Cambridge Solutions Limited

an Xchanging group company

www.cambridgeworldwide.com

ANNUAL REPORT - 2010

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BOARD OF DIRECTORS

Kenneth Lever	-	Executive Director & Vice Chairman
Darren Fisher	–	Executive Director & Chief Financial Officer
Kunal Kashyap	-	Independent Director
Eugene P Beard	-	Independent Director

COMPANY SECRETARY

Vijayamahantesh V. Khannur

STATUTORY AUDITORS

Price Waterhouse & Co
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 : +91 040-44655251
Fax : +91 040-23420814
Email : ksreddy@karvy.com
Website : www.karvy.com

Dear Shareholders,

Your directors are pleased to present the Tenth Annual Report and the Audited Statement of Accounts of the Company for the year ended December 31, 2010.

Financial Results

As per Indian GAAP Standalone

Particulars	December 31, 2010 (Rs. '000)	December 31, 2009 (Rs. '000)
Total Income	2,245,048	2,596,557
Total Expenditure	1,800,449	2,070,696
Profit before Interest, Depreciation and Tax	444,599	525,861
Depreciation & Amortisation	139,213	142,686
Finance Costs	73,542	147,406
Exceptional cost & prior period items	228,250	29,575
Profit / (Loss) before Tax	3,594	206,194
Income Tax (including deferred tax)	18,357	(1,029)
Net Profit / (Loss) after Tax	(14,763)	207,223
Earnings / (Loss) per share (Rs.)	(0.13)	1.86

As per Indian GAAP Consolidated

Particulars	December 31, 2010 (Rs. '000)	December 31, 2009 (Rs. '000)
Total Income	10,945,766	12,039,787
Total Expenditure	10,095,650	11,338,463
Profit before Interest Depreciation and Tax	850,116	701,324
Depreciation & Amortisation	281,698	398,442
Finance Costs	337,018	388,788
Exceptional cost & prior period items	845,396	3,537,099
Profit / (Loss) before Tax	(613,996)	(3,623,005)
Income Tax (including deferred tax)	47,409	98,906
Net Profit / (Loss) after Tax	(661,405)	(3,712,911)
Earnings / (Loss) per share (Rs.)	(5.94)	(33.42)

Review of Operations (Rs. '000)

During the year ended December 31, 2010, the consolidated revenue of your Company was Rs. 10,945,766 as against Rs. 12,039,787 during the previous year ended December 31, 2009. At a stand alone level the total revenue of the Company amounted to Rs. 2,245,048 compared to Rs. 2,596,557 in the previous year ended December 31, 2009.

Dividend

Your Directors are recommending no Dividend on the Equity Shares.

Share Capital

Your Company has issued 21,667 equity shares of Rs. 10/- each fully paid, under Cambridge Solutions Limited Employees Stock Option Plan 2006 (Program II). The paid up capital has increased to Rs. 1,114,037,160 comprising of 111,403,716 equity shares of Rs. 10/- each fully paid-up.

Subsidiary Companies

Your Company has 14 subsidiary companies, namely Scandent Group Inc., USA, Cambridge Solutions Europe Limited, UK (Formerly Scandent Network Europe Ltd., UK), Cambridge Solutions Pte Ltd., Singapore (Formerly Scandent Group Pte Ltd, Singapore), Scandent Group Sdn, BHD, Malaysia, Indigo Markets Ltd, Bermuda, Cambridge SARL, France (Formerly BWH SARL, France), Cambridge Integrated Services Australia Pty Ltd., Australia, Cambridge Integrated Services Victoria Pty Ltd., Australia, Cambridge Galaher Settlements & Insurance Services, USA, Cambridge Integrated Services Group Inc., USA, ProcessMind Holdings Mauritius Limited, Mauritius, Nexplicit Infotech India Private Limited, Cambridge Solutions PTY Ltd, Australia and Cambridge Builders Private Limited, India.

During the year, one of the subsidiaries of the Company, Scandent Group Gmbh, Germany, got liquidated and your Company acquired a newly incorporated company, Cambridge Builders Private Limited, India which has an object to carry on the business of development of special economic zones (SEZ). This acquisition was made for the purpose of carrying on the business of SEZ development at the Shimoga in association with KEONICS. Your Company invested and acquired 10,000 Equity Shares of Rs. 10 each of Cambridge Builders Private Limited for a consideration of Rs. 10 each, to make it wholly owned subsidiary.

As per Section 212 of the Companies Act 1956, your Company is required to attach Directors' Report, Balance Sheet and Profit &

Loss Account of these subsidiaries. Your Company has received approval from the Central Government for an exemption from such attachment as it presents the audited consolidated financial statements of the Company and its subsidiaries in the Annual Report. The Directors believe that the consolidated accounts present a full and fair picture of the state of affairs and the financial condition of the consolidated companies in your Company. Accordingly, 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 Corportation Limited Employee Stock Option Plan 2005.**
3. **Scandent Solutions Corportation Limited 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 have lapsed.

The details of options granted, vested and exercised under the first three 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 the good Corporate Governance with optimum combination of Executive and Non-Executive Directors and Independent Directors throughout the period and your Company is ensuring compliance with regard to constitution of Committees such as the Audit Committee and 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.

Directors

Mr. Kunal Kashyap retires by rotation and being eligible offers himself for re-appointment.

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, 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, 2010, 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 judgments 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 Companies 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., 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 **Darren Fisher**

Date : February 28, 2011
Place : London, UK

Annexure 1

		Cambridge 2006 1	Scandent 2005 2	Scandent SSI 2004 3
A	Total No. of options granted	-	-	70,892
	Program I	60,000	185,000	NA
	Program II	3,927,946	452,473	NA
B	Options granted during the year	-	-	NIL
	Program I	NIL	NIL	NA
	Program II	NIL	NIL	NA
C	Exercise Price	NIL	NIL	NIL
	Program I	NIL	NIL	NA
	Program II	NIL	NIL	NA
D	Total Options Vested (Net of Forfeited options)	-	-	1,200
	Program I	NIL	5,000	NA
	Program II	997,275	98,500	NA
E	Options Exercised during the year	-	-	NIL
	Program I	-	NIL	NA
	Program II	21,667	NIL	NA

		Cambridge 2006 1	Scandent 2005 2	Scandent SSI 2004 3
F	Total shares arise as a result of exercise of options during the year	-	-	NIL
	Program I	-	NIL	NA
	Program II	21,667	NIL	NA
G	Options lapsed during the year	-	-	NA
	Program I	NIL	NIL	NA
	Program II	270,000	10,000	NA
H	Variation of terms of options	NIL	NIL	NIL
I	Money realized by exercise of options during the year	-	-	NIL
	Program I	NIL	NIL	NA
	Program II	1,232,852	NIL	NA
J	Total Number of options in force	-	-	1,200
	Program I	NIL	5,000	NA
	Program II	1,085,613	88,500	NA
K	Employee-wise details of options granted during the year to	-	-	-
	i) Senior Managerial Personnel	NIL	NIL	NIL
	ii) any other employee who receives a grant in any one year of option amounting to 5%or more of option granted during that year	NIL	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	NIL
L	Diluted Earnings/(Loss) per Share (EPS) pursuant to issue of shares on exercise of option	(0.13)	(0.13)	(0.13)
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	Refer Table 1
N	Weighted average exercise price	-	-	No Grants
	Program 1	No Grants	No Grants	NA
	Program 2	No Grants	No Grants	NA
O	Weighted Average fair value of options	-	-	No Grants
	Program 1	No Grants	No Grants	NA
	Program 2	No Grants	No Grants	NA
P	Description of the method and significant assumptions used during the year	NA	NA	NA

<u>Table 1</u>

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, 2010 (Rs. ' 000)	Year ended December 31, 2009 (Rs. '000)
Net Profit / (Loss) as reported	(14,763)	207,223
Net Profit / (Loss) available for equity shareholders	(14,763)	207,223
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	2,135	6,369
Proforma Net Profit / (Loss)	(16,898)	200,854
Reported Earnings / (Loss) per Share (including share capital pending allotment) Rs.		
Basic	(0.13)	1.86
Diluted	(0.13)	1.86
Proforma Earnings / (Loss) per share Rs.		
Basic	(0.15)	1.80
Diluted	(0.15)	1.80

For and on behalf of the Board of Directors

Kenneth Lever **Darren Fisher**

Date : February 28, 2011
Place : London, UK

<u>Annexure 2</u>

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**

		Year ended December 31, 2010 (Rs. ' 000)	Year ended December 31, 2009 (Rs. '000)
(i)	Total Foreign Exchange earnings	2,046,103	2,494,085
(ii)	Total Foreign Exchange out go	276,357	602,788

For and on behalf of the Board of Directors

Kenneth Lever **Darren Fisher**

Date : February 28, 2011
Place : London, UK

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Cambridge Solutions Limited, incorporated on February 1, 2002 with operations in India and an international presence established through offices in several countries including the USA and Australia (the Group).

The Group provides business processing (BPO) and Information Technology (ITO) services across a broad range of industries focusing on banking, insurance, manufacturing and government sectors. Our areas of expertise include Finance& Accounting (F&A), Workers' Compensation claims management, Insurance and Banking processes and IT services. Xchanging (Mauritius) Limited ("XML"), a wholly owned subsidiary of Xchanging plc ("Xplc"), a UK listed company, incorporated under the laws of England and Wales, has acquired 76.06% shares in Cambridge Solutions Limited in April 2009 and thus Cambridge Solutions Limited has become subsidiary of XML. XML presently owns 75.62% of the outstanding share capital of the Company.

The consolidated revenue of the Group was Rs. 10,577 million for the year ended December 31, 2010, a decline of Rs. 1,351 million or 11.33% over the year ended December 31, 2009. During the period the Group earned profit before interest, depreciation and tax and exceptional expenses, of Rs. 231 million, an increase of Rs. 317 million over 2009. The consolidated net loss is Rs. 661 million in 2010, a decrease of Rs. 3,061 million over 2009.

Global Trends

The world economy began its recovery process in 2010 albeit slower than expected. High unemployment in the U.S. and the near bankruptcy of a number of European countries left outsourcing buyers uncertain about the value of entering into long-term outsourcing arrangements. This resulted in a flat outsourcing trend in 2010. In the wake of these circumstances, with lesser new outsourcing opportunities, the focus was on retaining and restructuring the older deals.

The focus has shifted back to innovation in outsourcing, as organizations are beginning to expect more from an outsourcing than simply cost-cutting. But the obstacles to the successful achievement of innovation remain the same as they have always been: service provider selection, contracting for innovation and paying for innovation.

There is growing importance for Cloud based solutions in outsourcing markets however concerns regarding data security and data privacy in the Cloud remain high. There is now demand for security to be built into cloud services and the market is driving the emergence of highly secure and trusted cloud services. "Private Clouds" have gained popularity, especially in regulated industries where security and risk concerns may deter companies and their regulators from moving to genuine "Public Clouds".

The implementation of Basel II and the forthcoming Solvency II and Basel III requirements will change the Oustourcing market for the financial services industry. These have imposed the Capital adequacy requirements for banks and insurance companies. If adopted as market practice, these changes may have a ripple effect outside the financial services sector. Most immediately, there will be an increased emphasis on counterparty risk and the effect on banks' and insurers' capital; and more interest from regulators in outsourcing service providers.

Outsourcing by financial institutions revived in 2010 in large part because of the restructuring of a number of large IT deals. However there was a decline in the healthcare and pharma industries from 2009 levels but remained flat as compared with 2008 activity. These sectors, however, look promising for increased activity in 2011. The increase in transportation and travel outsourcing in 2010, to some extent was due to the adoption of the outsourcing model by hotel chains. Public sector outsourcing was significantly down in Europe. In the U.S., outsourcing by state and local governments was down as a number of troubled state deals were restructured.

USA

The third part administration (TPA) sector has been facing an extremely challenging operating environment over the last several years. The prevailing trend of declining claims volume due to the shift away from manufacturing jobs and increased safety standards has been exacerbated during the recent economic downturn, as the number of unemployed workers has swelled. The challenges in the workers' compensation market place are demonstrated by the drop in total insurance industry workers' compensation net premium written off 15% in 2009 and 41% since 2004, according to A.M. Best (an Insurance rating and Information agency). Because approximately 60% of the revenue generated by the TPA marketplace is related to workers' compensation insurance, we do not anticipate a change in the overall claims volume trend since we do not foresee a near-term impetus for a significant increase in employment. Based on the lack of organic growth in the claims market, competition over both price and services has continued to increase as companies compete for accounts.

According to TPI, outsourcing activity in the U.S. showed modest growth through 3Q10. Growth was a result of restructurings and not new scope deals. Companies seemed to be willing to hire consultants to perform assessments (exhibiting an interest in outsourcing), but were unwilling to move forward with transactions.

Europe

There was a shift in the pattern of outsourcing across Europe, with material growth in Continental Europe, especially the Nordic Region. However the UK and German markets were flat. This market trend is expected to continue for at least the first half of 2011, although Gartner predicts a slight increase in overall spend on IT services in 2011.

