Xchanging Solutions Europe Ltd

Balance Sheet as at December 31, 2012

	Notes	As At Dec 31, 2012 GBP	As At Dec 31, 2012 INR	As At Dec 31, 2011 GBP	As At Dec 31, 2011 INR
EQUITY AND LIABILITIES					
Shareholders' Funds					
Share capital	**5**	26,64,278	23,53,64,450	26,64,278	22,35,02,551
Reserves and surplus	**6**	(18,94,855)	(16,73,92,991)	(18,78,985)	(15,76,25,409)
		7,69,423	6,79,71,459	7,85,293	6,58,77,142
Current liabilities					
Trade payables	**7**	12,19,907	10,77,67,543	16,29,266	13,66,76,879
Other current liabilities	**8**	8,106	7,16,111	1,46,746	1,23,10,301
Short-term provisions	**9**	30,293	26,76,121	20,293	17,02,364
		12,58,306	11,11,59,775	17,96,305	15,06,89,544
TOTAL		**20,27,729**	**17,91,31,233**	**25,81,599**	**21,65,66,686**
ASSETS					
Non-current assets					
Fixed assets					
(i) Tangible assets	**10**	-	-	587	49,236
(ii) Intangible assets	**11**	-	-	-	-
		-	-	587	49,236
Current assets					
Trade receivables	**12**	10,57,219	9,33,95,535	11,43,468	9,59,23,933
Cash and bank balances	**13**	5,35,108	4,72,71,889	10,01,423	8,40,07,956
Short-term loans and advances	**14**	4,35,403	3,84,63,810	4,36,121	3,65,85,562
		20,27,729	17,91,31,233	25,81,012	21,65,17,450
TOTAL		**20,27,729**	**17,91,31,233**	**25,81,599**	**21,65,66,686**

See accompanying notes forming part of the financial statements

As per our report of even date

Bhalotia Associates
Chartered Accountants
Firm Registration No. 323201E

For and on behalf of the Board of Directors of
Xchanging Solutions Europe Ltd

CA.Ajay Kumar Bhalotia
Partner
Membership No. 057931

Nimish Soni
Director

Place: Kolkata
Date: March 1 , 2013

Xchanging Solutions Europe Ltd

Statement of Profit and Loss for the year ended December 31, 2012

	Notes	For the year ended Dec 31, 2012 GBP	For the year ended Dec 31, 2012 INR	For the year ended Dec 31, 2011 GBP	For the year ended Dec 31, 2011 INR
Revenue					
Revenue from operations	**15**	19,37,199	17,11,33,668	43,17,013	36,21,48,204
Other income	**16**	5,68,421	5,02,14,784	-	-
		25,05,620	**22,13,48,452**	**43,17,013**	**36,21,48,204**
Expenses					
Employee benefits expense	**17**	4,26,511	3,76,78,319	11,81,836	9,91,42,595
Other operating costs	**16**	20,94,381	18,50,19,259	31,20,537	26,17,77,467
Depreciation and amortisation	**19**	598	52,839	3,221	2,70,167
		25,21,490	**22,27,50,418**	**43,05,594**	**36,11,90,229**
Profit (Loss) before prior period, exceptional items and taxation		**(15,870)**	**(14,01,966)**	**11,420**	**9,57,975**
Exceptional items	**24**			4,56,649	3,83,07,610
Profit/ (loss) before taxation		**(15,870)**	**(14,01,966)**	**(4,45,229)**	**(3,73,49,635)**
Provision for tax		-	-	-	-
Deferred tax expense			-		-
Profit/ (loss) for the year		**(15,870)**	**(14,01,966)**	**(4,45,229)**	**(3,73,49,635)**
Earnings/(Loss) per share {Equity shares, par value of GBP1 (2011 : GBP 1)}					
Basic and diluted		(0.01)	(0.57)	(0.18)	(15.05)
Weighted average number of equity shares used in computing earning/(loss) per share					
Basic and diluted		24,81,263	24,81,263	24,81,263	24,81,263

