group Pty Ltd[(2)]	Australia
Portland Procurement Services Pty Ltd[(2)]	Australia
Lodestone Management Consultants (Canada) Inc. [(3)]	Canada
Lodestone Management Consultants Inc. [(3)]	USA
Lodestone Management Consultants Pty Limited [(3)]	Australia
Lodestone Management Consultants (Asia Pacific) Limited [(3)(4)]	Thailand
Lodestone Management Consultants AG [(3)]	Switzerland
Lodestone Augmentis AG [(3)]	Switzerland
Hafner Bauer & Ödman GmbH [(3)]	Switzerland
Lodestone Management Consultants (Belgium) S.A. [(3)(5)]	Belgium
Lodestone Management Consultants GmbH [(3)]	Germany
Lodestone Management Consultants Pte Ltd. [(3)]	Singapore
Lodestone Augmentis Ltd[(3)(4)]	Singapore
Lodestone Management Consultants SAS [(3)]	France
Lodestone Management Consultants s.r.o. [(3)]	Czech Republic
Lodestone Management Consultants GmbH [(3)]	Austria
Lodestone Management Consultants China Co., Ltd. [(3)]	China
Lodestone Management Consultants Ltd. [(3)]	UK
Lodestone Management Consultants B.V. [(3)]	Netherlands
Lodestone Management Consultants Ltda. [(3)(5)]	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

[(1)] *Wholly owned subsidiaries of Infosys Limited.*

[(2)] *Wholly owned subsidiaries of Infosys BPO.*

[(3)] *Wholly owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

[(4)] *Under liquidation*

[(5)] *Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012*

The details of amounts due to or due from as at December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	As at	
	December 31, 2012	December 31, 2011
Unsecured Loans		
Lodestone Holding AG	4,440,126	22,851,270
Trade Receivables		
Lodestone Management Consultants AG	4,708,605	4,676,540
Lodestone Management Consultants (Belgium) S.A.	4,778,236	-
Lodestone Management Consultants GmbH , Germany	1,549,088	11,102,961
Lodestone Management Consultants Inc.	1,323,348	-
Trade Payables		
Lodestone Management Consultants AG	-	2,003,504
Lodestone Management Consultants GmbH	-	56,869
FX Valuation on above	-	207,374

The details of the related party transactions entered into by the Company for the year ended December 31, 2012 and December 31, 2011 are as follows:

in ₹

Particulars	Year ended December 31,	
	2012	2011
Capital transactions:		
Revenue transactions:		
Interest expense		
Lodestone Holding AG	1,002,874	1,039,883
Sale of shared services including facilities and personnel		
Lodestone Management Consultants (Belgium) S.A.	4,485,049	3,926,793
Lodestone Management Consultants AG	50,089,672	30,578,500
Lodestone Management Consultants GmbH	28,500,539.00	27,459,063
Lodestone Management Consultants Inc.	9,666,497.00	-

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 ₹

Statement of Profit and Loss account for the	Year ended December 31,	
	2012	**2011**
Income from consultancy services	92,741,757	61,964,356
Cost of Services	85,413,136	56,823,394
GROSS PROFIT	**7,328,621**	**5,140,962**
Selling and marketing expenses	-	-
General and administration expenses	6,444,103	2,932,681
	6,444,103	2,932,681
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	**884,518**	**2,208,281**
Interest	1,002,874	1,039,883
Depreciation and amortization	498,736	221,104
OPERATING PROFIT	**(617,092)**	**947,294**
Other income	(1,274,139)	(315,877)
PROFIT BEFORE TAX	**(1,891,231)**	**631,417**
Tax expense:		
Current tax	-	476,263
Deferred tax	(305,803)	(435,759)
PROFIT FOR THE YEAR	**(1,585,428)**	**590,913**

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

M. Rathnakar Kamath
Partner
Membership No. 202841

Peter Fischer
Director

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Bangalore
January 11 , 2013

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