Public Sector National Governments across Europe drastically cut spending in 2010. For over half of 2010, the UK public sector outsourcing market—one of Europe's largest outsourcing markets—has effectively been shut down by UK government moratorium on new projects and review of every existing project. There might be an opportunity for increase in new services if the existing controls relax in 2011, however service providers may prioritize sectors where margins are less squeezed.

Asia

2010 has seen continued growth in outsourcing to Asia as the global economy recovers and companies look to further reduce costs in the wake of the global recession by off-shoring to lower cost jurisdictions. Traditionally, cost rationalization was a compelling reason for corporate to consider outsourcing/off-shoring in the first place. Post the economic downturn, it came back to being an important reason for corporate to revisit their strategy for off-shoring and push it more aggressively.

With green shoots appearing in the economic scenario, proliferation of technology in various sectors and an increasing number of companies going global, Asia is witnessing a marked rise in IT spend. While Asia-Pacific constitutes about 10% share of the total global IT services market, IT spend in the region is growing at a much faster rate compared to the mature markets. IT spending is a precursor to IT and BPO outsourcing and Asia-Pacific will attract increased competition, being the fastest growing geography with an estimated growth of 10 percent, according to a NASSCOM report.

Group Performance

The table below summarises the Group's consolidated financial performance:

(Rs. in Million)

Particulars	December 31, 2010	December 31, 2009
Total Income	10,945.77	12,039.78
Total Expenditure	10,095.65	11,338.46
Profit before Interest Depreciation and Tax	850.12	701.32
Finance Costs	337.02	388.79
Depreciation & Amortisation	281.70	398.44

Particulars	December 31, 2010	December 31, 2009
Exceptional cost & prior periods items	845.39	3,537.10
Profit / (Loss) before Tax	(613.99)	(3,623.00)
Income Tax (including deferred tax)	47.41	98.91
Profit / (Loss) after Tax	(661.40)	(3,721.91)
Earnings / (Loss) per share Rs.	(5.94)	(33.42)

Segmental Performance

For management review purposes, the Group is structured into ITO and BPO divisions, with BPO further broken down into the US, India and Australia regions. On a line of business basis, the BPO segment contributed 80% to consolidated revenues. ITO contributed 20% of the consolidated revenues for the year.

BPO USA

BPO USA provides comprehensive claims and administration services for customers across the United States. BPO USA employs over 1,000 people in various processing locations in US.

BPO USA revenue for year was Rs. 5,530 million (2009: Rs. 6,371 million), decline of Rs. 841 million over 2009. This decrease include Rs. 322 million due to movement in the US dollar and Indian Rupee exchange rates year on year and balance Rs. 519 million due to decline in business. The business decrease was driven by volume declines and the full-year impact of customers lost during 2009, partially offset by increased case management vendor revenues.

EBIT for the year was Rs. 358 million (2009: negative Rs. 386 million). EBIT has improved on account of release of onerous contract provisions following sub-let agreements and lease terminations agreed during 2010. Additionally in 2010 business received sales tax and other credits relating to prior years. The profit impact of lower revenues was partially offset by productivity savings from the 2009 restructuring.

The BPO USA revenue and underlying operating profit for the year also included Rs. 345 million of revenue from the contract for services with Compagnie Pour Assistance Technique et Investissements S.A,(CATISA).

BPO Australia

BPO Australia is an authorised workers' compensation agent of the New South Wales (NSW) and Victorian governments, and provides services to employers operating in NSW and Victoria. Australia employs over 400 people, with processing locations in Sydney and Melbourne .

Revenue for the year was Rs. 1,774 million (2009: Rs. 1,919 million), decline of Rs. 145 million over 2009. This decrease is after adjusting foreign currency benefit of Rs. 155 million, due to the movement in the Australian dollar and Indian Rupee exchange rates year on year. Decline is primarily due to lower bonus revenue, particularly in NSW, reflecting the volatile nature of the performance bonus schemes on which managing agent remuneration is based.

EBIT for the year was negative Rs. 4 million (2009: Rs. 252 million). This decrease is mainly due to lower bonus revenues dropping straight to the bottom line.

BPO India

BPO India provides a comprehensive range of business process services whether it's routine transaction processing or performing high-end services for the insurance, finance and accounting, banking, mortgage and healthcare industries. It employs over 1700 people in various processing locations in Bangalore, Shimoga and Chennai.

Revenue for year was Rs. 1,270 million (2009: Rs. 1,208 million), increase of Rs. 62 million over 2009. Increase in revenue was mainly due to increase in off shoring from Cambridge and Xchanging group companies.

EBIT for the year was Rs. 311 million (2009: Rs. 421 million). EBIT performance has declined due to appreciation of India Rupee against US Dollar and Great Britain Pound by 2.9% and 5.7% respectively year on year, which got partially offset by various cost saving initiatives.

ITO

The Group offers customers a broad range of industry-specific solutions e.g. logistic, banking, real estate, government and manufacturing in USA, UK, Singapore, Malaysia, Japan, Australia & India. ITO employs over 1000 people in various locations across the globe.

Revenue for the year was Rs. 2,572 million (2009: Rs. 2,619 million), decline of Rs. 47 million over 2009. Decline is due to lower levels of new sales and renewal.

EBIT was negative Rs. 20 million (2009: negative Rs. 63 million). The reduction in loss is mainly due to operational efficiency and cost saving initiatives.

Geographic Profile

Rs. in million

Geography	Revenue 2010	%
USA	6,800	64%
Australia	1,809	17%
Europe	1,400	13%
Rest of world	568	6%
	10,577	**100%**

Exceptional Costs

The Group posted exceptional charges of Rs. 845 million during the year. These charges were incurred primarily in relation to provision for impairment of goodwill in BPO US, impairment of intangible assets, provision for onerous contract, impairment of Investment in BigE and reversal of onerous lease provision made in earlier years in ITO.

Balance Sheet

Key movements in consolidated balance sheet are outlined below:

Secured Loans – Secured loan has decreased by 38% to Rs. 402 million (2009: Rs. 648 million) primarily due to loan repayments.

Unsecured Loans – Unsecured loan has increased by 31% to Rs. 4,358 million (2009: 3,315 million). The increase is primarily on account of additional funding of Rs. 1,050 million from Xchanging group.

Fixed assets – The Company has tangible fixed assets of Rs. 298 million (2009: Rs. 437 million). Intangible fixed assets of Rs. 3,432 million (2009: Rs. 4,151 million). During the year, the Company has added tangible fixed assets of Rs. 79 million (2009: Rs. 196 million), intangible fixed assets of Rs. 117 million (2009: Rs. 115 million). The Company has capital work in progress of Rs. 95 million (2009: Rs. 70 million).

Deferred tax assets– The deferred tax assets of Rs. 41 million (2009: deferred tax liability of Rs. 33 million) is pertaining to BPO Australia. Increase in deferred tax assets is due to decrease in accrued income.

Investments – The company has investment in Class A common stock of BigE Real Estate, Inc. During the year company has made a provision for diminishing in the value of investment for Rs. 47 million. Net Investment value in BigE as of December 31, 2010 is Nil.

Sundry Debtors – Debtors was Rs. 1,361 million (2009: Rs. 1,615 million). Debtors include unbilled revenue for Rs. 374 million (2009: Rs. 736 million). Debtors are at 12.9% (2009: 13.5%) of revenue, representing Day Sale Outstanding (DSO) of 47 days (2009: 49 days).

Cash & bank balance – Cash and bank balances has increased by 76% to 895 million (2009: Rs. 508 million), increase in cash balance is mainly due to advance receipt of service fees in BPO Australia.

Other Current Assets – Other current assets has decreased by 13% to Rs. 131 million (2009: 150 million).

Loans and Advances – Loans and Advances has increased by 38% to Rs. 434 million (2009: Rs. 314 million). Loans and advances primarily represent advance tax, MAT credit entitlements and other receivables.

Current Liabilities – Current liabilities has decreased by 32% to Rs. 2,370 million (2009: Rs. 3,489 million). Current liabilities represent sundry creditors, book overdraft, advance received from customer, deferred revenue, interest accrued but not due and other liabilities.

Provisions – Provision has decreased by 5% to Rs. 2,089 million (2009: 1,985 million). Provisions represents, liability for tax, compensated absence, gratuity, onerous leases, onerous customer contracts, litigation and restructuring liability. This decrease in provisions is due to utilization of provision of onerous leases, restructuring liability, litigation and onerous customer contract.

Related Parties

In relation to the relationship between the Xchanging Group and Cambridge, the companies where control exists and subsidiaries with which transactions have taken place during the year are disclosed in note 3.5 of the standalone accounts and 3.6 of the consolidated accounts. In addition, the table below details the Xchanging Group subsidiaries with whom transactions have not taken place during the year:

- LCO Marine Limited
- LCO Non Marine & Aviation Limited
- Ins-sure Holdings Limited
- LPSO Limited
- London Processing Centre Limited
- Xchanging Insurance Technical Services Limited
- HR Enterprise Limited
- Xchanging Resourcing Services Limited
- Xchanging Insurance Professional Services Limited
- Xchanging SAS
- Xchanging Procurement Services (Europe) Limited
- Xchanging Procurement Services (France) SAS

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 region, the group and the operations. We review our whole risk hierarchy periodically, which helps 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 divide our risks into strategic, commercial, operational & financial categories:

- Strategic risks reflect the potential for a significant strategic action to have a financial impact on the economic value of our business.
- Commercial risks and contracting 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 risks such as interest, foreign exchange, tax, pension valuations and liquidity. Failure to manage these risks could negatively impact the economic value of our business.

Strategic risks	
Key risk	*Mitigating plan*
Our growth strategy is dependent on attracting new customers in large-scale arrangements.	The slowdown in the global economy has decreased the speed at which potential customers are making buying decisions. • Clearly defined service offerings and sales strategies. • Building and developing strong relationships are key to our core values • Central and regional sales teams with strong sales governance processes.
Our ability to anticipate and manage changes in the economic environment, including an inflating cost base in India.	• Clearly defined service offerings and sales strategies. • Global balancing of workloads. • Rolling forecasts to help the Group respond to changing financial conditions.
Commercial risks	
Key risk	*Mitigating plan*
We may be exposed to complex and technical contractual terms with key customers. Breaching contracts could lead to customer relationship issues and potential financial penalties.	Our commercial risks continue to be well managed through legal review, delegated authorities and contract monitoring processes. • Clearly defined partnership governance structures help to identify and resolve potential issues. • The embedded delegated authorities process requires senior management involvement for complex transactions. • Detailed registers enable close monitoring of all key contractual obligations with partners. • Structured service management identifies issues early and triggers corrective actions.
Operational risks	
Key risk	*Mitigating plan*
Our reputation and ultimately our profitability is reliant on successfully implementing outsourcing contracts and integrating new international businesses	We have successfully completed the realignment of new accounts in 2010. • We apply standard procedures for implementing large scale outsourcing contracts. • Rigid approval processes 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.
Our customers and partners demand efficient processing and high levels of service to help them achieve their objectives and protect our reputation.	Service levels continue to improve, as measured by our customers. • We measure and monitor performance across all functions and on being responsive to customer needs, which is one of our core values. • We have a clearly defined operating strategy and target mode. • Our production function focuses on improving efficiency through standardization, near shoring and off shoring. • Our quality function focuses on improving processes, controls and performance.

Continuing to retain our key personnel and recruit new talented individuals is key to our success	Changes in key employees in the Group was well managed. • 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 programme attract high-potential employees • Leadership training schemes underpin our succession plans.
Our service delivery and reputation is highly reliant on business continuity and information security. 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.	We continue to work with customers to understand their requirements, in addition to continuously improving and achieving relevant quality certifications to support our internal requirements. • We have clearly defined information security policies and protocols. • We focus on continued development of business and disaster recovery planning and testing. • The Group Information Steering Committee leads teams within each region.
Financial risks	
Key risk	*Mitigating plan*
The Group's financial results may be subject to volatility arising from movements in interest foreign exchange, taxation rates, and liquidity	Our financial risks continue to be well managed, reducing the volatility of our financial results and ensuring we have required credit facilities in place. • Our group treasury is controlled centrally. • The Treasury Risk Committee monitors our financial KPIs, in accordance with clearly defined policies and procedures.

Our People

We need people with outstanding talent, energy and commitment, who will provide our customers with exceptional services. This means we are always looking at new ways to support and develop our people. Only through this investment we can create and maintain a customer-focused, high-performance environment which enables our people to fulfill their potential.

In 2010, we began transforming our engagement and performance development practices. We believe that engaged people perform better and have a positive effect on the business and on shareholder value.

Employee engagement

In 2010, we invited all of our employees to complete our first online engagement survey. The survey identified areas and initiatives which were working well and areas for improvement. We created action plans at a regional level, with many of the proposals based on our people's recommendations.

We are committed to ensuring our people understand the business and the part they play in our success. This means we encourage open and two-way communication. In 2010, we launched a global intranet site to share information, as well as inspire and motivate employees. We also regularly use channels such as webcasts and video broadcasts to reach employees in an imaginative and cost-effective way.