See accompanying notes forming part of the financial statements

As per our report of even date

Bhalotia Associates
Chartered Accountants
Firm Registration No. 323201E

For and on behalf of the Board of Directors of
Xchanging Solutions Europe Ltd

Nimish Soni
Director

CA.Ajay Kumar Bhalotia
Partner
Membership No. 057931

Place: Kolkata
Date: March 1 , 2013

Xchanging Solutions Europe Ltd

Cash Flow Statement for the year ended December 31, 2012

	For the year ended		For the year ended	
	Dec 31, 2012 GBP	**Dec 31, 2012 INR**	**Dec 31, 2011 GBP**	**Dec 31, 2011 INR**
A. Cash flow from operating activities				
Profit/ (loss) for the year	(15,870)	(14,01,966)	(4,45,229)	(3,73,49,635)
Adjustments for:				
Depreciation	598	52,839	3,221	2,70,167
Provision for leave Encashment	10,000	8,83,408	(21,550)	(18,07,787)
Operating profit before working capital changes	**(5,272)**	**(4,65,719)**	**(4,63,558)**	**(3,88,87,254)**
Movements in working capital :				
Decrease / (Increase) in sundry debtors	86,249	76,19,347	14,94,895	12,54,04,649
Decrease / (Increase) in loans and advances and other current assets	718	63,449	(3,86,758)	(3,24,44,582)
Increase / (Decrease) in current liabilities and provisions	(5,48,010)	(4,84,11,679)	(4,63,922)	(3,89,17,767)
Net Cash from/ (used in) operations	**(4,66,315)**	**(4,11,94,602)**	**1,80,657**	**1,51,55,045**
Income Tax Paid/(Refund) , net	-	-		-
Net cash from/ (used in) Operating activities (A)	**(4,66,315)**	**(4,11,94,602)**	**1,80,657**	**1,51,55,045**
B. Cash flows from investing activities				
Sale of subsidiaries	-	-	2,48,176	2,08,19,137
Interest received	-	-	-	-
Net cash used in investing activities (B)	**-**	**-**	**2,48,176**	**2,08,19,137**
C. Cash flows from financing activities				
Repayment of long-term borrowings and finance lease obligation		-	(1,49,013)	(1,25,00,492)
Net cash generated from financing activities (C)	**-**	**-**	**(1,49,013)**	**(1,25,00,492)**
Net increase/ (decrease) in cash and cash equivalents (A + B + C)	**(4,66,315)**	**(4,11,94,602)**	**2,79,820**	**2,34,73,690**
Cash and cash equivalents at the beginning of the year	10,01,423	8,84,66,490	7,21,603	6,05,34,265
Cash and cash equivalents at the end of the year	**5,35,108**	**4,72,71,889**	**10,01,423**	**8,40,07,956**
Components of cash and cash equivalents:				
Cash on hand	-	-	-	-
Balances with banks in current account	5,35,108	4,72,71,889	10,01,423	8,40,07,956
	5,35,108	**4,72,71,889**	**10,01,423**	**8,40,07,956**

See accompanying notes forming part of the financial statements

As per our report of even date

Bhalotia Associates
Chartered Accountants
Firm Registration No. 323201E

For and on behalf of the Board of Directors of
Xchanging Solutions Europe Ltd -

CA.Ajay Kumar Bhalotia
Partner
Membership No. 057931

Nimish Soni
Director

Place: Kolkata
Date: March 1 , 2013

Xchanging Solutions Europe Ltd

Notes forming part of the financial statements

1. Background

Xchanging Solutions Europe Limited ('XSEL' or 'the Company') was incorporated on March 5, 2002, incorporated and domiciled in The United Kingdom. The Company is engaged in the business of rendering software development and related services and information technology enabled services.

Upto March 31, 2004, the Company was a wholly owned subsidiary of, Scandent Group Limited, Mauritius ("Scandent Mauritius"), one of the Scandent Group Entities. Pursuant to the Scandent Group strategy to consolidate its operations in India, the shareholding of the Company was transferred to Xchanging Solutions Ltd. (Formerly Xchanging Solutions Limited) ("Holding Company" or "Xchanging India") by Scandent Mauritius effective March 31, 2004.

Pursuant to the change in ownership, the arrangement between Xchanging India and XSEL was changed from Xchanging India billing XSEL on a cost plus basis until March 31, 2004 to Xchanging India compensating XSEL with a marketing fees of 5 percent for revenues earned by Xchanging India through XSEL and 8 percent of mark up on efforts incurred by XSEL for on-site support to Xchanging India.

Effective July 31, 2005, the Xchanging India revised the mechanism of payment of marketing fees to XSEL wherein the XSEL retain 5 per cent of revenue earned, from contracts assigned by it for marketing services rendered as against the Xchaning India remitting this amount from India. Effective April 1, 2007 mark-up on efforts incurred by XSEL for onsite support to Xchanging India has been increased to 12%.

Effective 1st April 2010 the mechanism of payment of marketing fees was done away with .The company adopted a rate card system where XSEL would pay Xchanging India, an amount based on a fixed rate card for the utilization of offshore resources of Xchanging India.

2. Funding of Future Operations

The Company during the year ended December 31, 2012 incurred a loss of GBP 15,870 – (INR 1,401,966) and has a positive net worth of GBP 769,423– (INR 67,971,459) as on that date.

3. Basis of preparation

(a) The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Act. The financial statements have been prepared under the historical cost convention on an accrual basis. Further, the financial statements are presented in the general format specified by Schedule VI of the Act. However, as these financial statements are not statutory financial statements, full compliance with the above Act, is not required and so they do not reflect all the disclosure requirements of the Act. These financial statements are presented pursuant to requirements of Section 212 of the Companies Act, 1956 ('the Act').

(b) The functional currency of the Company is Great Britain Pound ("GBP") and the reporting currency of the financial statements is Indian Rupee ("INR or Rs")

(c) For the convenience of readers, the balance sheet as of December 31, 2012 and as on December 31, 2011 the Profit and Loss account for both the years have been translated into INR at the exchange rate of 1GBP = Rs 88.3408 & Rs.83.8886 respectively. The convenience translation should not be construed as a representation that the GBP amounts or the INR amounts referred to in these financial statements have been, could have been, or could in the future be, converted into INR or GBP, as the case may be, at this or at any other rate of exchange, or at all.

4. Summary of Significant Accounting Policies

4.1 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.

