Xchanging Solutions Limited

(Formerly known as Cambridge Solutions Limited)

www.cambridgeworldwide.com

ANNUAL REPORT - 2012

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BOARD OF DIRECTORS

Kenneth Lever	-	Executive Chairman & Chief Executive Officer
David Bauernfeind	–	Executive Director
Henry D'Souza	-	Independent Director
Ashok Kumar R	-	Independent Director

CHIEF FINANCIAL OFFICER

Vinod Goel

COMPANY SECRETARY

Vijayamahantesh V. Khannur

STATUTORY AUDITORS

Price Waterhouse & Co, Bangalore

5th Floor, Tower D
The Millenia
1 & 2, Murphy Road
Ulsoor, Bangalore – 560 008

REGISTERED OFFICE

SJR I-Park, Plot No. 13,14,15
EPIP Industrial Area
Phase I, Whitefield
Bangalore - 560 066
Karnataka
Phone : +91 80 30540000
Fax : +91 80 41157394
Email : compliance@asia.xchanging.com
Website : www.cambridgeworldwide.com

REGISTRAR AND SHARE TRANSFER AGENT

Karvy Computershare Private Limited
Plot No.17-24, Vittal Rao Nagar
Madhapur
Hyderabad - 500 081

Phone : +91 040-23420816
Fax : +91 040-23420814
Email : ksreddy@karvy.com
Website : www.karvy.com

Dear Shareholders,

Your directors are pleased to present the Twelfth Annual Report and the Audited Statement of Accounts of the Company for the year ended December 31, 2012.

Financial Results

As per Indian GAAP Standalone

Particulars	December 31, 2012 (Rs. in lakhs)	December 31, 2011 (Rs. in lakhs)
Total Income	10,802	18,609
Total Expenditure	8,548	13,816
Profit before Interest, Depreciation and Tax	2,254	4,793
Depreciation & Amortization	344	851
Finance Costs	16	321
Exceptional cost & Prior period items	536	15,588
Profit / (Loss) before Tax	1,358	(11,967)
Income Tax (including deferred tax)	715	988
Net Profit / (Loss) after Tax	643	(12,955)
Earnings/(Loss) per share Rs.	0.58	(11.63)

As per Indian GAAP Consolidated

Particulars	December 31, 2012 (Rs. in lakhs)	December 31, 2011 (Rs. in lakhs)
Total Income	22,508	59,166
Total Expenditure	19,394	56,135
Profit before Interest Depreciation and Tax	3,114	3,031
Depreciation & Amortization	508	1,319
Finance Costs	16	339
Exceptional cost & Prior period items	536	(53,632)
Profit / (Loss) before Tax	2,054	55,005
Income Tax (including deferred tax)	829	1,268
Net Profit / (Loss) after Tax	1,225	53,737
Earnings/(Loss) per share Rs.	1.10	48.24

Review of Operations (Rs. in lakhs)

During the year ended December 31, 2012, the consolidated revenue of your Company was Rs. 22,508 as against Rs. 59,166 during the previous year ended December 31, 2011. At a standalone level the total revenue of the Company for the year ended December 31, 2012 amounted to Rs.10,802 compared to Rs. 18,609 during the previous year ended December 31, 2011. The BPO divisions of Group are disposed off at different intervals of time during the year ended December 31, 2011 and hence the revenues from such divisions in the standalone & consolidated financials in the previous year are up to time of their disposal. The revenue from the continued ITO business of the Group for the year ended December 31, 2012 amounted to Rs. 20,883 compared to Rs. 20,896 for the year ended December 31, 2011.

Dividend

Your Directors are not recommending any dividend on the Equity Shares.

Share Capital

There was no change in the paid up share capital of the Company. As at December 31, 2012, the paid up capital of the Company was Rs. 1,114,037,160/- comprising of 111,403,716 equity shares of Rs. 10/- each fully paid-up.

Subsidiary Companies

As at December 31, 2012, your Company had 5 subsidiary companies, namely

1. Xchanging Solutions (USA) Inc., USA (Formerly Cambridge Solutions and Services Inc., USA)
2. Xchanging Solutions (Europe) Limited, UK (Formerly Cambridge Solutions Europe Limited, UK)
3. Xchanging Solutions (Singapore) Pte Ltd. Singapore (Formerly Cambridge Solutions (Xchanging) Pte Ltd, Singapore)
4. Xchanging Solutions (Malaysia) Sdn. BHD, Malaysia (Formerly Cambridge Solutions Sdn. BHD, Malaysia,)
5. Nexplicit Infotech India Private Limited, India

The names of Cambridge Solutions (Xchanging) Pte Ltd, Cambridge Solutions and Services, Inc., Cambridge Solutions Europe Limited and Cambridge Solutions Sdn. BHD, subsidiaries of the Company, were changed to Xchanging Solutions (Singapore) Pte. Ltd., Xchanging Solutions (USA) Inc., Xchanging Solutions (Europe) Limited and Xchanging Solutions (Malaysia) Sdn. BHD, respectively, during the year.

Indigo Markets Limited, Bermuda went in to Members' Voluntary winding up in December 2011 and is finally dissolved on January 10, 2012.

Cambridge Solutions Pty Ltd., Australia had been a dormant company since long time and accordingly it was decided to dissolve the same by deregistering it from the records of the Australian Securities and Investment Commission (ASIC). The Company has been deregistered from ASIC with effect from March 20, 2012.

As per the provisions of the Companies Act, 1956, the Company needs to attach the Balance Sheet and Profit & Loss Account of the Company's subsidiaries in the annual report of the Company. However, as per the provisions of Section 212(8) and the General Circular No. 2/2011 dated February 8, 2011, the Ministry of Corporate Affairs has given a general exemption from attaching the Balance Sheet and Profit & Loss Account of the Company's subsidiaries in the annual report of the Company provided that the Board of Directors passes a resolution for not attaching the balance sheet of the subsidiary concerned and the necessary disclosures are made in the annual report of the Company.

The Directors believe that the consolidated accounts present a full and fair view of the state of affairs and the financial condition of the Group. Accordingly, the Board of Directors have passed Resolution for not attaching the balance sheet of the subsidiaries and the necessary disclosures are made in the annual report of the Company. Thus, the annual report does not contain the financial statements of these subsidiaries, but contains the audited consolidated financial statements of the Company and its subsidiaries. The accounts of these subsidiary companies along with related information are available for inspection during business hours at your Company's Registered Office.

Employee Stock Option Plans

Your Company had announced following Employee Stock Option Plans (ESOPs) in due compliance with SEBI (ESOS & ESPS) Guidelines, 1999 and any amendment thereto, which were approved by the shareholders.

1. **Cambridge Solutions Limited Employee Stock Option Plan 2006**
2. **Scandent Solutions Corporation Limited Employee Stock Option Plan 2005**
3. **Scandent SSI IT Services Employee Stock Option Plan 2004**
4. **Scandent Solutions Corporation Limited Employee Stock Option Plan 2004**

All the outstanding options under Scandent Solutions Corporation Limited Employee Stock Option Plan 2004, Scandent SSI IT Services Employee Stock Option Plan 2004 and Scandent Solutions Corporation Limited Employees Stock Option Plan 2005 have lapsed.

The details of options granted, vested and exercised under the first two schemes are given in Annexure 1.

Corporate Governance Report

Your Company is committed to good Corporate Governance practices. Your Directors endeavour to adhere to the standards set out by the Securities and Exchange Board of India (SEBI) Corporate Governance practices and accordingly has implemented all the major stipulations prescribed.

Your Company followed optimum combination of Executive Directors and Independent Directors throughout the period and your Company is ensuring compliance with regard to the constitution of Committees such as the Audit Committee and the Investor Grievance Committee.

A detailed Corporate Governance Report in line with the requirements of Clause 49 of the listing agreement regarding the Corporate Governance practices followed by the Company and the Practicing Company Secretary's Certificate indicating compliance of mandatory requirements along with Management Discussion and Analysis Report are given as part of the Annual Report.

Personnel

Particulars of employees as required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended forms part of this report. However, in pursuance of Section 219(1)(b)(iv) of the Companies Act, 1956, this report is being sent to all the members of the Company excluding the aforesaid information and the said particulars are made available at the Registered Office of the Company.

Directors' Responsibility Statement

As stipulated in Section 217(2AA) of the Companies Act, 1956 (the Act), your Directors, based on the representations received from the Operating Management, hereby confirm that:

1. In the preparation of the annual accounts for the year ended December 31, 2012, the applicable accounting standards have been followed and there were no material departures.
2. The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the period.
3. The Directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Directors have prepared the annual accounts on a going concern basis.

Auditors

M/s. Price Waterhouse & Co., Bangalore, Chartered Accountants, Statutory Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo

Information as per Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in Report of the Board of Directors) Rules, 1988, is given in the Annexure 2 included in this report.

Fixed Deposits

Your Company has not accepted any fixed deposits under Section 58A of the Companies Act, 1956 and as such no amount of principal or interest was outstanding as of the balance sheet date.

Acknowledgements

Your Directors thank the Company's clients, vendors, investors and bankers for their support during the year. Your Directors place on record their appreciation of the contribution made by employees at all levels.

Your Directors thank the Government of India particularly the Ministry of Communication and Information Technology, the Customs and Excise Departments, the Software Technology Parks – Bangalore and Chennai, the Reserve Bank of India, the State Governments, and other Government Agencies for their support, and look forward to their continued support in the future.

For and on behalf of the Board of Directors

Kenneth Lever **David Bauernfeind**

Date : March 01, 2013
Place : London, UK

Annexure 1

		Cambridge ESOP 2006	Scandent ESOP 2005
A	Total No. of options granted		
	Program I	60,000	185,000
	Program II	3,927,946	452,473
B	Options granted during the year		
	Program I	NIL	NIL
	Program II	NIL	NIL
C	Exercise Price	NIL	NIL
	Program I	NIL	NIL
	Program II	NIL	NIL
D	Total Options Vested (Net of Forfeited options)		
	Program I	NIL	5,000
	Program II	743,946	20,500
E	Options Exercised during the year		
	Program I	NIL	NIL
	Program II	NIL	NIL
F	Total shares arise as a result of exercise of options during the year		
	Program I	NIL	NIL
	Program II	NIL	NIL
G	Options lapsed during the year		
	Program I	NIL	5,000
	Program II	318,000	20,500
H	Variation of terms of options	NIL	NIL
I	Money realized by exercise of options during the year		
	Program I	NIL	NIL
	Program II	NIL	NIL
J	Total Number of options in force		
	Program I	NIL	NIL
	Program II	425,946	NIL
K	Employee-wise details of options granted during the year to		
	i) Senior Managerial Personnel	NIL	NIL
	ii) any other employees who receives a grant in any one year of option amounting to 5%or more of option granted during that year	NIL	NIL
	iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of your company at the time of grant.	NIL	NIL
L	Diluted Earnings/ (Loss) per Share (EPS) pursuant to issue of shares on exercise of option	0.58	0.58
M	Impact of employee compensation cost calculated as difference between Intrinsic Value and Fair Market Value in accordance with SEBI Guidelines on ESOP, on Net Profit and EPS	Refer Table 1	Refer Table 1
N	Weighted average exercise price		
	Program 1	No Grants	No Grants
	Program 2	No Grants	No Grants
O	weighted Average fair value of options		
	Program 1	No Grants	No Grants
	Program 2	No Grants	No Grants
P	Description of the method and significant assumptions used during the year	NA	NA

Table 1

Impact of employee compensation cost calculated as difference between Intrinsic Value and Fair Market Value in accordance with SEBI Guidelines on ESOP, Net Profit and EPS

	Year ended December 31, 2012 (Rs. in lakhs)	Year ended December 31, 2011 (Rs. in lakhs)
Net Profit / (Loss) as reported	643	(12,955)
Net Profit / (Loss) available for equity shareholders	643	(12,955)
Add: Stock based employee compensation expenses included in reported income	0.00	0.00
Less : Stock based employee compensation expenses determined under Fair Value based method net of tax effects	0.00	0.00
Proforma Net Profit / (Loss)	643	(12,955)
Reported Earnings / (Loss) per Share (including share capital pending allotment) Rs.		
Basic	0.58	(11.63)
Diluted	0.58	(11.63)

For and on behalf of the Board of Directors

Kenneth Lever **David Bauernfeind**

Date : March 01, 2013
Place : London, UK

Annexure 2

1. Particulars pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. *Conservation of Energy*

The operations of your Company are not energy intensive. However, adequate measures have been taken to reduce energy consumption by using energy efficient computer terminals.

B. *Technology Absorption*

As your Company progresses, necessary R & D activities will be initiated to meet the technology requirements for the future.

C. *Foreign Exchange Earnings and Outgo*

Particulars	December 31, 2012 (Rs. in lakhs)	December 31, 2011 (Rs. in lakhs)
(i) Total Foreign Exchange earnings	9,397	16,771
(ii) Total Foreign Exchange outgo	841	1,003

For and on behalf of the Board of Directors

Kenneth Lever **David Bauernfeind**

Date : March 01, 2013
Place : London, UK

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Xchanging Solutions Limited (formerly Cambridge Solutions Limited) ("the Company"), incorporated on February 1, 2002 with operations in India and an international presence established through subsidiaries in several countries(the Group).

Xchanging (Mauritius) Limited ("XML"), a wholly owned subsidiary of Xchanging plc ("Xplc"), a listed company, incorporated under the laws of England and Wales, had acquired 76.06% shares in the Company during April 2009 and thus the Company has become subsidiary of XML. XML presently owns 75.00% of the outstanding share capital of the Company. The X plc and its subsidiaries including Xchanging Solution Limited are herein after referred as X plc Group.

Review of Operations (Rs. in lakhs)

During the year ended December 31, 2012, the consolidated revenue of your Company was Rs. 22,508 as against Rs. 59,166 during the previous year ended December 31, 2011. At a standalone level the total revenue of the Company for the year ended December 31, 2012 amounted to Rs. 10,802 compared to Rs. 18,609 during the previous year ended December 31, 2011. The BPO divisions of Group are disposed off at different intervals of time during the year ended December 31, 2011 and hence the revenues from such divisions in the standalone & consolidated financials in the previous year are up to the time of their disposal. The revenue from the continued ITO business of the Group for the year ended December 31, 2012 amounted to Rs. 20,883 compared to Rs. 20,896 for the year ended December 31, 2011.

Market Trends

Many analyst firms believe that the outsourcing industry reached a significant point in its history in 2012.[1] Against the background of continuing economic depression in mature outsourcing markets (especially the USA and UK), outsourcing deals appear to have reduced in size, while client expectations have risen.[2] The market is evolving past the "traditional" outsourcing model, which involved long term contracts, customized software and a strong focus on cost reduction through off-shoring. Outsourcing providers are now delivering greater value and insight for their clients by leveraging new technologies and flexible commercial structures.[3]

Moving Up the Value Chain

In early outsourcing deals, labour arbitrage was the core of outsourcing providers' value propositions. Now, however, labour arbitrage is considered "table stakes": the minimum entry requirement for bidding on an outsourcing project.[4] Providers who have recognized this are looking to provide higher value and more strategic services to clients through investment – particularly in technology and innovation.

New Technologies

The technology landscape for business has changed very rapidly, to the point where Cloud technology, mobile applications and social media are ubiquitous. KPMG describes these tools as "more than new technologies; they represent a change in behaviour in how the customer and business agree to interact, share information and conduct trade".[5] Understanding of how new technology affects outsourcing customers (and their customers in turn) is the key to success in moving up the outsourcing value chain.

Strategic Partnerships

As outsourcing providers create more business value for their clients, they move closer to becoming true strategic partners. A crucial element in this evolution is more flexible commercial terms, driven by the development of on-demand services.

Group Performance

The table below summarise the Group's consolidated financial performance during the year:

Particulars	December 31, 2012 (Rs. in lakhs)	December 31, 2011 (Rs. in lakhs)
Total Income	22,508	59,166
Total Expenditure	19,394	56,135
Profit before Interest Depreciation and Tax	3,114	3,031
Depreciation & Amortization	508	1,319
Finance Costs	16	339
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Profit / (Loss) before Tax	2,054	55,005
Income Tax (including deferred tax)	829	1,268
Net Profit / (Loss) after Tax	1,225	53,737
Earnings / (Loss) per share Rs.	1.10	48.24

Segmental Performance

During the previous year, BPO division of the Group has been disposed off. Currently, the Group has only one segment - Information Technology and related services ("ITO"). Due to disposal of BPO divisions during the previous year, revenue and profit numbers for previous year are till the time of their disposal and hence not comparable with current year numbers.

The Group offers customers a broad range of industry-specific solutions e.g. logistic, banking, real estate, government, manufacturing in USA, UK, Singapore, Malaysia, Japan & India. ITO employs about 800 people in various locations across the globe.

Revenue for the year is Rs. 20,883 lakhs (2011: Rs. 21,084 lakhs), decline of Rs. 201 lakhs over 2011. Decline is primarily due closure of few contracts during current and previous years; however loss of revenue from closure got partially offset through new contracts from existing and new customers.

Segment Profit before Interest, Tax and Exceptional items is Rs. 2,606 lakhs (2011: Rs. 2,409 lakhs). The increase in Profit is mainly due to favourable foreign exchange impact and various cost saving initiatives.

Geographic Profile

Geography	Revenue 2012 (Rs. in lakhs)	%
USA	8,799	42
Europe	6,752	32
Rest of world	5,332	26
Total	**20,883**	**100**

Balance Sheet

Key movements in consolidated balance sheet are outlined below:

Reserves and Surplus – Reserves and Surplus have increased by 11% to Rs.13,884 lakhs (2011: Rs.12,557 lakhs) due to profit during the year.

Long term provisions – Long term provisions have decreased by 35% to Rs.537 lakhs (2011: Rs. 823 lakhs) primarily due to decrease in provision for employees benefit.

Other long term liabilities – Other long term liabilities have increased by 19% to Rs.107 lakhs (2011: Rs. 90 lakhs).

Trade payables –Decrease in trade payables by 13% to Rs.4,396 lakhs (2011: Rs. 5,058 lakhs).

Short term provisions – Increase in short term provisions by 76% to Rs.1,462 lakhs (2011: Rs.830 lakhs) is mainly due to increase in provision for tax.

Fixed assets – The Group has tangible fixed assets of Rs.745 lakhs (2011: Rs.582 lakhs). Intangible fixed assets of Rs. 15,881 lakhs (2011: Rs.15,842 lakhs).

Long term Loans and Advances – Long term Loans and Advances have increased by 56% to Rs.2,442 lakhs (2011: Rs.1,570 lakhs) mainly due to loans to fellow subsidiaries.

Short term Loans and Advances – Short term Loans and Advances have decreased by 14% to Rs.2,803 lakhs (2011: Rs. 3,264 lakhs).

Related Parties

In relation to the relationship between the X Plc Group and the Company and its subsidiaries, the companies where control exists and subsidiaries with which transactions have taken place during the year are disclosed in note No.39 and note No.34 of the Standalone and Consolidated Financial Statements respectively.

Internal control systems and their adequacy

The CEO and CFO certification provided in the CEO and CFO Certification section of the Annual Report confirms the adequacy of our internal control system and procedures.

Threats and risks management

The group maintains risk registers covering each significant business sector, the group and the operations. We review our whole risk hierarchy periodically, which helps us to ensure that we have a consistent approach and focus on the potential risks.

We analyse the nature and extent of risks and consider their likelihood of occurrence and impact, both on an inherent and residual basis, after taking into account mitigating controls. This allows us to determine how we should manage each risk in order to achieve our strategic objectives.

The Board approves our group risk register process and risk register every year.

How we manage risk

We analyse the nature and extent of risks and consider their likelihood and impact, both on an inherent and a residual basis, after taking into account mitigating controls. This allows us to determine how we should manage each risk in order to achieve our strategic objectives.

We divide our risks into strategic, commercial, operational and financial categories:

- Strategic risks reflect the potential for a significant strategic action or a failure to react to developing trends in the market, to have a financial impact on the economic value of our business.
- Commercial risks reflect the potential to enter into a critical contract or commercial arrangement which may have an adverse impact on the economic value of our business.
- Operational risks reflect the potential for the failure of a critical process or procedure to have an adverse impact on the economic value of our business.
- Financial risks include interest, foreign exchange, tax rate changes and liquidity. Failure to manage these risks could negatively impact the economic value of our business.

Overview of risk management process

Strategic risks	
Key risk	Mitigating plan
Inadequate service offering to meet changes in business environment	Failure to keep pace with the rapidly changing nature of and impact of technology in the current business environment means that we need to respond to technology trends which are impacting our markets and business model and the business models of our customers. In order to achieve this we are: • Investing in the development of new offerings • Developing innovative value adding customer solutions

	• Utilising our skilled knowledgeable resources • Reviewing our existing offering to ensure that it meets our customers' requirements
Failure to grow existing business	Our existing business continues to be subject to pressure from the current economic climate across the organisation and contract renewals impact our competitive strength. It is important for us to ensure that we retain our existing customers. This is being managed by: • Investment by senior management in protecting our existing core businesses • Investment in developing innovative solutions • Looking beyond our existing markets, building upon our proven capabilities and domain expertise • Ensuring the competitive cost advantage from our India operations is delivered to the end customer • Investment in technology enabled solutions • Active engagement with key customers to ensure mutual agreement positions are achieved • Proactive engagement with third party advisers
Failure to secure new business from both new and existing customers	There are a number of significant changes in the business we operate in. Successfully winning new business is being managed by: • The development of a unified sales strategy which enables selling across Xchanging Plc group business sectors • Clearly defined service offerings and sales strategies which help us to attract customers • Ensuring utilisation of our competitive cost offshore services and technological capabilities • Proactive engagement with third party advisers
Failure to manage the impact of the changing economic environment on our business	With the ongoing economic recession there are risks in the economy which are likely to remain in place, for the foreseeable future, affecting our ability to secure new revenue opportunities and manage margins. Offshoring and cost optimisation projects enable us to conduct our processing activities where they are most cost effective Proactively researching offshoring sustainability in other locations, and expanding our activities in India Tier 3 cities such as Shimoga help to mitigate the inflating Indian cost base Quarterly 18-month rolling forecasts help us recognise the impact of the changing financial conditions upon our business and respond accordingly
Commercial risks	
Key risk	***Mitigating plan***
We have a concentration of material new and existing contracts with customers in key markets, which may have a significant impact on the Group's performance.	To mitigate this we have a structured service management programme, with dedicated account managers who work closely with our customers utilising performance metrics in order to identify issues early and trigger corrective actions. Our commercial risks continue to be well managed through legal review, delegated authorities and contract monitoring processes.

<table>
<tr><td colspan="2">Operational risks</td></tr>
<tr><td>Key risk</td><td>Mitigating plan</td></tr>
<tr><td>Our reputation and ultimately our profitability is reliant on successfully implementing outsourcing contracts</td><td>We ensure successful implementation in the following ways:
• We apply standard procedures for implementing large scale outsourcing contracts
• Rigid approval process requires defined standard deliverables
• Experienced employees with strong project exposure, change and people management skills ensure continuity of service and retention of employees
• Our standard supporting tools have proven effective in previous implementations</td></tr>
<tr><td>Our customers demand efficient processing and high levels of service to help them achieve their objectives and protect their reputation. Failure to meet their expectations would in turn have a significant impact upon our reputation and profitability.</td><td>We consistently work towards ensuring that our service levels are on target ensuring that we meet our customer requirements.
• Active programme of strategic relationship building
• We measure and monitor performance across all functions and focus on being responsive to customer needs, which is one of our core values
• We have a clearly defined operating strategy and target operating model
• Our operations focus upon improving efficiency through standardisation, near shoring and offshoring
• Ongoing focus upon improving processes, controls and performance</td></tr>
<tr><td>Continuing to retain our key personnel and recruit new talented individuals is fundamental to our success. Our intellectual property is one of our key assets.

This also includes ensuring we have robust succession plans in place.</td><td>Succession plans are in place for senior managers across the business.
• Retention plans are in place for key employees
• We have an established structure for employee performance and development monitoring
• A clear recruitment strategy and graduate recruitment and development programme attracts high-potential employees
• Significant investment in leadership training programmes underpins our succession plans and develops our employees</td></tr>
<tr><td>Business disruption, IT system issues or security issues could result in loss of service, loss or compromise of customer and internal data, breach of legal and regulatory obligations and damage to our reputation.</td><td>We focus on continued development of business continuity and disaster recovery planning and testing, in conjunction with our customers and suppliers. We seek customer acceptance and agreement of any exposure to ensure that this is aligned to their risk appetite.</td></tr>
<tr><td colspan="2">Financial risks</td></tr>
<tr><td>Key risk</td><td>Mitigating plan</td></tr>
<tr><td>The Group's financial results may be subject to volatility arising from movements in interest rates, foreign exchange rates, liquidity and changes in taxation legislation, policy or tax rates.</td><td>Our budgeting, forecasting and working capital controls have been strengthened through implementing a quarterly 18-month rolling forecast process and a weekly rolling cash flow forecast covering a 12-week period.

With these enhancements our financial risks are well managed, reducing the volatility of our financial results, giving the Board greater medium-term visibility and ensuring we have required credit facilities in place.
In addition:
• Our Group treasury is controlled centrally</td></tr>
</table>

Key risk	Mitigating plan
	• The Treasury Risk Committee ('TRC') meets on a regular basis and monitors our key financial risk measurements including bank covenant compliance • The TRC operates in accordance with clearly defined limits, policies and procedures authorised by the Xchanging plc Board • Monitoring the impact of possible changes in tax legislation and tax rates on our business operations and taking action to minimise the future financial impact (for example by engaging with tax authorities and external advisers)

Our people

Xchanging places significant importance on the people in our business. We are committed to developing and supporting our people in order to drive our innovative approach to business and ensure that Xchanging remains a great place to work.