Developing our people

All of our employees participate in a performance development review, which is integral to our business planning process. In 2010, we upgraded the review system wherever required. As part of these changes, we introduced a more rigorous approach to objective setting, to encourage more focused goals and to identify business and personal development opportunities.

Looking after our employees

We have a moral obligation to protect our employees' wellbeing and it is also good business sense. As a result, we have reviewed our global wellbeing practices. In India, we have started to develop a state-of-the-art processing centre in a new Special Economic Zone in Shimoga, Karnataka. The first phase is due for completion by the end of 2011. The construction is following an integrated approach, combining energy efficiency – such as maximizing the use of natural ventilation instead of air-conditioning with the shaping of an ideal working environment for our employees.

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED DECEMBER 31, 2010

(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, 2010 comprised of 8 Directors of which 5 are Non-Executive Directors. The Chairman is Executive Director and the Board comprised of 50% of Independent Directors. The number of Independent Directors i.e. those who do not have any material pecuniary relationship with the Company is 4, 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, 2010 – ***other than Cambridge 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
David Andrews*	Promoter-Executive Chairman	None	-	-
Kenneth Lever	Promoter – Non Executive Vice Chairman	None	-	-
Darren Fisher	Promoter - Executive Director	None	-	-
Thomas Runge*	Promoter - Executive Director	None	-	-
Kunal Kashyap	Independent Director	1	1	1
Eugene Beard	Independent Director	None	-	-
Kamal Gupta*	Independent Director	7	9	5
Shamsher Kanji*	Independent Director	None	-	-

* Mr. David Andrews resigned from the Board with effect from February 8, 2011. Mr. Thomas Runge and Mr. Shamsher Kanji resigned from the Board with effect from February 14, 2011. Mr. Kamal Gupta resigned from the Board with effect from February 25, 2011.

@ 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, 2010, 6 Board Meetings were held on 18.01.2010, 26.02.2010, 26.04.2010, 01.07.2010, 30.07.2010 and 29.10.2010 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 26/04/2010
David Andrews*	Promoter-Executive Chairman	2	4	NO
Kenneth Lever*	Promoter- Non executive director & Vice Chairman	NIL	1	NA
Darren Fisher	Promoter-Executive Director	6	NIL	YES
Thomas Runge*	Promoter-Executive Director	2	4	NO
Kunal Kashyap	Independent Director	5	1	YES
Eugene Beard	Independent Director	2	4	NO
Kamal Gupta*	Independent Director	3	3	YES
Shamsher Kanji*	Independent Director	4	2	NO
Richard Houghton*	Promoter-Executive Vice Chairman	3	3	NO

* Mr. Kenneth Lever is appointed as Director & Vice Chairman and Mr. Richard Houghton resigned from the Board with effect from October 29, 2010. Mr. Kenneth Lever is appointed as Executive Director and Vice Chairman with effect form February 28, 2011. Mr. David Andrews resigned from the Board with effect from February 8, 2011. Mr. Thomas Runge and Mr. Shamsher Kanji resigned from the Board with effect from February 14, 2011. Mr. Kamal Gupta resigned from the Board with effect from February 25, 2011.

c) Remuneration of Directors:

The remuneration paid to the directors during the year ended December 31, 2010, other than sitting fees.

Sl. No.	Name of the Director	Remuneration paid (Amt. in Rs.)
1	David Andrews*	Nil
2	Kenneth Lever*	Nil
3	Darren Fisher	5,419,283
4	Thomas Runge*	3,300,530
5	Kunal Kashyap	Nil
6	Eugene Beard	Nil
7	Shamsher Kanji*	Nil
8	Kamal Gupta*	Nil
9	Richard Houghton*	Nil

Shareholding of the Non-Executive Directors in the Company as on 31.12.2010.

Sl. No.	Name of the Director	No. of Equity Shares of Rs. 10/- each held
1	Kenneth Lever*	Nil
2	Kunal Kashyap	21,446
3	Eugene Beard	Nil
4	Shamsher Kanji*	5,527
5	Kamal Gupta*	14,298

* Mr. Kenneth Lever is appointed as Director & Vice Chairman and Mr. Richard Houghton resigned from the Board with effect from October 29, 2010. Mr. Kenneth Lever is appointed as Executive Director and Vice Chairman with effect form February 28, 2011. Mr. David Andrews resigned from the Board with effect from February 8, 2011. Mr. Thomas Runge and Mr. Shamsher Kanji resigned from the Board with effect from February 14, 2011. Mr. Kamal Gupta resigned from the Board with effect from February 25, 2011.

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 broad terms and references of Audit Committee are as follows:

   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 non payment 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. Richard Houghton - Member
4. Mr. Kamal Gupta - Member

Mr. Richard Houghton ceased to be member of the Committee in view of his resignation from the Board of Directors with effect from October 29, 2010 and with the induction of Mr. Kenneth Lever on the Board of Directors, he was appointed as member of the Committee on October 29, 2010. Thus as on December 31, 2010, the Audit Committee comprised of:

1. Mr. Kunal Kashyap - Chairman
2. Mr. Eugene Beard - Member
3. Mr. Kenneth Lever - Member
4. Mr. Kamal Gupta* - Member

* Mr. Kamal Gupta resigned from the Board with effect from February 25, 2011 and thus ceased to be the member of the Audit Committee.

During the year under review, five meetings of the Audit Committee were held, the dates being 18.01.2010, 26.02.2010, 26.04.2010, 30.07.2010 and 29.10.2010:

The attendance for the Audit Committee meetings is as follows :

Name of the Director	No. of Meetings Attended	Leave of Absence granted
Kunal Kashyap	5	Nil
Eugene Beard	2	3
Kamal Gupta	3	2
Richard Houghton	2	3
Kenneth Lever	NA	NA

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

The previous Annual General Meeting of the Company was held on April 26, 2010 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. Richard Houghton
4. Mr. Darren Fisher

Mr. Richard Houghton ceased to be member of the Committee in view of his resignation from the Board of Directors with effect from October 29, 2010 and with the induction of Mr. Kenneth Lever on the Board of Directors, he was appointed as member of the Committee on October 29, 2010. Thus as on December 31, 2010, the Shareholders' Grievances Committee consisted of the following.

1. Mr. Kunal Kashyap
2. Mr. Eugene Beard
3. Mr. Kenneth Lever
4. Mr. Darren Fisher

The Company Secretary is the Compliance Officer.

During the year under review, the Shareholders' Grievances Committee held a meeting on 29.10.2010 in which Mr. Kunal Kashyap was Chairman and Mr. Darren Fisher was member.

All the requests for dematerialization of shares have been attended in time and there were no dematerialization requests were pending as on December 31, 2010.

CEO / CFO CERTIFICATION

The Board of Directors has received a CEO & CFO certificate from Mr. Kenneth Lever, Executive Director and Vice Chairman and Mr. Darren Fisher, Executive Director & 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
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

Date	Time	Venue	Special Resolutions Passed	Directors' Attendance at AGM
June 18, 2009	11 AM	SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore – 560 066	a. Approval of Appointment of Mr. David Andrews as Executive Chairman & Chief Executive Officer of the Company. b. Approval of Appointment of Mr. Richard Houghton as Executive Vice Chairman & Executive Director of the Company.	1. David Andrews 2. Richard Houghton 3. Kunal Kashyap 4. Dilip Keshu
September 29, 2008	11 AM	SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore – 560 066	a. Approval of Appointment of Mr. Chrisopher A. Sinclair as Executive Chairman of the Company. b. Approval of Appointment of Mr. Satyen Patel as Executive Vice Chairman of the Company.	1. Satyen Patel 2. Kunal Kashyap

5.2. Extraordinary General Meeting:

No Extra Ordinary General meeting was conducted during the year ended December 31, 2010.

5.3 Postal Ballot:

The Company has not passed any Resolution through Postal Ballot during the year ended December 31, 2010.

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, 2010 to December 31, 2010: 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	:	Monday May 23, 2011 at 11.00AM
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 23, 2011
Results for quarter ending March 31, 2011	:	May 2011
Results for quarter ending June 30, 2011	:	July 2011
Results for quarter ending September 30, 2011	:	October 2011
Results for year ending December 31, 2011	:	February / March 2012

3. Book Closure : May 13, 2011 to May 23, 2011 (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 2010-11, has been paid to the above Stock Exchanges.

The Company got its equity shares delisted from the Madras Stock Exchange and Ahmedabad Stock Exchange as per SEBI (Delisting of Equity Shares) Regulations, 2009. This intimation is pursuant to Regulation 7(d) of the SEBI (Delisting of Equity Shares) Regulations, 2009.

The annual custodial fee for the year 2010-11 has been paid to both NSDL and CDSL

Stock Code :

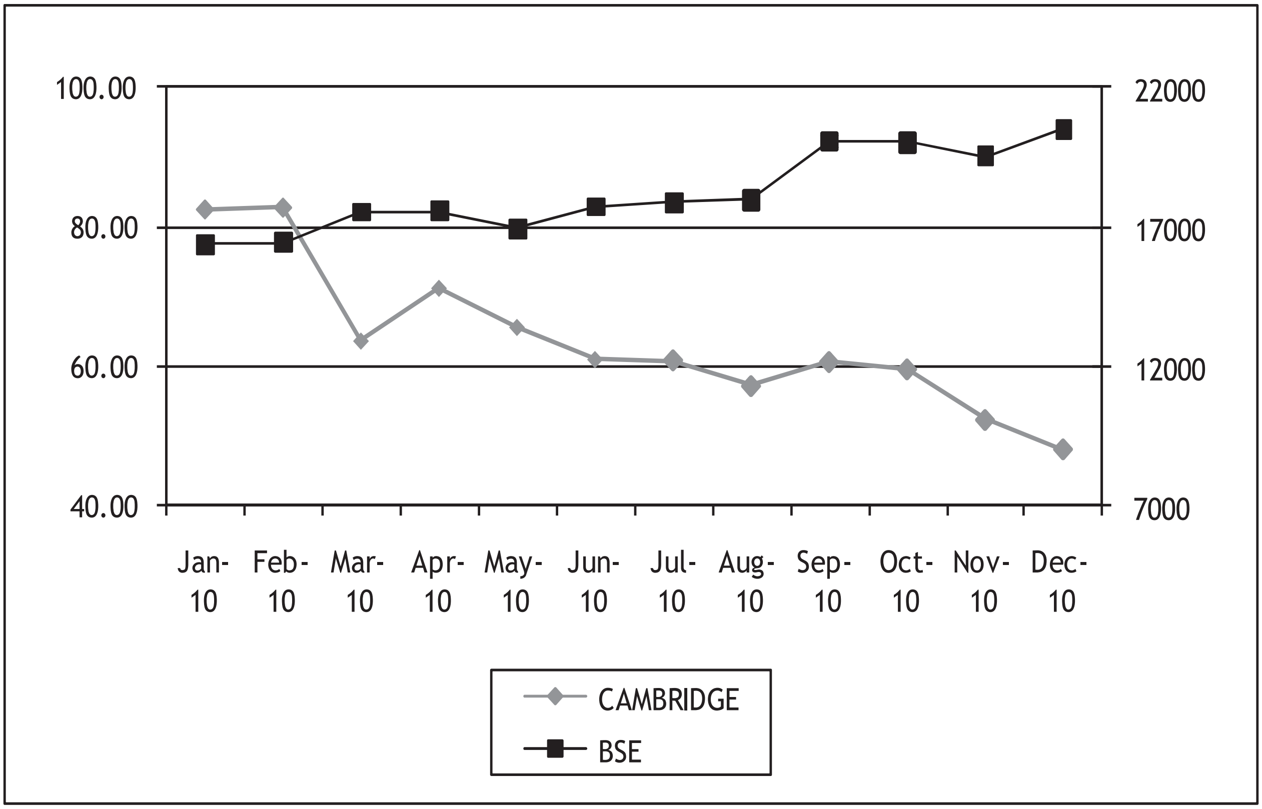
NSE : CAMBRIDGE

BSE: 532616

6. Market Price data

Month & Year	Share price of Cambridge Solutions Limited (NSE)			Share price of Cambridge Solutions Limited (BSE)		
	High (Rs.)	Low (Rs.)	Close (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)
January 2010	96.20	73.50	82.60	96.50	73.90	82.45
February 2010	92.40	78.10	82.80	92.65	77.25	82.70
March 2010	87.00	63.00	64.15	87.05	62.55	63.60
April 2010	76.40	64.05	71.00	76.20	63.80	71.15
May 2010	71.70	51.55	65.75	72.00	52.10	65.55
June 2010	68.00	50.80	61.05	66.90	58.00	60.95
July 2010	70.00	59.50	60.80	67.90	60.20	60.85
August 2010	63.00	56.75	57.00	63.00	56.00	57.15
September 2010	71.50	57.05	60.15	72.05	56.25	60.60
October 2010	67.30	56.50	59.50	67.00	56.30	59.55
November 2010	62.35	40.55	52.80	62.50	42.25	52.30
December 2010	59.80	44.00	48.10	59.00	45.00	48.10

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 : +91 040-44655251
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, 2010

Category	No. of Shares held	% of shareholding
Promoters	84,239,164	75.6%
Banks, FIs, Insurance Companies	443,682	0.4%
FIIs	3,008,287	2.7%
Private Corporate Bodies	845,651	0.8%
Indian Public	4,474,312	4.0%
NRIs/OCBs	14,184,457	12.7%
Others	4,208,163	3.8%
Grand Total	**111,403,716**	**100.0%**

b. Distribution of shareholding as on December 31, 2010

No. of shares	No. of shareholders	% of total shareholders	No. of shares held	% to total equity
1 - 5000	20030	92.71%	2065778	1.85%
5001 - 10000	879	4.07%	690649	0.62%
10001 - 20000	374	1.73%	566915	0.51%
20001 - 30000	114	0.53%	282037	0.25%
30001 - 40000	51	0.24%	179739	0.16%
40001 - 50000	50	0.23%	228655	0.21%
50001 - 100000	62	0.29%	454233	0.41%
100001 & Above	46	0.21%	106935710	95.99%
Total	21606	100%	111403716	100%

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, 2010, 10,70,95,818 shares representing 96.13% of the Company's total shares were held in dematerialized form and the balance 43,07,898 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
Cambridge 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. : 040-44655251 Fax No. : 040-23420814

The above report has been placed before the Board at its meeting held on February 28, 2011 and the same was approved.