4.2 Fixed assets and depreciation

Fixed assets are stated at cost of acquisition less accumulated depreciation and impairment losses. The cost of fixed assets comprises their purchase price and any other directly attributable costs of bringing the assets to their working condition for intended use.

The carrying amounts are reviewed at each balance sheet date when required to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

Based on the useful life estimated by the management, depreciation is provided under the straight line method at the rates mentioned below.

	Rate (per cent)
Computers	33.33
Office Equipment	20
Furniture and Fixtures	20

4.3 Intangible Assets

Intangible assets comprise of Goodwill arising on acquisition, computer software held for use in business and customer rights.

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 amortized on a straight line basis over its economic life.

ii. Computer software is amortized over an estimated useful life of two years.

The carrying value of intangible assets is reviewed for impairment annually when events or changes in circumstances indicate that the carrying value may not be recoverable. If the expected future discounted cash flows are less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and carrying value of the asset.

4.4 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.

4.5 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 Profit and Loss Account on a straight line basis over the lease term.

4.6 Investments

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.

4.7 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 Profit and Loss Account to the extent the carrying amount exceeds the recoverable amount.

4.8 Revenue recognition

Revenue from software development services includes revenue from time and material and fixed price contracts. Revenue from time and material contracts are recognized as related services are performed.

Revenue from software development on fixed price contracts is recognized as per proportionate-completion method.

Revenue from maintenance contracts is recognized ratably over the term of the maintenance contract on a straight-line basis.

Revenue is recognised net of value added tax.

4.9 Foreign currency transactions

i. *Initial Recognition*

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

ii. *Conversion*

Foreign currency monetary items are converted to the functional currency using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are converted to the functional currency 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 converted to the functional currency and presented in the financial statements 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 the Company's monetary items at rates different from those at which they were initially recorded during the year, or presented in previous financial statements, are recognised as income or as expenses in the year in which they arise.

Exchange differences arising on conversion of monetary items pertaining to acquisition of fixed and intangible assets acquired from outside United Kingdom denominated in foreign currencies are adjusted to the cost of the assets.

Exchange differences arising on a monetary item that, in substance, form 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 expenses.

4.10 Project work expense

Project work expenses represent amounts charged by Xchanging India for the software development and related services provided to the Company.

4.11 Retirement benefits

Retirement benefits to employees comprise contribution to National Security and leave encashment

The Company contributes the employer's share of the National Security and charges all such amounts to the Profit and loss account on an accrual basis.

Liability towards leave encashment benefits is provided based on an actual valuation performed as at the balance sheet date and is unfunded as at December 31, 2012.

4.12 Income taxes

Tax expense comprises both current and deferred taxes. Deferred income taxes reflect the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods. 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 are recognized 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 realized. Deferred tax assets are recognized on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits. Unrecognized deferred tax assets of earlier periods are re-assessed and recognized to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

4.13 Earning per share

Basic earning per share is calculated by dividing the net profit for the period attributable to equity the shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during all the periods, presented, is adjusted for capital reduction.

For the purpose of calculating diluted earning per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all diluted potential equity shares.

4.14 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.

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.

4.15 Segment reporting

Identification of segments:

The Company's operating businesses are organized 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.

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 other segment includes general corporate income and expense items which are not allocated to any business segment.

4.16 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.

4.17 Project work expenses and claims work expenses

Project work expenses and claims 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.

4.18 Cash and cash equivalents

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

This space has been intentionally left blank

Xchanging Solutions Europe Ltd

Notes forming part of the financial statements

5 Share Capital	As At Dec 31, 2012 GBP	As At Dec 31, 2012 INR	As At Dec 31, 2011 GBP	As At Dec 31, 2011 INR
Authorised capital:				
5,000,000 (Previous Year 5,000,000) Equity Shares of GBP 1 Each	50,00,000	50,00,000	50,00,000	50,00,000
Issued, subscribed and paid up capital:				
2,664,278 (Previous Year 2,664,278) Equity Shares of GBP. 1 Each fully pai	26,64,278	23,53,64,450	26,64,278	22,35,02,551
	26,64,278	**23,53,64,450**	**26,64,278**	**22,35,02,551**

(i) 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	26,64,278	26,64,278	26,64,278	26,64,278
Add / (Less): Movement during the year				
Shares outstanding at the end of the year	**26,64,278**	**26,64,278**	**26,64,278**	**26,64,278**

(ii) 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 Solutions Ltd, India, Holding Company	26,64,278	26,64,278	26,64,278	26,64,278

(iii) 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 Solutions Ltd, India, Holding Company	26,64,278	100.00%	26,64,278	100.00%