2012 saw the introduction of our pioneering Business Week India (BWI) concept, which aims to increase collaboration and understanding of capabilities across the Xchanging plc group businesses. BWI involves upwards of 70 senior managers from Xchanging plc group assembling in India to work together in delivering a range of business critical projects, share internal best practice and be exposed to global thought leadership. Two BWI events took place in the year and led to outcomes such as the establishment of India based "Bid Factory"; the design of Account Management Programme; a New Product and Market Development toolkit and a process for accelerating the creation of a true "innovation culture" across Xchanging plc group.

At Xchanging plc group level a full employee-wide engagement survey showed a like-for-like improvement in engagement of 8 percentage points from the previous survey in 2010. Priority areas for action have been identified at both global and local levels and a full governance process has been established to ensure identified actions are implemented.

Our resourcing agenda has focused on building capability to drive growth and ensuring we have the knowledge and resource to deliver it. This has resulted in campaigns in various areas: Sales, Account Management and hiring talent to support our rebranding.

This year we recognised individuals and teams within the business who have made a particularly distinguished contribution to our development over the course of the year, as judged against each of our six corporate values. These corporate values are: Customer Focus, Innovation, Speed and Efficiency, People, Excellence and Integrity.

[1] Source: Ovum, '2013 Trends to Watch: Outsourcing', October 2012

[2] For a typical analyst view on this, see KPMG, 'The Death of Outsourcing', July 2012

[3] Source: Accenture, 'Next-Generation BPO: Are You Ready?', December 2011

[4] Source: Ovum, '2013 Trends to Watch: Outsourcing', October 2012

[5] Source: KPMG, 'The Death of Outsourcing', July 2012

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED DECEMBER 31, 2012

(as required under Clause 49 of the Listing Agreement entered into with Stock Exchanges)

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company is committed to the highest standards of corporate governance in all its activities and related processes. The Company believes that good corporate governance practices enable the management to direct and control the affairs of the Company in an efficient & effective manner and to achieve its goal of maximizing value for its shareholders. The Company believes that good corporate governance lies not merely in drafting a code of corporate governance but in practicing it.

The Company has put in place good corporate governance and confirms its compliance in terms of Clause 49 of the Listing Agreement.

2. BOARD OF DIRECTORS:

a. Composition of Board of Directors:

The Board of Directors as on December 31, 2012 comprised of 4 Directors of which 2 are Non-Executive Directors. The Chairman is an Executive Director. The number of Independent Directors i.e. those who do not have any material pecuniary relationship with the Company is 2, which is 50% of the total number of Directors. The composition of Board is in conformity with Clause 49 of the listing agreement entered into with the Stock Exchanges.

Membership in Board and Sub Committees of the Directors of the Company as on December 31, 2012 – ***other than Xchanging Solutions Limited (the Company)***

Name of the Director	Promoter / Executive / Non Executive / Independent	No. of outside Directorships of public companies@	No. of outside Board level committees where chairperson or member #	
			Member	Chairman
Kenneth Lever	Promoter-Executive Chairman	None	-	-
David Bauernfeind	Promoter - Executive Director	None	-	-
Ashok Kumar R*	Independent Director	None	-	-
Henry D'Souza*	Independent Director	None	-	-

* Mr. Ashok Kumar R and Mr. Henry D'Souza were appointed as Independent Directors with effect from February 29, 2012.

@ Excludes Directorships held in private limited companies, foreign companies, membership of management committees of various chambers/bodies/ Section 25 Companies.

Includes only Audit Committee and Investors' Grievances Committees.

None of the Directors on the Board is a Member of more than 10 committees or Chairman of more than 5 Committees across all the companies in which they are Director.

b. Meeting and Attendance of each Director:

During the year ended December 31, 2012, total of 4 Board Meetings (including board meetings via video conferencing) were held, the dates being February 29, 2012, May 14, 2012, August 09, 2012 and November 14, 2012 and the attendance of the Directors' is as follows.

Name of the Director	Category	Number of Board Meetings attended	Leave of Absence Granted	Attendance at the last AGM held on May 22, 2012
Kenneth Lever	Promoter- Executive Chairman	4	Nil	YES
David Bauernfeind	Promoter – Executive Director	4	Nil	YES
Ashok Kumar R*	Independent Director	4	Nil	YES
Henry D'Souza*	Independent Director	3	1	NO
Kunal Kashyap*	Independent Director	1	Nil	NA
Eugene Beard*	Independent Director	1	Nil	NA

* Mr. Ashok Kumar R and Mr. Henry D'Souza were appointed as Independent Directors with effect from February 29, 2012. Mr. Kunal Kashyap and Mr. Eugene Beard resigned from the Board of Directors with effect from February 29, 2012.

c) Remuneration of Directors:

The remuneration paid to the directors during the year ended December 31, 2012, other than sitting fees.

Sl. No.	Name of the Director	Remuneration paid (Amt. in Rs.)
1	Kenneth Lever	Nil
2	David Bauernfeind	Nil
3	Ashok Kumar R	Nil
4	Henry D'Souza	Nil
5	Kunal Kashyap	Nil
6	Eugene Beard	Nil

Shareholding of the Non-Executive Directors in the Company as on December 31, 2012.

Sl. No.	Name of the Director	No. of Equity Shares of Rs. 10/- each held
1	Ashok Kumar R	Nil
2	Henry D'Souza	Nil

3. AUDIT COMMITTEE:

1. The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreement read with Section 292A of the Companies Act, 1956.

2. The powers and role of the Audit Committee are as laid down under Clause 49 (II) (C) & (D) of the Listing Agreement and Section 292A of the Companies Act, 1956 and as described under Audit Committee Charter are as follows:

   - Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
   - Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees to enable an adequate audit to be conducted.

- Recommending to the Board the approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
  b) Changes, if any, in accounting policies and practices and reasons for the same
  c) Major accounting entries involving estimates based on the exercise of judgment by management
  d) Significant adjustments made in the financial statements arising out of audit findings
  e) Compliance with listing and other legal requirements relating to financial statements
  f) Disclosure of any related party transactions
  g) Any qualifications in the draft audit report
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval
- Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- Reviewing, with the management, performance of statutory and internal auditors.
- Reviewing, with the management, the adequacy of the internal control and risk management systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors.
- Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
- To review the functioning of the Whistle Blower mechanism.

The Audit Committee also reviews the following information:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the audit committee), submitted by management;

- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

Composition of the Audit Committee

At the beginning of the financial year, the composition of the Audit Committee was as follows :

1. Mr. Kunal Kashyap - Chairman
2. Mr. Eugene Beard - Member
3. Mr. David Bauernfeind - Member

Mr. Kunal Kashyap and Mr. Eugene Beard resigned from the Board with effect from February 29, 2012 and thus ceased to be the member of the Audit Committee. Mr. Ashok Kumar R and Mr. Henry D'Souza were inducted on the Board of Directors and also appointed as Chairman and member of the Audit Committee, respectively.

Thus as on December 31, 2012, the Audit Committee comprised of:

1. Mr. Ashok Kumar R - Chairman
2. Mr. Henry D'Souza - Member
3. Mr. David Bauernfeind - Member

During the year under review, five meetings of the Audit Committee (including meetings via video conferencing) were held, the dates being February 29, 2012, May 14, 2012, August 09, 2012, October 3, 2012 and November 14, 2012.

The attendance for the Audit Committee meetings is as follows:

Name of the Director	No. of Meetings Attended	Leave of Absence granted
Ashok Kumar R	4	Nil
Henry D'Souza	4	Nil
David Bauernfeind	5	Nil
Kunal Kashyap	1	Nil
Eugene Beard	1	Nil

Company Secretary of the Company acts as Secretary of the Committee.

The previous Annual General Meeting of the Company was held on May 22, 2012 and the Chairman of the Audit Committee was present at the Annual General Meeting of the Company.

4. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE :

The Committee has been constituted towards the following:

i. Review the reports submitted by RTA.
ii. To redress the shareholders' complaints.
iii. Quarterly status of shareholders' complaints and the status of their disposal.

At the beginning of the financial year, the Committee consisted of:

1. Mr. Kunal Kashyap
2. Mr. Eugene Beard
3. Mr. Kenneth Lever
4. Mr. David Bauernfeind

Mr. Kunal Kashyap and Mr. Eugene Beard resigned from the Board with effect from February 29, 2012 and hence ceased to be member of the Committee. The Board reconstituted the Committee on February 29, 2012 and thus as on December 31, 2012, the Shareholders' Grievances Committee consisted of the following:

1. Mr. Ashok Kumar R
2. Mr. Henry D'Souza
3. Mr. David Bauernfeind

The Company Secretary is the Compliance Officer.

During the year under review, there were 8 meetings of Shareholders' Grievances Committee held in which Mr. Ashok Kumar R was Chairman.

All the requests for dematerialization of shares have been attended in time and there were no dematerialization requests were pending as on December 31, 2012.

CEO / CFO CERTIFICATION

The Board of Directors has received a CEO & CFO certificate from Mr. Kenneth Lever, Executive Chairman and Chief Executive Officer and Mr. Vinod Goel, Chief Financial Officer as per the requirements of Para V of Clause 49 of the Listing Agreement is annexed to this Report in Annexure I.

CODE OF CONDUCT

The Board has formulated and adopted a Code of Conduct for all Board Members and Senior Management of the Company. Affirmation Report on Compliance of Code of Conduct has been received from the Board Members and Senior Management Personnel of the Company.

5. General Meeting:

5.1 ANNUAL GENERAL MEETING

The details of date, time, location and special resolutions at Annual General Meeting (AGM) held in last 3 years are as under :

Date	Time	Venue	Special Resolutions Passed	Directors' Attendance at AGM
May 22, 2012	10 AM	SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore – 560 066	a. Approval of Appointment of Mr. David Bauernfeind as Executive Director of the Company. b. Changing the name of the Company.	1. Kenneth Lever 2. David Bauernfeind 3. Ashok Kumar R

Date	Time	Venue	Special Resolutions Passed	Directors' Attendance at AGM
May 23, 2011	11 AM	SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore – 560 066	a. Approval of Appointment of Mr. Kenneth Lever as Executive Director of the Company. b. Approval of variation of terms of appointment of Mr. Darren Fisher, Executive Director & Chief Financial Officer of the Company. c. Approval of variation of terms of appointment of Mr. Thomas Runge, Executive Director & Chief Production Officer of the Company.	1. Darren Fisher 2. Kunal Kashyap
April 26, 2010	11 AM	SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore – 560 066	a. Approval of Appointment of Mr. Darren Fisher as Executive Director & Chief Financial Officer of the Company. b. Approval of Appointment of Mr. Thomas Runge as Executive Director & Chief Production Officer of the Company. c. Alteration of Articles of Association of the Company	1. Darren Fisher 2. Kunal Kashyap 3. Kamal Gupta

5.2. Extraordinary General Meeting:

No Extra Ordinary General meeting was conducted during the year ended December 31, 2012.

5.3 Postal Ballot:

The Company has not passed any Resolution through Postal Ballot during the year ended December 31, 2012.

6. DISCLOSURES:

i. There are no materially significant related party transactions of the Company which have potential conflict with the interest of the Company.

ii. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority, on any matter related to capital markets, during the year from January 01, 2012 to December 31, 2012: NIL

iii. The Company has a Whistle Blower policy closely monitored by internal auditor.

iv. The Company has not adopted a treatment different from that prescribed in Accounting Standard.

v. There are no pecuniary relationship or transactions between non-executive directors and the Company

vi. Details of compliance with mandatory requirements and adoption of non-mandatory requirements of Clause 49: The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement.

7. MEANS OF COMMUNICATION:

The quarterly, annual financial results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board. These are also published in the prescribed format within 48 hours of the conclusion of the Board Meeting, in which they are considered, generally in all the editions of "The Financial Express" The National English daily, circulating in the whole or substantially the whole of India and in "Sanjevani", the newspaper published in regional language, where the registered office of the Company is situated.

The details of financial information are also available at www.cambridgeworldwide.com

All the official news releases are also published on the Company's website. The financial statements and all other information disseminated to analysts / institutional investors are also posted on Company's website.

8. GENERAL SHAREHOLDER INFORMATION:

1. Annual General Meeting

Date and Time	:	May 21, 2013 at 10.00 AM
Venue	:	Regd. Office: SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore 560 066

2. Financial Calendar

The financial calendar of the Company is reproduced below:

Annual General Meeting	:	May 21, 2013
Results for quarter ending March 31, 2013	:	May 2013
Results for quarter ending June 30, 2013	:	Aug 2013
Results for quarter ending September 30, 2013	:	Nov 2013
Results for year ending December 31, 2013	:	February / March 2014

3.	Book Closure	:	May 15, 2013 to May 21, 2013 (both days inclusive)
4.	Dividend payment date	:	Nil
5.	Listing on Stock Exchanges	:	

Equity Shares of the Company are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. Annual Listing fee for the year 2012-13, has been paid to the above Stock Exchanges.

The annual custodial fee for the year 2012-13 has been paid to both NSDL and CDSL.

Stock Code :

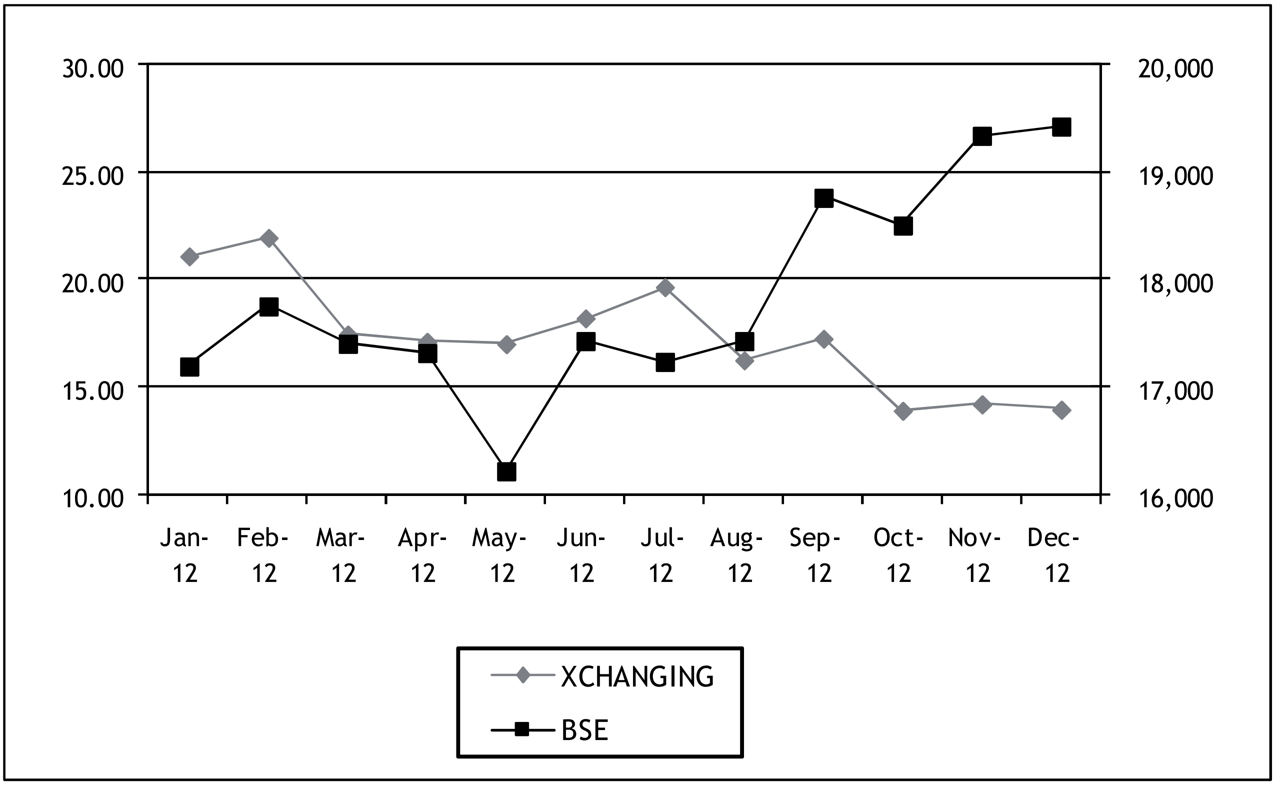
NSE : XCHANGING

BSE : 532616

6. Market Price data

Month & Year	Share price of Xchanging Solutions Limited (NSE)			Share price of Xchanging Solutions Limited (BSE)		
	High (Rs.)	Low (Rs.)	Close (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)
January 2012	21.05	20.00	21.05	25.35	14.00	21.09
February 2012	23.90	23.30	23.50	25.65	20.15	21.95
March 2012	17.80	16.50	17.70	23.65	16.00	17.45
April 2012	18.10	17.05	17.10	21.75	16.20	17.10
May 2012	17.90	16.65	16.80	20.50	14.50	17.00
June 2012	19.00	17.50	18.90	21.00	14.25	18.20
July 2012	20.15	18.55	19.25	24.80	15.95	19.65
August 2012	17.40	15.50	16.40	24.60	14.00	16.25
September 2012	18.00	17.10	17.60	26.80	21.70	22.20
October 2012	14.00	12.30	13.85	24.50	20.30	23.45
November 2012	14.25	13.55	13.90	24.10	12.75	16.10
December 2012	14.30	13.50	13.95	18.25	12.25	14.90

7. **Performance of share price in comparison to BSE SENSEX**



8. **Registrars and Transfer Agent:**

Karvy Computershare Private Limited
Plot No.17-24, Vittal Rao Nagar
Madhapur, Hyderabad - 500 081.
Phone : +91 040 - 23420816
Fax : +91 040 - 23420814
Email : ksreddy@karvy.com
Website : www.karvy.com

9. **Share Transfer System:**

Shares sent for transfer in physical form are normally registered by our Registrars and Share Transfer Agents within 15 days of receipt of the documents, if the same are found in order. Shares under objection are returned within two weeks.

10. a. **Shareholding Pattern**

Categories of Shareholding as on December 31, 2012

Category	No. of Shares held	% of shareholding
Promoters	83,552,787	75.00
Banks, FIs, Insurance Companies	432,182	0.39
FIIs	1,117	0.00
Private Corporate Bodies	1,116,197	1.00
Indian Public	4,916,270	4.41
NRIs/OCBs	17,184,915	15.43
Others	4,200,248	3.77
Grand Total	**111,403,716**	**100.00**

b. Distribution of shareholding as on December 31, 2012

No. of shares	No. of shareholders	% of total shareholders	No. of shares held	% to total equity
1 - 5000	**18,619**	**91.60**	**1,940,171**	**1.74**
5001 - 10000	**911**	**4.48**	**720,013**	**0.65**
10001 - 20000	**416**	**2.05**	**620,956**	**0.56**
20001 - 30000	**143**	**0.70**	**362,238**	**0.33**
30001 - 40000	**56**	**0.28**	**194,042**	**0.17**
40001 - 50000	**47**	**0.23**	**214,639**	**0.19**
50001 - 100000	**72**	**0.35**	**500,056**	**0.45**
100001 & Above	**62**	**0.31**	**106,851,601**	**95.91**
Total	**20,326**	**100.00**	**111,403,716**	**100.00**

11. **Dematerialization of shares and liquidity:**

    The Company's shares are compulsorily traded in dematerialized form. The Company has arrangements with both National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) for demat facility. As on December 31, 2012, 107,096,117 shares representing 96.13% of the Company's total shares were held in dematerialized form and the balance 4,307,599 shares representing 3.87% of the Company's total shares were in physical form. The Company's shares are regularly traded on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

    ISIN No. : INE 692G01013

12. **Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity:**

    There are no outstanding GDRs/ADRs/Warrants.

13. **Plant locations :**

    In view of the nature of the Company's business viz., Information Technology (IT) Services and IT enabled services; the Company operates from various offices in India and abroad but does not have any manufacturing plant.

14. **Address for Correspondence:**

    Shareholders may correspond with the company at the Registered Office of the company or at the office of Registrars and Transfer Agent of the company.

Registered Office	**Registrars and Transfer Agents**
Xchanging Solutions Limited SJR I-Park, Plot 13, 14, 15. EPIP Industrial Area, Phase I Whitefield, Bangalore 560 066, India Phone : + 91 080 3054 0000 Fax : + 91 080 4115 7394 Email: compliance@asia.xchanging.com	Karvy Computershare Private Limited, "Karvy House", 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad – 500 034 Ph. No. : 040 - 23420815 Fax No. : 040 - 23420814

The above report has been placed before the Board at its meeting held on March 01, 2013 and the same was approved.

15. **No. of shares traded during the year ended December 31, 2012:**

    BSE : 2,389,263 Shares

    NSE : 834,029 Shares

16. **Compliance Certificate by Practicing Company Secretary :**

    The Company has obtained a certificate from the Practicing Company Secretary regarding compliance of conditions of corporate governance as stipulated under Clause 49 of the Listing Agreements executed with Stock Exchanges, which is annexed herewith as Annexure II.

Annexure I

CEO/CFO CERTIFICATION

To

March 01, 2013

The Board of Directors
Xchanging Solutions Limited
Bangalore

We, Kenneth Lever, Executive Chairman and Chief Executive Officer and Vinod Goel, Chief Financial Officer of Xchanging Solutions Limited hereby certify to the Board, that;

a. We have reviewed the financial statements and the cash flow statement for the year ended December 31, 2012 and that to the best of our knowledge and belief:

   i. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   ii. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems and we have disclosed to the auditors, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

d. We have indicated to the auditors:

   i. There are no significant changes in the internal control over financial reporting during the year ended December 31, 2012.

   ii. There are no significant changes in the accounting policies during the year ended December 31, 2012.

   iii. There have been no instances of significant fraud of which we have become aware or our involvement therein of the management or an employee having a significant role in the division's internal control over financial reporting.

e. We further declare that all Board members and senior personnel have affirmed compliance with the code of conduct for the current year.

Kenneth Lever
Executive Chairman and Chief Executive Officer

Vinod Goel
Chief Financial Officer

Annexure - II

CERTIFICATE ON CORPORATE GOVERNANCE REPORT

To,

The Members
Xchanging Solutions Limited
(Formerly known as Cambridge Solutions Limited)

I have examined the compliance of conditions of corporate governance by Xchanging Solutions Limited (the Company) for the year ended on December 31, 2012, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. My examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the company has complied with all the mandatory conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

I further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

Sudhir Hulyalkar
Company Secretary in Practice
FCS No: 6040, CP No. 6137

Place : Bangalore
Date : 21.02.2013

To

The Members of Xchanging Solutions Limited
(Formerly Cambridge Solutions Limited)

1. We have audited the attached Balance Sheet of Xchanging Solutions Limited (formerly, Cambridge Solutions Limited) (the "Company") as at December 31, 2012, and the related Statement of Profit and Loss and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, 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 purposes 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 dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
   (e) On the basis of written representations received from the directors, as on December 31, 2012 and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
   (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, 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 December 31, 2012;
      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.
5. We draw your attention to Note (32) of the financial statements, regarding redemption of certain debentures, aggregating to Rs.62,500,000, by the Company in the year 2007; subsequent order of the Hon'ble High Court of Adjudicature at Madras restraining the Company from reflecting the redemption of debentures and to continue to show it as due and payable consequent to a petition filed by a third party; and non-reversal of the aforesaid redemption of debentures in the books of account of the Company pending admission and disposal of the appeal filed by the Company with the Hon'ble High Court of Adjudicature at Madras on July 26, 2011. Depending on the outcome of the Company's appeal, significant adjustments may be required to be made and reflected in the subsequent period financial reporting. Our opinion is not qualified in this respect.

For Price Waterhouse & Co., Bangalore
Firm Registration Number: 007567S
Chartered Accountants

Shivakumar Hegde
Partner
Membership No.: 204627

Bangalore
March 1, 2013

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Xchanging Solutions Limited (formerly, Cambridge Solutions Limited) on the financial statements as of and for the year ended December 31, 2012

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

b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.

c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.

ii) The Company is in the business of rendering services, and consequently, does not hold any inventory. Therefore, the provisions of Clause 4(ii) of the Order are not applicable to the Company.

iii) a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of Clause 4(iii)(b),(c) and (d) of the Order are not applicable to the Company.

b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of Clause 4(iii)(f) and (g) of the Order are not applicable to the Company.

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 for the purchase of fixed assets and for the sale of services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across, nor have been informed of, any continuing failure to correct major weaknesses in the aforesaid internal control system.

v) a) According to the information and explanations given to us, there have been no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act.

b) In our opinion, and according to the information and explanations given to us, there are no transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees Five Lakhs in respect of any party during the year.

vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

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

viii) The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.

ix) a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, except for dues in respect of service tax, the Company is regular in depositing undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, customs duty, excise duty and other material statutory dues, as applicable, with the appropriate authorities. The extent of the arrears of statutory dues outstanding as at December 31, 2012, for a period of more than six months from the date they became payable are as follows:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Due date	Date of Payment
The Finance Act, 1994	Service tax	178,644	January 2012	February 6, 2012	February 28, 2013
		333,474	February 2012	March 6, 2012	February 28, 2013
		1,628,694	March 2012	April 6, 2012	February 28, 2013
		359,081	April 2012	May 6, 2012	February 28, 2013
		79,650	May 2012	June 6, 2012	February 28, 2013
		98,540	June 2012	July 6, 2012	February 28, 2013

b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of sales-tax, wealth-tax, service-tax, customs duty, and excise duty which have not been deposited on account of any dispute. The particulars of dues of income tax as at December 31, 2012, which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
The Income tax Act, 1961	Income tax	5,820,828 (*1)	2003-04	The Commissioner of Income tax (Appeals), Bangalore
		119,316,051 (*2)	2004-05	The Commissioner of Income tax (Appeals), Bangalore
		13,741,157 (*3)	2005-06	The Commissioner of Income tax (Appeals), Bangalore

(*1) Rs.4,157,527 has been deposited "under protest" by the Company

(*2) Rs.92,096,750 has been deposited "under protest" by the Company.