15. **No. of shares traded during the year ended December 31, 2010:**

BSE: 7,171,879 Shares
NSE: 12,750,834 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 February 28, 2011

The Board of Directors
Cambridge Solutions Limited
Bangalore

We, Kenneth Lever, Executive Director and Vice Chairman and Darren Fisher, Chief Financial Officer of Cambridge Solutions Limited hereby certify to the Board, that ;

a. We have reviewed financial statements and the cash flow statement for the year ended December 31, 2010 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 internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such 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 and the Audit Committee :

   i. significant changes in the internal control over financial reporting during period;

   ii. significant changes in accounting policies during the period and that the same have been disclosed in the notes to the financial statements; and

   iii. instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system 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 Director & Vice Chairman

Darren Fisher
Executive Director & Chief Financial Officer

Annexure - II

CERTIFICATE ON CORPORATE GOVERNANCE REPORT

To,

The Members
Cambridge Solutions Limited
(Formerly known as Scandent Solutions Corporation Limited)

I have examined the compliance of conditions of corporate governance by Cambridge Solutions Limited (the Company) for the year ended on December 31, 2010, 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 : February 07, 2011

Auditors' Report

To

The Members of Cambridge Solutions Limited

1. We have audited the attached Balance Sheet of Cambridge Solutions Limited (the Company) as at December 31, 2010 and the related Profit and Loss Account 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. Without qualifying our opinion, we draw attention to Note 3.12 on Schedule 18 regarding year end investments of Rs.676,789,412 and loans, advances and receivables (net of payables) of Rs.1,989,850,651 due from Scadent Group, Inc., USA, a wholly owned subsidiary of the Company, whose net worth has been completely eroded. Based on an evaluation in the earlier years, the Company is carrying a provision of Rs.766,420,288 against the loans, advances and receivables. However, no further provisions have been made in these financial statements for reasons stated therein, which, however, are susceptible to inherent uncertainties around the performance of the subsidiary in the environment in which it operates. If the subsidiary does not achieve its projected financial results or if the Company is unable to implement the proposed strategic restructuring plan, the carrying value of investments, loans, advances and receivables at the year-end could be significantly impacted.
4. 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 said Order.
5. Further to our comments in the Annexure referred to in paragraph 4 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) In our opinion, the Balance Sheet, Profit and Loss Account 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, 2010, and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2010 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 also give a true and fair view in conformity with the accounting principles generally accepted in India:

      i. in case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
      ii. in case of the Profit and Loss Account, of the loss for the year ended on that date; and
      iii. in case of the Cash Flow Statement, of the cash flows for the year ended on that date

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

Shivakumar Hegde
Partner
Membership No.: 204627

Bangalore
February 28, 2011

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 4 of the Auditors' Report of even date to the members of Cambridge Solutions Limited on the financial statements for the year ended December 31, 2010]

1) 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 between the book records and the physical inventory have been noticed.

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.

2) The Company does not have any inventory and hence sub-clauses (a) to (c) of clause (ii) of the Order are not applicable to the Company.

3) a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Act and accordingly sub- clauses (b), (c) and (d) of clause (iii) 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 listed in the register maintained under Section 301 of the Act and accordingly sub- clauses (f) and (g) of clause (iii) of the Order are not applicable to the Company.

4) 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.

5) According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.

6) 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.

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

8) 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.

9) a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities.

b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess as at December 31, 2010, 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
Income-tax Act, 1961	Income tax	5,820,828 (*) 119,316,051 (**)	2003-04 2004-05	Commissioner of Income Tax (Appeals), Bangalore
		13,741,157 (***)	2005-06	Income Tax Appellate Tribunal, Bangalore
		7,210,807	2006-07	Income Tax Dispute Resolution Panel, Bangalore (****)

(*) Rs.2,801,977 has been deposited under protest by the Company.
(**) Rs.30,504,790 has been deposited under protest by the Company.
(***) Rs.3,800,000 has been deposited under protest by the Company.
(****) Filed subsequent to the year end.

10) The Company has no accumulated losses as at December 31, 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

11) 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 may be applicable, as at the balance sheet date.

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

13) The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/societies are not applicable to the Company.

14) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.

15) In our opinion and according to the information and explanations given to us, the terms and conditions of guarantees given by the Company for loans taken by others from banks or financial institutions during the year are not prejudicial to the interest of the Company.

16) In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.

17) On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis, which have been used for long-term investment.

18) 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.

19) The Company has not issued any debentures during the year.

20) The Company has not raised any money by public issues during the year. The management has disclosed the end use of monies during the year, out of public issue raised in the earlier year [refer Note 3.14 on Schedule 18] and the same has been verified by us.

21) 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 fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

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

Shivakumar Hegde
Partner
Membership No.: 204627

Bangalore
February 28, 2011

BALANCE SHEET AS AT DECEMBER 31, 2010

CAMBRIDGE SOLUTIONS LIMITED

(Rs. '000)

	Schedule	2010	2009
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	1,114,037	1,113,820
Reserves and surplus	2	1,578,240	1,591,987
		2,692,277	2,705,807
Loan Funds			
Secured loans	3	374,522	565,405
Unsecured loans	4	200,000	160,000
		574,522	725,405
		3,266,799	**3,431,212**
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross block (at cost)		867,535	870,307
Less: Depreciation		697,134	607,697
Net block		170,401	262,610
Capital work-in-progress		9,428	2,781
		179,829	265,391
Investments	6	1,777,769	2,029,704
Current Assets, Loans and Advances			
Sundry debtors	7	584,563	856,206
Cash and bank balances	8	52,554	36,197
Other current assets	9	91,041	104,371
Loans and advances	10	1,290,307	1,410,481
		2,018,465	2,407,255
Less: Current Liabilities and Provisions			
Liabilities	11	631,081	1,150,175
Provisions	12	78,183	120,963
		709,264	1,271,138
Net Current Assets		1,309,201	1,136,117
		3,266,799	**3,431,212**
Notes on Accounts	18		

The schedules referred to above and the notes thereon 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.
Firm Registration Number: 007567S
Chartered Accountants

Shivakumar Hegde
Partner
Membership Number: 204627
Place : Bangalore
Date : February 28, 2011

For and on behalf of the Board of Directors of
Cambridge Solutions Limited

Kenneth Lever
Executive Director &
Vice Chairman
Place : London, UK
Date : February 28, 2011

Darren Fisher
Executive Director &
Chief Financial Officer

Vijayamahantesh Khannur
Company Secretary
Place : Bangalore
Date : February 28, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010

CAMBRIDGE SOLUTIONS LIMITED

(Rs. '000)

	Schedule	2010	2009
INCOME			
Service Revenue	13	2,179,171	2,527,236
Other income	14	65,877	69,321
		2,245,048	**2,596,557**
EXPENDITURE			
Employee costs	15	1,030,647	918,648
Other operating costs	16	769,802	1,152,048
		1,800,449	**2,070,696**
Profit before depreciation, amortisation, exceptional items, finance cost and taxation		444,599	525,861
Depreciation and amortisation	5	139,213	142,686
Finance cost	17	73,542	147,406
Profit before exceptional cost and taxation		**231,844**	**235,769**
Exceptional items (refer note 3.2 on Schedule 18)		228,250	29,575
Profit before taxation		3,594	206,194
Provision for taxation :			
Current tax (including taxes relating to previous year Nil (2009: Rs.13,945)		48,400	49,080
MAT credit entitlement		(30,043)	(52,446)
Fringe benefit tax		-	2,337
Net Profit/(loss) carried to Balance Sheet		**(14,763)**	**207,223**
Weighted average number of equity shares used in computing earnings per share			
Basic		111,401,054	111,367,620
Diluted		111,405,285	111,372,987
Earnings/(loss) per share (Equity shares, par value of Rs. 10 (2009: Rs.10))			
Basic		(0.13)	1.86
Diluted		(0.13)	1.86
Notes on Accounts	18		

The schedules referred to above and the notes thereon form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date

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

Shivakumar Hegde
Partner
Membership Number: 204627
Place : Bangalore
Date : February 28, 2011

For and on behalf of the Board of Directors of
Cambridge Solutions Limited

Kenneth Lever
Executive Director &
Vice Chairman
Place : London, UK
Date : February 28, 2011

Darren Fisher
Executive Director &
Chief Financial Officer

Vijayamahantesh Khannur
Company Secretary
Place : Bangalore
Date : February 28, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

CAMBRIDGE SOLUTIONS LIMITED

(Rs'000)

	2010	2009
A. Cash flow from operating activities		
Profit before taxation	3,594	206,194
Adjustments for:		
Depreciation and amortisation	139,213	153,352
Amortisation of miscellaneous expenditure (included in Finance costs)	-	42,507
Amortisation of deferred contract cost	-	11,345
(Profit) / Loss on sale of fixed assets	(845)	(355)
Foreign exchange (gain)/loss (net) - unrealised	12,901	32,518
Interest income	(607)	(2,865)
Write back of liability	-	(2,727)
Provision for/(writeback of) onerous lease contracts	(23,785)	15,711
Provision for Bad and Doubtful Debts	23	4,486
Provision for Bad and Doubtful advance and deposits	16,283	-
Provision for Diminution in the value of investment	252,035	-
Deferred employee compensation cost	-	(3)
Interest expense	59,808	101,974
Operating profit before working capital changes	458,620	562,137
Movement in working capital :		
Decrease in sundry debtors and other current assets	263,028	119,408
Decrease in loans and advances	131,769	50,630
(Decrease) in current liabilities and provisions	(551,973)	(228,853)
Net cash from operating activities	301,444	503,322
Direct taxes paid (net of refunds)	(46,343)	(50,531)
Net cash from operating activities (A)	**255,101**	**452,791**
B. Cash flows from investing activities		
Purchase of fixed assets and intangible assets	(51,473)	(140,325)
Proceeds from sale of fixed assets	3,491	2,798
Proceeds from maturity of fixed deposits with maturity > 3 months	(582)	20,486
Investments in Cambridge Builders Pvt. Ltd.	(100)	-
Interest received	607	2,865
Net cash used in investing activities (B)	**(48,057)**	**(114,176)**
C. Cash flows from financing activities		
Proceeds from issue of share capital	1,233	948
Loan arrangement and processing fees	-	(13,571)
(Repayment) / proceeds from cash/export credit facilities (net)	45,003	(16,770)

Contd.....

(Rs. '000)

	2010	2009
Proceeds from unsecured loans	40,000	310,000
Repayment of term loans	(228,750)	(534,425)
Repayment of loans for purchase of fixed assets and finance lease obligation	(9,118)	
Interest paid	(39,637)	(92,873)
Net cash used in financing activities (C)	**(191,269)**	**(346,691)**
Net increase in cash and cash equivalents (A + B + C)	15,775	(8,076)
Cash and cash equivalents at the beginning of the year	32,598	40,674
Cash and cash equivalents at the end of the year	**48,373**	**32,598**
Components of cash and cash equivalents:		
Cash on hand	41	65
Balances with scheduled banks	52,513	36,132
Balances with other banks	-	-
	52,554	36,197
Less: Fixed deposits with maturity greater than 3 months	(4,181)	(3,599)
	48,373	**32,598**

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

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

Shivakumar Hegde
Partner
Membership Number: 204627
Place : Bangalore
Date : February 28, 2011

For and on behalf of the Board of Directors of
Cambridge Solutions Limited

Kenneth Lever
Executive Director &
Vice Chairman
Place : London, UK
Date : February 28, 2011

Darren Fisher
Executive Director &
Chief Financial Officer

Vijayamahantesh Khannur
Company Secretary
Place : Bangalore
Date : February 28, 2011

CAMBRIDGE SOLUTIONS LIMITED

(Rs. '000)

		2010	2009
1	**CAPITAL**		
	Authorised capital		
	125,000,000 (2009 : 125,000,000) Equity shares of Rs.10 each	1,250,000	1,250,000
	Issued, subscribed and paid-up capital		
	111,403,716 (2009 :111,382,049) Equity shares of Rs.10 each fully paid	1,114,037	1,113,820

(i) Of the above:

a) 74,757,507 (2009: 74,757,507) shares have been allotted at par to the shareholders/award holders of Cambridge Services Holdings LLC, USA pursuant to a merger scheme. These shares were issued for consideration other than cash.

b) 21,667 (2009: 16,666) shares have been allotted at a premium of Rs.46.90 (2009: Rs.46.90) per share pursuant to options being exercised by employees under the Employee Stock Option Plans of the Company.