This space has been intentionally left blank

Xchanging Solutions Europe Ltd

Notes forming part of the financial statements

	As At Dec 31, 2012 GBP	As At Dec 31, 2012 INR	As At Dec 31, 2011 GBP	As At Dec 31, 2011 INR
6 Reserves and surplus				
Surplus/(Deficit) in Statement of Profit and Loss				
Balance as at the beginning of the year	(18,78,985)	(16,59,91,025)	(14,33,756)	(12,02,75,774)
(Loss) for the year	(15,870)	(14,01,966)	(4,45,229)	(3,73,49,635)
Balance as at end of the year	(18,94,855)	(16,73,92,991)	(18,78,985)	(15,76,25,409)
	(18,94,855)	**(16,73,92,991)**	**(18,78,985)**	**(15,76,25,409)**
7 Trade payables				
Due to related parties *{refer notes below}*				
Subsidiary	8,96,058	7,91,58,511	7,83,073	6,56,90,864
Fellow Subsidiaries	77,651	68,59,708	77,651	65,13,993
Other related parties	1,00,550	88,82,671	48,990	41,09,715
	10,74,259	9,49,00,890	9,09,713	7,63,14,572
Other trade payables	1,45,647.91	1,28,66,653	7,19,553.16	6,03,62,308
	12,19,906.80	**10,77,67,543**	**16,29,266.42**	**13,66,76,879**
(i) Dues to related parties include the following				
Holding company				
Xchanging Solutions Limited, India	8,96,058.34	7,91,58,511	7,83,072.60	6,56,90,864
Fellow subsidiary				
Xchanging Solutions Pte Ltd, Singapore	77,650.51	68,59,708	77,650.51	65,13,993
Other related parties				
Xchanging Procurement Services	15,120.00	13,35,713	-	-
Xchanging HR Services Ltd	71,777.00	63,40,838	620.00	52,011
Xchanging UK Ltd	13,653.04	12,06,120	633.50	53,143
Xchanging Technology Solutions Ltd	-	-	31,936.00	26,79,066
Xchanging Global Insurance Solutions	-	-	15,800.65	13,25,494
	10,74,258.89	**9,49,00,890**	**9,09,713.26**	**7,63,14,572**

(ii) Other related parties are the subsidiaries of the Xchanging Plc UK, which is the ultimate holding compnay of Xchanging Solutions Ltd, the holding company of the 'the Company'

8 Other current liabilities				
Statutory dues	8,106.23	7,16,111	1,46,746	1,23,10,301
	8,106	**7,16,111**	**1,46,746**	**1,23,10,301**
9 Short-term provisions				
Provision for leave encashment	30,293	26,76,121	20,293	17,02,364
	30,293	**26,76,121**	**20,293**	**17,02,364**

(i) Movement in provisions during the year (in GBP)

Description	Opening Balance	Charge during the year	Used during the year	Closing Balance
Provision for leave encashment	20,293	13,106	3,106	30,293
	20,293	13,106	3,106	30,293

(ii) Movement in provisions during the year (in INR)

Description	Opening Balance	Charge during the year	Used during the year	Closing Balance
Provision for leave encashment	17,92,713	11,57,820	-	29,50,533
	17,92,713	11,57,820	-	29,50,533

Cash Flow Counter

Notes forming part of the financial statements

10 Tangible assets

Amounts in GBP

Particulars	Gross Block				Depreciation				Net Block	
	As at Jan 1, 2011	Additions	Deletions / adjustments	As at Dec 31, 2012	As at Jan 1, 2011	For the year	Deletions / adjustments	As at Dec 31, 2012	As at Dec 31, 2012	As at Dec 31, 2011
Computers	85,730.36	-	-	85,730.36	85,332.66	396.77	(0.93)	85,730.36	-	397.70
Office Equipment	44,000.53	-	-	44,000.53	43,811.31	201.36	12.14	44,000.53	-	189.22
Furniture and fixtures	4,660.00	-	-	4,660.00	4,660.00		-	4,660.00	-	-
Total	**1,34,390.89**	**-**	**-**	**1,34,390.89**	**1,33,803.97**	**598.13**	**11.21**	**1,34,390.89**	**-**	**586.92**
Previous year	**1,34,391**		**-**	**1,34,391**	**1,30,583**	**3,221**	**-**	**1,33,803**	**587**	

Amounts in INR

Particulars	Gross Block				Depreciation				Net Block	
	As at Jan 1, 2011	Additions	Deletions / adjustments	As at Dec 31, 2012	As at Jan 1, 2011	For the year	Deletions / adjustments	As at Dec 31, 2012	As at Dec 31, 2012	As at Jan 1, 2011
Computers	75,73,489	-	-	75,73,489	75,38,355	35,051	(82)	75,73,489	-	35,133
Office Equipment	38,87,042	-	-	38,87,042	38,70,326	17,788	1,072	38,87,042	-	16,716
Furniture and fixtures	4,11,668	-	-	4,11,668	4,11,668	-	-	4,11,668	-	-
Total	**1,18,72,199**	**-**	**-**	**1,18,72,199**	**1,18,20,350**	**52,839**	**990**	**1,18,72,199**	**-**	**51,849**
Previous year	**1,12,73,864**	**-**	**-**	**1,12,73,864**	**1,09,54,416**	**2,70,167**	**-**	**1,12,24,583**	**49,280**	