(*3) Rs.11,319,884 has been deposited "under protest" by the Company.

x) The accumulated losses of the Company did not exceed fifty percent of its net worth as at December 31, 2012 and it has not incurred cash losses in the financial year ended on that date or in the immediately preceding financial year.

xi) According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.

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. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company.

xiii) As the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund / societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.

xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.

xv) In our opinion, and 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 during the year. Accordingly, the provisions of Clause 4(xv) of the Order are not applicable to the Company.

xvi) The Company has not raised any term loans. Accordingly, the provisions of Clause 4(xvi) of the Order are not applicable to the Company.

xvii) The Company has not raised any loans on short term basis. Accordingly, the provisions of Clause 4(xvii) of the Order are not applicable to the Company.

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 during the year. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.

xix) The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company.

xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.

xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

For Price Waterhouse & Co., Bangalore
Firm Registration Number: 007567S
Chartered Accountants

Shivakumar Hegde
Partner
Membership No.: 204627

Bangalore
March 1, 2013

XCHANGING SOLUTIONS LIMITED
(formerly, Cambridge Solutions Limited)

(All amounts in Rs. Lakhs, unless otherwise stated)

	Note	As at Dec 31, 2012	As at Dec 31, 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share Capital	3	11,140	11,140
Reserves and surplus	4	3,471	2,828
		14,611	13,968
Non-current liabilities			
Long-term borrowings	5	92	91
Other long-term liabilities	6	107	90
Long-term provisions	7	537	823
		736	1,004
Current liabilities			
Trade Payables	8	2,204	2,530
Other current liabilities	9	639	539
Short-term provisions	10	903	381
		3,746	3,450
TOTAL		**19,093**	**18,422**
ASSETS			
Non-Current Assets			
Fixed Assets			
(i) Tangible Assets	11	674	382
(ii) Intangible Assets	12	38	4
Non-Current Investments	13	5,874	5,874
Long-term loans and advances	14	2,335	1,559
Other Non-Current assets	15	17	11
		8,938	7,830
Current Assets			
Trade Receivables	16	4,592	5,006
Cash and Bank balances	17	2,248	2,354
Short-term loans and advances	18	3,294	3,228
Other current assets	19	21	4
		10,155	10,592
TOTAL		**19,093**	**18,422**

The Notes referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our report of even date

For Price Waterhouse & Co., Bangalore
Firm Registration Number: 007567S
Chartered Accountants

Shivakumar Hegde
Partner
Membership Number: 204627

Place : Bangalore
Date : March 1, 2013

For and on behalf of the Board of Directors

Kenneth Lever
Executive Chairman &
Chief Executive Officer
Place : London
Date : March 1, 2013

David Bauernfeind
Executive Director

Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : March 1, 2013

Vijayamahantesh Khannur
Company Secretary

XCHANGING SOLUTIONS LIMITED
(formerly, Cambridge Solutions Limited)

(All amounts in Rs. Lakhs, unless otherwise stated)

	Note	For the year ended Dec 31, 2012	Dec 31, 2011
Revenue			
Revenue from operations	22	9,978	17,302
Other income	23	824	1,307
Total Revenue		10,802	18,609
Expenses			
Employee benefits expense	24	6,112	9,189
Other operating costs	25	2,436	4,627
Finance costs	26	16	321
Depreciation and amortisation	27	344	851
Total Expenses		8,908	14,988
Profit before exceptional items and tax		1,894	3,621
Exceptional items - (loss) (Refer note 29)		(536)	(15,588)
Profit/(Loss) before taxation		1,358	(11,967)
Profit/(Loss) before taxation from Continuing Operations:			
Profit/(Loss) before tax from operations		1,894	1,111
Exceptional items - (loss) - Others		(536)	(43,649)
Profit/(Loss) before taxation and exceptional item from Continuing Operations		1,358	(42,538)
Provision for taxation from Continuing Operations:			
Current tax		715	181
MAT credit entitlement		-	(435)
		715	(254)
Profit/(Loss) after taxation from Continuing Operations: (A)		**643**	**(42,284)**
Profit before taxation from Discontinued Operations:			
Profit before tax from operations		-	2,510
Profit from sale of operations (included in exceptional items)		-	28,061
		-	30,571
Provision for taxation from Discontinued Operations:			
Current tax		-	1,242
		-	1,242
Profit after taxation from Discontinued Operations: (B)		**-**	**29,329**
Profit /(Loss) for the year (A+B)		643	(12,955)
Earnings/ (Loss) per Equity Share [Nominal value per share Rs.10 (2011: Rs.10)]			
Basic		0.58	(11.63)
Diluted		0.58	(11.63)

The Notes referred to above form an integral part of the Statement of Profit and Loss
This is the Statement of Profit and Loss referred to in our report of even date

For Price Waterhouse & Co., Bangalore
Firm Registration Number: 007567S
Chartered Accountants

Shivakumar Hegde
Partner
Membership Number: 204627

Place : Bangalore
Date : March 1, 2013

For and on behalf of the Board of Directors

Kenneth Lever
Executive Chairman &
Chief Executive Officer
Place : London
Date : March 1, 2013

David Bauernfeind
Executive Director

Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : March 1, 2013

Vijayamahantesh Khannur
Company Secretary

CASH FLOW STATEMENT

XCHANGING SOLUTIONS LIMITED
(formerly, Cambridge Solutions Limited)

(All amounts in Rs. Lakhs, unless otherwise stated)

	Year ended	
	Dec 31, 2012	**Dec 31, 2011**
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	**1,358**	**(11,967)**
Adjustments for:		
Depreciation and amortisation	344	851
(Profit) / Loss on sale of tangible assets	(19)	(3)
Gain on disposal of operations	-	(28,061)
Loss on fair value accounting of Investments	-	29,336
Foreign exchange (gain) / loss (net) - unrealised	(48)	468
Interest income	(341)	(128)
Provision for doubtful debts	2	92
Loss on sale of Long Term Investment (net)	-	1,322
Impairment of loan receivables	-	9,869
Provision for diminution in the value of investments	-	3,122
Provision/liabilities no longer required written back	380	-
Interest expense	16	276
Operating profit before working capital changes	1,692	5,177
Movement in working capital:		
(Increase)/ Decrease in Trade Recievables and other Current/ Non current assets	460	(1,625)
Current Assets:		
Decrease in loans and advances	402	114
Decrease in Trade payables, other liabilities and provisions	(1,114)	(843)
Net cash from operating activities	1,440	2,823
Direct taxes paid (net of refunds)	(293)	(1,061)
Net cash from operating activities (A)	**1,147**	**1,762**
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible assets and intangible assets	(694)	(565)
Proceeds from sale of tangible assets	47	5
Intercorporate Loan given	(925)	(900)
Proceeds from sale of investment in subsidiaries	-	7,459
Consideration received for sale of operations (net)	-	29,438
Investment in Fixed deposits with maturity greater than 3 months	(7)	(13)
Interest received	341	84
Net cash used in investing activities (B)	**(1,238)**	**35,508**

Contd.....

(All amounts in Rs. Lakhs, unless otherwise stated)

	Year ended	
	Dec 31, 2012	**Dec 31, 2011**
C. CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment)/ proceeds from short term bank borrowings	-	(2,892)
Payment on account of corporate guarantee invocation	-	(29,336)
(Repayment) of loans	-	(2,713)
(Repayment)/proceeds of loans for purchase of tangible assets and finance lease obligation	-	82
Interest paid	(16)	(585)
Net cash used in financing activities (C)	**(16)**	**(35,444)**
Net increase in cash and cash equivalents (A + B + C)	**(107)**	**1,826**
Cash and cash equivalents at the beginning of the year	2,352	526
Cash and cash equivalents at the end of the year	**2,245**	**2,352**
Components of cash and cash equivalents:		
Cash on hand	-	-
Balances with banks:		
In current accounts	430	383
In demand deposits (Less than 3 months)	1,815	1,969
Fixed deposits	-	-
	2,245	**2,352**

Notes:

(1) The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at December 31, 2012 and the related Statement of Profit and Loss for the year ended on that date.

(2) The above Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard - 3 on Cash Flow Statements as notified under Section 211(3C) of the Companies Act, 1956 and reallocations required for this purpose are as made by the Company.

(3) Prior year's figures have been regrouped/ reclassified wherever necessary to conform with current year's classification.

This is the Cash Flow Statement
referred to in our report of even date

For Price Waterhouse & Co., Bangalore
Firm Registration Number: 007567S
Chartered Accountants

Shivakumar Hegde
Partner
Membership Number: 204627

Place : Bangalore
Date : March 1, 2013

For and on behalf of the Board of Directors

Kenneth Lever
Executive Chairman &
Chief Executive Officer
Place : London
Date : March 1, 2013

David Bauernfeind
Executive Director

Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : March 1, 2013

Vijayamahantesh Khannur
Company Secretary

XCHANGING SOLUTIONS LIMITED
(formerly, Cambridge Solutions Limited)

(All amounts in Rs. Lakhs, unless otherwise stated)

1. GENERAL INFORMATION

Xchanging Solutions Limited ('the Company') (formerly known as Cambridge Solutions Limited), incorporated on February 1, 2002, is an information technology (IT) services provider with operations in India and an international presence established through subsidiaries in several countries including the USA, Singapore and the UK. During the previous year the Company has sold its BPO business.

Pursuant to agreements, arrangements, amalgamations, etc. (with requisite approvals from various High Courts in India, wherever applicable), the Company has, during earlier years, acquired the IT services businesses (including assets and liabilities) of / from the following entities:

- SSI Limited (Information Technology division with operations in India, USA and several other countries).
- Scandent Group Limited, Mauritius (with operations in USA, Singapore, Germany, etc.).
- Matrix One India Limited (with operations in India).

Pursuant to share purchase agreements between Xchanging (Mauritius) Limited (XML), a wholly owned subsidiary of Xchanging Plc, a listed company incorporated in UK, and the erstwhile principal shareholders of the Company, and consequent open offer to public, XML now owns 75.00% (2011: 75.62%) of the outstanding share capital of the Company. Though the open offer process was completed on April 9, 2009, XML obtained the power of operational control of the Company effective January 1, 2009.

The shareholding pattern as at the year-end is given below:

Name of the shareholder	2012	2011
Xchanging (Mauritius) Limited	75.00%	75.62%
Scandent Holding Mauritius Limited	11.82%	11.82%
AON Minet Pension Scheme	3.77%	3.77%
Katra Finance Limited	2.70%	2.70%
Others	6.71%	6.09%
	100.00%	**100.00%**

On May 31, 2011, Cambridge Integrated Services Group Inc, USA ('CISGI'), a wholly owned subsidiary of the Company, entered into agreements with Sedgwick Claims Management Services, Inc, USA for the sale of virtually its entire operations of workers' compensation and third party administration. Further, on August 31, 2011, the Company has sold its investment in CISGI to Waltham Holdings Limited, Jersey, Channel Islands, a fellow subsidiary.

On June 13, 2011, the Company entered into a Share Purchase Agreement with Xchanging Procurement Pty Limited, Australia, a fellow subsidiary, for sale of shares held by the Company in Cambridge Integrated Services Victoria Pty Ltd, Australia, a wholly owned subsidiary of the Company.

On June 16, 2011, the Company entered into a Business Transfer Agreement with Xchanging Technology Services India Private Limited, a fellow subsidiary, for sale of its India BPO business including its investments in Xchanging Builders (India) Private Limited, a wholly owned subsidiary of the Company.

Pursuant to the sale of the BPO businesses as explained above, the Company is now focused only on the business of IT services.

Pursuant to approval of the shareholders in the annual general meeting and subsequent approval of the Registrar of Companies on June 11, 2012, the name of the Company has been changed to Xchanging Solutions Limited.

(All amounts in Rs. Lakhs, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared to comply in all material respects with the notified Accounting Standards (AS) under the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956 ('the Act'). The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the prior year.

All assets and liabilities have been clasified as current and non current as per the Company's normal operating cycle and other criteria set out in the revised Schedule VI to the Companies Act, 1956. Based on the nature of services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current - non current classification of assets and liabilities.

2.2 Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision in accounting estimates is recognised prospectively in current and future periods.

2.3 Tangible Assets and Depreciation

(i) Tangible assets are stated at cost of acquisition less accumulated depreciation and impairment losses. Cost comprises the purchase price and any directly attributable costs of bringing the assets to their working condition for their intended use.

(ii) Depreciation is provided on a straight line method (SLM) based on estimated useful life of fixed assets determined by management (which are higher than the rates prescribed under Schedule XIV to the Act) as follows:

	Years
Computers	3
Vehicles	2 to 5
Office equipment	5
Furniture and fittings	5

(iii) Leasehold improvements are amortised over the period of lease or five years, whichever is lower. Assets acquired on finance lease are depreciated at the lower of lease term and estimated useful life as stated above. Assets individually costing up to Rupees five thousand are fully depreciated in the year of purchase.

2.4 Intangible Assets

Intangible assets are recognised only if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets comprise of goodwill, computer software, computer software license rights, license to use intellectual property and software development costs.

(i) Goodwill arising on acquisition is the difference between the cost of an acquired business and the aggregate of the fair value of that entity's identifiable assets and liabilities and the same is amortised on a straight line basis over its economic life or the period defined in the Court scheme.

(All amounts in Rs. Lakhs, unless otherwise stated)

(ii) Costs incurred towards development of computer software meant for internal use are capitalised subsequent to establishing technological feasibility. Computer software is amortised over an estimated useful life of two to six years.

(iii) Computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software, and are amortised on straight line basis over an estimated useful life of two to four years.

(iv) License to use intellectual property rights are amortised on straight line basis over an estimated useful life of six years.

(v) The amortisation period and method used for intangible assets are reviewed at each financial year end.

2.5 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset till such time the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use.

2.6 Lease accounting

Finance lease:

Assets acquired under lease where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Such lease is capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each period. Lease management fees, legal charges and other initial direct costs are capitalised.

Operating lease:

Assets acquired on lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals on assets taken on operating lease are recognised as an expense in the Statement of Profit and Loss on a straight line basis over the lease term.

2.7 Investment

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in the value is made to recognise a decline, other than temporary, in the value of the investments.

2.8 Inventories

Inventories comprise licenses purchased by the Company for resale to customers and are stated at the lower of cost and net realisable value. Cost of licenses is determined using the first-in-first-out method.

2.9 Impairment of assets

At each balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Profit and Loss to the extent the carrying amount exceeds the recoverable amount.

(All amounts in Rs. Lakhs, unless otherwise stated)

2.10 Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefit will flow to the Company and that revenue can be reliably measured.

(i) Revenue from time and material contracts are recognised as related services are performed.

(ii) Revenue from fixed price contracts for delivering services is recognised under the proportionate-completion method wherein revenue is recognised based on services performed to date as a percentage of total services to be performed.

(iii) Revenue from maintenance contracts are recognised rateably over the term of the maintenance contract on a straight-line basis.

(iv) Revenue from certain services are recognised as the services are rendered, on the basis of an agreed amount in accordance with the agreement entered into by the Company.

(v) Revenue from sale of user licenses for software application is recognised on transfer of the title in the user license.

(vi) Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(vii) Provision for estimated losses, if any, on incomplete contracts are recorded in the period in which such losses become probable based on the current contract estimates.

(viii) Deferred and unearned revenues represent the estimated unearned portion of fees derived from certain fixed-rate claim service agreements. Deferred revenues are recognised based on the estimated rate at which the services are provided. These rates are primarily based on a historical evaluation of actual claim closing rates. Unearned revenues for fixed fee contracts are recognised on a pro-rata basis over the term of the underlying service contracts, which are generally one year.

(ix) Unbilled revenue represents costs and earnings in excess of billings as at the balance sheet date.

2.11 Foreign currency transactions

(i) **Initial recognition:**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) **Conversion:**

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) **Exchange differences:**

Exchange differences arising on the settlement of monetary items or on reporting the Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in prior year financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations. Exchange differences arising on a monetary item that, in substance, forms part of the Company's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognised as income or as expense.

(iv) **Forward exchange contracts not intended for trading or speculation purposes:**

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

(All amounts in Rs. Lakhs, unless otherwise stated)

2.12 *Employee benefits*

(a) Short term employee benefits:

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits, which include benefits like salaries, short term compensated absences, performance incentives, etc. and are recognised as expense in the period in which the employee renders the related service.

(b) Defined-contribution plans:

The Company's contribution towards defined contribution plans (where Company pays pre-defined amounts and does not have any legal or informal obligation to pay additional sums) for post employment benefits, namely, Provident Fund, Employee Pension Scheme, etc. are charged to Statement of Profit and Loss as expense during the period in which the employees perform the service.

(c) Defined-benefit plans:

The Company has a defined benefit plan for employees in form of Gratuity, the liability in respect of which is determined on the basis of valuation carried out by an independent actuary (using the projected unit credit method) at the balance sheet date.

(d) Other long term employee benefits:

Other long-term employee benefits including compensated absences that are not expected to occur within twelve months after the end of the period in which the employee renders related services are recognised as a liability at the present value of the defined benefit obligation based on actuarial valuation (under projected unit credit method) carried out at the balance sheet date.

(e) Actuarial gains and losses:

Actuarial gains and losses comprise experience adjustments and the effect of changes in the actuarial assumptions, and are recognised immediately in the Statement of Profit and Loss as income or expense.

(f) Deferred employee stock compensation costs:

Stock options granted to the employees under employee stock option plans (ESOP's) are recognised in accordance with the accounting treatment prescribed by "Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999". Accordingly, the excess of market value of the stock options, as on the date of grant, over the exercise price of the options, is recognised as deferred employee stock compensation expenses, and is charged to Statement of Profit and Loss on 'graded vesting' basis over the vesting period of the options. The fair value of the options is measured on the basis of an independent valuation performed or the market price in respect of stock options granted.

2.13 *Taxes on income*

Tax expense comprises current and deferred taxes. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with local tax laws applicable in the respective countries. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set-off against each other as the Company does not have a legal right to do so. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

(All amounts in Rs. Lakhs, unless otherwise stated)

At each balance sheet date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternative Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the Guidance Note on Accounting in respect of Minimum Alternative Tax issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Statement of Profit and Loss and disclosed as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

2.14 Earnings/ (loss) per share

Basic earnings/ (loss) per share is calculated by dividing the net profit/ (loss) for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during all the years presented is adjusted for capital reduction.

For the purpose of calculating diluted earnings/ (loss) per share, the net profit/ (loss) for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

2.15 Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation. When the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, only when such reimbursement is virtually certain.

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 cash 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.

Contingent liabilities are disclosed when there is a possible obligation or a present obligation that may (but probably will not) require an outflow of resources.

2.16 ***Segment reporting***

Identification of segments: The Company's operating businesses are organised and managed separately according to the nature of services rendered. The analysis of geographical segments is based on the geographical location of the Company's customer.

Inter segment transfers: The Company generally accounts for inter segment sales and transfers as if the sales or transfers were to third parties at current market prices.

Allocation of common costs: Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items: The unallocated items include general corporate income and expense items which are not allocated to any business segment.

2.17 ***Exceptional Items***

Exceptional items are generally non-recurring items of income and expense within profit or loss from ordinary activities, which are of such size, nature or incidence that their disclosure is relevant to explain the performance of the Company for the year.

2.18 ***Project work Expenses***

Project work expenses represents amounts charged by sub-contractors and cost of hardware and software incurred for execution of projects. These expenses are recognised on an accrual basis.

2.19 ***Cash and cash equivalents***

Cash and cash equivalents in the balance sheet comprise of cash at bank and on hand, demand deposits and short-term investments with an original maturity of three months or less.

2.20 ***Derivative instruments***

With respect to derivative instruments (foreign currency forward contracts) to hedge the risks associated with highly probable forecast transactions, the (gain)/ loss arising on forward exchange contracts in foreign currency, entered into to hedge highly probable forecast transactions, which qualify for hedge accounting, are accounted for under Hedging Reserve to be ultimately recognised in the Statement of Profit and Loss when the forecasted transactions arise, as per the principles of hedge accounting enunciated in Accounting Standard 30, "Financial Instruments: Recognition and Measurement issued by the Institute of Chartered Accountants of India".

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at Dec 31, 2012	As at Dec 31, 2011
3. SHARE CAPITAL		
Authorised capital:		
125,000,000 (2011: 125,000,000) Equity shares of Rs. 10 each	12,500	12,500
Issued, subscribed and paid up capital:		
111,403,716 (2011: 111,403,716) Equity shares of Rs. 10 each fully paid	11,140	11,140
	11,140	**11,140**

a) Reconciliation of number of shares

Equity Shares	As at Dec 31, 2012		As at Dec 31, 2011	
	Number of Shares	Amount	Number of Shares	Amount
Shares outstanding at the beginning of the year	111,403,716	11,140	111,403,716	11,140
Add / (Less): Movement during the year	-	-	-	-
Shares outstanding at the end of the year	**111,403,716**	**11,140**	**111,403,716**	**11,140**

b) Rights, preferences and restrictions attached to shares

Equity Shares: The Company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

c) Shares held by holding company and subsidiary of holding company

Name of Shareholder	As at Dec 31, 2012		As at Dec 31, 2011	
	Number of Shares	Amount	Number of Shares	Amount
Xchanging (Mauritius) Limited, the holding company	83,552,787	8,355	84,239,164	8,424

d) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company:

Name of Shareholder	As at Dec 31, 2012		As at Dec 31, 2011	
	Number of Shares held	Percentage	Number of Shares held	Percentage
Xchanging (Mauritius) Limited	83,552,787	75.00	84,239,164	75.62
Scandent Holding Mauritius Limited	13,167,551	11.82	13,167,551	11.82

e) Shares reserved for issue under options:

Particulars of employees stock options on unissued share capital have been disclosed in Note 28.

The total number of shares issued under ESOP in the last 5 years is as below:

Year	Number of shares
2009	16,666
2010	21,667
Total	**38,333**

f) Pursuant to SSI Limited (Information Technology division) merger scheme, the share capital of the Company as at March 31, 2004 was reduced from Rs.3,284 (2011: Rs.3,284) to Rs.1,316 (2011: Rs.1,316) and the capital reduction of Rs.1,969 (2011: Rs.1,969) was utilised to adjust the debit balance of equivalent amount in the Statement of Profit and Loss of the Company as at March 31, 2004.

(All amounts in Rs. Lakhs, unless otherwise stated)

		As at	
		Dec 31, 2012	Dec 31, 2011
4	**RESERVES AND SURPLUS**		
	Capital reserve [Refer note below]	57	57
	Securities premium:		
	As at last balance sheet date	8,417	8,417
	Add: Share premium on Employee Stock Options exercised during the year	-	-
	Balance as at end of the year	8,417	8,417
	Stock compensation adjustment:		
	As at last balance sheet date	7	7
	Balance as at the end of the year	7	7
	Surplus in Statement of Profit and Loss		
	Balance as at the beginning of the year	(5,653)	1,690
	Profit/(Loss) for the year	643	(12,955)
	Transfer from General Reserve	-	5,612
	Balance as at the end of the year	(5,010)	(5,653)
	General reserve		
	Balance as at the beginning of the year	-	5,612
	Less: Adjustment towards debit balance in Statement of Profit and Loss	-	(5,612)
	Balance as at the end of the year	-	-
		3,471	**2,828**

Note:

Capital reserve represents waiver of liability by Scandent Holding Mauritius Limited, erstwhile ultimate holding company.

5	**LONG TERM BORROWINGS**		
	SECURED		
	From Bank:		
	Loan for purchase of Tangible Assets	92	91
		92	**91**

Nature of security and terms of repayment for secured borrowings are as follows:

a) Nature of security: Vehicles purchased on loan for employees

b) Terms of Repayment: Monthly payment of equated monthly instalments for a period of 3-5 years

c) Interest rate: 9.5% to 13.5%

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2012	Dec 31, 2011
6 OTHER LONG TERM LIABILITIES		
Trade Payables	17	-
Advance from customers	90	90
	107	**90**
7 LONG TERM PROVISIONS		
Provision for employee benefits:		
Provision for compensated absences	13	249
Provision for gratuity	272	309
Provision for Long Service Award	47	60
Other Provision		
Provision for Litigation	32	32
Provision for Onerous lease Contract	173	173
	537	**823**
8 TRADE PAYABLES		
Dues to:		
Subsidiaries	441	1,038
Fellow Subsidiaries	141	67
Others (Refer Note 42)	1,622	1,425
	2,204	**2,530**
9 OTHER CURRENT LIABILITIES		
Advances from customers	497	402
Current maturities of long term borrowings	62	59
Statutory dues	80	78
	639	**539**
10 SHORT TERM PROVISIONS		
Provision for employee benefits:		
Provision for compensated absences	57	8
Provision for gratuity	70	17
Provision for Long Service Award	22	24
Other Provisions:		
Provision for Taxation (net of advance tax Rs.3,082 (2011: Rs.2,789)	754	332
	903	**381**

(All amounts in Rs. Lakhs, unless otherwise stated)

11 TANGIBLE ASSETS

	Gross Block (at cost)					Depreciation/ Amortisation					Net Block	
	2011	Additions	Deletions	Deduction (discontinued operations)	2012	2011	For the year	Deletions	Deduction (discontinued operations)	2012	2012	2011
Leasehold improvements	192	331	-	-	523	154	108	-	-	262	261	38
Computers	1,490	124	114	-	1,500	1,348	97	114	-	1,331	169	142
Vehicles [Note (i)]	384	121	131	-	374	245	72	103	-	214	160	139
Office equipment	212	24	7	-	229	163	13	7	-	169	60	49
Furniture and fixtures	216	24	-	-	240	202	14	-	-	216	24	14
Total	2,494	624	252	-	2,866	2,112	304	224	-	2,192	674	382
2011	7,280	541	118	5,209	2,494	5,794	744	116	4,310	2,112	382	

12 INTANGIBLE ASSETS

	Gross Block (at cost)					Depreciation/ Amortisation					Net Block	
	2011	Additions	Deletions	Deduction (discontinued operations)	2012	2011	For the year	Deletions	Deduction (discontinued operations)	2012	2012	2011
Computer software	566	74	-	-	640	562	40	-	-	602	38	4
Total	566	74	-	-	640	562	40	-	-	602	38	4
2011	1,395	21	-	850	566	1,177	107	-	722	562	4	
Grand Total	**3,060**	**698**	**252**	**-**	**3,506**	**2,674**	**344**	**224**	**-**	**2,794**	**712**	**386**
2011	**8,675**	**562**	**118**	**6,059**	**3,060**	**6,971**	**851**	**116**	**5,032**	**2,674**	**386**	**-**

Notes:

(i) All vehicles are taken on loan.