(ii) Pursuant to SSI Limited (Information Technology division) Merger Scheme, the share capital of the Company as at March 31, 2004 had been reduced from Rs.328,445 (2009:Rs.328,445) to Rs.131,590 (2009:Rs.131,590) and the capital reduction of Rs.196,855(2009:Rs.196,855) had been utilised to adjust the debit balance of equivalent amount in the Profit and Loss account of the Company as at March 31, 2004.

(iii) Particulars of employees stock options on unissued share capital have been specified in Note 3.10

		2010	2009
2	**RESERVE AND SURPLUS**		
	Capital reserve [refer note below]	5,701	5,701
	Securities premium		
	As at last balance sheet date	840,645	839,863
	Add: Share premium on Employee Stock Options exercised during the year	1,016	782
	Balance, end of the year		
		841,661	840,645
	Stock compensation adjustment		
	As at last balance sheet date	684	687
	Less: Reversal on forfeiture / lapse of stock options granted	-	(3)
	Balance, end of the year		
		684	684
	General reserve		
	As at last balance sheet date	561,186	561,186
	Profit and Loss account		
	As at last balance sheet date		
	Add: (Loss)/Profit for the year	183,771	(23,452)
	Balance, end of the year	(14,763)	207,223
		169,008	183,771
		1,578,240	1,591,987

Note :

(i) Capital reserve represents waiver of liability by Scandent Holding Mauritius Ltd., erstwhile ultimate holding company

		2010	2009
			(Rs. '000)
3	**SECURED LOANS**		
	From Banks:		
	Cash / export credit facility [Notes (i),(ii) and (iii)]	289,176	249,697
	Term loan [Notes (iv) and (v)]	71,250	300,000
	(Repayable within one year Rs.71,250 (2009: Rs.188,750)	360,426	549,697
	From Others:		
	Loans for purchase of fixed assets [Note(vi)]	13,372	14,481
	Finance lease obligation [Note(vii)]	724	1,227
		14,096	15,708
		374,522	565,405

Notes:

(i) On May 15, 2005, the Company entered into a letter of arrangement for a cash credit facility with Axis Bank for a tenor of one year, which has been subsequently renewed every year. The credit is secured by a first pari passu charge on all the current assets of the Company, both present and future, except receivable from Scandent Company Inc., USA. As of December 31, 2010, the Company has availed a facility of Rs.31,024 (2009 : Rs.21,283)

(ii) On December 14, 2006, Yes Bank sanctioned a cash credit facility of Rs.50,000 to meet the working capital requirements of the Company. Pursuant to the merger of Cambridge Integrated Service India Pvt. Limited (CISIPL) with the Company, the overdraft facility with Yes Bank of CISIPL was transferred to the Company. Consequent to this, the bank on December 24, 2008 enhanced the facility from Rs.50,000 to Rs.100,000.The loan is secured by way of first pari passu charge on the current assets and movable fixed assets of the Company and by unconditional and irrevocable corporate guarantee of Xchanging(Mauritius) Ltd., the immediate holding company. As at December 31, 2010, the Company has availed facility of Rs.38,293 (2009:Rs. 12,475).

(iii) On January 16, 2007, State Bank of India sanctioned Export Packing Credit facility of Rs. 220,000 in equivalent US Dollars to meet the working capital requirements of the Company. The loan is secured by way of first pari passu charge on the current assets and movable fixed assets of the Company and by corporate guarantee of Xchanging (Mauritius) Ltd., the immediate holding company. The Company has fully availed the facility and the balance outstanding is Rs.219,859 (2009 : Rs.215,939).

(iv) On July 14, 2008, Bank of India sanctioned a corporate loan of Rs.250,000. The loan is secured by way of first pari passu charge on the current assets, movable fixed assets of the Company, both present and future and a charge on all future and present intangible assets of the Company including goodwill and by unconditional and irrevocable corporate guarantee of Xchanging (Mauritius) Ltd., the immediate holding company. The Company has availed the entire loan and balance outstanding as at December 31, 2010 Rs.30,000 (2009 : Rs.150,000)

(v) On July 27, 2009, Yes Bank sanctioned a term loan of Rs.150,000 for general corporate purposes. The loan is secured by way of first pari passu charge on the current assets and movable fixed assets of the Company and by corporate guarantee of Xchanging (Mauritius) Ltd.,the immediate holding company. The Company has availed full loan and balance outstanding as at December 31, 2010 is Rs.41,250 (2009: Rs.150,000).

(vi) The Company has obtained vehicles under a financing arrangement. The loan is repayable over two to five years and are secured by assets taken against these loans. As at December 31, 2010, Rs.13,372 (2009: Rs.14,481) was outstanding against the financing arrangements.

(vii) The Company obtained computers, vehicle and office equipments on finance lease. These leases range for a period of two to five years and are secured by the assets acquired under these leases. Balance outstanding as at December 31, 2010 is Rs.724 (2009: Rs.1,227).

		2010	2009
4	**UNSECURED LOANS**		
	Loans from others	200,000	160,000
		200,000	160,000

Note : On June 5, 2009, Xchanging Technologies Services India Private Ltd. (XTSI), a fellow subsidiary, sanctioned a loan facility of Rs.200,000 to the Company for general corporate purposes. The balance outstanding as on December 31, 2010 is Rs.200,000 (2009: Rs.160,000).

5. FIXED ASSETS

(Rs. '000)

	Gross Block (at cost)				Depreciation/Amortisation					Net Block	
	2009	Additions	Deletions	2010	2009	For the year	Impairment	Deletions	2010	2010	2009
Tangible											
Leasehold Improvements (Note (i))	186,799	-	18,948	167,851	115,003	42,531	-	18,950	138,584	29,267	71,796
Computers	268,607	13,251	13,072	268,786	224,995	26,814	-	13,071	238,738	30,048	43,612
Vehicles (Note (ii))	38,742	8,627	11,795	35,574	24,668	8,298	-	9,148	23,818	11,756	14,074
Office Equipment	164,429	9,399	5,050	168,778	91,507	27,334	-	5,050	113,791	54,987	72,922
Furniture and fixtures	89,872	725	3,557	87,040	55,671	12,426	-	3,557	64,540	22,500	34,201
Total	748,449	32,002	52,422	728,029	511,844	117,403	-	49,776	579,471	148,558	236,605
Intangible											
Computer Software	105,755	17,648	-	123,403	92,175	18,420	-	-	110,595	12,808	13,580
License to use intellectual property	16,103	-	-	16,103	3,678	3,390	-	-	7,068	9,035	12,425
Total	121,858	17,648	-	139,506	95,853	21,810	-	-	117,663	21,843	26,005
Grand Total	**870,307**	**49,650**	**52,422**	**867,535**	**607,697**	**139,213**	-	**49,776**	**697,134**	**170,401**	**262,610**
Capital Work-in-progress											
[includes capital advance of Rs.9,428 2009 (Rs.Nil)]										**9,428**	**2,781**
2009	754,316	122,836	6,845	870,307	458,747	142,686	10,665	4,402	607,697	262,610	-

Notes :

(i) As at December 31, 2010, the Gross book and net book value of Rs.79,053 (2009: Rs.79,053) and Rs.23,622 (2009:Rs.41,648) respectively are being used by a sub-lessee. The Company has recorded depreciation charge of Rs.18,026 (2009:Rs.18,799) for these assets during the year ended December 31, 2010.

(ii) Vehicles include assets taken on loan / under finance lease.

(Rs. '000)

			2010		2009
6	**INVESTMENTS (Unquoted, at cost, unless otherwise stated, fully paid-up)**				
	In Subsidiary Companies (Long term): (other than trade investments)				
	2,300,000 (2009: 2,300,000) ordinary shares of Singapore Dollar 1 each in Cambridge Solutions Pte Ltd., Singapore		678		678
	2,664,278 (2009: 2,664,278) ordinary shares of GBP 1 each in Cambridge Solutions Europe Ltd., UK		222,194		222,194
	9,930,062 (2009: 9,930,062) common stock of US $ 1 each in Scandent Group Inc.,USA	1,122,480		1,122,480	
	Less: Provision for diminution in value of investment	(445,690)	676,790	(445,690)	676,790
	25,600 (2009: 25,600) share capital in Scandent Group Gmbh, Germany	452		452	
	Less: Adjustment to the value of investment pursuant to a Merger Scheme	(452)	-	(452)	-
	12,000 (2009:12,000) common stock of US $ 1 each in Indigo Market Limited Bermuda, USA	109,620		109,620	
	Less: Adjustment to the value of investment pursuant to a Merger Scheme	(109,620)	-	(109,620)	-
	100 (2009:100) ordinary shares of Australian Dollar 0.05 each in Cambridge Integrated Services Victoria Pty. Ltd., Australia	240,625		240,625	
	Add : Adjustment to the value of investment pursuant to a Merger Scheme	637,382	878,007	637,382	878,007
	2,800 (2009:2,800) common units of US $ 0.01 each in Cambridge Integrated Services Group Inc., USA	3,209,495		3,209,495	
	Less :Adjustment to the value of investment pursuant to Merger Schemes	(2,957,460)		(2,957,460)	
	Less :Provision for diminution in the value of investment	(252,035)	-	-	252,035
	10,000 (2009: Nil) common units of Rs.10 each in Cambridge Builders Private Ltd.		100		-
			1,777,769		2,029,704

Note : During the year Scandent Group GmbH, Germany was liquidated.

		2010	2009
7	**SUNDRY DEBTORS (Unsecured)**		
	Debts outstanding for a period exceeding six months		
	Considered good	178,666	5,668
	Considered doubtful	78,042	78,019
	Other debts		
	Considered good	405,897	850,538
		662,605	934,225
	Less : Provision for doubtful debts	(78,042)	(78,019)
		584,563	856,206

Sundry debtors include unbilled revenue amounting to Rs.6,803 (2009: Rs.Nil) exceeding six months and Rs.63,946 (2009: Rs.140,672) under other debts, which are considered good.

		2010	2009
8	**CASH AND BANK BALANCE**		
	Cash on hand	41	65
	Balances with scheduled banks:		
	-- Current accounts	48,332	32,533
	-- Fixed deposit	4,181	3,599
		52,554	36,197

Fixed deposits include Rs.1,660 (2009: Rs.3,599) retained as margin money for bank guarantee.

		2010	2009
			(Rs. '000)
9	**OTHER CURRENT ASSETS (Unsecured, Considered good)**		
	Other deposits [net of provision of Rs.13,714 (2009: Nil)]	104,755	104,371
	Less : Provision for doubtful deposits	(13,714)	-
		91,041	104,371
10	**LOANS AND ADVANCES (UNSECURED)**		
	Considered good		
	Dues from subsidiaries		
	Loans and advances	990,842	1,215,648
	Expenses receivable	61,816	33,689
		1,052,658	1,249,337
	Advances recoverable in cash or kind or for value to be received	152,172	96,445
	MAT credit entitlement	82,489	52,446
	Advance tax [net of provision Rs.169,811(2009: Rs.121,411)]	2,988	5,045
	Other receivables	-	7,208
		1,290,307	1,410,481
	Considered doubtful		
	Dues from subsidiaries		
	Loans and advances	742,139	742,139
	Less: Provision for doubtful loans and advances	(742,139)	(742,139)
		-	-
	Dues from others		
	Loans and advances	3,806	1,237
	Less: Provision for doubtful advances	(3,806)	(1,237)
		-	-
		1,290,307	1,410,481

(i) As at December 31, 2010, the entire loans and advances balance of Rs.1,794,797 (2009: Rs.1,991,476) due from subsidiaries is interest free and repayable on demand.