Cash Flow Counter

Notes forming part of the financial statements

11 Intangible assets

Amounts in GBP

Particulars	Gross Block				Amortisation				Net Block	
	As at Jan 1, 2011	Additions	Deletions / adjustments	As at Dec 31, 2012	As at Jan 1, 2011	For the Year	Deletions / adjustments	As at Dec 31, 2012	As at Dec 31, 2012	As at Dec 31, 2011
Goodwill	99,568	-	-	99,568	99,568		-	99,568	-	-
Computer Software	2,817	-	-	2,817	2,817	-	-	2,817	-	-
Total	**1,02,385**	**-**	**-**	**1,02,385**	**1,02,385**	**-**	**-**	**1,02,385**	**-**	**-**
Previous year	**1,02,385**	**-**	**-**	**1,02,385**	**1,02,385**	**-**	**-**	**1,02,385**	**-**	

Amounts in INR

Particulars	Gross Block				Amortisation				Net Block	
	As at Jan 1, 2011	Additions	Deletions / adjustments	As at Dec 31, 2012	As at Jan 1, 2011	For the Year	Deletions / adjustments	As at Dec 31, 2012	As at Jan 1, 2011	As at Dec 31, 2012
Goodwill	87,95,917	-	-	87,95,917	87,95,917	-	-	87,95,917	-	-
Computer Software	2,48,821	-	-	2,48,821	2,48,821	-	-	2,48,821	-	-
Total	**90,44,737**	**-**	**-**	**90,44,737**	**90,44,737**	**-**	**-**	**90,44,737**	**-**	**-**
Previous year	**85,88,901**	**-**	**-**	**85,88,901**	**85,88,901**	**-**	**-**	**85,88,901**	**-**	

Xchanging Solutions Europe Ltd

Notes forming part of the financial statements

	As At Dec 31, 2012 GBP	As At Dec 31, 2012 INR	As At Dec 31, 2011 GBP	As At Dec 31, 2011 INR
12 Trade receivables				
{refer notes below}				
Outstanding for a period exceeding 6 months from the date they are due for payment				
Unsecured, considered good	-	-	-	-
Unsecured, considered doubtful:	4,00,946	3,54,19,930	3,93,046	3,29,72,088
Others				
Unsecured, considered good	10,47,116	9,25,03,050	11,43,145	9,58,96,854
Unsecured, considered doubtful:	-	-	-	-
	14,48,062	12,79,22,979	15,36,191	12,88,68,942
(Less): Provision for doubtful debts	(3,90,844)	(3,45,27,445)	(3,92,723)	(3,29,45,009)
	10,57,219	**9,33,95,534.56**	**11,43,468**	**9,59,23,932.93**

(i) Trade Receivable include debts due from related parties				
Holding company				
Xchanging Solutions Limited. India	3,37,816	2,98,42,892	16,711	14,01,889
Fellow subsidiary				
Xchanging Solutions (USA) Inc	48,807	43,11,626	-	-
Xchanging Solutions Pte Ltd, Singapore	1,50,233	1,32,71,716	89,290	74,90,397
Other related parties *{refer note (ii) below}*				
Xchanging Global Insurance Solutions	13,366	11,80,801	63,413	53,19,644
Xchanging Technology Services Ltd	50,944	45,00,476	60,907	51,09,369
		-		-
	6,01,166	**5,31,07,510**	**2,30,321**	**1,93,21,300**

(ii) Other related parties are the subsidiaries of the Xchanging Plc UK, which is the ultimate holding compnay of Xchanging Solutions Ltd, the holding company of the 'the Company'

(iii) Expenses paid on by the Company on behalf of related party are also considered as part of trade receivable.

13 Cash and bank balances				
Cash in hand	-	-	-	-
Balances with Banks				
- Current accounts	5,35,108	4,72,71,889	10,01,423	8,40,07,956
	5,35,108	**4,72,71,889**	**10,01,423**	**8,40,07,956**
Balance with banks include:				
- HSBC Bank , Camberly , UK	5,35,108	4,72,71,889	10,01,423	8,40,07,956
	5,35,108	**4,72,71,889**	**10,01,423**	**8,40,07,956**

14 Short-term loans and advances				
(Unsecured considered good, unless otherwise stated)				
Loans and advances to related parties *{Refer Note (i) & (ii) below}*				
Fellow subsididary	4,00,000	3,53,36,320	4,00,000	3,35,55,440
	4,00,000	3,53,36,320	4,00,000	3,35,55,440
Security deposits	25,320	22,36,789	26,911	22,57,525
Prepaid Expenses	6,182	5,46,083	4,240	3,55,671
Other Loans and Advances:	3,901	3,44,617	4,970	4,16,926
	4,35,403	**3,84,63,810**	**4,36,121**	**3,65,85,562**

(i) Loans & Advances to related parties includes				
Fellow subsididary				
Xchanging Solutions (USA) Inc	4,00,000	3,53,36,320	4,00,000	3,53,36,320
	4,00,000	**3,53,36,320**	**4,00,000**	**3,53,36,320**

(ii) Loans and adavnce given to relarted parties are interest free and repayable on demand.