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at			
	Dec 31, 2012		Dec 31, 2011	
13 NON CURRENT INVESTMENTS				
(Unquoted, at cost, unless otherwise stated, fully paid-up)				
Other than trade				
Refer note number 2.7 on Notes to Accounts)				
In Subsidiary Companies (Long term):				
Xchanging Solutions (Singapore) Pte Limited, Singapore				
[formerly Cambridge Solutions (Xchanging) Pte Limited, Singapore]				
2,300,000 (2011: 2,300,000) ordinary shares of Singapore $ 1 each		7		7
Xchanging Solution (Europe) Limited, UK				
[formerly Cambridge Solutions Europe Limited, UK]				
2,664,278 (2011: 2,664,278) ordinary shares of GBP 1 each	2,222		2,222	
(Less): Provision for diminution in value of investment	(1,534)	688	(1,534)	688
Xchanging Solutions (USA) Inc, USA				
[formerly Cambridge Solutions & Services Inc.]				
9,930,062 (2011: 9,930,062) common stock of US$ 1 each	11,224		11,224	
(Less): Provision for diminution in value of investment	(6,045)	5,179	(6,045)	5,179
Indigo Markets Limited, Bermuda, USA				
Nil (2011: 12,000) common stock of US$ 1 each	-		1,096	
(Less): Adjustment pursuant to a Court Merger Scheme	-	-	(1,096)	-
		5,874		5,874
Aggregate amount of unquoted investments		13,453		14,549
Aggregate provision for diminution in value of investment		(7,579)		(7,579)
Aggregate adjustment pursuant to a Court Merger Scheme		-		(1,096)

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2012	Dec 31, 2011
14 LONG TERM LOAN AND ADVANCES		
Unsecured, considered good (unless otherwise stated):		
Loans and advances to related parties:		
Subsidiary:		
- Considered doubtful	17,283	17,283
Less: Provision for doubtful advance	(17,283)	(17,283)
	-	-
Fellow Subsidiaries:		
Loan and advances	1,877	944
Others:		
- Considered doubtful	111	111
Less: Provision for doubtful advance	(111)	(111)
	-	-
Security deposits:		
- Considered good	434	598
- Considered doubtful	302	137
	736	735
Less: Provision for doubtful security deposit	(302)	(137)
	434	598
Other Loans and Advances		
Prepaid Expenses	24	17
	2,335	1,559

Note: As at December 31, 2012, the entire loans and advances balance (including short term loan as per Note 18) of Rs. 17,971 (2011: Rs. 17,723) due from subsidiaries is interest free and repayable on demand. However, Management does not have an intention to recover these loans in the next 12 months and hence these have been classified under Long Term Loans and Advances.

Dues from subsidiaries	Maximum amount due at anytime during the year	Balance as at December 31, 2012
Xchanging Solution (Malaysia) Sdn Bhd (formerly Cambridge Solutions Sdn Bhd,Malaysia)	1	1
Xchanging Solution Europe Limited (formerly Cambridge Solutions Europe Limited, UK)	283	255
Xchanging Solutions (Singapore) Pte Limited (formerly Cambridge Solutions Pte Limited, Singapore)	54	53
Xchanging Solutions (USA) Inc (formerly Cambridge Solutions & Services Inc., USA)	17,662	17,662
		17,971
(Less): Provision for doubtful loans and advances		(17,283)
		688

(All amounts in Rs. Lakhs, unless otherwise stated)

		As at	
		Dec 31, 2012	Dec 31, 2011
	Dues from subsidiaries	Maximum amount due at anytime during the year	Balance as at December 31, 2011
	Cambridge Solutions & Services Inc. (formerly called as Scandent Group Inc.,)	17,904	17,491
	Cambridge Solutions Pty Limited, Australia	14	-
	Cambridge Solutions (Xchanging) Pte Limited, Singapore (formerly known as Cambridge Solutions Pte Limited, Singapore)	38	35
	Cambridge Solutions Europe Limited, UK	197	197
	Cambridge Solutions Sdn Bhd (formerly called Scandent Group Sdn Bhd)	1	-
	Cambridge Integrated Services Group Inc., USA	44	-
	Cambridge Integrated Services Australia Pty Limited, Australia	24	-
	Cambridge Integrated Services Victoria Pty Limited, Australia	6	-
	Cambridge Builders Private Limited, India	99	-
			17,723
			(17,283)
			440
	The above includes dues from subsidiaries classified as short term in Note 18.		
15	**OTHER NON-CURRENT ASSETS**		
	Others:		
	Long term deposits with banks with maturity period more than 12 months [Held as lien by bank]	17	11
		17	11
16	**TRADE RECEIVABLE**		
	Unsecured, considered good:		
	Outstanding for a period exceeding 6 months from the date they are due for payment	381	466
	Others	4,211	4,540
	Unsecured, considered doubtful:		
	Outstanding for a period exceeding 6 months from the date they are due for payment	756	754
	(Less): Provision for doubtful debts	(756)	(754)
		-	-
		4,592	5,006

Notes:

(i) Trade Receivable include unbilled revenue amounting Rs.401 (2011:Rs.487) under Others which are considered good.

(ii) Trade Receivable include unbilled revenue amounting to Rs.81 (2011:Rs.81) under Outstanding for a period exceeding six months which are considered doubtful and has been fully provided.

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2012	Dec 31, 2011
17 CASH AND BANK BALANCE		
Cash and Cash equivalents		
Cash on hand	-	-
Balances with banks		
In current accounts	430	383
Demand Deposit (less than 3 months maturity)	1,815	1,969
	2,245	2,352
Other Bank Balances		
Long Term Deposit with maturity more than 3 months but less than 12 months	3	2
	2,248	**2,354**

Note: Cash on hand is rounded off to zero as it is less than Rs. 1 lakh

	Dec 31, 2012	Dec 31, 2011
18 SHORT TERM LOANS AND ADVANCES		
Unsecured considered good, unless otherwise stated:		
Loans and advances to related parties		
Subsidiary		
Loans and advances	4	4
Expense Receivable	684	436
Fellow Subsidiary		
Expense Receivable	196	289
Security deposits	2	-
Other Loans and Advances:		
MAT Credit Entitlement	1,260	1,260
Prepaid Expenses	179	166
Others		
Considered Good	969	1,073
Considered Doubtful	371	-
(Less): Provision for doubtful advances	(371)	-
	3,294	**3,228**

Note:

As at December 31, 2012, the entire loans and advances balance of Rs.688 (2011:Rs.440) due from subsidiaries is interest free and repayable on demand

	Dec 31, 2012	Dec 31, 2011
19 OTHER CURRENT ASSETS		
Interest accrued on bank deposits	21	4
	21	**4**

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2012	Dec 31, 2011
20 CONTINGENT LIABILITIES		
Bank Guarantees	4	13
Income tax matters:		
Assessment year 2004-05 [Note (b)]	58	58
Assessment year 2005-06 [Note (c)]	1,193	1,193
Assessment year 2006-07 [Note (d)]	137	137
Assessment year 2007-08 [Note (e)]	-	72
Assessment year 2008-09 [Notes (f) and (g)]	-	359
Assessment year 2009-10 [Notes (h) and (i)]	-	85
Assessment year 2011-12 [Note (j)]	13	13
Assessment year 2012-13 [Note (j)]	2	-
Service tax matters [Note (k)]	2,359	-
	3,766	**1,930**

Notes:

(a) The above contingent liabilities are possible obligation or present obligation that may (but probably will not) require an outflow of resources.

(b) Relates to transfer pricing adjustment for arm's length price by the assessing officer and other adjustments which are disputed by the Company, and the matter is lying under appeal with the Commissioner of Income-tax (Appeals), Bangalore. An amount of Rs.42 (2011:Rs.28) has been paid under protest against the demand.

(c) Relates to transfer pricing adjustment for arm's length price by the assessing officer and other adjustments which are disputed by the Company. The matter is lying under appeal with the Commissioner of Income-tax (Appeals), Bangalore. An amount of Rs.921 (2011:Rs.821) has been paid under protest against the demand.

(d) Relates to certain tax adjustments arrived at by the assessing officer, which is disputed by the Company. An amount of Rs.113 (2011: Rs.75) has been paid under protest against the demand. The Company has filed an appeal with the Income Tax Appellate Tribunal, Bangalore in this regard.

(e) The assessing officer has made certain transfer pricing and other adjustments and accordingly raised a demand of Rs.72. Subsequently the assessing officer corrected the arithmetic errors in the order and reduced the demand to Nil. However, the Company disputes the income adjustments and has filed an appeal with the Income Tax Appellate Tribunal, Bangalore in this regard.

(f) Relates to withholding tax adjustments amounting to Rs.359 (2011: 359) arrived at by the assessing officer which is disputed by the Company, and the matter is lying under appeal with the Commissioner of Income-tax (Appeals), Bangalore. The Commissioner of Income- tax (Appeals) allowed the appeal during the year and referred the case back to the assessing officer. The final order from the assessing officer is awaited.

(g) The assessing officer has made certain transfer pricing adjustments of Rs.471. The adjustments have been set off against the brought forward losses resulting in demand of Nil (2011:Nil). However, the adjustments are disputed by the Company and an appeal has been filed with the Income Tax Appellate Tribunal, Bangalore in this regard.

(h) The Transfer Pricing Officer (TPO) has made, subsequent to the year end, certain transfer pricing adjustments of Rs.1,045. The final order is awaited from the assessing officer. The Company will file an appeal once the final assessement order is received.

(i) Relates to withholding tax adjustments amounting to Rs.85 (2011: 85) arrived at by the assessing officer which is disputed by the Company, and the matter is lying under appeal with the Commissioner of Income-tax (Appeals), Bangalore. The Commissioner of Income- tax (Appeals) allowed the appeal during the year and referred the case back to the assessing officer. The final order from the assessing officer is awaited.

(j) Relates to withholding tax adjustments arrived at by the assessing officer. The Company is in the process of rectifying the returns in order to nullify the demand.

(k) Represents service tax amount on select categories of transactions relating to financial years 2007-08 to 2011-12 set out in a show cause notice issued by the Commission of Service Tax, Bangalore, which is disputed by the Company, and a formal reply to the show cause notice, based on consultation with legal counsel, is in the process of being filed.

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2012	Dec 31, 2011
21 CAPITAL AND OTHER COMMITMENTS		
(a) Capital Commitments		
Estimated value of contracts in capital account remaining to be executed	89	461
(b) Other Commitments		
(a) The Company has export obligations under the Software Technology Parks of India (STPI) scheme. In accordance with such scheme, the Company procures capital goods without payment of duties, for which, agreements and bonds are executed by the Company in favour of the Government. In case the Company does not fulfil the export obligation, it is liable to pay, on demand an amount equal to such duties saved including interest and liquidated damages. As at December 31, 2012, the Company has availed duty benefits amounting to Rs.141 (2011: Rs.312). The Company expects to meet its commitment to earn requisite revenue in foreign currency as stipulated by the STPI regulations. In 2012, a portion of one of the units was closed after obtaining required approval from STPI and from Office of Deputy Commissioner of Central Excise, which has resulted in reduction of the commitment.		
(b) As at December 31, 2012, Xchanging Solutions (USA) Inc., USA, (formerly Cambridge Solutions & Services Inc., USA) wholly owned subsidiary has negative net assets amounting to Rs.23,478 (2011:Rs.22,237). While the subsidiary is confident of generating funds from their operations, the Company intends to support the shortfall, if any.		
22 REVENUE FROM OPERATIONS		
Software Services	9,978	9,173
Information Technology enabled Services	-	8,129
	9,978	**17,302**
23 OTHER INCOME		
Interest income on bank deposits	175	79
Interest income on loan to fellow subsidiaries	166	49
Sub-lease rental income (including premises facility and maintenance income Rs. Nil (2011: Rs. 118)	-	332
Liabilities no longer required written back	174	-
Provisions no longer required written back	206	
Profit on sale of fixed assets (net)	19	3
Exchange gain (net)	27	823
Miscellaneous income	57	21
	824	**1,307**

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2012	**Dec 31, 2011**
24 EMPLOYEE BENEFIT EXPENSE		
Salaries, allowances and bonus	5,522	8,153
Contribution to provident and other funds	253	523
Staff welfare	200	380
Provision for Gratuity and Leave Encashment	137	133
	6,112	**9,189**

(a) Defined Contribution Plans

Provident Fund: During the year, the Company has recognised Rs.253 (2011: Rs.441) in the Statement of Profit and Loss relating to defined contribution plans, which are included in the Contribution to Provident and other funds

(b) Defined Benefit Plan

Gratuity: The Company provides for gratuity, a defined benefit plan (the gratuity plan) to its employees in India. The gratuity plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's last drawn salary and years of employment with the Company.
The following tables summarise the components of net benefit expense recognised in the Statement of Profit and Loss and amounts recognised in the balance sheet for the gratuity plan.

Details of the post retirement gratuity plan is as follows:

	Dec 31, 2012	Dec 31, 2011
Changes in the present value of the defined benefit obligation are as follows:		
(i) Present Value of Defined Benefit Obligation		
Balance at the beginning of the year	326	434
Current Service Cost	63	74
Interest Cost	29	24
Actuarial (Gains) / Losses	(9)	(16)
Benefits paid	(67)	(30)
Discontinued operations	-	(160)
Balance at the end of the year	**342**	**326**
(ii) Fair Value of Plan Assets		
Balance at the beginning of the year	-	160
Expected return on Plan Assets	-	-
Actuarial Gains / (Losses)	-	-
Contribution by the Company	-	-
Benefits paid	-	-
Discontinued operations	-	(160)
Balance at the end of the year	**-**	**-**

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2012	Dec 31, 2011
24 Employee Benefits Expense (Contd.)		
(iii) **Assets and Liabilities recognised in the Balance Sheet**		
Fair Value of Plan Assets	-	-
Less: Present Value of Defined Benefit Obligation	342	326
Less: Unrecognised Past Service Costs	-	-
Amounts recognised as liability	**(342)**	**(326)**
Recognised under:		
Long Term Provision [Refer Note 7]	272	309
Short Term Provision [Refer Note 10]	70	17
	342	**326**
(iv) Expense recognised in the Statement of Profit and Loss		
Current Service Cost	63	74
Interest Cost	29	24
Actuarial (Gains) / Losses	(9)	(16)
Total Expense	**83**	**82**
(v) Actuarial Assumptions		
Expected Return on Plan Assets	N/A	N/A
Attrition Rate	20%	20%
Increase in compensation cost	10%	10%
Retirement age	65	65

(vi) Amounts recognised in current year and previous four years:

	As on December 31, 2012	**As on December 31, 2011**	**As on December 31, 2010**	**As on December 31, 2009**	**As on December 31, 2008**
Defined Benefit Obligation	326	326	434	349	307
Fair Value of plan assets at the end of the year	-	-	160	115	54
Amount recognized in Balance Sheet (Liability)	(326)	(326)	(274)	(234)	(253)
Experience adjustments in plan assets gains / (losses)	-	-	4	8	3
Experience adjustments in plan liabilities gains / (losses)	13	12	(14)	(57)	39
(Gains) / losses due to change in assumptions	4	1	4	8	3

(All amounts in Rs. Lakhs, unless otherwise stated)

24 Employee Benefits Expense (Contd.)

Notes:

(i) The estimates of future increase in salary, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

(ii) The discount rate is based on the prevailing market yields of Indian government securities as at the Balance Sheet date for the estimated term of the obligation.

(iii) The long term estimate of the expected rate of return on plan assets has been arrived at based on prevailing yields on those assets. Assumed rate of return on assets is expected to vary from year to year reflecting the returns on matching government bonds.

(c) In accordance with Accounting Standard 15 “Employee Benefits”, the Company has been providing for compensated absences/ leave encashment based on valuation performed by an independent actuary. The Company has amended its leave policy that impacts the carry forward leave balance of employees, and carried out an actuarial valuation based on the amended leave policy, which has resulted in the reduction of provision by Rs. 206. This reduction has been treated as reversal of the provision on account of amendment to the leave policy and has been included under “Other income”.

	As at	
	Dec 31, 2012	Dec 31, 2011
25 OTHER OPERATING COSTS		
Project work expense	237	565
Claim work expenses	18	-
Travelling and conveyance	302	582
Rent and hire charges	432	1,032
Recruitment and relocation	55	86
Communication	226	636
Power and fuel	233	384
Insurance	67	67
Rates and taxes	11	13
Repairs and maintenance:		
Computer equipment	114	149
Others	165	382
Legal and professional	210	366
Printing and stationery	16	41
Business promotion	296	110
Bank charges	4	21
Directors’ sitting fees	7	4
Provision for doubtful debts (net)	2	92
Miscellaneous	41	97
	2,436	**4,627**

(All amounts in Rs. Lakhs, unless otherwise stated)

		As at	
		Dec 31, 2012	Dec 31, 2011
25	**OTHER OPERATING COSTS (Contd.)**		
	Auditors' remuneration (*)		
	(included under Legal and Professional)		
	Statutory audit	29	29
	Audit of tax accounts and tax audit	-	13
	Limited review of quarterly financial results	14	29
	Certifications	-	8
	Out-of-pocket expenses	4	8
	(*) Excludes service tax		
26	**FINANCE COST**		
	Loan arrangement and processing fees	-	45
	Interest on fixed loans	16	144
	Interest on loan from related party	-	132
		16	**321**
27	**DEPRECIATION AND AMORTISATION EXPENSE**		
	Depreciation on Tangible assets	304	744
	Amortisation on Intangible assets	40	107
		344	**851**

(All amounts in Rs. Lakhs, unless otherwise stated)

28 EMPLOYEE STOCK OPTION PLAN

	ESOP II Plan 2004		ESOP I Plan 2005		ESOP II Plan 2005		ESOP II Plan 2006	
	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price
Vesting	- 20% of the options one year from the date of grant - 40% of the options two year from the date of grant - 40% of the options three year from the date of grant		One year from the date of grant		40% of the options one year from the date of grant and balance 60% two years from the date of grant		- 33.33% of the options one year from the date of grant - 33.33% of the options two year from the date of grant - 33.33% of the options three year from the date of grant	
Method of accounting	Intrinsic value method		Intrinsic value method		Intrinsic value method		Intrinsic value method	
Method of settlement	Equity		Equity		Equity		Equity	
Exercise price	128.75		10		113.15 - 172		56.90 - 140.35	
General description of Plans	Pursuant to SSIIT merger Scheme, the Company granted 70,892 options under the ESOP II Plan 2004 on November 10, 2004 to the holder of options in SSI as on July 2, 2004, the appointed date.		Under the ESOP Plan 2005, on May 27, 2005, 179,263 options have been issued under Program I . During the year ended March 31, 2007 additional 5,737 shares were granted.		Under the ESOP Plan 2005, on May 27, 2005, 384,473 options under Program II have been issued. During the year ended March 31, 2007 additional 68,000 shares were granted.		During the year ended March 31, 2007, 60,000 options have been issued under Program I and 2,057,946 options under Program II. Further, during the year ended March 31, 2008 additional 1,870,000 shares were granted under Program II.	
December 31, 2012								
Options outstanding at the beginning of the year	-	-	5,000	10	20,500	172.00	743,946	92.38
Options granted during the year	-	-	-	-	-	-	-	
Options forfeited during the year	-	-	-	-	20,500	172.00	318,000	99.14
Options exercised during the year	-	-	-	-	-	-	-	
Options expired during the year	-	-	5,000	10	-	-	-	
Options outstanding at the end of the year	-	-	-	-	-	-	425,946	87.33
Options exercisable at the end of the year	-	-	-	-	-	-	425,946	87.33
Weighted average remaining contractual life (in years)	-	-	-	-	-	-	1.82	-
December 31, 2011								
Options outstanding at the beginning of the year	1,200	128.75	5,000	10	88,500	126.78	1,085,613	93.04
Options granted during the year	-	-	-	-	-	-	-	-
Options forfeited during the year	-	-	-	-	68,000	113.15	341,667	94.48
Options exercised during the year	-	-	-	-	-	-	-	-
Options expired during the year	1,200	128.75	-	-	-	-	-	-
Options outstanding at the end of the year	-	-	5,000	10	20,500	172.00	743,946	92.38
Options exercisable at the end of the year	-	-	5,000	10	20,500	172.00	743,946	92.38
Weighted average remaining contractual life (in years)	-	-	0.4	-	0.4	-	2.64	-

	Dec 31, 2012	Dec 31, 2011
Net Profit / (Loss) as reported	643	(12,955)
Net Profit / (Loss) available for equity	643	(12,955)
Add: Stock based employee compensation expenses included in reported income	-	-
Less: Stock based employee compensation expenses determined under Fair value based method net of tax effects	-	-
Revised profit/(loss)	643	(12,955)
Earnings Per Share		
Basic	0.58	(11.63)
Diluted	0.58	(11.63)

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2012	Dec 31, 2011
29 EXCEPTIONAL ITEMS		
The Company has recorded exceptional items aggregating to Rs.536 (2011: Rs.15,588) as detailed below:		
The Company is yet to receive security deposit refund related to office premises vacated during the year. Owing to the protracted discussion between the parties the Company has estimated a portion of the security deposit to be doubtful of recovery at this stage, and has made a corresponding provision towards the asset.	165	-
Considering the evidence of refund orders recently received by the Company, and taking into account the rejection orders received in the past, and uncertainty on the timing of ultimate collection of the full refund amounts owing to litigative nature of the refund process with the tax authorities, the Company has made a provision in the books against part of the carrying value of service tax/ input credit asset.	371	-
Fair value loss on accounting of investment in Cambridge Integrated Services Group Inc., USA (“CISGI”) on account of conversion of asset recoverable in to equity related to subrogation right on invocation of corporate guarantee and payment there of.	-	29,336
The Company has disposed of its investment in Cambridge Integrated Services Victoria Pty Limited (“CISV”), Australia, wholly owned subsidiary to Xchanging Procurement Pty Limited, Australia (“XPPL”) on June 13, 2011 and recognised a loss on sale.	-	1,322
The Company has disposed of its BPO operation in India along with its investment in Cambridge Builders Private Limited (“CBPL”) to Xchanging Technology Services India Private Limited (“XTSI”) on July 21, 2011 and recognised a profit on sale.	-	(28,061)
The Group has disposed of its investment in Cambridge Integrated Services Group Inc., USA (“CISGI”) to Waltham Holdings Limited, Jersey, Channel Islands on August 31, 2011 and recognised a profit on sale.	-	(0)
The Company has granted loans and advances to Cambridge Solutions & Services Inc., USA (“CSSI”) (formerly Scandent Group Inc.,), wholly owned subsidiary. The Company has made a provision against the loans and advances considering it to be doubtful of recovery.	-	9,869
The Company tested the investment in CSSI for impairment and pursuant to that assessment, partially impaired the value of its investment.	-	1,588
The Company tested the investment in Cambridge Solutions Europe Limited, UK (“CSEL”), for impairment and pursuant to that assessment, partially impaired the value of its investment.	-	1,534
	536	15,588

(All amounts in Rs. Lakhs, unless otherwise stated)

30 The Company has strategic gross investment amounting to Rs.11,225 (2011:Rs.11,225) in Xchanging Solutions (USA) Inc.,USA (formerly Cambridge Solutions & Services Inc.,USA) its wholly owned subsidiary. Further, the Company has granted loans and advances aggregating to Rs.17,283 (2011:Rs.17,283) and also has receivables (net of payables and provision) from the subsidiary amounting to Rs.2,198 (2011:Rs.2,729). Based on assessment of diminution in the value of investments and evaluation of recoverability of other balances, the Company, has made a provision of Rs.1,588 in the prior year against the investments towards diminution in value considering it to be "a decline other than temporary" and Rs.17,283 in the prior year against the loans and advances considering it to be doubtful of recovery. The Company has also tested the investment for impairment using cash flow forecasts based on approved budgets and using a discounted cash flow method. As at the year end, the Company considers Xchanging Solutions (USA) Inc. a strategic long term investment and based on future growth projections, in the opinion of the management, the remaining value of the investments is not impaired. Further, based on the aforesaid evaluation of recoverability, the entire receivables is considered good and recoverable.

31 The Company has strategic gross investments amounting to Rs.2,222 (2011:Rs.2,222) in Xchanging Solution Europe Limited (formerly Cambridge Solutions Europe Limited, UK), its wholly owned subsidiary. Based on assessment of diminution in the value of investments, the Company, has made a provision of Rs.1,534 in the prior year considering it to be "a decline other than temporary". The Company tested the investment for impairment using cash flow forecasts based on approved budgets and using a discounted cash flow method. As at the year end, the Company considers CSEL a strategic long term investment and based on future growth projections, in the opinion of the management, the remaining value of the investments is not impaired.