	Maximum amount due at anytime during the year	Balance as at December 31, 2010
Dues from subsidiaries		
Scandent Group Inc., USA	1,884,941	1,766,053
Cambridge Solutions Pty Ltd., Australia	1,288	1,288
Cambridge Solution Pte Ltd., Singapore	20,864	1,109
Cambridge Solutions Europe Ltd., UK	73,207	15,155
Cambridge Integrated Services Group Inc., USA	482	469
Cambridge Integrated Services Australia Pty Ltd., Australia	413	413
Cambridge Integrated Services Victoria Pty Ltd., Australia	364	364
Nexplicit Infotech India Pvt Ltd.,India	16,325	-
Cambridge Builders Pvt Ltd., India	9,946	9,946
		1,794,797
Less: Provision for doubtful loans and advances		(742,139)
		1,052,658

(Rs. '000)

	Maximum amount due at anytime during the year	Balance as at December 31, 2009
Dues from subsidiaries		
Scandent Group Inc.,USA	1,985,361	1,888,619
Cambridge Solutions Pty Ltd., Australia	3,181	570
Cambridge Solution Pte Ltd., Singapore	15,521	15,521
Cambridge Solutions Europe Ltd., UK	74,989	72,885
Cambridge Integrated Services Group Inc., USA	68,723	3
Nexplicit Infotech India Pvt Ltd.,India	17,032	13,878
		1,991,476
Less: Provision for doubtful loans and advances		(742,139)
		1,249,337

	2010	2009
11 LIABILITIES		
Sundry creditors		
- Dues to Micro and Small Enterprises	-	-
- Others	270,318	214,518
Dues to subsidiaries		
- Advances received	24,473	55,061
- Expenses payable	193,070	576,523
Interest accrued but not due on loans	30,856	10,685
Advance from customers	89,886	280,547
Deferred revenue	3,326	-
Other liabilities	19,152	12,841
	631,081	1,150,175

(i) As at December 31, 2010, based on the information available with the Company, there are no dues to suppliers who are registered as micro, small or medium enterprises under the Micro, Small and Medium Enterprises Development Act, 2006.

Dues to subsidiaries		
Scandent Group Inc.,USA	3,655	218,669
Cambridge Solutions Pte Ltd., Singapore	67,505	163,085
Cambridge Solutions Europe Limited.,UK	84,957	248,620
Nexplicit Infotech India Pvt Ltd., India	879	-
Cambridge Integrated Services Group Inc., USA	60,547	1,210
Cambridge Integrated Services Australia Pty Ltd., Australia	-	-
	217,543	631,584

12 PROVISIONS		
Gratuity	28,694	25,119
Compensated absences	28,975	30,771
Onerous lease contracts	17,314	61,873
Litigation	3,200	3,200
	78,183	120,963

		2010	2009
			(Rs. '000)
13	**SERVICE REVENUE**		
	Revenue from Software Services	909,000	1,318,793
	Revenues from Information Technology enabled Services	1,270,171	1,208,443
		2,179,171	2,527,236
14	**OTHER INCOME**		
	Interest income on bank deposits - Gross (Tax deducted at source Rs 26 [2009: Rs 649]	607	2,865
	Sub-lease rentals (including premises facility and maintenance income Rs. 43,831 (2009: 44,499))	62,796	63,374
	Profit on sale of fixed assets (net)	845	355
	Miscellaneous income	1,629	-
	Liability no longer required written back	-	2,727
		65,877	69,321
15	**EMPLOYEE COSTS**		
	Salaries, allowances and bonus	908,661	819,999
	Contribution to provident and other funds	57,715	41,249
	Employee stock compensation expense (net)	-	(3)
	Staff welfare	51,514	51,650
	Recruitment and relocation	12,757	5,753
		1,030,647	918,648
16	**OTHER OPERATING COSTS**		
	Project work expense	182,371	573,399
	Travelling and conveyance	106,181	131,961
	Rent and hire charges	130,552	117,616
	Communication	72,043	66,840
	Power and fuel	64,340	62,622
	Insurance	16,994	6,086
	Rates and taxes	2,144	1,425
	Repairs and maintenance		
	-- Computer equipment	28,508	14,680
	-- Others	44,253	41,485
	Legal and professional	45,416	60,622
	Printing and stationery	4,929	6,773
	Business promotion	5,334	4,193
	Exchange loss (net)	37,595	39,069
	Directors' Sitting Fees	470	569
	Provision for bad and doubtful debts (net)	23	4,486
	Provision for doubtful advances	2,569	-
	Provision for doubtful deposits	13,714	-
	Miscellaneous	12,366	20,222
		769,802	1,152,048
17	**FINANCE COST**		
	Loan arrangement and processing fees	11,285	42,507
	Interest on loans	59,808	101,974
	Bank charges	2,449	2,925
		73,542	147,406

(Rs. '000)

18. NOTES ON ACCOUNTS

1. BACKGROUND

Cambridge Solutions Limited ('the Company'), incorporated on February 1, 2002, is a business process outsourcing (BPO) and information technology (IT) services provider with operations in India and an international presence established through offices in several countries including the USA and Australia.

Pursuant to agreements, arrangements, amalgamations, etc. (with requisite approvals from various High Courts in India, wherever applicable), the Company has, during earlier years, acquired BPO and IT services businesses (including assets and liabilities) of / from 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.).
- Cambridge Services Holdings LLC, USA (with operations in USA and Australia).
- Cambridge Integrated Services India Private Limited (with operations in India)
- 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 75.62% (2009:76.04%) of the outstanding share capital of the Company. Though the open offer procedures were completed on April 9, 2009, XML obtained the power of operational control of the Company effective January 1, 2009.

Shareholding pattern as at the year end:

Name of the shareholder	2010	2009
Xchanging (Mauritius) Limited	75.62%	76.04%
Scandent Holding Mauritius Limited	11.82%	11.82%
AON Minet Pension Scheme	3.77%	3.77%
Katra Finance Limited	2.70%	2.70%
Others	6.09%	5.67%
Total	**100%**	**100%**

2. 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 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 previous year.

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.

(Rs. '000)

2.3 Fixed assets and depreciation

(i) Fixed 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 fixed assets determined by management as follows:

	Years
Computers	3
Vehicles	2-5
Office equipment	5
Furniture and fixtures	5

The above rates are higher than the rates prescribed under Schedule XIV of the Companies Act, 1956.

(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 Rs.5 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 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.

(Rs. '000)

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. Operating leases, which are renewed, after the primary lease period and have not been opted for transfer of ownership, are reclassified to finance lease prospectively.

2.7 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.

2.8 Inventories

Inventories comprise licenses purchased by the Company 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.

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

2.10 Revenue recognition

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

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

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

(iii) 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.

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

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

(vi) 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.

(vii) 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 terms of the underlying service contracts, which are generally one year.

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

(Rs. '000)

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 previous 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.

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 has 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, and the Company's contributions thereto are charged to Profit and Loss Account every year. The Company's contributions to State plans are also charged to Profit and Loss Account as expense during the period in which the employees perform the service.

(c) Defined-benefit plan:

The Company has a defined benefit plan (viz., Gratuity in India) for employees, the liability for which is determined on the basis of valuation carried out by an independent actuary (under 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.

(Rs. '000)

(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 Profit and Loss Account 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 profit and loss account 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, deferred and fringe benefit taxes. Current income tax and fringe benefit 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.

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 profit and loss account 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 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.

(Rs. '000)

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 cash at bank and on hand 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 profit and loss account 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 adopted by the Company with effect from April 1, 2010.

(Rs. '000)

3.1 Contingent Liabilities:

	2010	2009
Bank Guarantees [Note (b)]	351,782	369,182
Income tax matters:		
Assessment year 2004-05 [Note (c)]	5,820	5,820
Assessment year 2005-06 [Note (d)]	119,316	119,316
Assessment year 2006-07 [Notes (e)]	13,741	124,151
Assessment year 2007-08 [Notes (f)]	7,210	-

Notes:

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

(b) Bank guarantee facilities are mainly with Yes Bank for the purpose of issuance of standby letter of credit (SBLC) in favour of a correspondent bank in India / outside India for extending bank guarantee facilities to the Company's subsidiaries in the USA and Australia. In the event of default by the subsidiaries, the Company will have to indemnify Yes Bank.

(c) Relates to transfer pricing adjustment for arm's length price by the assessing officer and other adjustments which is disputed by the Company, and the matter is lying under appeal with the Commissioner of Income-tax (Appeals), Bangalore. An amount of Rs.2,802 (2009: Rs.2,802) has been paid under protest against the demand.

(d) Relates to transfer pricing adjustment for arm's length price by the assessing officer and other adjustments which is disputed by the Company, and the matter is lying under appeal with the Commissioner of Income-tax (Appeals), Bangalore. An amount of Rs.30,504 (2009: Rs.15,000) has been paid under protest against the demand.

(e) Relates to certain tax adjustments arrived at by the assessing officer, which is disputed by the Company. An amount of Rs. 3,800 (2009: Nil) has been paid under protest against the demand. The Company has filed an appeal to the Income Tax Appellate Tribunal in this regard.

(f) Relates to transfer pricing adjustment for arm's length price by the assessing officer which is disputed by the Company, and the matter is to filed with the Income Tax Dispute Resolution Panel, Bangalore.

Contingent Liabilities does not include the following:

(i) The Company has export obligations in India 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, 2010, the Company has availed duty benefits amounting to Rs.74,497 (2009: Rs 72,847). The Company expects to meet its commitment to earn requisite revenue in foreign currency as stipulated by the STPI regulations.

(ii) The Company has counter guaranteed the term loan facility of Rs. 3,006,244 (US$ 66 million) (2009: 2,578,950 (US$ 55 million)) granted by Xchanging UK Limited, a fellow subsidiary of the Company, to Cambridge Integrated Services Group Inc, USA, a wholly owned subsidiary of the Company.

(iii) As at December 31, 2010, Cambridge Integrated Services Group Inc. USA and Scandent Group Inc. USA, both wholly owned subsidiary companies have negative net assets amounting to Rs 3,998,501(2009 Rs. 4,279,019) and Rs.1,850,570 (2009: Rs.1,778,176) respectively. While the respective subsidiaries are confident of generating funds from their operations, the Company intends to support the shortfall, if any.

(Rs. '000)

3.2 Exceptional items

	2010	2009
During the year, the Company tested the investment in Cambridge Integrated Services Group Inc, USA, a wholly owned subsidiary of the Company, for impairment and pursuant to that fully impaired the remaining value of its investment (refer note 3.13).	252,035	-
During the previous year significant restructuring costs have been incurred. Specifically, these costs represent onerous lease contracts and related assets impairment. The onerous lease provision created represents the remaining costs, primarily rent, associated with these vacant properties. During the year, the company has exited one of its vacant properties and accordingly reversed the related onerous lease provision.	(23,785)	26,375
The Company has carried out a detailed review of all exposures related to litigations against the Company. On the basis of such review a provision has been created.	-	3,200
	228,250	**29,575**

3.3 Employee benefits

Defined contribution plan:

During the year, the Company has recognised Rs.46,269 (2009 : Rs.35,514) in the Profit and Loss Account relating to defined contribution plans, which are included in the Contribution to Provident and other funds in Schedule 15.

Defined benefit plan:

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 profit and loss account and amounts recognised in the balance sheet for the gratuity plan.

Changes in the present value of the defined benefit obligation are as follows:

	2010	2009
Opening defined benefit obligation	34,933	30,714
Interest cost	3,104	2,351
Current service cost	8,828	10,298
Benefits paid	(4,739)	(2,695)
Actuarial (gains)/ losses on obligation	(1,403)	(5,735)
Past Service Cost	978	-
Unrecognised past service cost	1,689	-
Closing defined benefit obligation	**43,390**	**34,933**

Changes in the fair value of plan assets are as follows:

	2010	2009
Opening fair value of plan assets	11,507	5,419
Expected return	1,187	641
Contributions by employer	3,938	5,871
Benefits paid	(1,058)	(1,265)
Actuarial gains/ (losses)	423	841
Closing fair value of plan assets	**15,997**	**11,507**

The Company does not expect to contribute any amount to gratuity during the year 2010 (2009: Rs. 2,092)

Details of Provision for Gratuity (Balance Sheet) :

	2010	2009
Defined benefit obligation	(43,390)	(34,933)
Fair value of plan assets	15,997	11,507
Plan asset / (liability)	**(27,393)**	**(23,426)**

(Rs. '000)

Net employees benefit expense (recognised in employee cost):

	2010	2009
Current service cost	8,828	10,298
Interest cost on benefit obligation	3,104	2,351
Expected return on plan assets	(1,188)	(641)
Net actuarial (gain)/ loss recognised in the year	(1,826)	(6,575)
Past Service cost	2,527	-
Net benefit expense	**11,445**	**5,433**

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows :

	2010 %	2009 %
Investments with insurer	100	100

The principal assumptions used in determining gratuity are shown below :

	(%)	
	2010	2009
Expected rate of return on plan assets	8	7.5
Discount rate	8 to 8.25	7.5
Increase in compensation cost	7 to 10	10
Employee turnover	Upto 35-15%; 36-45-5%; 46-55-2%; 55-1%	20
Retirement age	65	60

Notes:

(i) 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.

(ii) 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.

(iii) 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.

(iv) Pursuant to an amendment to the Payment of Gratuity Act, 1972 (notified in the Gazette on May 18, 2010), the ceiling for payment of gratuity to employees has been increase from Rs 350 to Rs 1,000. Accordingly the benefits (past service cost) that are already vested following the increase in limit (i.e., amounts pertaining to periods already served by employee) amounting to Rs 2,527 (2009: Nil) have been recognised in the profit and loss account.