Xchanging Solutions Europe Ltd

Notes forming part of the financial statements

	For the year ended		For the year ended	
	Dec 31, 2012 GBP	Dec 31, 2012 INR	Dec 31, 2011 GBP	Dec 31, 2011 INR
15 Revenue from operations				
Revenue from software development and related services				
- Time and material contracts	19,37,199	17,11,33,668	43,17,013	36,21,48,204
	19,37,199	**17,11,33,668**	**43,17,013**	**36,21,48,204**
16 Other income				
Miscellaneous Income {refer note (i) below}	5,68,421	5,02,14,784	-	-
Interest income		-		-
	5,68,421	**5,02,14,784**	**-**	**-**
(i) Miscellaneous Income represents liability no longer required written back.				
17 Employee benefits expense				
Salaries, allowances and bonus	3,02,251	2,67,01,073	10,11,354	8,48,41,038
Social security costs	1,11,154	98,19,426	1,45,528	1,22,08,175
Leave encashment	13,106	11,57,820	19,653	16,48,664
Staff welfare	-	-	5,202	4,36,387
Recruitment and relocation	-	-	99	8,331
	4,26,511	**3,76,78,319**	**11,81,836**	**9,91,42,595**
18 Other operating costs				
Project work expenses	17,42,489	15,39,32,875	21,67,914	18,18,63,260
Rent	34,130	30,15,050	2,65,939	2,23,09,234
Communication	39,071	34,51,521	38,490	32,28,876
Travel	12,220	10,79,549	2,27,878	1,91,16,374
Insurance	24,000	21,20,147	24,011	20,14,257
Power and fuel	270	23,826	880	73,814
Repairs and maintenance				
- Computer equipment		-		-
- Others	-	-	2,745	2,30,234
Legal and professional	1,96,461	1,73,55,546	1,56,859	1,31,58,695
Subcontractor Expenses	-	-	1,39,091	1,16,68,149
Printing and stationery	-	-	424	35,579
Business promotion	-	-	12	1,028
Bank charges	1,748	1,54,407	5,385	4,51,702
Provision for bad and doubtful debts	(1,880)	(1,66,047)	(2,526)	(2,11,920)
Exchange loss/(gain), net	11,046	9,75,780	21,956	18,41,866
Miscellaneous expenses	34,827	30,76,605	71,480	59,96,319
	20,94,381	**18,50,19,259**	**31,20,537**	**26,17,77,467**
19 Depreciation and amortisation				
Depreciation on Tangible assets *{refer note 8 }*	598	52,839	3,221	2,70,167
Amortisation on Intangible assets {refer note 9 }	-	-	-	-
	598	**52,839**	**3,221**	**2,70,167**

Xchanging Solutions Europe Ltd

Notes forming part of the financial statements

20 Related Party Disclosures

S No.	Name of the related party	Relationship	Nature of transaction	Transactions (GBP) 2012	Receivable / (payable) (GBP) 2012	Transactions (INR) 2012	Current Year Receivable / (payable) (INR) 2012
(i)	Xchanging Solutions Limited, India	Holding company					
			Expenses incurred by related party	(17,94,812)		(15,85,55,105)	
			Expenses incurred on behalf of the related party	3,21,105		2,83,66,707	
			Remittance to related party	16,81,826		14,85,73,854	
			Remittance from related party/adjustment				
			Trade Receivables at the end of the year		3,37,816		2,98,42,892
			Trade payable at the end of the year		(8,96,058)		(7,91,58,511)
(ii)	Xchanging Solutions (USA) Inc	Fellow subsidiary company					
			Expenses incurred on behalf of the related party	48,807		43,11,626	
			Payments made / adjustments				
			Loans & advances at the end of the year		4,00,000		3,53,36,320
			Trade Receivables at the end of the year		48,807		43,11,626
(iii)	Xchanging Solutions Pte Ltd,	Fellow subsidiary company					
			Expenses incurred on behalf of the related party	60,943		53,83,783	
			Expenses reimbursed to / incurred by, the related party				
			Trade payable at the end of the year		(77,651)		(68,59,708)
			Trade Receivables at the end of the year		1,50,233		1,32,71,716
(iv)	Xchanging Global Insurance Solutions	Fellow subsidiary company #					
			Expenses incurred on behalf of the related party	1,39,379		1,23,12,863	
			Expenses reimbursed to / incurred by, the related party	(58,585)		(51,75,402)	
			Payments received / (adjustments)	(1,89,426)		(1,67,34,034)	
			Payments made / adjustments	74,385		65,71,244	
			Trade Receivables at the end of the year		13,366		11,80,801
			Trade payable at the end of the year				

Xchanging Solutions Europe Ltd

Notes forming part of the financial statements

20 Related Party Disclosures

S No.	Name of the related party	Relationship	Nature of transaction	Transactions (GBP) 2012	Receivable / (payable) (GBP) 2012	Transactions (INR) 2012	Current Year Receivable / (payable) (INR) 2012
(v)	Xchanging HR Serives Ltd.,	Fellow subsidiary company #					
			Expenses incurred on behalf of the related party				
			Expenses reimbursed to / incurred by, the related party	(72,397)		(63,95,609)	
			Payments made / adjustments	1,240		1,09,543	
			Trade payable at the end of the year		(71,777)		(63,40,838)
(vi)	Xchanging In-Sure Services Ltd.,	Fellow subsidiary company #					
			Expenses reimbursed to / incurred by, the related party				
			Payments made / adjustments				
(vii)	Ferguson Snell & Associates	Fellow subsidiary company #					
			Expenses reimbursed to / incurred by, the related party	(14,434)		(12,75,153)	
			Payments made / adjustments	14,434		12,75,153	
(viii)	Xchanging Technology Services Ltd	Fellow subsidiary company #					
			Expenses incurred on behalf of the related party	7,32,969		6,47,51,090	
			Expenses reimbursed to / incurred by, the related party	(24,264)		(21,43,501)	
			Payments received / (adjustments)	(7,37,420)		(6,51,44,305)	
			Payments made / adjustments	50,689		44,77,907	
			Trade Receivables at the end of the year		50,944		45,00,476
			Trade payable at the end of the year				