32 On August 1, 2002, the Company issued 1,500,000, 11% debentures of face value of Rs.100 each. The debentures were repayable at par at the end of five years from the date of issuance. Based on the orders of the Debt Recovery Tribunal, the Company had issued duplicate debenture certificates for 625,000 debentures (which form a part of the said 1,500,000 debentures) in favour of a Bank in June 2007. These debentures were redeemed in June 2007 and the same was disclosed in the annual report for the year ending March 2007. In August 2007, a civil suit was filed against the Company before the Hon'ble Madras High Court by another company ("Third Party"), claiming rights over the said 625,000 debentures. Decision on this suit is still pending before Hon'ble Madras High Court. On the basis of an interim application filed by the Third Party, the Hon'ble High Court passed an Interim Order in September 2007 restraining the Company from reflecting the redemption of debentures and directing the Company to continue to show it as due and payable. The said Order was made absolute in December 2010. The Company, in consultation with a senior legal counsel, has filed an appeal against the interim order of the Hon'ble High Court contending that it is not possible to show the debentures as due and payable as the debentures have already been redeemed and also reflected as redeemed in the Company's accounts prior to passing of interim order. The Company is awaiting the decision of the Hon'ble High Court in the Company's appeal, pending which; no adjustment has been made in the accounts.

33 The Company incurred losses in the prior year primarily on account of strategic initiatives including the sale of all its BPO businesses. The strategy led to significant, non–recurring and exceptional nature of items being recorded in the Statement of Profit and Loss in the previous year. Though the losses have been set off against free reserves, there is still a partial erosion of the net worth of the Company. However, considering the positive cash flow from operating activities along with negligible external debt and significant amount of cash on hand, and taking into consideration the approved budgets for the next twelve months, the Management and Board of Directors are of the opinion that it is appropriate to present these financial statements on a going concern basis.

(All amounts in Rs. Lakhs, unless otherwise stated)

	Year ended	
	Dec 31, 2012	Dec 31, 2011
34 Value of Imports on CIF basis		
Capital Goods	1	94
	1	**94**
35 Expenditure in Foreign currency		
Project work expenses	148	250
Travelling	68	97
Interest	-	28
Communication	17	143
Others	608	485
	841	**1,003**
36 Earnings in Foreign Currency		
FOB value of exports from IT & IT Services	8,983	16,771
Unbilled Income	414	-
	9,397	**16,771**
37 Basic and Diluted Earnings per share		
(Nominal value of shares: Rs.10)		
Net profit/ (loss) for the year after tax	643	(12,955)
Weighted average number of equity shares considered for calculating basic earnings/ (loss) per share – (A)	111,403,716	111,403,716
Earnings/ (loss) per share – Basic (Rs.)	**0.58**	**(11.63)**
Add: Weighted average number of potential equity shares under employee stock options during the year – (B)	-	3,327
Weighted average number of equity shares considered for calculating diluted earnings/ (loss) per share – (A + B)	111,403,716	111,407,043
Earnings/ (loss) per share – Diluted (Rs.)	**0.58**	**(11.63)**

Notes to the Financial Statements

(All amounts in Rs. Lakhs, unless otherwise stated)

38 Segment Reporting

The primary segment reporting of the Company is on the basis of business segments. Till the previous year the Company was organised into two business segments, viz., Information Technology and related services ('IT') and Business Process Outsourcing ('BPO'). During the previous year, the Company has sold its BPO business. During the current year, the Company has only one business segment viz., IT. The segments have been identified and reported considering industry segments of customers, risks and returns, organisation structure and internal financial reporting systems. Management views the entire IT business as one business segment.

The secondary segment reporting is performed on the basis of the geographical location of customers. The management views the USA, Europe (comprising France and UK) and rest of the world (comprising India, Australia and Singapore) as distinct geographical segments.

In 2011, Corporate activities such as treasury and taxation have been considered as unallocated items.

Particulars	IT		BPO (discontinued operations)		Unallocated		Eliminations		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenues										
External sales	9,978	9,173	-	8,129	-	-	-	-	9,978	17,302
Inter-segment transfers	-	35	-	-	-	-	-	(35)	-	-
Total revenues	**9,978**	**9,208**	**-**	**8,129**	**-**	**-**	**-**	**(35)**	**9,978**	**17,302**
Segment result	1,910	1,379	-	2,436	-	127	-	-	1,910	3,942
Exceptional items	536	-	-	-		15,588	-	-	536	15,588
Segment result before tax and interest	1,374	1,379	-	2,436	-	(15,461)	-	-	1,374	(11,646)
Finance costs	(16)	-	-	-	-	(321)	-	-	(16)	(321)
Tax expense	(715)	-	-	-	-	(988)	-	-	(715)	(988)
Net profit	**643**	**1,379**	**-**	**2,436**	**-**	**(16,770)**	**-**	**-**	**643**	**(12,955)**
Segment assets and liabilities										
Segment assets	19,093	18,422	-	-	-	-	-	-	19,093	18,422
Total assets	**19,093**	**18,422**	**-**	**-**	**-**	**-**	**-**	**-**	**19,093**	**18,422**
Segment liabilities	4,482	4,454	-	-	-	-	-	-	4,482	4,454
Total liabilities	**4,482**	**4,454**	**-**	**-**	**-**	**-**	**-**	**-**	**4,482**	**4,454**
Other segment information										
Capital expenditure	698	272	-	236	-	-	-	-	698	508
Depreciation and amortisation	344	238	-	613	-	-	-	-	344	851
Provision for doubtful debts, advances and deposits	2	92	-	-	-	-	-	-	2	92
Provision for dimunition in value of investment	-	-	-	-	-	3,122	-	-	-	3,122
Provision for dimunition in value of loan	-	-	-	-	-	9,869	-	-	-	9,869
Loss on fair value accounting of investment	-	-	-	-	-	29,336	-	-	-	29,336
Loss on disposal of investments	-	-	-	-	-	1,321	-	-	-	1,321
Profit on disposal of operations	-	-	-	-	-	(28,061)	-	-	-	(28,061)

Refer table below for disclosures under geographic segment basis:

Revenues	Dec 31, 2012	Dec 31, 2011
USA	2,996	6,398
Europe	5,159	8,919
Rest of the World	1,823	1,985
	9,978	**17,302**

(All amounts in Rs. Lakhs, unless otherwise stated)

39 Related Party Disclosures

A. Names of related parties and nature of relationship:

Nature of relationship	Names of related parties
Parties where control exists:	
(i) Holding companies:	
Ultimate Holding Company	Xchanging plc, UK
Intermediate holding companies	Xchanging Holdings Limited, UK
	Xchanging BV, The Netherlands
Immediate holding company	Xchanging (Mauritius) Limited, Mauritius ('XML')
(ii) Subsidiary companies	Xchanging Solution Europe Limited (formerly Cambridge Solutions Europe Limited, UK) ('XSEL')
	Xchanging Solutions (Singapore) Pte Limited (formerly Cambridge Solutions Pte Limited, Singapore) ('XSSPL')
	Xchanging Solution (Malaysia) Sdn Bhd (formerly Cambridge Solutions Sdn Bhd,Malaysia) ('XSMSB')
	Xchanging Solutions (USA) Inc (formerly Cambridge Solutions & Services Inc., USA) ('XSUI')
	Cambridge Solutions Pty Limited, Australia ('CSPL') (upto March 20, 2012)
	Nexplicit India Infotech Private Limited, India ('NIIPL')
Parties under common control:	
Fellow Subsidiaries	Xchanging Integrated Services Victoria Pty Limited, Australia ('XISVPL')
	Xchanging Integrated Services Australia Pty Limited, Australia ('XISAPL')
	Xchanging Builders Private Limited, India ('XBPL')
	Xchanging Systems and Service Inc., USA ('XSSI')(*)
	Xchanging Broking Services Limited, UK ('XBSL')(*)
	Xchanging Claim Services Limited, UK ('XCSL')(*)
	Xchanging Global Insurance Solutions Ltd., UK ('XGISL')
	Xchanging Technology Services India Private Limited, India ('XTSIPL')
	Xchanging UK Limited, UK ('XUKL')
	Xchanging GmbH, Germany ("XG")(*)
	Xchanging Asia Pacific Sdn Bhd, Malaysia ('XAPSB')
	Xchanging HR Services Ltd, UK ('XHRSL')
	Ins-sure Services Limited, UK ('ISSL')(*)
	Xchanging Procurement Services Limited, UK ('XPSL')
	Ferguson Snell & Associates Ltd, UK ("FSAL")(*)
	Waltham Holdings Limited, Jersey, Channel Islands ('WHL')(*)
	Xchanging Inc. USA ('XI')(*)
	Xchanging PTY Limited, Australia ('XPL')
Key Managerial Personnel (KMP)	
Executive Chairman and Chief Executive Officer	Kenneth Lever (*)
Executive Director	David Bauernfeind (*)

(*) No transactions during the year.

(i) The above information and those in "(B) Summary of transactions with related parties" have been determined to the extent such parties have been identified on the basis of information provided by the Company, which has been relied upon by the auditors.

(All amounts in Rs. Lakhs, unless otherwise stated)

	Holding companies [Note A(a)(i)]		Subsidiary companies [Note A(a)(ii)]		Fellow Subsidiaries [Note A(b)]		Total	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
39 Related Party Disclosures (Contd...)								
B. Summary of transactions with related parties is as follows:								
Expenses paid on behalf of the Company:								
XSEL, UK	-	-	262	280	-	-	262	280
XSSPL, Singapore	-	-	6	269	-	-	6	269
XSUI, USA	-	-	4	73	-	-	4	73
XUKL, UK	-	-	-	-	15	94	15	94
XTBG, Germany	-	-	-	-	-	55	-	55
XTSIPL, India	-	-	-	-	(33)	14	(33)	14
XBSL, UK	-	-	-	-		-	-	-
XGISL, UK	-	-	-	-	176	154	176	154
XHRSL, UK	-	-	-	-	16	(50)	16	(50)
XSSI, USA	-	-	-	-	-	36	-	36
FSAL, UK	-	-	-	-	-	0	-	0
XPL, Australia	-	-	-	-	66	-	66	-
Xchanging PLC			-	-	4	-	4	-
XAPSB, Malaysia	-	-	-	-	(4)	-	(4)	-
Expenses paid on behalf of the related party:								
XISAPL, Australia	-	-	-	3	9	-	9	3
CISGI, USA	-	-	-	22	-	-	-	22
XISVPL, Australia	-	-	-	20	-	-	-	20
XSEL, UK	-	-	27	127	-	-	27	127
XSSPL, Singapore	-	-	32	20	-	-	32	20
XSUI, USA	-	-	137	166	-	-	137	166
XBSL, UK	-	-	-	-	-	161	-	161
XTSIPL, India	-	-	-	-	206	222	206	222
XAPSB, Malaysia	-	-	-	-	68	131	68	131
XCSL, UK	-	-	-	-	-	22	-	22
XUKL, UK	-	-	-	-	19	7	19	7
XSSI, USA	-	-	-	-	-	(1)	-	(1)
XPL, Australia	-	-	-	-	(1)	-	(1)	-
Interest expense on loans:								
XTSIPL, India	-	-	-	-	-	132	-	132
Interest Income on loans:								
XTSIPL, India	-	-	-	-	166	-	166	-

(All amounts in Rs. Lakhs, unless otherwise stated)

	Holding companies		Subsidiary companies		Fellow Subsidiaries		Total	
	[Note A(a)(i)]		[Note A(a)(ii)]		[Note A(b)]			
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
39 Related Party Disclosures (Contd...)								
B. Summary of transactions with related parties is as follows: - Contd.								
Revenue:								
CISGI, USA	-	-	-	688	-	-	-	688
XISVPL, Australia	-	-	-	18	230	-	230	18
XSEL, UK	-	-	1,462	1,642	-	-	1,462	1,642
XSSPL, Singapore	-	-	86	214	-	-	86	214
XSUI, USA	-	-	2,348	2,177	-	-	2,348	2,177
XISAPL, Australia	-	-	-	136	-	183	-	319
XBSL, UK	-	-	-	-	-	3,696	-	3,696
XCSL, UK	-	-	-	-	-	182	-	182
XGISL, UK	-	-	-	-	802	1,011	802	1,011
XUKL, UK	126	-	-	-	-	72	126	72
ISSL, UK	-	-	-	-	-	135	-	135
XAPSB, Malaysia	-	-	38	-	-	335	38	335
XHRSL, UK	-	-	-	-	-	9	-	9
XTSIPL, India	-	-	-	-	115	72	115	72
Investments made during the year:								
CISGI,USA*	-	-	-	29,336	-	-	-	29,336
* Investment by conversion of loan								
Loans given during the year:								
XTSIPL, India	-	-	-	-	-	944	-	944
XBPL, India	-	-	-	-	977	-	977	-
Loans repaid during the year:								
XTSIPL, India	-	-	-	-	44	2,000	44	2,000
Sale of Subsidiary Companies								
XTSIPL, India	-	-	-	-	-	29,975	-	29,975
XPTYL, Australia	-	-	-	-	-	7,459	-	7,459
WHL, Channel Island	-	-	-	-	-	0	-	0
Payment on account of invocation of Corporate Guarantee								
XUKL, UK	-	-	-	-	-	29,336	-	29,336

(All amounts in Rs. Lakhs, unless otherwise stated)

	Holding companies		Subsidiary companies		Fellow Subsidiaries		Total	
	[Note A(a)(i)]		[Note A(a)(ii)]		[Note A(b)]			
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
39 Related Party Disclosures (Contd...)								
C. Summary of balances of related parties is as follows: -								
Trade Receivables:								
XISVPL, Australia	-	-	-	-	37	59	37	59
XSEL, UK	-	-	823	953	-	-	823	953
XSSPL, Singapore	-	-	59	60	-	-	59	60
XSUI, USA	-	-	1,822	2,832	-	-	1,822	2,832
XTSIPL, India	-	-	-	-	-	236	-	236
XUKL, UK	-	-	-	-	22	-	22	-
XAPSB, Malaysia	-	-	-	-	17	290	17	290
XGISL, UK	-	-	-	-	287	210	287	210
Expenses Payable:								
XSEL, UK	-	-	300	238		-	300	238
XSSPL, Singapore	-	-	52	544		-	52	544
NIIPL, India	-	-	85	86		-	85	86
XSUI, USA	-	-	3	170		-	3	170
XUKL, UK	-	-	-	-	16	70	16	70
XGISL, UK	-	-	-	-	0	51	0	51
XHRSL, UK	-	-	-	-	32	-	32	-
XTSIPL, India	-	-	-	-	93	78	93	78
XAPSB, Malaysia	-	-	-	-	3	-	3	-
XPL, Australia	-	-	-	-	9	-	9	-
Xchanging plc, UK	-	-	-	-	4	-	4	-
Expenses Receivable:								
XISVPL, Australia	-	-		-	6	-	6	-
XSEL, UK	-	-	255	197		-	255	197
XSSPL, Singapore	-	-	50	31		-	50	31
XSMSB, Malaysia	-	-	1	1		-	1	1
XSUI, USA	-	-	379	208		-	379	208
XTSIPL, India	-	-	-	-	123	4	123	4
XGIS, UK	-	-	-	-	1	-	1	-
XUKL, UK	-	-	-	-	4	-	4	-
XAPSB, Malaysia	-	-	-	-	62	-	62	-
Loans and advances:								
XSEL, UK	-	-	-	-	-	-	-	-
XTSIPL, India	-	-	-	-	900	944	900	944
XSSPL, Singapore	-	-	4	4	-	-	4	4
XSUI, USA	-	-	17,283	17,283	-	-	17,283	17,283
XBPL, India	-	-	-	-	977	-	977	-

(All amounts in Rs. Lakhs, unless otherwise stated)

40 Leases

Operating lease

As lessee:

In case of assets taken on lease:

The Company has operating lease arrangements for its office premises, guest houses and certain equipment. The lease arrangements for premises and guest houses have been entered up to a maximum of six years from the respective dates of inception. Some of these lease arrangements have price escalation clauses. Rent and hire charges for such operating leases recognised in the Statement of Profit and Loss for the year ended December 31, 2012 amounts to Rs. 432 (2011: Rs. 1,032).

Future minimum lease payments under operating lease arrangements are as under:

Particulars	Dec 31, 2012	Dec 31, 2011
Not later than one year	344	357
Later than one year and not later than five years	274	407
Payable later than 5 years	-	-
Total	**618**	**764**

41 Provisions

In accordance with AS 29 ‘Provisions, Contingent Liabilities and Contingent Assets’, the particulars of provisions as at December 31, 2012 are as follows:

Particulars	Dec 31, 2011	Created during the year	Utilised/ reversed during the year	Dec 31, 2012
Onerous lease contracts [Note (i)]	173	-	-	173
	(173)	-	-	(173)
Litigation [Note (ii)]	32	-	-	32
	(32)	-	-	(32)

Notes:

(i) Provision for onerous lease contracts relates to losses recognised on contracts to the extent that unavoidable cost of meeting the obligations under the contract exceeds the economic benefits expected to be received under it. The cash outflows are expected to occur over a period of eight years.

(ii) Provision for litigations relates to a litigation matter. Due to the very nature of such costs, it is not possible to estimate the timing/ uncertainties relating to their outflows.

(iii) Prior year numbers are disclosed within brackets.

42 Dues to micro medium and small enterprises (MSMED)

The Company has initiated the process of identifying micro, small and medium enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006 (‘MSMED’), by requesting vendor confirmations, and as at the year end, the Company is still in the process of compiling the complete and relevant information. However, based on the information available to date, the Company has identified no vendors that qualify under the requirements of MSMED and accordingly, the below disclosures have been given considering vendor identification carried out as at the year end:

(All amounts in Rs. Lakhs, unless otherwise stated)

Particulars	Dec 31, 2012	Dec 31, 2011
Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year ending Dec. 2012	-	-
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year ending Dec. 2012 (Note 1)	-	-
Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	
Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest due and payable towards suppliers registered under MSMED Act, for payments already made	-	-
Further interest remaining due and payable for earlier years	-	-

Notes:

(1) The Company has not accrued for interest on the unpaid principal amount as no claim has been raised by the concerned vendors.

(2) The above information has been determined to the extent such parties have been identified by the Company, which has been relied upon by the auditors.

43 Taxation

Current Tax:

Current tax charge reflects provision for income tax based on the taxable income of the Company after considering taxable income as per the local tax laws applicable in India. While ascertaining the taxable income for the current year, the brought forward losses if any, have also been considered.

In India, the Company operates out of various facilities. Many of these facilities were eligible to claim tax holiday under Section 10A of the Income-tax Act, 1961, of India up to the tax fiscal year ended March 31, 2011.

The current tax charge for the Company includes minimum alternative tax (MAT) determined under Section 115JB of the Income Tax Act, 1961, of India.

MAT Credit Entitlement:

Based on assessment of future taxable income and sunset of tax holiday period, the management is of the opinion that there is convincing evidence that the Company will pay normal income tax within the specified period during which MAT credit is available for set off. Loans and Advances includes MAT Credit Entitlement asset of Rs.1,260 (2011:Rs.1,260). MAT Credit Entitlement asset will be reviewed at each balance sheet date for write-down, if any.

Deferred tax:

In terms of the provisions of the AS-22 “Accounting for Taxes on Income”, considering the accumulated business losses and unabsorbed depreciation, no deferred tax asset has been recognised in these financial statements by virtue of there being no virtual certainty supported by convincing evidence of future taxable income. However, this position will be reassessed at every year end.

(All amounts in Rs. Lakhs, unless otherwise stated)

Transfer Pricing:

The Company has significant intra group transactions pertaining to revenue and expense cross charges. The management is in the process of updating the transfer pricing study for such transactions entered into during the year ended December 31, 2012, and does not anticipate any adjustments with regard to the transactions involved.

44 Previous Year Figures

The financial statements for the year ended December 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended December 31, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

For Price Waterhouse & Co., Bangalore
Firm Registration Number: 007567S
Chartered Accountants

Shivakumar Hegde
Partner
Membership Number: 204627
Place : Bangalore
Date : March 1, 2013

For and on behalf of the Board of Directors

Kenneth Lever
Executive Chairman &
Chief Executive Officer
Place : London
Date : March 1, 2013

David Bauernfeind
Executive Director

Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : March 1, 2013

Vijayamahantesh Khannur
Company Secretary

STATEMENT PURSUANT TO EXEMPTION RECEIVED UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

STATEMENT PERSUANT TO SECTION 212 (1)(e) OF THE COMPANIES ACT, 1956

Relating to the subsidiary companies for the period ended December 31, 2012

1	Name of the Subsidiary Company	Xchanging Solutions (USA) Inc (formerly Cambridge Solutions & Services Inc., USA) ('XSUI')	Xchanging Solution (Europe) Limited (formerly Cambridge Solutions Europe Limited, UK) ('XSEL')	Xchanging Solutions (Singapore) Pte Limited (formerly Cambridge Solutions Pte Limited, Singapore) ('XSSPL')	Xchanging Solution (Malaysia) Sdn Bhd (formerly Cambridge Solutions Sdn Bhd, Malaysia) ('XSMSB')	Nexplicit India Infotech Private Limited, India ('NIIPL')
2	Financial Year of the subsidiary company	31st December 2012	31st December 2012	31st December 2012	31st December 2012	31st December 2012
3	No. of shares held in Subsidiary Company as on above date	9,930,062	2,664,278	2,300,000	250,000	10,000
4	% of holding (Equity)	100%	100%	100%	100%	100%
5	The net aggregate of Profit / (Losses) of the subsidiary companies so far as they concern the members of the company	-	-	-	-	-
a.	Dealt within the Accounts of the company for the year ended December 31, 2012	Nil	Nil	Nil	Nil	Nil
b.	Not Dealt within the Accounts of the company for the year ended December 31, 2012	USD 1,225,609	GBP (15870)	SGD (150684)	MYR (27660)	INR (259524.02)
6	The net aggregate of Profit / (Losses) of the subsidiary companies for the previous financial years since it became a subsidiary company so far as they concern the members of the company	-	-	-	-	-
a.	Dealt within the Accounts of the company for the year ended December 31, 2012	Nil	Nil		Nil	Nil
b.	Not Dealt within the Accounts of the company for the year ended December 31, 2012	USD (2,752,493)	GBP (445,229)	SGD 233287	RM 650911	INR (1018493)

STATEMENT PURSUANT TO EXEMPTION RECEIVED UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Statement pursuant to exemption received under Section 212(8) of the Companies Act, 1956 relating to subsidiary companies

(All Amounts in INR Millions)

Sl No	Name of the Subsidiary Company	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Investment other than investment in subsidiary	Turnover	Profit/ (Loss) before taxation	Provision for taxation	Profit/ (Loss) after taxation	Proposed dividend	Country
1	Xchanging Solutions (USA) Inc (formerly Cambridge Solutions & Services Inc., USA) ('XSUI')	54.69	543.08	(2,848.54)	223.92	2,529.38	-	845.34	68.71	1.68	67.03	-	U.S.A
2	Xchanging Solutions (Europe) Limited (formerly Cambridge Solutions Europe Limited, UK) ('XSEL')	88.34	235.36	(167.39)	179.13	111.16	-	221.35	(1.40)	-	(1.40)	-	U.K.
3	Xchanging Solutions (Singapore) Pte Limited (formerly Cambridge Solutions Pte Limited, Singapore) ('XSSPL')	44.70	102.80	31.98	378.77	244.16	-	541.99	3.23	9.97	(6.74)	-	SINGA-PORE
4	Xchanging Solutions (Malaysia) Sdn Bhd (formerly Cambridge Solutions Sdn Bhd,Malaysia) ('XSMSB')	18.30	4.58	72.77	89.33	11.99	-	0.30	(0.51)	-	(0.51)	-	MALAYSIA
5	Nexplicit India Infotech Private Limited, India ('NIIPL')	1.00	0.10	9.75	16.59	6.75	-	-	(0.02)	0.24	(0.26)	-	INDIA

Notes:

1. Investment in Cambridge Galaher Settlements & Insurance Services has been sold to Sedgwick Claims Management Services, Inc, USA with effect from May 31, 2011.
2. Investment in Cambridge Integrated Services Victoria Pty Limited, Australia and its wholly owned subsidiary Cambridge Integrated Services Australia Pty Limited has been sold to Xchanging Procurement Pty Limited, Australia with effect from June 13, 2011.
3. Investment in Cambridge Integrated Services Group Inc., USA and its wholly owned subsidiary Process Mind Holding Mauritius Limited has been sold to Waltham Holdings Limited, Jersey,Channel Islands with effect from August 31, 2011.
4. Investment in Cambridge Solutions France SARL has been sold to the erstwhile owners of the entity with effect from October 28, 2011.
5. Indigo Markets Limited has been liquidated ,subsequent to the year end on January 10,2012.
6. Management control of Cambridge Builders Private Limited has been transferred to Xchanging Technology Services India Private Limited with effect from July 22, 2011.

Auditors' Report

To

The Board of Directors of Xchanging Solutions Limited (formerly, Cambridge Solutions Limited)

1. We have audited the attached consolidated balance sheet of Xchanging Solutions Limited (formerly, Cambridge Solutions Limited) (the "Company") and its subsidiaries; hereinafter referred to as the "Group" (refer Note 2.1B to the attached consolidated financial statements) as at December 31, 2012, the related consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of three subsidiaries included in the consolidated financial statements, which constitute total assets of Rs.38,033,837 and net assets of Rs.31,218,313 as at December 31, 2012, total revenue of Rs.290,681, net loss of Rs.769,583 and net cash flows amounting to Rs.1,373,241 for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.

4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements notified under sub-section 3C of Section 211 of the Companies Act, 1956.

5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at December 31, 2012;

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

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

6. We draw your attention to Note 30 of the consolidated financial statements regarding redemption of certain debentures, aggregating to Rs.62,500,000, by the Company in the year 2007; subsequent order of the Hon'ble High Court of Adjudicature at Madras restraining the Company from reflecting the redemption of debentures and to continue to show it as due and payable consequent to a petition filed by a third party; and non-reversal of the aforesaid redemption of debentures in the books of account of the Company pending admission and disposal of the appeal filed by the Company with the Hon'ble High Court of Adjudicature at Madras on July 26, 2011. Depending on the outcome of the Company's appeal, significant adjustments may be required to be made and reflected in the subsequent period financial reporting. Our opinion is not qualified in this respect.