Amounts for the current and previous periods are as follows:

	2010	2009	2008	March 31, 2008
Defined benefit obligation	43,390	34,933	30,714	22,327
Plan assets	15,997	11,507	5,419	2,907
Surplus / (deficit)	(27,393)	(23,426)	(25,295)	(19,420)
Experience adjustments on plan liabilities	(1,403)	(5,735)	3,901	2,587
Experience adjustments on plan assets	423	841	299	193

3.4 Segment reporting

The primary segment reporting of the Company is on the basis of business segments. The Company is organised into two business segments, viz., Information Technology and related services ('IT') and Business Process Outsourcing ('BPO'). Segments have been identified and reported considering industry segments of customers, risks and returns, organisation structure and internal financial reporting systems.

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.

Corporate activities such as treasury and taxation, which do not qualify as operating segments under Accounting Standard 17, 'Segment Reporting', have been considered as unallocated items.

(Rs. '000)

3.4 SEGMENT REPORTING-Cont.

Particulars	IT		BPO		Unallocated		Eliminations		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenues										
External sales	909,000	1,318,793	1,270,171	1,208,443	-	-	-	-	2,179,171	2,527,236
Inter-segment transfers	14,576	5,350	-	-	-	-	(14,576)	(5,350)	-	-
Total revenues	**923,576**	**1,324,143**	**1,270,171**	**1,208,443**	**-**	**-**	**(14,576)**	**(5,350)**	**2,179,171**	**2,527,236**
Segment result	36,994	(40,426)	267,785	420,736	607	2,865	-	-	305,386	383,175
Exceptional items	23,785	(18,911)	-	(10,664)	(252,035)	-	-	-	(228,250)	(29,575)
Segment result before tax and interest	60,779	(59,337)	267,785	410,072	(251,428)	2,865	-	-	77,136	353,600
Finance costs	-	-	-	-	(73,542)	(147,406)	-	-	(73,542)	(147,406)
Tax expense	-	-	-	-	(18,357)	1,029	-	-	(18,357)	1,029
Net profit									**(14,763)**	**207,223**
Other information										
Segment assets	1,608,593	2,120,787	500,043	543,217	-	-	-	-	2,108,636	2,664,004
Inter segment assets	-	-	951,800	341,382	-	-	(951,800)	(341,382)	-	-
Unallocated Assets	-	-	-	-	1,867,427	2,038,346	-	-	1,867,427	2,038,346
Total assets	**1,608,593**	**2,120,787**	**1,451,843**	**884,599**	**1,867,427**	**2,038,346**	**(951,800)**	**(341,382)**	**3,976,063**	**4,702,350**
Segment liabilities	433,253	1,076,644	245,149	183,808	-	-	-	-	678,402	1,260,452
Inter segment liabilities	951,800	341,382	-	-	-	-	(951,800)	(341,382)	-	-
Unallocated Liabilities	-	-	-	-	605,384	736,091	-	-	605,384	736,091
Total liabilities	**1,385,053**	**1,418,026**	**245,149**	**183,808**	**605,384**	**736,091**	**(951,800)**	**(341,382)**	**1,283,786**	**1,996,543**
Capital expenditure	26,676	18,821	29,621	74,151	-	-	-	-	56,297	92,972
Depreciation and amortisation	27,084	36,843	112,129	105,843	-	-	-	-	139,213	142,686
Impairment provision	-	-	-	10,664	-	-	-	-	-	10,664
Provision for Bad and doubtful debts,advances and deposits	17,017	3,655	(711)	831	-	-	-	-	16,306	4,486
Provision for onerous leases	(23,785)	15,711	-	-	-	-	-	-	(23,785)	15,711
Provision for dimunition in value of investment	-	-	-	-	252,035	-	-	-	252,035	-

(Rs. '000)

Geographical segments

Revenues:	2010	2009
USA	937,717	1,083,249
Europe	1,075,032	1,259,426
Rest of the World	166,422	184,561
Total	**2,179,171**	**2,527,236**

3.5 Related party disclosures

A. Names of related parties and description of relationship

Ref.	Description of relationship	Names of related parties
(a)	**Parties where control exists:**	
	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
	Subsidiary companies	Cambridge Solutions Europe Limited, UK
		Cambridge Solutions Pte Limited, Singapore
		Scandent Group Sdn Bhd, Malaysia
		Scandent Group GmbH, Germany
		Scandent Group Inc., USA
		Indigo Markets Limited, Bermuda
		Cambridge Integrated Services Group Inc., USA
		Cambridge Galaher Settlements & Insurance Services, USA
		Cambridge Integrated Services Victoria Pty Limited, Australia
		Cambridge Integrated Services Australia Pty Limited, Australia
		Cambridge Solutions Pty Limited, Australia
		Cambridge Solutions France SARL, France
		ProcessMind Holding Mauritius Limited, Mauritius
		Nexplicit India Infotech Private Limited, India
		Cambridge Builders Pvt. Ltd. India
(b)	**Parties under common control with whom transactions have taken place during the year:**	
	Fellow subsidiaries	Xchanging Systems and Service Inc., USA
		Xchanging Broking Services Limited, UK
		Xchanging Claim Services Limited, UK
		Xchanging Global Insurance Solutions Ltd., UK
		Xchanging Technology Services India Private Limited, India
		Xchanging UK Limited, UK.
		Xchanging GmbH, Germany
		Xchanging Asia Pacific Sdn Bhd
		Xchanging HR Services Ltd, UK
		Ins-sure Services Ltd, UK
		Xchanging Claim Services Ltd, UK
		Xchanging Procurement Services Ltd
(c)	**Parties under common control with whom no transactions have taken place during the year:**	
	Fellow subsidiaries	Ferguson Snell & Associates Ltd, UK
		Xchanging Advisory Services Limited, UK
		Xchanging Asia Pacific Sdn Bhd, Malaysia
		Xchanging Claim Services Limited, UK
		Xchanging Inc, USA
		Xchanging Pty Limited, Australia
		Xchanging Transaction Bank GmbH, Germany
(d)	**Key management personnel:**	
	Executive Director &Vice Chairman	Kenneth Lever (*)
	Executive Director and Chief Financial Officer	Darren Fisher
	Executive Director and Chief Production Officer	Thomas Runge

(*) No transactions during the year.

Notes:

(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.

(Rs. '000)

3.5 RELATED PARTY DISCLOSURES

B. Summary of transactions with related parties is as follows :

Description	Subsidiary companies [Note A(a)(ii)]	Fellow Subsidiaries [Note A(b)]
Expenses paid on behalf of the company by the related party:		
Cambridge Integrated Services Group Inc.,USA	55,369	-
	(20,278)	(-)
Cambridge Solutions Europe Limited.,UK	39,171	-
	(38,713)	(-)
Cambridge Solutions PTE Ltd.,Singapore	173	-
	(2,589)	(-)
Nexplicit Infotech India Private Limited., India	16,605	-
	(21,614)	(-)
Scandent Group Inc., USA	88	-
	(8,393)	(-)
Xchanging UK Ltd.,UK	-	23,243
	(-)	(14,031)
Xchanging Transaction Bank GmbH., Germany	-	4,935
	(-)	(-)
Xchanging Technology Services India Private Ltd., India	-	550
	(-)	(-)
Xchanging Broking Services Ltd., UK	-	9,097
	(-)	(-)
Xchanging Global Insurance Solutions Ltd.,UK	-	11,455
	(-)	(-)
Xchanging HR Services Ltd.,UK	-	7,997
	(-)	(-)
Xchanging Systems and Services Inc.,USA	-	8,797
	(-)	(-)
Expenses paid on behalf of the related party:		
Cambridge Integrated Services Australia Pty Ltd., Australia	-	-
	(871)	(-)
Cambridge Integrated Services Group Inc.,USA	5,329	-
	(2,808)	(-)
Cambridge Integrated Services Victoria Pty Ltd.,Australia	2,432	-
	(871)	(-)
Cambridge Solutions Europe Ltd.,UK	4,136	-
	(393)	(-)
Cambridge Solutions PTE Ltd.,Singapore	2,603	-
	(7,029)	(-)
Cambridge Solutions Pty Ltd., Australia	-	-
	(1,497)	(-)
Cambridge Solutions Sdn Bhd., Malaysia	716	-
	(-)	(-)
Scandent Group Inc.,USA	14,078	-
	(2,034)	(-)
Xchanging Broking Services Ltd.,UK	-	24,439
	(-)	(75,092)
Xchanging Technology Services India Private Ltd., India	-	20,067
	(-)	(-)
Ins-sure Services Ltd., UK	-	30
	(-)	(-)
Xchanging Asia Pacific Sdn Bhd., Malaysia	-	415
	(-)	(-)
Xchanging Claim Services Ltd.,UK	-	8,838

(Rs. '000)

3.5 RELATED PARTY DISCLOSURES

B. Summary of transactions with related parties (Contd..)

Description	**Subsidiary companies [Note A(a)(ii)]**	**Fellow Subsidiaries [Note A(b)]**
	(-)	(-)
Cambridge Builders Pvt Ltd., India	9,946	-
	(-)	(-)
Xchanging Procurement Services Ltd., UK	-	251
	(-)	(-)
Interest Expense on Loans:		
Xchanging Technology Services India Private Ltd., India	-	23,632
	(-)	(10,964)
Project work expenses:		
Nexplicit Infotech India Private Ltd., India	34,565	-
	(36,011)	(-)
Cambridge Solutions Europe Ltd., UK	38,808	-
	(170,334)	(-)
Cambridge Solutions Pte Ltd., Singapore	10,350	-
	(43,126)	(-)
Scandent Group Inc., USA	48,853	-
	(276,776)	(-)
Revenue:		
Cambridge Integrated Services Group Inc.,USA	158,924	-
	(170,806)	(-)
Cambridge Integrated Services Victoria Pty Ltd., Australia	2,931	-
	(-)	(-)
Cambridge Solutions Europe Ltd., UK	185,366	-
	(390,641)	(-)
Cambridge Solutions PTE Ltd., Singapore	22,094	-
	(48,446)	(-)
Scandent Group Inc., USA	249,092	-
	(532,564)	(-)
Cambridge Integrated Services Australia Pty Ltd., Australia	12,351	-
	(-)	(-)
Xchanging Broking Services Ltd., UK	-	609,990
	(-)	(561,708)
Xchanging Claim Services Ltd., UK	-	15,642
	(-)	(934)
Xchanging Global Insurance Solutions Ltd., UK	-	84,433
	(-)	(260)
Xchanging Systems and Services Inc., USA	-	(-)
	(-)	(1,261)
Xchanging UK Ltd., UK	-	9,951
	(-)	(14,138)
Ins-sure Services Ltd.,UK	-	3,429
	(-)	(-)
Xchanging Asia Pacific Sdn Bhd., Malaysia	-	2,721
	(-)	(-)
Xchanging HR Services Ltd., UK	-	267
	(-)	(-)
Investments made during the year		
Cambridge Builders Pvt Ltd., India	100	-
	(-)	(-)
Loans borrowed during the year		
Xchanging Technology Services India Private Ltd., India	-	40,000
	(-)	(160,000)

(Rs. '000)

3.5 RELATED PARTY DISCLOSURES

C. Summary of balances of related parties is as follows:

Description	Immediate Holding Company [Note A(a)]	Subsidiary companies [Note A(a)(ii)]	Fellow Subsidiaries [Note A(b)]
Advance Received:			
Cambridge Solutions Pte. Ltd., Singapore	-	15,404	-
	(-)	(55,061)	(-)
Cambridge Integrated Services Group Inc.,USA	-	9,073	-
	(-)	(-)	(-)
Debtors:			
Cambridge Integrated Services Group Inc.,USA	-	65,145	-
	(-)	(69,518)	(-)
Cambridge Solutions Europe Ltd.,UK	-	97,131	-
	(-)	(230,692)	(-)
Scandent Group Inc., USA	-	227,453	-
	(-)	(275,487)	(-)
Cambridge Integrated Services Victoria Pty Ltd., Australia	-	2,007	-
	(-)	(-)	(-)
Xchanging Systems and Services Inc., USA	-	-	-
	(-)	(-)	(1,216)
Xchanging Broking Services Ltd., UK	-	-	10,850
	(-)	(-)	(60,223)
Xchanging Claim Services Ltd., UK	-	-	7,850
	(-)	(-)	(934)
Xchanging UK Ltd., UK	-	-	9,411
	(-)	(-)	(14,138)
Ins-sure Services Ltd., UK	-	-	3,350
	(-)	(-)	(-)
Xchanging Asia Pacific Sdn Bhd.,Malaysia	-	-	2,725
	(-)	(-)	(-)
Xchanging HR Services Ltd., UK	-	-	261
	(-)	(-)	(-)
Xchanging Global Insurance Solutions Ltd., UK	-	-	33,371
	(-)	(-)	(261)
Expenses Payable:			
Cambridge Integrated Services Group Inc.,USA	-	51,474	-
	(-)	(1,210)	(-)
Cambridge Solutions Europe Ltd., UK	-	84,957	-
	(-)	(248,620)	(-)
Cambridge Solutions Pte Ltd., Singapore	-	52,101	-
	(-)	(108,024)	(-)
Nexplicit Infotech India Private Ltd., India	-	879	-
	(-)	(-)	(-)
Scandent Group Inc., USA	-	3,655	-
	(-)	(218,669)	(-)
Xchanging UK Ltd., UK	-	-	1,673
	(-)	(-)	(12,811)