Xchanging Solutions Europe Ltd

Notes forming part of the financial statements

20 Related Party Disclosures

S No.	Name of the related party	Relationship	Nature of transaction	Transactions (GBP) 2012	Receivable / (payable) (GBP) 2012	Transactions (INR) 2012	Current Year Receivable / (payable) (INR) 2012
(ix)	Xchanging UK Ltd.	Fellow subsidiary company #					
			Expenses reimbursed to / incurred by, the related party	(22,603)		(19,96,739)	
			Payments made / adjustments	9,583		8,46,582	
			Payments made / (adjustments)				
			Trade payable at the end of the year		(13,653)		(12,06,120)
(x)	Xchanging Claim Services	Fellow subsidiary company #					
			Expenses incurred on behalf of the related party				
			Payments made / (adjustments)				
(xi)	Cambridge Solutions France Sarl	Fellow subsidiary company					
			Payments made / (adjustments)				
(xii)	Xchanging Procurement Services	Fellow subsidiary company #					
			Expenses reimbursed to / incurred by, the related party	(48,120)		(42,50,959)	
			Payments made / (adjustments)	33,000		29,15,246	
			Trade payable at the end of the year		(15,120)		(13,35,713)

 # Subsidiaries of Xchanging Plc UK, the ultimate holding company of Xchaning Solutions Ltd, India, which is the holding company of the 'the Company'

Xchanging Solutions Europe Ltd

Notes forming part of the financial statements

20 Related Party Disclosures

S No.	Name of the related party	Relationship	Nature of transaction	Transactions (GBP) 2011	Receivable / (payable) (GBP) 2011	Transactions (INR) 2011	Previous Year Receivable / (payable) (INR) 2011
(i)	Xchanging Solutions Limited, India	Holding company					
			Expenses incurred by related party	23,32,984		19,57,10,762	
			Expenses incurred on behalf of the related party	(3,83,940)		(3,22,08,189)	
			Remittance to related party	(23,77,468)		(19,94,42,462)	
			Remittance from related party/adjustment	6,80,970		5,71,25,620	
			Trade Receivables at the end of the year		16,711		14,01,889
			Trade payable at the end of the year		(7,83,073)		(6,56,90,864)
(ii)	Xchanging Solutions (USA) Inc	Fellow subsidiary company					
			Expenses incurred on behalf of the related party				
			Payments made / adjustments	(4,00,000)		(3,35,55,440)	
			Loans & advances at the end of the year		4,00,000		3,35,55,440
			Trade Receivables at the end of the year				
(iii)	Xchanging Solutions Pte Ltd,	Fellow subsidiary company					
			Expenses incurred on behalf of the related party	(68,521)		(57,48,131)	
			Expenses reimbursed to / incurred by, the related party	77,651		65,14,034	
			Trade payable at the end of the year		(77,651)		(65,13,993)
			Trade Receivables at the end of the year		89,290		74,90,397
(iv)	Xchanging Global Insurance Solutions	Fellow subsidiary company #					
			Expenses incurred on behalf of the related party	(3,35,231)		(2,81,22,059)	
			Expenses reimbursed to / incurred by, the related party	2,09,665		1,75,88,503	
			Payments received / (adjustments)	3,62,434		3,04,04,081	
			Payments made / adjustments	(2,43,400)		(2,04,18,485)	
			Trade Receivables at the end of the year		63,413		53,19,644
			Trade payable at the end of the year		(15,801)		(13,25,494)

Xchanging Solutions Europe Ltd

Notes forming part of the financial statements

20 Related Party Disclosures

S No.	Name of the related party	Relationship	Nature of transaction	Transactions (GBP) 2011	Receivable / (payable) (GBP) 2011	Transactions (INR) 2011	Previous Year Receivable / (payable) (INR) 2011
(v)	Xchanging HR Serives Ltd.,	Fellow subsidiary company #					
			Expenses incurred on behalf of the related party				
			Expenses reimbursed to / incurred by, the related party	3,132		2,62,739	
			Payments made / adjustments	(4,542)		(3,81,022)	
			Trade payable at the end of the year		(620)		(52,011)
(vi)	Xchanging In-Sure Services Ltd.,	Fellow subsidiary company #					
			Expenses reimbursed to / incurred by, the related party	66,343		55,65,421	
			Payments made / adjustments	(79,965)		(67,08,152)	
(vii)	Ferguson Snell & Associates	Fellow subsidiary company #					
			Expenses reimbursed to / incurred by, the related party	92,413		77,52,397	
			Payments made / adjustments	(1,13,307)		(95,05,166)	
(viii)	Xchanging Technology Services Ltd	Fellow subsidiary company #					
			Expenses incurred on behalf of the related party	(2,55,473)		(2,14,31,272)	
			Expenses reimbursed to / incurred by, the related party				
			Payments received / (adjustments)				
			Payments made / adjustments	6,05,019		5,07,54,197	
			Trade Receivables at the end of the year		60,907		51,09,369
			Trade payable at the end of the year		(31,936)		(26,79,066)