For Price Waterhouse & Co., Bangalore
Firm Registration Number: 007567S
Chartered Accountants

Shivakumar Hegde
Partner
Membership No.: 204627

Bangalore
March 1, 2013

XCHANGING SOLUTIONS LIMITED
(formerly, Cambridge Solutions Limited)

(All amounts in Rs. Lakhs, unless otherwise stated)

	Note	As at Dec 31, 2012	As at Dec 31, 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share Capital	3	11,140	11,140
Reserves and surplus	4	13,884	12,557
		25,024	23,697
Non-current liabilities			
Long-term borrowings	5	92	91
Other long-term liabilities	6	107	90
Long-term provisions	7	537	823
		736	1,004
Current liabilities			
Trade Payables	8	4,396	5,058
Other current liabilities	9	883	958
Short-term provisions	10	1,462	830
		6,741	6,846
TOTAL		**32,501**	**31,547**
ASSETS			
Non-Current Assets			
Fixed Assets			
(i) Tangible Assets	11	745	582
(ii) Intangible Assets	12	15,881	15,842
Non-Current Investments	13	-	-
Long-term loans and advances	14	2,442	1,570
Other Non-Current assets	15	63	57
		19,131	18,051
Current Assets			
Trade Receivables	16	6,324	6,162
Cash and Bank balances	17	4,222	4,066
Short-term loans and advances	18	2,803	3,264
Other current assets	19	21	4
		13,370	13,496
TOTAL		**32,501**	**31,547**

The Notes referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our report of even date

For Price Waterhouse & Co., Bangalore
Firm Registration Number: 007567S
Chartered Accountants

Shivakumar Hegde
Partner
Membership Number: 204627

Place : Bangalore
Date : March 1, 2013

For and on behalf of the Board of Directors

Kenneth Lever
Executive Chairman &
Chief Executive Officer
Place : London
Date : March 1, 2013

David Bauernfeind
Executive Director

Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : March 1, 2013

Vijayamahantesh Khannur
Company Secretary

XCHANGING SOLUTIONS LIMITED
(formerly, Cambridge Solutions Limited)

(All amounts in Rs. Lakhs, unless otherwise stated)

	Note	For the year ended Dec 31, 2012	Dec 31, 2011
Revenue			
Revenue from operations	22	20,883	55,181
Other income	23	1,625	3,985
Total Revenue		22,508	59,166
Expenses			
Employee benefits expense	24	14,295	36,106
Other operating costs	25	5,099	20,029
Finance costs	26	16	339
Depreciation and amortisation	27	508	1,319
Total Expenses		19,918	57,793
Profit before exceptional items and tax		2,590	1,373
Exceptional items - Gain/ (loss) (Refer note 29)		(536)	53,632
Profit/ (Loss) before taxation		2,054	55,005
Profit/(Loss) before taxation from Continuing Operations:			
Profit/(Loss) before tax from operations		2,590	12,747
Exceptional items - (loss) - Others		(536)	5,263
Profit/(Loss) before taxation and exceptional item from Continuing Operations		2,054	18,010
Provision for taxation from Continuing Operations:			
Current tax		829	219
MAT credit entitlement		-	(435)
		829	(216)
Profit/(Loss) after taxation from Continuing Operations: (A)		**1,225**	**18,226**
Profit before taxation from Discontinued Operations:			
Profit before tax from operations		-	(11,374)
Profit from sale of operations (included in exceptional items)		-	48,369
		-	36,995
Provision for taxation from Discontinued Operations:			
Current tax		-	1,305
Deferred tax		-	115
Fringe benefit tax		-	64
		-	1,484
Profit after taxation from Discontinued Operations: (B)		**-**	**35,511**
Profit /(Loss) for the year (A+B)		1,225	53,737
Earnings/ (Loss) per Equity Share [Nominal value per share Rs.10 (2011: Rs.10)]			
Basic		1.10	48.24
Diluted		1.10	48.23

The Notes referred to above form an integral part of the Statement of Profit and Loss
This is the Statement of Profit and Loss referred to in our report of even date

For Price Waterhouse & Co., Bangalore
Firm Registration Number: 007567S
Chartered Accountants

Shivakumar Hegde
Partner
Membership Number: 204627
Place : Bangalore
Date : March 1, 2013

For and on behalf of the Board of Directors

Kenneth Lever
Executive Chairman &
Chief Executive Officer
Place : London
Date : March 1, 2013

David Bauernfeind
Executive Director

Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : March 1, 2013

Vijayamahantesh Khannur
Company Secretary

XCHANGING SOLUTIONS LIMITED
(formerly, Cambridge Solutions Limited)

(All amounts in Rs. Lakhs, unless otherwise stated)

	Year ended	
	Dec 31, 2012	**Dec 31, 2011**
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	2,054	55,005
Adjustments for:		
Depreciation and amortisation	508	1,319
(Profit) / Loss on sale of tangible assets	(19)	(4)
Gain on disposal of operations	-	(48,369)
Foreign exchange (gain)/ loss (net) - unrealised	(18)	468
Interest income	(341)	(237)
Provisions / Liabilities no longer required written back	1,186	(2,639)
Provision for doubtful debts	21	861
Provision for doubtful advance and deposits	-	1,662
Interest expense	16	294
Operating profit before working capital changes	1,035	8,360
Movement in working capital:		
(Increase) / Decrease in trade receivables and other current assets	33	(7,597)
(Increase) / Decrease in loans and advances	860	(14,781)
Increase / (Decrease) in current liabilities and provisions	(164)	5,432
Net cash from operating activities	1,764	(8,586)
Direct taxes paid (net of refunds)	**(339)**	**(1,876)**
Net cash from operating activities (A)	1,425	(10,462)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	(720)	(1,366)
Proceeds from sale of tangible assets	47	60
Intercorporate Loan given	(926)	(900)
Consideration received for sale of operations (net)	-	41,197
Long term deposit with maturity more than 3 months but less than 12 months	3	(6)
Long term deposits with banks with maturity period more than 12 months	(6)	(57)
Interest received	341	194
Net cash used in investing activities (B)	**(1,261)**	**39,122**

Contd

(All amounts in Rs. Lakhs, unless otherwise stated)

	Year ended Dec 31, 2012	Year ended Dec 31, 2011
C. CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment)/ proceeds from short term bank borrowings	-	(2,892)
Payment on account of corporate guarantee invocation	-	(34,713)
Proceeds from loans	-	6,040
(Repayment) of loans	1	1
Interest paid	(16)	(613)
Net cash used in financing activities (C)	**(15)**	**(32,177)**
Net increase in cash and cash equivalents (A + B + C)	**149**	**(3,517)**
Cash and cash equivalents at the beginning of the year	4,060	8,955
Effect of changes in exchange rates on cash and cash equivalents	10	(1,378)
Cash and cash equivalents at the end of the year	**4,219**	**4,060**
Components of cash and cash equivalents:		
Cash on hand	2	-
Balances with banks		
in current account	2,450	2,141
Demand deposit (less than 3 months maturity)	1,767	1,919
	4,219	**4,060**

Notes:

(1) The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at December 31, 2012 and the related Statement of Profit and Loss for the year ended on that date.

(2) The above Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard - 3 on Cash Flow Statements as notified under Section 211(3C) of the Companies Act, 1956 and reallocations required for this purpose are as made by the Company.

(3) Prior year's figures have been regrouped/ reclassified wherever necessary to conform with current year's classification.

This is the Cash Flow Statement
referred to in our report of even date

For Price Waterhouse & Co., Bangalore
Firm Registration Number: 007567S
Chartered Accountants

Shivakumar Hegde
Partner
Membership Number: 204627

Place : Bangalore
Date : March 1, 2013

For and on behalf of the Board of Directors

Kenneth Lever
Executive Chairman &
Chief Executive Officer
Place : London
Date : March 1, 2013

David Bauernfeind
Executive Director

Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : March 1, 2013

Vijayamahantesh Khannur
Company Secretary

XCHANGING SOLUTIONS LIMITED
(formerly, Cambridge Solutions Limited)

(All amounts in Rs. Lakhs, unless otherwise stated)

1. General Information

Xchanging Solutions Limited ('the Company') (formerly known as Cambridge Solutions Limited), incorporated on February 1, 2002, is an information technology (IT) services provider with operations in India and an international presence established through subsidiaries in several countries including the USA, Singapore and the UK. During the previous year the Company has sold its BPO business.

Pursuant to agreements, arrangements, amalgamations, etc. (with requisite approvals from various High Courts in India, wherever applicable), the Company has, during earlier years, acquired the IT services businesses (including assets and liabilities) of / from the following entities:

- SSI Limited (Information Technology division with operations in India, USA and several other countries).
- Scandent Group Limited, Mauritius (with operations in USA, Singapore, Germany, etc.).
- Matrix One India Limited (with operations in India).

Pursuant to share purchase agreements between Xchanging (Mauritius) Limited (XML), a wholly owned subsidiary of Xchanging Plc, a listed company incorporated in UK, and the erstwhile principal shareholders of the Company, and consequent open offer to public, XML now owns 75.00% (2011: 75.62%) of the outstanding share capital of the Company. Though the open offer process was completed on April 9, 2009, XML obtained the power of operational control of the Company effective January 1, 2009.

The shareholding pattern as at the year-end is given below:

Name of the shareholder	2012	2011
Xchanging (Mauritius) Limited	75.00%	75.62%
Scandent Holding Mauritius Limited	11.82%	11.82%
AON Minet Pension Scheme	3.77%	3.77%
Katra Finance Limited	2.70%	2.70%
Others	6.71%	6.09%
	100.00%	**100.00%**

Pursuant to approval of the shareholders in the annual general meeting and subsequent approval of the Registrar of Companies on June 11, 2012, the name of the Company has been changed to Xchanging Solutions Limited.

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

A The consolidated financial statements relate to Xchanging Solutions Limited ('the Company') and its subsidiaries (together, 'the Group') and have been prepared to comply in all material respects with the notified Accounting Standards ('AS') under the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956 ('the Act'). The consolidated financial statements have been prepared under the historical cost convention and on an accrual basis. The accounting policies have been consistently applied by the Group and are consistent with those used in the prior period.

The consolidated financial statements of the Group have been prepared based on a line-by-line consolidation of the balance sheet, statement of profit and loss and cash flow statement of the Company and its subsidiaries as at and for the year ended December 31, 2012. All material inter-company transactions and balances between the entities included in the consolidated financial statements have been eliminated.

(All amounts in Rs. Lakhs, unless otherwise stated)

The excess of cost to the Company of its investments in subsidiaries, over its proportionate share in equity of the subsidiaries at the date of acquisition is recognised in the consolidated financial statements as Goodwill and disclosed under Intangible Assets. In case the cost of investment in subsidiaries is less than the proportionate share in equity of the subsidiaries at the date of acquisition, the difference is treated as Capital Reserve and disclosed under Reserves and Surplus or netted off against Goodwill, as may be the case.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible in the same manner as the Company's separate financial statements.

All assets and liabilities have been classified as current and non current as per the Group's normal operating cycle and other criteria set out in the revised Schedule VI to the Companies Act, 1956. Based on the nature of services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current - non current classification of assets and liabilities.

B Subsidiaries considered in the consolidated financial statements are given below:

Name of the subsidiary	Country of incorporation	Ownership interest
Direct subsidiaries:		
Xchanging Solutions (Singapore) Pte Limited (Formerly Cambridge Solutions Pte Limited, Singapore)	Singapore	100%
Xchanging Solution (Europe) Limited (Formerly Cambridge Solutions Europe Limited, UK)	United Kingdom	100%
Xchanging Solutions (USA) Inc (Formerly Cambridge Solutions & Services Inc., USA)	USA	100%
Indigo Markets Limited [Note (i)]	Bermuda	100%
Step down subsidiaries:		
Cambridge Solutions Pty Limited [Note (ii)]	Australia	100%
Nexplicit India Infotech Private Limited	India	100%
Xchanging Solution (Malaysia) Sdn Bhd (Formerly Cambridge Solutions Sdn Bhd)	Malaysia	100%

Notes:

(i) Indigo Markets Limited has been liquidated on January 10, 2012.

(ii) Cambridge Solutions Pty Limited has been liquidated on March 20, 2012.

(iii) There has been no change in the ownership interest in the above subsidiaries as compared to the prior year other than that referred to in the notes (i) to (ii) above.

2.2 Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision in accounting estimates is recognised prospectively in current and future periods.

(All amounts in Rs. Lakhs, unless otherwise stated)

2.3 *Tangible Assets and Depreciation*

(i) Tangible assets are stated at cost of acquisition less accumulated depreciation and impairment losses. Cost comprises the purchase price and any directly attributable costs of bringing the assets to their working condition for its intended use.

(ii) Depreciation is provided on a straight line method (SLM) based on estimated useful life of tangible assets determined by management (which are higher than the rates prescribed under Schedule XIV to the Act) as follows:

	Years
Computers	2 to 4
Vehicles	2 to 5
Office	3 to 5
Furniture	5 to 10

(iii) Leasehold improvements are amortised over the period of lease or five years, whichever is lower. Assets acquired on finance lease are depreciated at the lower of lease term and estimated useful life as stated above. Assets individually costing up to Rupees five thousand are fully depreciated in the year of purchase.

2.4 *Intangible Assets*

Intangible assets are recognised only if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets comprise of goodwill, computer software, computer software license rights, license to use intellectual property and software development costs.

(i) Goodwill arising on acquisition is the difference between the cost of an acquired business and the aggregate of the fair value of that entity's identifiable assets and liabilities and the same is amortised on a straight line basis over its economic life or the period defined in the Court scheme.

(ii) Costs incurred towards development of computer software meant for internal use are capitalised subsequent to establishing technological feasibility. Computer software is amortised over an estimated useful life of two to six years.

(iii) Computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software, and are amortised on straight line basis over an estimated useful life of two to four years.

(iv) License to use intellectual property rights are amortised on straight line basis over an estimated useful life of six years.

(v) The amortisation period and method used for intangible assets are reviewed at each financial year end.

2.5 *Goodwill arising on consolidation*

Goodwill arising on consolidation is carried at the value determined at the date of acquisition of the subsidiary. Goodwill arising on consolidation is not amortised, but is tested for impairment at every balance sheet date.

2.6 *Borrowing Costs*

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset till such time the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use.

(All amounts in Rs. Lakhs, unless otherwise stated)

2.7 Lease accounting

Finance lease:

Assets acquired under lease where the Group has substantially all the risks and rewards of ownership are classified as finance lease. Such lease is capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each period. Lease management fees, legal charges and other initial direct costs are capitalised.

Operating lease:

Assets acquired on lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals on assets taken on operating lease are recognised as an expense in the Statement of Profit and Loss on a straight line basis over the lease term.

2.8 Investment

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in the value is made to recognise a decline, other than temporary, in the value of the investments.

2.9 Inventories

Inventories comprise licenses purchased by the Group for resale to a customer and are stated at the lower of cost and net realisable value. Cost of licenses is determined using the first-in-first-out method.

2.10 Impairment of assets

At each balance sheet date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Profit and Loss to the extent the carrying amount exceeds the recoverable amount.

2.11 Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefit will flow to the Company and that revenue can be reliably measured.

(i) Revenue from time and material contracts are recognised as related services are performed.

(ii) Revenue from fixed price contracts for delivering services is recognised under the proportionate-completion method wherein revenue is recognised based on services performed to date as a percentage of total services to be performed.

(iii) Revenue from maintenance contracts are recognised rateably over the term of the maintenance contract on a straight-line basis.

(iv) Revenue from certain services are recognised as the services are rendered, on the basis of an agreed amount in accordance with the agreement entered into by the Company.

(v) Revenue from sale of user licenses for software application is recognised on transfer of the title in the user license.

(All amounts in Rs. Lakhs, unless otherwise stated)

(vi) Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(vii) Provision for estimated losses, if any, on incomplete contracts are recorded in the period in which such losses become probable based on the current contract estimates.

(viii) Deferred and unearned revenues represent the estimated unearned portion of fees derived from certain fixed-rate claim service agreements. Deferred revenues are recognised based on the estimated rate at which the services are provided. These rates are primarily based on a historical evaluation of actual claim closing rates. Unearned revenues for fixed fee contracts are recognised on a pro-rata basis over the term of the underlying service contracts, which are generally one year.

(ix) Unbilled revenue represents costs and earnings in excess of billings as at the balance sheet date.

2.12 Foreign currency transactions

(i) Initial recognition:

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion:

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) Exchange differences:

Exchange differences arising on the settlement of monetary items or on reporting the Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in prior year financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations. Exchange differences arising on a monetary item that, in substance, forms part of the Company's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognised as income or as expense.

(iv) Forward exchange contracts not intended for trading or speculation purposes:

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

(v) Foreign subsidiaries:

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself.

In translating the financial statements of a non-integral foreign operation for incorporation in financial statements of the Group, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operation are translated at monthly average exchange rates of the transactions; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the investment.

(All amounts in Rs. Lakhs, unless otherwise stated)

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expense in the same period in which the gain or loss on disposal is recognised.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

2.13 Employee benefits

(a) Short term employee benefits:

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits, which include benefits like salaries, short term compensated absences, performance incentives, etc. and are recognised as expense in the period in which the employee renders the related service.

(b) Defined-contribution plans:

The Company's contribution towards defined contribution plans (where Company pays pre-defined amounts and does not have any legal or informal obligation to pay additional sums) for post employment benefits, namely, Provident Fund, Employee Pension Scheme, etc. are charged to Statement of Profit and Loss as expense during the period in which the employees perform the service.

(c) Defined-benefit plans:

The Company has a defined benefit plan for employees in form of Gratuity, the liability in respect of which is determined on the basis of valuation carried out by an independent actuary (using the projected unit credit method) at the balance sheet date.

(d) Other long term employee benefits:

Compensated absences that are not expected to occur within twelve months after the end of the period in which the employee renders related services are recognised as a liability at the present value of the defined benefit obligation based on actuarial valuation (under projected unit credit method) carried out at the balance sheet date.

(e) Actuarial gains and losses:

Actuarial gains and losses comprise experience adjustments and the effect of changes in the actuarial assumptions, and are recognised immediately in the Statement of Profit and Loss as income or expense.

(f) Deferred employee stock compensation costs:

Stock options granted to the employees under employee stock option plans (ESOP's) are recognised in accordance with the accounting treatment prescribed by "Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999". Accordingly, the excess of market value of the stock options, as on the date of grant, over the exercise price of the options, is recognised as deferred employee stock compensation expenses, and is charged to Statement of Profit and loss on 'graded vesting' basis over the vesting period of the options. The fair value of the options is measured on the basis of an independent valuation performed or the market price in respect of stock options granted.

2.14 Taxes on income

Tax expense comprises current and deferred taxes. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with local tax laws applicable in the respective countries. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

(All amounts in Rs. Lakhs, unless otherwise stated)

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set-off against each other as the Company does not have a legal right to do so. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternative Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the Guidance Note on Accounting in respect of Minimum Alternative Tax issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Statement of Profit and Loss and disclosed as MAT Credit Entitlement. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Group will pay normal income tax during the specified period.

2.15 Earnings/ (loss) per share

Basic earnings/(loss) per share is calculated by dividing the net profit/ (loss) for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during all the years presented is adjusted for capital reduction.

For the purpose of calculating diluted earnings/ (loss) per share, the net profit/(loss) for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

2.16 Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation. When the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, only when such reimbursement is virtually certain.

(All amounts in Rs. Lakhs, unless otherwise stated)

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 cash 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.

Contingent liabilities are disclosed when there is a possible obligation or a present obligation that may (but probably will not) require an outflow of resources.

2.17 Segment reporting

Identification of segments: The Group's operating businesses are organised and managed separately according to the nature of services rendered. The analysis of geographical segments is based on the geographical location of the Group's customer.

Inter segment transfers: The Group generally accounts for inter segment sales and transfers as if the sales or transfers were to third parties at current market prices.

Allocation of common costs: Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items: The unallocated items include general corporate income and expense items which are not allocated to any business segment.

2.18 Exceptional Items

Exceptional items are generally non-recurring items of income and expense within profit or loss from ordinary activities, which are of such size, nature or incidence that their disclosure is relevant to explain the performance of the Group for the year.

2.19 Project work Expenses

Project work expenses represents amounts charged by sub-contractors and cost of hardware and software incurred for execution of projects. These expenses are recognised on an accrual basis.

2.20 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand, demand deposits (less than 3 months maturity) and short-term investments with an original maturity of three months or less.

2.21 Derivative instruments

With respect to derivative instruments (foreign currency forward contracts) to hedge the risks associated with highly probable forecast transactions, the (gain)/loss arising on forward exchange contracts in foreign currency, entered into to hedge highly probable forecast transactions, which qualify for hedge accounting, are accounted for under Hedging Reserve to be ultimately recognised in the Statement of Profit and Loss when the forecasted transactions arise, as per the principles of hedge accounting enunciated in Accounting Standard 30, "Financial Instruments: Recognition and Measurement" issued by the institute of Chartered Accountants of India.

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at Dec 31, 2012	As at Dec 31, 2011
3. Share Capital		
Authorised capital:		
125,000,000 (2011: 125,000,000) Equity shares of Rs.10 each	12,500	12,500
Issued, subscribed and paid up capital:		
111,403,716 (2011: 111,403,716) Equity shares of Rs.10 each fully paid	11,140	11,140
	11,140	**11,140**

a) Reconciliation of number of shares

Equity Shares	As at Dec 31, 2012		As at Dec 31, 2011	
	Number of Shares	Amount	Number of Shares	Amount
Shares outstanding at the beginning of the year	111,403,716	11,140	111,403,716	11,140
Add / (Less): Movement during the year	-	-	-	-
Shares outstanding at the end of the year	111,403,716	11,140	111,403,716	11,140

b) Rights, preferences and restrictions attached to shares

Equity Shares: The Company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

c) Shares held by holding company and subsidiary of holding company

	As at Dec 31, 2012		As at Dec 31, 2011	
Name of Shareholder	Number of Shares	Amount	Number of Shares	Amount
Xchanging (Mauritius) Limited, the holding company	83,552,787	8,355	84,239,164	8,424

d) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company:

	As at Dec 31, 2012		As at Dec 31, 2011	
Name of Shareholder	Number of Shares held	Percentage	Number of Shares held	Percentage
Xchanging (Mauritius) Limited	83,552,787	75.00	84,239,164	75.62
Scandent Holding Mauritius Limited	13,167,551	11.82	13,167,551	11.82

e) Shares reserved for issue under options:

Particulars of employees stock options on unissued share capital have been disclosed in Note 28.

The total number of shares issued under ESOP in the last 5 years is as below:

Year	Number of shares
2009	16,666
2010	21,667
Total	**38,333**

f) Pursuant to SSI Limited (Information Technology division) merger scheme, the share capital of the Company as at March 31, 2004 was reduced from Rs.3,284 (2011: Rs.3,284) to Rs.1,316 (2011: Rs.1,316) and the capital reduction of Rs.1,969 (2011: Rs.1,969) was utilised to adjust the debit balance of equivalent amount in the Statement of Profit and Loss of the Company as at March 31, 2004.

(All amounts in Rs. Lakhs, unless otherwise stated)

		As at	
		Dec 31, 2012	Dec 31, 2011
4	**RESERVES AND SURPLUS**		
	Capital reserve [Refer note below]	361	361
	Securities premium:		
	As at last balance sheet date	8,417	8,417
	Add: Share premium on Employee Stock Options exercised during the year	-	-
	Balance as at the end of the year	8,417	8,417
	Stock compensation adjustment:		
	As at last balance sheet date	7	7
	Balance as at the end of the year	7	7
	Foreign currency translation reserve		
	As at last balance sheet date	(661)	4,051
	Add / (Less): Movement during the year	102	(4,712)
	Balance as at end of the year	(559)	(661)
	Surplus in Statement of Profit and Loss		
	Balance as at the beginning of the year	4,433	(54,916)
	Profit for the year	1,225	53,737
	Transfer from General Reserve	-	5,612
	Balance as at end of the year	5,658	4,433
	General reserve		
	Balance as at the beginning of the year	-	5,612
	Less: Adjustment towards debit balance in Statement of Profit and Loss	-	(5,612)
	Balance as at the end of the year	-	-
		13,884	**12,557**

Note:

Capital reserve represents waiver of liability by Scandent Holding Mauritius Limited, erstwhile ultimate holding company.

5	**LONG TERM BORROWINGS**		
	SECURED		
	From Bank:		
	Loan for purchase of Tangible Assets	92	91
		92	**91**

Nature of security and terms of repayment for secured borrowings are as follows:

a) Nature of security: Vehicles purchased on loan for employees

b) Terms of Repayment: Monthly payment of equated monthly instalments for a period of 3-5 years

c) Interest rate: 9.5% to 13.5%

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2012	Dec 31, 2011
6 OTHER LONG TERM LIABILITIES		
Trade Payables	17	-
Advance from customers	90	90
	107	**90**
7 LONG TERM PROVISIONS		
Provision for employee benefits:		
Provision for compensated absences	13	249
Provision for gratuity	272	309
Provision for Long Service Award	47	60
	332	**618**
Other Provision		
Provision for Litigation	32	32
Provision for Onerous lease Contract	173	173
	205	205
	537	**823**
8 TRADE PAYABLES		
Dues to:		
Fellow Subsidiaries	157	67
Others	4,239	4,991
	4,396	**5,058**
9 OTHER CURRENT LIABILITIES		
Advances from customers	535	462
Current maturities of long term borrowings	62	59
Statutory dues	286	437
	883	**958**
10 SHORT TERM PROVISIONS		
Provision for employee benefits:		
Provision for compensated absences	518	432
Provision for gratuity	70	17
Provision for Long Service Award	22	24
Other Provisions:		
Provision for Taxation	852	357
	1,462	**830**

(All amounts in Rs. Lakhs, unless otherwise stated)

11 TANGIBLE ASSETS

	Gross Block (at cost)						Depreciation						Net Block	
	2011	Additions	Deletions	Translation	Deduction (discontinued operations)	2012	2011	For the year	Deletions	Translation	Deduction (discontinued operations)	2012	2012	2011
Leasehold improvements	681	334	-	34	-	1,049	470	250	-	28	-	748	301	211
Computers	2,446	139	114	33	-	2,504	2,287	112	114	28	-	2,313	191	159
Vehicles [Note (i)]	384	121	132	-	-	373	245	72	103	-	-	214	159	139
Office equipment	336	24	7	8	-	361	278	18	7	5	-	294	67	58
Furniture and fittings	341	28	-	3	-	372	326	16	-	3	-	345	27	15
Total	4,188	646	253	78	-	4,659	3,606	468	224	64	-	3,914	745	582
2011	18,458	987	1,586	261	13,932	4,188	15,483	1,135	1,531	213	11,694	3,606	582	

12 INTANGIBLE ASSETS

	Gross Block (at cost)						Depreciation						Net Block	
	2011	Additions	Deletions	Translation	Deduction (discontinued operations)	2012	2011	For the year	Deletions	Translation	Deduction (discontinued operations)	2012	2012	2011
Goodwill arising on consolidation	16,109	-	-	14	-	16,123	272	-	-	10	-	282	15,841	15,837
Goodwill acquired	673	-	-	-	-	673	673	-	-	-	-	673	-	-
Computer software	4,421	74	-	39	-	4,534	4,416	40	-	38	-	4,494	40	5
License to use intellectual	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	21,203	74	-	53	-	21,330	5,361	40	-	48	-	5,449	15,881	15,842
2011	72,500	22	-	571	51,890	21,203	38,178	184	-	590	33,592	5,361	15,842	-
Grand Total	**25,391**	**720**	**253**	**131**	**-**	**25,989**	**8,967**	**508**	**224**	**112**	**-**	**9,363**	**16,626**	**16,424**
2011	**90,958**	**1,009**	**1,586**	**832**	**65,822**	**25,391**	**53,661**	**1,319**	**1,530**	**803**	**45,286**	**8,967**	**16,424**	**-**

Note:

(i) All vehicles are taken on loan.

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2012	Dec 31, 2011
13 NON CURRENT INVESTMENTS		
Trade Investment		
Nil (2011 4,938,297) Class A common stock of BIG e Realestate, Inc USA	-	1,366
Less: Provision for diminution in value of investment	-	(1,366)
	-	-
14 LONG TERM LOANS AND ADVANCES		
Unsecured considered good, unless otherwise stated		
Security deposits		
- Considered good	541	608
- Considered doubtful	302	137
	843	745
(Less): Provision for doubtful deposits	(302)	(137)
	541	608
Loans and advances to Fellow Subsidiary	1,877	945
Other Loans and Advances		
Prepaid Expenses	24	17
Others :		
Considered doubtful	469	464
(Less): Provision for doubtful advances	493	481
	24	17
	2,442	1,570
15 OTHER NON-CURRENT ASSETS		
Others:		
Long term deposits with banks with maturity period more than 12 months [Held as lien by bank]	63	57
	63	57
16 TRADE RECEIVABLE		
Unsecured, considered good:		
Outstanding for a period exceeding 6 months from the date they are due for payment	3,873	430
Others	2,451	5,732
Unsecured, considered doubtful:		
Outstanding for a period exceeding 6 months from the date they are due for payment	1,780	1,729
(Less): Provision for doubtful debts	(1,780)	(1,729)
	-	-
	6,324	6,162

Notes:

(i) Trade Receivable include unbilled revenue amounting Rs. 1,697 (2011: 1,636) under Others which are considered good.

(ii) Trade Receivable include unbilled revenue amounting to Rs. 45 (2011:Rs.258) under Outstanding for a period exceeding six months which are considered good and Rs. 81 (2011: 81) under Outstanding for a period exceeding six months which are considered doubtful and has been fully provided.

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at Dec 31, 2012	As at Dec 31, 2011
17 CASH AND BANK BALANCES		
Cash and Cash equivalents		
Cash on hand	2	-
Balances with banks		
In current accounts	2,450	2,141
Demand Deposit (less than 3 months maturity)	1,767	1,919
	4,219	4,060
Other Bank Balances		
Long Term Deposit with maturity more than 3 months but less than 12 months	3	6
	4,222	4,066
Note: Cash on hand is rounded of to zero in 2011 as it is less than Rs. 1 lakh		
18 SHORT TERM LOANS AND ADVANCES		
Unsecured considered good unless otherwise stated		
Security deposits	120	185
Loans and advances to related parties:		
Fellow Subsidiary:		
Expenses Receivable	196	289
Other Loans and Advances:		
MAT Credit Entitlement	1,260	1,260
Prepaid Expenses	209	225
Others		
Considered good	1,018	1,305
Considered doubtful	371	-
Less: Provision for doubtful advances	(371)	-
	2,803	**3,264**
19 OTHER CURRENT ASSETS		
Interest accrued on deposits	21	4
	21	**4**
20 Contingent Liabilities		
Bank Guarantees	99	64
Income tax matters:		
Assessment year 2004-05 [Note (b)]	58	58
Assessment year 2005-06 [Note (c)]	1,193	1,193
Assessment year 2006-07 [Note (d)]	137	137
Assessment year 2007-08 [Note (e)]	-	72
Assessment year 2008-09 [Notes (f) and (g)]	-	359
Assessment year 2009-10 [Notes (h) and (i)]	-	85
Assessment year 2011-12 [Note (j)]	13	13
Assessment year 2012-13 [Note (j)]	2	-
Service tax matters : [Note (k)]	2,359	-
	3,861	**1,981**

(All amounts in Rs. Lakhs, unless otherwise stated)

Notes:

(a) The above contingent liabilities are possible obligation or present obligation that may (but probably will not) require an outflow of resources.

(b) Relates to transfer pricing adjustment for arm's length price by the assessing officer and other adjustments which are disputed by the Company, and the matter is lying under appeal with the Commissioner of Income-tax (Appeals), Bangalore. An amount of Rs.42 (2011:Rs.28) has been paid under protest against the demand.

(c) Relates to transfer pricing adjustment for arm's length price by the assessing officer and other adjustments which are disputed by the Company. The matter is lying under appeal with the Commissioner of Income-tax (Appeals), Bangalore. An amount of Rs.921 (2011:Rs.821) has been paid under protest against the demand.

(d) Relates to certain tax adjustments arrived at by the assessing officer, which is disputed by the Company. An amount of Rs.113 (2011: Rs.75) has been paid under protest against the demand. The Company has filed an appeal with the Income Tax Appellate Tribunal, Bangalore in this regard.

(e) The assessing officer has made certain transfer pricing and other adjustments and accordingly raised a demand of Rs.72. Subsequently the assessing officer corrected the arithmetic errors in the order and reduced the demand to Nil. However, the Company disputes the income adjustments and has filed an appeal with the Income Tax Appellate Tribunal, Bangalore in this regard.

(f) Relates to withholding tax adjustments amounting to Rs.359 (2011: 359) arrived at by the assessing officer which is disputed by the Company, and the matter is lying under appeal with the Commissioner of Income-tax (Appeals), Bangalore. The Commissioner of Income- tax (Appeals) allowed the appeal during the year and referred the case back to the assessing officer. The final order from the assessing officer is awaited.

(g) The assessing officer has made certain transfer pricing adjustments of Rs.471. The adjustments have been set off against the brought forward losses resulting in demand of Nil (2011:Nil). However, the adjustments are disputed by the Company and an appeal has been filed with the Income Tax Appellate Tribunal, Bangalore in this regard.

(h) The Transfer Pricing Officer (TPO) has made, subsequent to the year end, certain transfer pricing adjustments of Rs.1,045. The final order is awaited from the assessing officer. The Company will file an appeal once the final assessement order is received.

(i) Relates to withholding tax adjustments amounting to Rs.85 (2011: 85) arrived at by the assessing officer which is disputed by the Company, and the matter is lying under appeal with the Commissioner of Income-tax (Appeals), Bangalore. The Commissioner of Income- tax (Appeals) allowed the appeal during the year and referred the case back to the assessing officer. The final order from the assessing officer is awaited.

(j) Relates to withholding tax adjustments arrived at by the assessing officer. The Company is in the process of rectifying the returns in order to nullify the demand.

(k) Represents service tax amount on select categories of transactions relating to financial years 2007-08 to 2011-12 set out in a show cause notice issued by the Commission of Service Tax, Bangalore, which is disputed by the Company, and a formal reply to the show cause notice, based on consultation with legal counsel, is in the process of being filed.

	As at	
	Dec 31, 2012	**Dec 31, 2011**
21 Capital and Other Commitments		
(a) Capital Commitments		
Estimated value of contracts in capital account remaining to be executed	89	461

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at	
	Dec 31, 2012	Dec 31, 2011

(b) Other Commitments

The Company has export obligations under the Software Technology Parks of India (STPI) scheme. In accordance with such scheme, the Company procures capital goods without payment of duties, for which, agreements and bonds are executed by the Company in favour of the Government. In case the Company does not fulfil the export obligation, it is liable to pay, on demand an amount equal to such duties saved including interest and liquidated damages. As at December 31, 2012, the Company has availed duty benefits amounting to Rs.141 (2011: Rs.312). The Company expects to meet its commitment to earn requisite revenue in foreign currency as stipulated by the STPI regulations. In 2012, a portion of one of the units was closed after obtaining required approval from STPI and from Office of Deputy Commissioner of Central Excise, which has resulted in reduction of the commitment.

22 REVENUE FROM OPERATIONS

	Dec 31, 2012	Dec 31, 2011
Software services	20,883	20,896
Claims Service fee	-	26,799
Information Technology enabled Services	-	7,486
	20,883	**55,181**

23 OTHER INCOME

	Dec 31, 2012	Dec 31, 2011
Interest income on bank deposits	175	189
Interest income on loan to fellow subsidiaries	166	48
Sub-lease rental income (including premises facility and maintenance income Nil (2011: Rs.117)	-	525
Liabilities no longer required written back	980	2,639
Provisions no longer written back	206	-
Profit on sale of tangible assets (net)	19	4
Exchange gain (net)	-	542
Miscellaneous income	79	38
	1,625	**3,985**

24 EMPLOYEE BENEFIT EXPENSE

	Dec 31, 2012	Dec 31, 2011
Salaries, allowances and bonus	12,750	29,474
Contribution to provident and other funds	530	1,565
Staff welfare	806	2,615
Gratuity and Leave Encashment	209	2,452
	14,295	**36,106**

(All amounts in Rs. Lakhs, unless otherwise stated)

24 Employee Benefits Expense (Contd.)

(a) Defined Contribution Plans

Provident Fund: During the year, the Group has recognised Rs.530 (2011: Rs.1483) in the Statement of Profit and Loss relating to defined contribution plans, which are included in the Contribution to Provident and other funds.

(b) Defined Benefit Plan

Gratuity: The Group provides for gratuity, a defined benefit plan (the gratuity plan) to its employees in India. The gratuity plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's last drawn salary and years of employment with the Group.

The following tables summarise the components of net benefit expense recognised in the Statement of Profit and Loss and amounts recognised in the balance sheet for the gratuity plan.

Details of the post retirement gratuity plan is as follows:

	Dec 31, 2012	Dec 31, 2011
Changes in the present value of the defined benefit obligation are as follows:		
(i) Present Value of Defined Benefit Obligation		
Balance at the beginning of the year	326	434
Current Service Cost	63	74
Interest Cost	29	24
Actuarial (Gains) / Losses	(9)	(16)
Benefits paid	(67)	(30)
Discontinued operations	-	(160)
Balance at the end of the year	**342**	**326**
(ii) Fair Value of Plan Assets		
Balance at the beginning of the year	-	160
Expected return on Plan Assets	-	-
Actuarial Gains / (Losses)	-	-
Contribution by the Company	-	-
Benefits paid	-	-
Discontinued operations	-	(160)
Balance at the end of the year	**-**	**-**
(iii) Assets and Liabilities recognised in the Balance Sheet		
Fair Value of Plan Assets	-	-
Less: Present Value of Defined Benefit Obligation	342	326
Less: Unrecognised Past Service Costs	-	-
Amounts recognised as liability	**(342)**	**(326)**
Recognised under:		
Long Term Provision [Refer Note 7]	272	309
Short Term Provision [Refer Note 10]	70	17
	342	**326**

(All amounts in Rs. Lakhs, unless otherwise stated)

	Dec 31, 2012	Dec 31, 2011
24 Employee Benefits Expense (Contd.)		
(iv) Expense recognised in the Statement of Profit and Loss		
Current Service Cost	63	74
Interest Cost	29	24
Actuarial (Gains) / Losses	(9)	(16)
Total Expense	**83**	**82**
(v) Actuarial Assumptions		
Discount Rate	8.00%	8.25%
Expected Return on Plan Assets	N/A	N/A
Attrition Rate	20%	20%
Increase in compensation cost	10%	10%
Retirement age	65	65

(vi) Amounts recognised in current year and previous four years:

	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Defined Benefit Obligation	326	326	434	349	307
Fair Value of plan assets at the end of the year	-	-	160	115	54
Amount recognized in Balance Sheet (Liability)	(326)	(326)	(274)	(234)	(253)
Experience adjustments in plan assets gains / (losses)	-	-	4	8	3
Experience adjustments in plan liabilities gains / (losses)	13	12	14	57	39
(Gains) / losses due to change in assumptions	4	1	4	8	3

Notes:

(i) The estimates of future increase in salary, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

(ii) The discount rate is based on the prevailing market yields of Indian government securities as at the Balance Sheet date for the estimated term of the obligation.

(iii) The long term estimate of the expected rate of return on plan assets has been arrived at based on prevailing yields on those assets. Assumed rate of return on assets is expected to vary from year to year reflecting the returns on matching government bonds.

(c) In accordance with Accounting Standard 15 “Employee Benefits”, the Company has been providing for compensated absences/ leave encashment based on valuation performed by an independent actuary. The Company has amended its leave policy that impacts the carry forward leave balance of employees, and carried out an actuarial valuation based on the amended leave policy, which has resulted in the reduction of provision by Rs.206. This reduction has been treated as reversal of the provision on account of amendment to the leave policy and has been included under “Other income”.

(All amounts in Rs. Lakhs, unless otherwise stated)

		As at	
		Dec 31, 2012	**Dec 31, 2011**
25	**OTHER OPERATING COSTS**		
	Project work expense	834	1,649
	Claim work expenses	30	4,320
	Travelling and conveyance	742	1,543
	Rent and hire charges	792	3,607
	Recruitment and relocation	101	235
	Communication	396	1,435
	Power and fuel	256	564
	Insurance	145	513
	Rates and taxes	79	258
	Repairs and maintenance:		
	Computer equipment	120	489
	Others	246	539
	Legal and professional	673	1,369
	Printing and stationery	60	201
	Business promotion	470	269
	Bank charges	29	179
	Directors' sitting fees	7	4
	Exchange loss (net)	68	-
	Provision for doubtful debts (net)	21	861
	Provision for doubtful advance & deposits	-	1,662
	Miscellaneous	30	332
		5,099	**20,029**
26	**FINANCE COST**		
	Loan arrangement and processing fees	-	45
	Interest on fixed loans	16	162
	Interest on loan from related party	-	132
		16	**339**
27	**DEPRECIATION AND AMORTISATION EXPENSE**		
	Depreciation on Tangible assets	468	1,135
	Amortisation on Intangible assets	40	184
		508	**1,319**

(All amounts in Rs. Lakhs, unless otherwise stated)

28 Employee Stock Option Plan

	ESOP II Plan 2004		ESOP I Plan 2005		ESOP II Plan 2005		ESOP II Plan 2006	
	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price
Vesting	- 20% of the options one year from the date of grant - 40% of the options two year from the date of grant - 40% of the options three year from the date of grant		One year from the date of grant		40% of the options one year from the date of grant and balance 60% two years from the date of grant		- 33.33% of the options one year from the date of grant - 33.33% of the options two year from the date of grant - 33.33% of the options three year from the date of grant	
Method of accounting	Intrinsic	value method	Intrinsic	value method	Intrinsic	value method	Intrinsic	value method
Method of settlement	Equity		Equity		Equity		Equity	
Exercise price	128.75		10		113.15 - 172		56.90 - 140.35	
General description of Plans	Pursuant to SSIIT merger Scheme, the Company granted 70,892 options under the ESOP II Plan 2004 on November 10, 2004 to the holder of options in SSI as on July 2, 2004, the appointed date.		Under the ESOP Plan 2005, on May 27, 2005, 179,263 options have been issued under Program I . During the year ended March 31, 2007 additional 5,737 shares were granted.		Under the ESOP Plan 2005, on May 27, 2005, 384,473 options under Program II have been issued. During the year ended March 31, 2007 additional 68,000 shares were granted.		During the year ended March 31, 2007, 60,000 options have been issued under Program I and 2,057,946 options under Program II. Further, during the year ended march 31, 2008 additional 1,870,000 shares were granted under Program II.	
December 31, 2012								
Options outstanding at the beginning of the year	-	-	5,000	10	20,500	172.00	743,946	92.38
Options granted during the year	-	-	-	-	-	-	-	
Options forfeited during the year	-	-	-	-	20,500	172.00	318,000	99.14
Options exercised during the year	-	-	-	-	-	-	-	
Options expired during the year	-	-	5,000	10	-	-	-	
Options outstanding at the end of the year	-	-	-	-	-	-	425,946	87.33
Options exercisable at the end of the year	-	-	-	-	-	-	425,946	87.33
Weighted average remaining contractual life (in years)	-	-	-	-	-	-	1.82	-
December 31, 2011								
Options outstanding at the beginning of the year	1,200	128.75	5,000	10	88,500	126.78	1,085,613	93.04
Options granted during the year	-	-	-	-	-	-	-	-
Options forfeited during the year	-	-	-	-	68,000	113.15	341,667	94.48
Options exercised during the year	-	-	-	-	-	-	-	-
Options expired during the year	1,200	128.75	-	-	-	-	-	-
Options outstanding at the end of the year	-	-	5,000	10	20,500	172.00	743,946	92.38
Options exercisable at the end of the year	-	-	5,000	10	20,500	172.00	743,946	92.38
Weighted average remaining contractual life (in years)	-	-	0.4	-	0.4	-	2.64	-

	Dec 31, 2012	Dec 31, 2011
Net Profit / (Loss) as reported	1,225	53,737
Net Profit / (Loss) available for equity shareholders	1,225	53,737
Add: Stock based employee compensation expenses included in reported income	-	-
Less: Stock based employee compensation expenses determined under Fair value based method net of tax effects	-	-
Revised loss	1,225	53,737
Earnings Per Share		
Basic	1.10	48.24
Diluted	1.10	48.23

(All amounts in Rs. Lakhs, unless otherwise stated)

		As at	
		Dec 31, 2012	Dec 31, 2011
29	**Exceptional Items**		
	The Company has recorded exceptional items aggregating to Rs.536 (2011: Rs.53,632) as detailed below:		
	The Company is yet to receive security deposit refund related to office premises vacated during the year. Owing to the protracted discussions between the parties the Company has estimated a portion of the security deposit to be doubtful of recovery at this stage, and has made a corresponding provision towards the asset.	165	-
	Considering the evidence of refund orders recently received by the group, and taking into account the rejection orders received in the past, and uncertainty on the timing of ultimate collection of the full refund amounts owing to litigative nature of the refund process with the tax authorities, the group has made a provision in the books against part of the carrying value of service tax/ input credit asset.	371	-
	Loss on reassessment of impairment of assets, liabilities and provisions before the sale of Cambridge Integrated Services Group Inc., USA ("CISGI") operations.	-	(196)
	In 2009, the revenue previously recognised on insurance contract with a customer (for rendering field claims services, bill review services and managed care services) was reassessed in the light of revised estimations of costs expected to be incurred to close all outstanding claims. As a result, the Group concluded that the revenue relating to the said contract requires restatement base on proportionate completion method. Accordingly, adjustment to/ reinstatement of deferred revenue was accounted for in respect of the run-off contract in the prior year. In mid October 2010, the customer intimated the Group that they wish to cancel the Claims servicing contract effective from November 30, 2010 and claimed that they have a right under the contract to reimbursement of services fees. The customer also withheld settlement of receivables relating to bill review and managed care services rendered. As at the year end 2010, the net liability represented by deferred revenue has been reclassified to provisions pending resolution/settlement of the dispute. During the year, this provision has been reversed on sale of CISGI.	-	7,348
	The Group has disposed off its subsidiary Cambridge Integrated Services Group Inc., USA ("CISGI") operation along with its investment in Cambridge Galaher Settlements & Insurance Services to Sedgwick Claims Management Services, Inc, USA on May 31, 2011 and recognised profit on sale.	-	1,876
	Employee cost paid towards vacation pay to employees on termination of their contract with CISGI at the time of transfer of their employment contract to Sedgwick on sale of CISGI's operations.	-	(543)
	The Group has disposed of its investment in Cambridge ingtegrated Services Victoria Pty limited, Australia and its wholly owned subsidiary Cambridge integrated services Australia Pty limited to Xchanging Procurement Pty Limited, Australia on June 13, 2011 and recognised a loss on sale.	-	(3,374)
	The Group has disposed off its BPO operation in India along with its investment in Cambridge Builders Private Limited to Xchanging Technology Services India Private Limited on July 21, 2011 and recognised profit on sale.	-	25,391
	The Group has written off the full amount of loan provided to CISGI before the sale of CISGI on August 31, 2011.	-	(1,346)
	The Group has disposed off its investment in Cambridge Integrated Services Group Inc., USA ("CISGI") and its wholly owned subsidiary Process Mind Holding Mauritius Limited to Waltham Holdings Limited, Jersey, Channel Islands on August 31, 2011 and recognised profit on sale.	-	24,468
	The Group has disposed off its investment in Cambridge Solutions France SARL during the year and recognised profit on sale.	-	8
		536	**53,632**

(All amounts in Rs. Lakhs, unless otherwise stated)

30 On August 1, 2002, the Company issued 1,500,000, 11% debentures of face value of Rs.100 each. The debentures were repayable at par at the end of five years from the date of issuance. Based on the orders of the Debt Recovery Tribunal, the Company had issued duplicate debenture certificates for 625,000 debentures (which form a part of the said 1,500,000 debentures) in favour of a Bank in June 2007. These debentures were redeemed in June 2007 and the same was disclosed in the annual report for the year ending March 2007. In August 2007, a civil suit was filed against the Company before the Hon'ble Madras High Court by another company ("Third Party"), claiming rights over the said 625,000 debentures. Decision on this suit is still pending before Hon'ble Madras High Court. On the basis of an interim application filed by the Third Party, the Hon'ble High Court passed an Interim Order in September 2007 restraining the Company from reflecting the redemption of debentures and directing the Company to continue to show it as due and payable. The said Order was made absolute in December 2010. The Company, in consultation with a senior legal counsel, has filed an appeal against the interim order of the Hon'ble High Court contending that it is not possible to show the debentures as due and payable as the debentures have already been redeemed and also reflected as redeemed in the Company's accounts prior to passing of interim order. The Company is awaiting the decision of the Hon'ble High Court in the Company's appeal, pending which, no adjustment has been made in the accounts.

31 Goodwill arising on consolidation is carried at the value determined at the date of acquisition of the subsidiary. Goodwill arising on consolidation has been allocated to respective cash generating units. Goodwill relating to BPO businesses have been adjusted during the prior year on sale of those operations. As at the year end, the Group has tested Goodwill arising on consolidation for impairment using cash flows forecasts based on budgets and using a discounted cash flow method to identify the enterprise value by applying a discount rate of 15.00% based on weighted average cost of capital. Based on such assessment, the Group has concluded that the recoverable value is higher than the carrying value and hence no impairment charge is accounted for during the year.

		Dec 31, 2012	Dec 31, 2011
32	**Basic and Diluted Earnings Per Share**		
	(Nominal value of shares: Rs. 10)		
	Net profit/ (loss) for the year after tax	1,225	53,737
	Weighted average number of equity shares considered for calculating basic earnings/ (loss) per share – (A)	111,403,716	111,403,716
	Earnings/ (loss) per share – Basic (Rs.)	**1.10**	**48.24**
	Add: Weighted average number of potential equity shares under employee stock options during the year – (B)	-	3,327
	Weighted average number of equity shares considered for calculating diluted earnings/ (loss) per share – (A + B)	111,403,716	111,407,043
	Earnings/ (loss) per share – Diluted (Rs.)	**1.10**	**48.23**

Notes to the Consolidated Financial Statements (All amounts in Rs. Lakhs, unless otherwise stated)

33 Segment Reporting

The primary segment reporting of the Group is on the basis of business segments. Till previous year the Group was organised into two business segments, viz., Information Technology and related services ('IT') Business Process Outsourcing ('BPO'). During the previous year the group has sold its BPO business. During current year the Group has only one business segments, viz. IT. Segments have been identified and reported considering industry segments of customers, risks and returns, organisation structure and internal financial reporting systems.

The secondary segment reporting is performed on the basis of the geographical location of customers. The management views the USA, Europe (comprising France and UK) and Rest of the World (comprising India, Australia and Singapore) as distinct geographical segments.

In 2011, Corporate activities such as treasury and taxation have been considered as unallocated items.