Xchanging Solutions Europe Ltd

Notes forming part of the financial statements

20 Related Party Disclosures

S No.	Name of the related party	Relationship	Nature of transaction	Transactions (GBP) 2011	Receivable / (payable) (GBP) 2011	Previous Year Transactions (INR) 2011	Previous Year Receivable / (payable) (INR) 2011
(ix)	Xchanging UK Ltd.	Fellow subsidiary company #					
			Expenses reimbursed to / incurred by, the related party	2,842		2,38,411	
			Payments made / adjustments				
			Payments made / (adjustments)	(2,209)		(1,85,310)	
			Trade payable at the end of the year		(634)		(53,143)
(x)	Xchanging Claim Services	Fellow subsidiary company #					
			Expenses incurred on behalf of the related party	(1,14,773)		(96,28,146)	
			Payments made / (adjustments)	1,37,593		1,15,42,484	
(xi)	Cambridge Solutions France Sarl	Fellow subsidiary company					
			Payments made / (adjustments)	(2,14,003)		(1,79,52,412)	
(xii)	Xchanging Procurement Services	Fellow subsidiary company #					
			Expenses reimbursed to / incurred by, the related party				
			Payments made / (adjustments)				
			Trade payable at the end of the year				

 # Subsidiaries of Xchanging Plc UK, the ultimate holding company of Xchaning Solutions Ltd, India, which is the holding company of the

Xchanging Solutions Europe Ltd

Notes forming part of the financial statements

21 Segment reporting

The primary reporting of the Company has been performed on the basis of business segments. The Company is organised into three business segments, Banking, Financial services and Insurance ('BFSI'); Manufacturing and Government. Segments have been identified and reported based on the activity of the customer, the risks and returns, the organisation structure and the internal financial reporting systems. Currently, the internal financial reporting systems identify only the revenues earned in various segments and, accordingly, the management believes that presenting it is not practicable to furnish the information on the segment results, total carrying amount of segment assets, total amount of segment liabilities, total cost incurred to acquire the segment tangible and intangible assets, total amount of segment depreciation and amortisation and total amount of segment non cash expenses

Business Segment	2012 GBP	2012 INR	2011 GBP	2011 INR
Manufacturing	19,37,199	17,11,33,668	43,17,013	36,21,48,204
	19,37,199	**17,11,33,668**	**43,17,013**	**36,21,48,204**

Secondary segmental reporting is performed on the basis of the geographical location of customers. The Company services customers in the United Kingdom & other European countries and considers it as a single geographical segment.

Following table details the distribution of the Company's revenues by geographical markets.

Geographic location	2012 GBP	2012 INR	2011 GBP	2011 INR
Europe	19,37,199	17,11,33,668	43,17,013	36,21,48,204
	19,37,199	**17,11,33,668**	**43,17,013**	**36,21,48,204**

Fixed assets used the Company's business or liabilities contracted have not been identified to any reportable geographical segments as the fixed assets and services are used interchangeably between segments. Accordingly, no disclosures relating to total segment assets and liabilities are made.

22 Lease disclosures

Operating lease

The Company has operating lease arrangement for its office and guest house premises are obtained under operating lease. The lease term for these premises is for 1 year to 3 years and the lessee is entitled to renew the lease period for a specified period of time. Rent expense for such operating leases recognized in the Profit and loss Account of the company.

Particulars	2012 GBP	2012 INR	2011 GBP	2011 INR
Rent expenses recognised in profit and loss	**34,130**	**30,15,050**	**2,65,939**	**2,23,09,234**
Future minimum lease payment under operating lease arrangements are as follows:				
Payable not later than one year	-	-	-	-
Payable later than one year and not later than five years	-	-	-	-
Payable later than 5 years	-	-	-	-
Total	**-**	**-**	**-**	**-**

Finance lease

Finance lease commitment	**Nil**	**Nil**	**Nil**	**Nil**

23 Taxes

During the current period, the Company has earned book Loss of GBP 15,870 (INR 1,401,966). The company has earned the Profit but there is no provision for income tax for 2012. There is no deferred tax asset has been recognized and also there is a timing difference in accordance with the Company's Accounting policies.

24 Exceptional Items

Exceptional Item represents amount of GBP 456,649 (INR 38,307,610)] towards write off of balance receivable from Scandent Group GmbH, Germany, one of the fellow subsidiaries of the Company due to its liquidation in 2011.

Xchanging Solutions Europe Ltd

Notes forming part of the financial statements

25 Previous year comparatives

The Financial statements of the previous year have been restated and reclassified where necessary to conform to the current year's presentation.

As per our report of even date

Bhalotia Associates
Chartered Accountants
Firm Registration No. 323201E

For and on behalf of the Board of Directors of
Xchanging Solutions Europe Ltd

CA.Ajay Kumar Bhalotia
Partner
Membership No. 057931

Nimish Soni
Director

Place: Kolkata
Date: March 1 , 2013