Particulars	IT		BPO(discontinued operations)		Unallocated		Eliminations		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenues										
External sales	20,883	20,896	-	34,285	-	-	-	-	20,883	55,181
Inter-segment transfers		188	-	-	-	-	-	(188)	-	-
Total revenues	**20,883**	**21,084**	**-**	**34,285**	**-**	**-**	**-**	**(188)**	**20,883**	**55,181**
Segment result	2,606	2,409	-	(934)	-	237	-	-	2,606	1,712
Exceptional items	536	-	-	-	-	(53,632)	-	-	536	(53,632)
Segment result before tax and interest	2,070	2,409	-	(934)	-	53,869	-	-	2,070	55,344
Finance costs	(16)	-	-	-	-	(339)	-	-	(16)	(339)
Tax expense	(829)	-	-	-	-	(1,268)	-	-	(829)	(1,268)
Net profit	**1,225**	**2,409**	**-**	**(934)**	**-**	**52,262**	**-**	**-**	**1,225**	**53,737**
Segment assets and liabilities										
Segment assets	32,501	31,547	-	-	-	-	-	-	32,501	31,547
Total assets	**32,501**	**31,547**	**-**	**-**	**-**	**-**	**-**	**-**	**32,501**	**31,547**
Segment liabilities	7,477	7,850	-	-	-	-	-	-	7,477	7,850
Total liabilities	**7,477**	**7,850**	**-**	**-**	**-**	**-**	**-**	**-**	**7,477**	**7,850**
Other segment information										
Capital expenditure	720	583	-	546	-	-	-	-	720	1,129
Depreciation and amortisation	508	385	-	934	-	-	-	-	508	1,319
Liability no longer required written back	1,186	2,639	-	-	-	-	-	-	1,186	2,639
Provision for doubtful debts, advances and deposits	-	1,662	-	-	-	-	-	-	-	1,662

Refer table below for disclosures under geographic segment basis:

	2012	2011
Revenues		
Australia	-	10,998
Europe	8,799	13,406
USA	6,752	30,323
Rest of the World	5,332	454
	20,883	**55,181**
Assets:		
Australia	-	82
Europe	962	1,731
USA	2,233	2,796
Rest of the World	29,306	11,096
Unallocated	-	15,842
	32,501	**31,547**
Liabilities:		
Australia	-	66
Europe	251	785
USA	2,334	2,474
Rest of the World	4,892	4,525
	7,477	**7,850**

(All amounts in Rs. Lakhs, unless otherwise stated)

34 Related Party Disclosures

A. Names of related parties and nature of relationship:

Nature of relationship	**Names of related parties**
Parties where control exists:	
(i) Holding companies:	
Ultimate Holding Company	Xchanging plc, UK
Intermediate holding companies	Xchanging Holdings Limited, UK
	Xchanging BV, The Netherlands
Immediate holding company	Xchanging (Mauritius) Limited, Mauritius (‘XML’)
(ii) Subsidiary companies	Xchanging Solution (Europe) Limited (formerly Cambridge Solutions Europe Limited, UK) (‘XSEL’)
	Xchanging Solutions (Singapore) Pte Limited (formerly Cambridge Solutions Pte Limited, Singapore) (‘XSSPL’)
	Xchanging Solution (Malaysia) Sdn Bhd (formerly Cambridge Solutions Sdn Bhd,Malaysia) (‘XSMSB’)
	Xchanging Solutions (USA) Inc (formerly Cambridge Solutions & Services Inc., USA) (‘XSUI’)
	Cambridge Solutions Pty Limited, Australia (‘CSPL’) (upto March 20, 2012)
	Nexplicit India Infotech Private Limited, India (‘NIIPL’)
Parties under common control:	
Fellow Subsidiaries	Xchanging Integrated Services Victoria Pty Limited, Australia (‘XISVPL’)
	Xchanging Integrated Services Australia Pty Limited, Australia (‘XISAPL’)
	Xchanging Systems and Service Inc., USA (‘XSSI’)
	Xchanging Broking Services Limited, UK (‘XBSL’)(*)
	Xchanging Claim Services Limited, UK (‘XCSL’)(*)
	Xchanging Global Insurance Solutions Ltd., UK (‘XGISL’)
	Xchanging Technology Services India Private Limited, India (‘XTSIPL’)
	Xchanging UK Limited, UK (‘XUKL’)
	Xchanging GmbH, Germany (“XG”)(*)
	Xchanging Asia Pacific Sdn Bhd, Malaysia (‘XAPSB’)
	Xchanging HR Services Ltd, UK (‘XHRSL’)
	Ins-sure Services Limited, UK (‘ISSL’)(*)
	Xchanging Procurement Services Limited, UK (‘XPSL’)
	Ferguson Snell & Associates Ltd, UK (“FSAL”)
	Waltham Holdings Limited, Jersey, Channel Islands ('WHL')
	Xchanging Inc. USA ('XI')
	Xchanging PTY Limited, Australia ('XPL')(*)
	Xchanging Builders Private Limited, India (‘XBPL’)
Key Managerial Personnel (KMP)	
Executive Chairman and Chief Executive Officer	Kenneth Lever (*)
Executive Director	David Bauernfeind (*)

(*) No transactions during the year.

(i) The above information and those in “(B) Summary of transactions with related parties” have been determined to the extent such parties have been identified on the basis of information provided by the Company, which has been relied upon by the auditors.

(All amounts in Rs. Lakhs, unless otherwise stated)

	Ultimate/ Immediate Holding companies [Note A(a)(i)]		Fellow Subsidiaries [Note A(b)]		Total	
	2012	2011	2012	2011	2012	2011
34 Related Party Disclosures (Contd...)						
B. Summary of transactions with related parties is as follows:						
Expenses paid by Related Party:						
XAPSB, Malaysia	-	-	(199)	(78)	(199)	(78)
XGISL, UK	-	-	222	361	222	361
XI, USA	-	-	17	130	17	130
XPSPL, Australia	-	-	3	-	3	-
XPTYL, Australia	-	-	67	125	67	125
XG, Germany	-	-	-	48	-	48
XUKL, UK	-	-	19	311	19	311
FSAL, UK	-	-	6	74	6	74
ISSL, UK	-	-	-	49	-	49
XBSL, UK	-	-	-	54	-	54
XHRSL, UK	-	-	73	(25)	73	(25)
XPSL, UK	-	-	-	11	-	11
XSSI, USA	-	-	98	163	98	163
XTSIPL, India	-	-	38	12	38	12
XISAPL, Australia	-	-	-	6	-	6
XISVPL, Australia	-	-	-	36	-	36
XSI, USA	-	-	-	1	-	1
Xchanging PLC	-	-	4	-	4	-
Expenses paid on behalf of related party:						
XAPSB, Malaysia	-	-	(394)	1,189	(394)	1,189
XGISL, UK	-	-	(116)	259	(116)	259
XCSL, UK	-	-	-	109	-	109
XPSPL, Australia	-	-	38	-	38	-
ISSL, UK	-	-	-	-	-	-
XGISL, UK	-	-	-	-	-	-
XTBG, Germany	-	-	-	(5)	-	(5)
XI, USA	-	-	-	706	-	706
XPSL, UK	-	-	-	11	-	11
XPTYL, Australia	-	-	1	193	1	193
XSSI, USA	-	-	(152)	11	(152)	11
XTSIPL, India	-	-	(1,791)	725	(1,791)	725
XUKL, UK	-	-	(61)	347	(61)	347
XBSL, UK	-	-	-	161	-	161
XISAPL, Australia	-	-	(9)	3	(9)	3
XISVPL, Australia	-	-	-	100	-	100
XSI, USA	-	-	-	7	-	7
FSAL, UK	-	-	6	-	6	-

(All amounts in Rs. Lakhs, unless otherwise stated)

	Ultimate/ Immediate Holding companies [Note A(a)(i)]		Fellow Subsidiaries [Note A(b)]		Total	
	2012	2011	2012	2011	2012	2011
34 Related Party Disclosures (Contd...)						
B. Summary of transactions with related parties is as follows: - Contd.						
Interest Loans						
XTSIPL, India	-	-	166	170	166	170
Loans paid during the year						
XTSIPL, India	-	-	-	2000	-	2000
Liability no longer required written back						
XUKL, UK	-	-	-	(1,948)	-	(1,948)
Payment on account of invocation of Corporate Guarantee						
XUKL, UK	-	-	-	29,336	-	29,336
Sale of Subsidiary Companies						
XTSIPL, India	-	-	-	29,975	-	29,975
XPTYL, Australia	-	-	-	7,459	-	7,459
WHL, Channel Island	-	-	-	0	-	0
Revenue:						
ISSL, UK	-	-	-	135	-	135
XBSL, UK	-	-	-	3,696	-	3,696
XCSL, UK	-	-	-	182	-	182
XGISL, UK	-	-	807	1,012	807	1,012
XUKL, UK	-	-	175	108	175	108
XAPSB, Malaysia	-	-	73	335	73	335
XHRSL, UK	-	-	-	9	-	9
XPL, Australia	-	-	-	-	-	-
XTSIPL, India	-	-	115	72	115	72
XISAPL, Australia	-	-	230	183	230	183
XISVPL, Australia	-	-	-	18	-	18
Loans given during the year:						
Xchanging Builders	-	-	977	-	977	-
Loans repaid during the year:						
XTSIPL, India	-	-	44	-	44	-

(All amounts in Rs. Lakhs, unless otherwise stated)

	Ultimate/ Immediate Holding companies [Note A(a)(i)]		Fellow Subsidiaries [Note A(b)]		Total	
	2012	2011	2012	2011	2012	2011
34 Related Party Disclosures (Contd...)						
C. Summary of balances of related parties is as follows: -						
Debtors:						
XBSL, UK	-	-	-	-	-	-
XCSL, UK	-	-	-	-	-	-
XGISL, UK	-	-	298	264	298	264
XUKL, UK	-	-	31	48	31	48
ISSL, UK	-	-	-	-	-	-
XAPSB, Malaysia	-	-	760	983	760	983
XHRSL, UK	-	-	-	-	-	-
XPSL, UK	-	-	-	-	-	-
XPSPL, Australia	-	-	-	-	-	-
XTSIPL, India	-	-	139	358	139	358
XISAPL, Australia	-	-	37	59	37	59
XSI, USA	-	-	12	8	12	8
XI, USA	-	-	-	226	-	226
Expenses Payable:						
FSAL, UK	-	-	-	4	-	4
XAPSB, Malaysia	-	-	13	0	13	0
XSMSB, Malaysia	-	-	1,150	-	1,150	-
XGISL, UK	-	-	2	65	2	65
XI, USA	-	-	-	-	-	-
XPL, Australia	-	-	-	-	-	-
XSSI, USA	-	-	81	102	81	102
XG, Germany	-	-	-	26	-	26
XUKL, UK	-	-	31	89	31	89
XHRSL, UK	-	-	108	6	108	6
XPSPL, Australia	-	-	-	-	-	-
XTSIPL, India	-	-	160	122	160	122
PHML	-	-	-	1,141	-	1,141
XPTYL, Australia	-	-	20	5	20	5
XPSL, UK	-	-	13	-	13	-
XISAPL, Australia	-	-	(11)	-	(11)	-
Xchanging PLC	-	-	4	-	4	-
Expenses Receivable:						
XAPSB, Malaysia	-	-	62	-	62	-
XBSL, UK	-	-	-	-	-	-
XPSPL, Australia	-	-	-	-	-	-
XCSL, UK	-	-	-	-	-	-
XGISL, UK	-	-	1	-	1	-
XI, USA	-	-	-	-	-	-
XISVPL, Australia	-	-	6	-	6	-
XSSI, USA	-	-	-	-	-	-
XTSIPL, India	-	-	123	4	123	4
XUKL, UK	-	-	4	-	4	-
XG, Germany	-	-	-	1	-	1
Loans and advances:						
XTSIPL, India	-	-	900	944	900	944
XBPL	-	-	977	-	977	-

(All amounts in Rs. Lakhs, unless otherwise stated)

35 Leases

Operating lease

As lessee:

In case of assets taken on lease:

The group has operating lease arrangements for its office premises, guest houses and certain equipment. The lease arrangements for premises and guest houses have been entered up to a maximum of six years from the respective dates of inception. Some of these lease arrangements have price escalation clauses. Rent and hire charges for such operating leases recognised in the Statement of Profit and Loss for the year ended December 31, 2012 amounts to Rs.597 (2011: Rs.3242).

Future minimum lease payments under operating lease arrangements are as under:

Particulars	**Dec 31, 2012**	**Dec 31, 2011**
Not later than one year	344	357
Later than one year and not later than five years	274	407
Payable later than 5 years	-	-
Total	**618**	**764**

36 Provisions

In accordance with AS 29 'Provisions, Contingent Liabilities and Contingent Assets', the particulars of provisions as at December 31, 2012 are as follows:

Particulars	**Dec 31, 2011**	**Created during the year**	**Utilised/ reversed during the year**	**Dec 31, 2012**
Onerous lease contracts [Note (i)]	173	-	-	173
	(173)	-	-	(173)
Litigation [Note (ii)]	32	-	-	32
	(32)	-	-	(32)

Notes:

(i) Provision for onerous lease contracts relates to losses recognised on contracts to the extent that unavoidable cost of meeting the obligations under the contract exceeds the economic benefits expected to be received under it. The cash outflows are expected to occur over a period of eight years.

(ii) Provision for litigations relates to a litigation matter. Due to the very nature of such costs, it is not possible to estimate the timing/ uncertainties relating to their outflows.

(iii) Prior year numbers are disclosed within brackets.

37 Taxation

Current Tax:

Current tax charge reflects provision for income tax based on the taxable income of the group after considering taxable income as per the local tax laws applicable in India. While ascertaining the taxable income for the current year, the brought forward losses if any, have also been considered.

In India, the group operates out of various facilities. Many of these facilities were eligible to claim tax holiday under Section 10A of the Income-tax Act, 1961, of India up to the tax fiscal year ended March 31, 2011.

The current tax charge for the group includes minimum alternative tax (MAT) determined under Section 115JB of the Income Tax Act, 1961, of India.

(All amounts in Rs. Lakhs, unless otherwise stated)

MAT Credit Entitlement:

Based on assessment of future taxable income and sunset of tax holiday period, the management is of the opinion that there is convincing evidence that the group will pay normal income tax within the specified period during which MAT credit is available for set off. Loans and Advances includes MAT Credit Entitlement asset of Rs.1,260 (2011: Rs.1,260). MAT Credit Entitlement asset will be reviewed at each balance sheet date for write-down, if any.

Deferred tax:

In terms of the provisions of the AS 22 "Accounting for Taxes on Income", considering the accumulated business losses and unabsorbed depreciation, no deferred tax asset has been recognised in these financial statements by virtue of there being no virtual certainty supported by convincing evidence of future taxable income. However, this position will be reassessed at every year end.

Transfer Pricing:

The group has significant intra group transactions pertaining to revenue and expense cross charges. The management is in the process of updating the transfer pricing study for such transactions entered into during the year ended December 31, 2012, and does not anticipate any adjustments with regard to the transactions involved.

38 Previous Year Figures

The financial statements for the year ended December 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended December 31, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

For **Price Waterhouse & Co., Bangalore**
Firm Registration Number: 007567S
Chartered Accountants

Shivakumar Hegde
Partner
Membership Number: 204627
Place : Bangalore
Date : March 1, 2013

For and on behalf of the Board of Directors

Kenneth Lever
Executive Chairman &
Chief Executive Officer
Place : London
Date : March 1, 2013

David Bauernfeind
Executive Director

Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : March 1, 2013

Vijayamahantesh Khannur
Company Secretary

NOTICE

Notice is hereby given that the Twelfth Annual General Meeting ("AGM") of the Members of **XCHANGING SOLUTIONS LIMITED (Formerly known as Cambridge Solutions Limited** ("the Company") will be held on **Tuesday, May 21, 2013 at 10.00 AM at SJR I-Park, Plot 13, 14, 15., EPIP Industrial Area, Phase I Whitefield, Bangalore 560 066, India,** to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at December 31, 2012 and the Profit and Loss Account for the year ended on that date together with the reports of Directors and the Auditors thereon.

2. To appoint a Director in place of Mr. David Bauernfeind who retires by rotation and being eligible offers himself for re-appointment.

3. To appoint Statutory Auditors, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to authorize the Board to fix their remuneration. The retiring auditors M/s. Price Waterhouse & Co., Bangalore, Chartered Accountants, (Firm Registration No.: 007567S) have expressed their unwillingness to be re-appointed. The Company has received a Special Notice from a member of the Company under Section 225 read with Section 190 of the Companies Act, 1956 signifying the intention to propose the following resolution:

   RESOLVED THAT M/s Price Waterhouse, Chartered Accountants (Firm Registration No. 012754N), be and are hereby appointed as Auditors of the Company from the conclusion of the this Annual General Meeting until the conclusion of next Annual General Meeting of the Company at such remuneration and other charges as shall be fixed by the Board of Directors of the Company.

SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution:**

   RESOLVED THAT pursuant to the provisions of Section 17 and other applicable provisions, if any, of the Companies Act, 1956, the Objects Clause of the Memorandum of Association of the Company be altered by replacing the following sub clause in place of sub clause 9 of Clause III-C (Other Objects):

   Clause III – C

   (9) To carry on business of engineers, contractors, flat builders, apartment builders, public works contractors, plumber, electrical contractors, sanitary contractors, furnishers, metal dealers and form condominiums.

   RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to undertake such acts, deed and matters, as they may be necessary, proper or desirable, with regard to making requisite filings with the Registrar of Companies and the Stock Exchanges, that may be required to give effect to the alteration of the Other Objects Clause of Memorandum of Association in accordance with this Resolution.

By Order of the Board

Place : Bangalore
Date : April 19, 2013

Vijayamahantesh V. Khannur
Company Secretary

NOTES

1. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.

2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend the meeting and the proxy need not be a member of the Company. Under the Companies Act, 1956, voting is by show of hands unless a poll is demanded by a member or members present in person, or by proxy, holding at least one-tenth of the total shares entitled to vote on the resolution, or by those holding paid-up capital of at least Rs. 50,000 (Rupees Fifty Thousand Only). A proxy shall not vote except on a poll.

3. The instrument appointing the proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

4. Members / proxies should bring duly filled in Attendance Slips sent herewith for attending the meeting.

5. The Register of Directors' shareholding, maintained under Section 307 of the Companies Act, 1956, will be available for inspection by the members at the AGM.

6. The Register of Contracts, maintained under Section 301 of the Companies Act, 1956, will be available for inspection by the members during business hours at the Registered Office of the Company.

7. The company has already notified closure of Register of Members and Share Transfer Books thereof from May 15, 2013 to May 21, 2013 (both days inclusive).

8. For effecting changes in address, members are requested to notify:

   (i) the R&T Agent of the Company, viz. Karvy, if shares are held in ***physical*** form; and
   (ii) their respective Depository Participant (DP), if shares are held in ***electronic*** form.

9. A member desirous of getting any information on the accounts or operations of the Company is requested to forward his/her queries to the Company at least seven working days prior to the meeting, so that the required information can be made available at the meeting.

10. Members are requested to address all correspondence to the Registrar and Share Transfer Agents – Karvy Computershare Private Limited, Plot No.17-24, Vittal Rao Nagar Madhapur Hyderabad - 500 081, India.

11. The Auditors Certificate issued under the respective ESOP schemes, certifying that the Company's Stock Option Plans viz., Cambridge ESOP 2006, Scandent ESOP 2005 and Scandent SSI IT Services ESOP 2004 are being implemented in accordance with the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, and any amendment thereto, is available for inspection of the members at the AGM.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No. 4

The Registrar of Companies, while approving the name change of the Company from Cambridge Solutions Limited to Xchanging Solutions Limited, had suggested to delete the words “architects, planners, designers, interior decorators” from the objects clause of the Memorandum of Association of the Company as the same shall not be used only on production of in-principle approval / NOC from the concerned regulator, in terms of the General Circular No. 2/2012 dated March 1, 2012 issued by the Ministry of Corporate Affairs. Since, presently the Company is not in the business of “architects, planners, designers, interior decorators” the Company had undertaken that it would delete the words “architects, planners, designers, interior decorators” from the objects clause of the Memorandum of Association of the Company in the ensuing Annual General Meeting.

The Resolution under item No. 4 is recommended as a Special Resolution. None of the Directors are interested or concerned in the Resolution.

Additional information on Directors seeking re-appointment at the Annual General Meeting.

The following is the bio-data of the Director:

Name of the Director	**David Bauernfeind**	
Date of Birth	April 12, 1968	
Date of appointment	July 29, 2011	
Qualification	A.C.A, B.Sc. (Econ) Hons	
Relation with Promoters/ Directors	Promoter Director	
Expertise in Functional area	David is a Chartered Accountant trained in London. David began his career in the audit discipline with Deloitte and Touche, before gaining experience with Johnson Matthey PLC and progressing to Head of Audit with Airbus. David has worked with BAE Systems as Finance Controller (Defense) for a period of 5 years. David joined Xchanging in April 2001 as Finance Director Xchanging HR Services. Since then he has held several senior finance roles at Xchanging group. Currently he is group Chief Financial Officer for Xchanging. He is specialized in Commercial negotiation, multinational contracting, M&A, IFRS, public listed companies accounting etc.	
Directorships in other Public Companies	NIL	
	Chairman	Member
Audit Committee	NIL	NIL
Shareholders’ Grievances Committee	NIL	NIL
Membership / Chairmanship in Committees of Xchanging Solutions Limited	NIL	Audit Committee Investors’ Grievances’ Committee
Number of shares held in Xchanging Solutions Limited	NIL	
Percentage of shareholding	NA	

By Order of the Board

Place : Bangalore
Date : April 19, 2013

Vijayamahantesh V. Khannur
Company Secretary

NOTES

XCHANGING SOLUTIONS LIMITED
(FORMERLY KNOWN AS CAMBRIDGE SOLUTIONS LIMITED)

Registered Office

SJR I-Park, Plot No. 13, 14, 15, EPIP Industrial Area, Phase I, Whitefield, Bangalore 560 066.

PROXY FORM

Regd. Folio No./ DP Client ID ☐☐☐☐☐☐☐☐☐☐☐☐

I / We...of .... in the district of ....being a member / members of the Company, hereby appoint .... of .... in the district of .... or failing him / her ....of .... as my / our Proxy to attend and vote for me / us on my / our behalf at the **Twelfth Annual General Meeting** of the Company to be held on **Tuesday, May 21, 2013 at 10.00 A.M.** at SJR I-Park, Plot No. 13, 14, 15, EPIP Industrial Area, Phase I, Whitefield, Bangalore - 560 066, India and at any adjournment thereof.

Signed this.......................................day of .... 2013.

Affix Revenue Stamp

SIGNATURE

Note:
1. Proxy need not be a member.
2. This form, in order to be effective, should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the meeting.

XCHANGING SOLUTIONS LIMITED
(FORMERLY KNOWN AS CAMBRIDGE SOLUTIONS LIMITED)

Registered Office

SJR I-Park, Plot No. 13, 14, 15, EPIP Industrial Area, Phase I, Whitefield, Bangalore 560 066.

ATTENDANCE SLIP

Twelfth Annual General Meeting: Tuesday, May 21, 2013

Regd. Folio No./ DP Client ID ☐☐☐☐☐☐☐☐☐☐☐☐

No. of shares held ☐☐☐☐☐☐☐☐☐☐☐☐

I certify that I am a member / proxy for the member of the Company.

I hereby record my presence at the Twelfth Annual General Meeting of the Company at SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore - 560 066, India, on **Tuesday, May 21, 2013 at 10.00 AM**.

....	....
Member's / proxy's name in BLOCK letters	Signature of member / proxy

Note: Please fill up this attendance slip and hand it over at the entrance of the meeting hall.

Shareholder Information

XCHANGING SOLUTIONS LIMITED

SJR I-Park, Plot 13, 14, 15,
EPIP Industrial Area, Phase I
Whitefield, Bangalore 560 066
Tel : + 91 80 30540000
Fax : + 91 80 41157394

For Corporate reports and Company News, visit our website at: www.cambridgeworldwide.com

Statutory Auditors

Price Waterhouse & Co., Bangalore
5th Floor, Tower D,
The Millenia,
1 & 2, Murphy Road,
Ulsoor, Bangalore – 560 008

Compliance Contact:

Vijayamahantesh V. Khannur
Tel : +91 80 30540000 Extn: 1064
Fax : +91 80 41157394
E-mail: compliance@asia.xchanging.com

Listed on the following stock exchanges (Ticker Symbol: XCHANGING)

BSE (Bombay Stock Exchange)
NSE (National Stock Exchange)

Safe Harbor Statement

Certain statements in this document are forward looking statements which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward looking statements. The risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT services, including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns in fixed price, fixed time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, etc. The company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the company.

BOOK - POST
Under Certificate of Posting

If Undelivered, please return to :

Xchanging Solutions Limited
SJR-I-Park, Plot No. 13, 14, 15
EPIP Industrial Area, Phase I
Whitefield, Bangalore - 560 066.

FORM A
Covering letter of the annual audit report to be filed with the stock exchanges

1	Name of the Company	Xchanging Solutions Limited (Formerly Cambridge Solutions Limited)
2	Annual financial statements for the year ended	December 31, 2012
3	Type of Audit observation	Matter of Emphasis
4	Frequency of observation	Appearing since annual financial statements for the year ended December 31, 2011 (*)

(*) Without considering the observation reported in the Limited Review reports on the quarterly results.

For **Price Waterhouse & Co., Bangalore**
Firm Registration Number: 007567S
Chartered Accountants

Shivakumar Hegde

Partner
Membership Number: 204627
Place: Bangalore
Date: ~~April ___, 2013~~
MAY 3, 2013

Kenneth Lever

Executive Chairman &
Chief Executive Officer
Place: London

Date: April 19, 2013

Vinod Goel
Chief Financial Officer
Place: Gurgaon
Date: April 30, 2013

Ashok Kumar R
Chairman - Audit Committee

Place: Bangalore
Date: April 30, 2013