(Rs. '000)

3.5 RELATED PARTY DISCLOSURES

C. Summary of balances of related parties is as follows: (Contd..)

Description	Immediate Holding Company [Note A(a)]	Subsidiary companies [Note A(a)(ii)]	Fellow Subsidiaries [Note A(b)]
Xchanging Global Insurance Solutions Ltd., UK	-	-	4,101
	(-)	(-)	(-)
Xchanging HR Services Ltd., UK	-	-	7,210
	(-)	(-)	(-)
Xchanging Systems and Services Inc., USA	-	-	8,702
	(-)	(-)	(-)
Xchanging Transaction Bank GmbH., Germany	-	-	3,556
	(-)	(-)	(-)
Xchanging Technology Services India Pvt Ltd., India	-	-	489
	(-)	(-)	(-)
Expenses Receivable:			
Cambridge Integrated Services Australia Pty Ltd.,Australia	-	413	-
	(-)	(-)	(-)
Cambridge Integrated Services Group Inc.,USA	-	469	-
	(-)	(-)	(-)
Cambridge Integrated Services Victoria Pty Ltd. Australia	-	364	-
	(-)	(-)	(-)
Cambridge Solutions Europe Limited., UK	-	15,155	-
	(-)	(-)	(-)
Cambridge Solutions Pte Ltd., Singapore	-	1,109	-
	(-)	(15,206)	(-)
Cambridge Solutions Pty Ltd. Australia	-	1,288	-
	(-)	(570)	(-)
Scandent Group Inc., USA	-	33,072	-
	(-)	(3,718)	(-)
Xchanging Technology Services India Pvt Ltd., India	-	-	16,334
	(-)	(-)	(-)
Xchanging Asia Pacific Sdn Bhd., Malaysia	-	-	1,106
	(-)	(-)	(-)
Xchanging Broking Services Ltd., UK	-	-	2,392
	(-)	(-)	(-)
Xchanging Claim Services Ltd., UK	-	-	11
	(-)	(-)	(-)
Xchanging Procurement Services Ltd., UK	-	-	252
	(-)	(-)	(-)
Cambridge Builders Pvt Ltd., India	-	9,946	-
	(-)	(-)	(-)
Guarantee taken by the related party:			
Cambridge Integrated Services Australia Pty Ltd., Australia	-	127,184	-
	(-)	(113,058)	(-)

3.5 RELATED PARTY DISCLOSURES

C. Summary of balances of related parties is as follows: (Contd..)

Description	Immediate Holding Company [Note A(a)]	Subsidiary companies [Note A(a)(ii)]	Fellow Subsidiaries [Note A(b)]
Cambridge Integrated Services Victoria Pty Ltd., Australia	-	37,125	-
	(-)	(60,633)	(-)
Xchanging UK Ltd., UK	-	-	3,006,244
	(-)	(-)	(2,578,950)
Cambridge Integrated Services Group Inc.,USA	-	182,612	-
	(-)	(188,981)	(-)
Guarantee taken by the related party:			
Xchanging (Mauritius) Ltd., Mauritius	940,000	-	-
	(-)	(-)	(-)
Interest accrued but not due:			
Xchanging Technology Services India Pvt Ltd., India	-	-	30,361
	(-)	(-)	(9,093)
Loans and advances:			
Cambridge Integrated Services Group Inc.,USA	-	-	-
	(-)	(3)	(-)
Cambridge Solutions Europe Limited., UK	-	-	-
	(-)	(72,885)	(-)
Cambridge Solutions Pte Ltd. Singapore	-	-	-
	(-)	(313)	(-)
Nexplicit Infotech India Pvt Ltd., India	-		-
	(-)	(13,878)	(-)
Scandent Group Inc., USA	-	1,732,981	-
	(-)	(1,884,901)	(-)
Provision for Bad and doubtful debts:			
Cambridge Solutions Europe Ltd., UK	-	22,441	-
	(-)	(22,441)	(-)
Scandent Group Inc., USA	-	24,282	-
	(-)	(24,282)	(-)
Provision for Doubtful advance:			
Scandent Group Inc., USA	-	742,139	-
	(-)	(742,139)	(-)
Unsecured Loan:			
Xchanging Technology Services India Pvt Ltd., India	-	-	200,000
	(-)	(-)	(160,000)

(Rs. '000)

3.6. Lease disclosures

(A) Operating leases

(i) In case of assets taken on lease:

The Company has operating leases 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 Profit and Loss Account for the year ended December 31, 2010 amounts to Rs 130,552 (2009: Rs 117,616).

Future minimum lease payments under operating lease are as under:

	2010	2009
Payable not later than one year	38,730	87,802
Payable later than one year and not later than five years	496	40,510
Payable later than 5 years	-	-
Total	**39,226**	**128,312**

ii. In case of assets given on lease:

The Company has sub-leased out premises on operating lease. The lease is non-cancellable for tenure of four years and entails an escalation of lease rent on a periodical basis. Rent income for such operating leases recognised in the Profit and Loss Account for the period ended December 31, 2010 is Rs.18,964 (2009:Rs.18,375).

	2010	2009
Future minimum lease payment		
Not later than one year	2,644	18,612
Later than one year and not later than five years	-	2,531
	2,644	**21,143**

(B) Finance leases

In case of assets taken on lease:

The Company has entered into an arrangement for lease of a vehicle. The lease arrangement is for a period of five years. Under the terms of the lease, the Company is required to pay a monthly instalment over the lease term.

The amount payable on account of these finance leases are as follows:

	2010	2009
Total minimum lease payments	787	1,418
Less: Interest	63	192
Present value of minimum lease payments	724	1,226

Future minimum lease payments under finance lease are as under:

	2010		2009	
	Minimum Lease payments	Present value of minimum lease payments	Minimum Lease payments	Present value of minimum lease payments
Payable not later than one year	630	570	630	502
Payable later than one year and not later than five years	157	154	788	724
Total	**787**	**724**	**1,418**	**1,226**

3.7 Earnings / (Loss) per share (EPS)

	2010	2009
Net profit/ (loss) for the year after tax	(14,763)	207,223
Weighted average number of equity shares in calculating basic EPS - (A)	111,401,054	111,367,620
Basic EPS (Rs.)	(0.13)	1.86
Weighted average number of potential equity shares under employee stock options during the year - (B)	4,231	5,367
Weighted average number of equity shares in calculating diluted EPS - (A+B)	111,405,285	111,372,987
Diluted EPS (Rs.)	(0.13)	1.86

(Rs. '000)

3.8 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 the respective countries. While ascertaining the taxable income for the current year, the brought forward losses of the respective entities, if any, have also been considered.

In India, the Company operates out of six facilities (two each in Chennai and Bangalore, one in Mumbai and one in Shimoga). The Bangalore and Shimoga units are registered with the Software Technology Parks of India (STPI) and are eligible to claim tax holiday under Section 10A of the Income-tax Act, 1961, of India. In Chennai, the Company has two units, one step up during 2002 which is not eligible to claim tax holiday benefit and the second facility transferred to the Company as a result of demerger of IT division of SSI Limited is entitled for tax holiday under Section 10(A) of the Income Tax Act 1961.

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

MAT Credit Entitlement

Based on assessment of future taxable income and potential 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. Accordingly, MAT Credit Entitlement asset (disclosed under Loans and Advances) of Rs.82,489 (2009: Rs 52,446) has been recognised during the year by way of a credit to profit and loss account. However, 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 Accounting Standard - 22 "Accounting for Taxes on Income" no deferred tax asset has been recognised considering accumulated business losses and unabsorbed depreciation by virtue of there being no virtual certainty supported by convincing evidence of future taxable income. However, this position will be reassessed at every period end.

Transfer pricing

The Company has significant intra group transactions pertaining to revenue and expenses cross charge. The management is in the process of updating the transfer pricing study for such transactions entered into during the year ended December 31, 2010, and does not anticipate any adjustments with regard to the transactions involved.

3.9 Provisions

In accordance with Accounting Standard 29 'Provisions, Contingent Liabilities and Contingent Assets' the particulars of provisions as at December 31, 2010 are as follows:

Description	2009	Created during the year	Utilised/ Reversal during the year	2010
Onerous Lease contracts	61,873	-	(44,559)	17,314
Litigation	3,200	-	-	3,200
	65,073	**-**	**(44,559)**	**20,514**
Previous year	70,162	18,911	(24,000)	65,073

Notes:

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, and the cash outflows are expected to occur over the eight years.

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

(Rs. '000)

3.10 EMPLOYEE STOCK OPTION PLANS

	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 years from the date of grant - 40% of the options three years 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 years from the date of grant - 33.33% of the options three years 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, 2010								
Options outstanding at the beginning of the year	1,200	128.75	5,000	10	98,500	131.37	1,377,280	89.91
Options granted during the year	-	-	-	-	-	-	-	-
Options forfeited during the year	-	-	-	-	10,000	172	270,000	79.95
Options exercised during the year	-	-	-	-	-	-	21,667	56.90
Options expired during the year	-	-	-	-	-	-	-	-
Options outstanding at the end of the year	1,200	128.75	5,000	10	88,500	126.78	1,085,613	93.04
Options exercisable at the end of the year	1,200	128.75	5,000	10	88,500	126.78	997,275	-
Weighted average remaining contractual life (in years)	0.86	-	1.4	-	2.41	-	3.52	-
December 31, 2009								
Options outstanding at the beginning of the year	1,200	128.75	5,000	10	98,500	131.37	1,481,946	91.36
Options granted during the year	-	-	-	-	-	-	-	-
Options forfeited during the year	-	-	-	-	-	-	88,000	120.57
Options exercised during the year	-	-	-	-	-	-	16,666	56.90
Options expired during the year	-	-	-	-	-	-	-	-
Options outstanding at the end of the year	1,200	128.75	5,000	10	98,500	131.37	1,377,280	89.91
Options exercisable at the end of the year	1,200	128.75	5,000	10	98,500	131.37	892,601	-
Weighted average remaining contractual life (in years)	1.86	-	2.4	-	3.31	-	4.58	-

	2010	2009
Net Loss as reported	(14,763)	207,223
Net loss available for equity shareholders	(14,763)	207,223
Add: Stock based employee compensation expenses included in reported income	0	0
Less: Stock based employee compensation expenses determined under Fair value based method net of tax effects	2,135	6,369
Revised loss	(16,898)	200,854
Earnings Per Share		
Basic	(0.15)	1.8
Diluted	(0.15)	1.8

(Rs. '000)

3.11 Micro, Small and Medium Enterprises disclosure

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:

		2010	2009
(i)	a) Principal amount remaining unpaid as at December 31, 2010 b) Interest due thereon remaining unpaid on December 31, 2010 (Note 1)	- -	- -
(ii)	The amount of interest paid by the buyer in terms of Section 16 of MSMED along with the amount of the payment made to the supplier beyond the appointed day during each accounting year	-	-
(iii)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED	-	-
(iv)	The amount of interest accrued and remaining unpaid on December 31, 2010 in respect of principal amount settled during the year	-	-
(v)	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of MSMED	-	-

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.

3.12 The Company has investments amounting to Rs.676,789 (2009:Rs.676,789) in Scandent Group, Inc., USA ("SG Inc"), its wholly owned subsidiary. Further, the Company has granted loans and advances aggregating to Rs1,732,980 (2009:Rs.1,884,901) and also has receivables (net of payables) from the subsidiary amounting to Rs.256,870 (2009:Rs.218,669). Based on an evaluation in the earlier years, the Company has made a provision of Rs.766,420 (2009:Rs.766,420) against the loans, advances and receivables. The Company considers SG Inc a strategic long term investment and based on a proposed strategic restructuring plan and future growth projections, in the opinion of the management, the aforesaid investments, loans, advances and receivables are considered good and recoverable.

3.13 Owing to change in strategic priorities, the investment in Cambridge Integrated Services Group, Inc, USA, a wholly owned subsidiary of the Company, which is categorised as a long term investment in accordance with AS 13 "Accounting for Investments" has been fully impaired considering the diminution in value of investment 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.

3.14 Details of utilisation of proceeds raised through preferential issues

During the financial year ended March 31, 2006, the Company had made preferential allotment of 1,025,227 equity shares of Rs.10 each at a premium of Rs.210 per share and preferential allotment of 5.22% Convertible Bonds amounting to Rs.1,336,500 (2009: Rs.1,336,500) to Indopark Holdings Limited, a wholly owned subsidiary of Merrill Lynch & Co.

(Rs. '000)

Details of utilisation of proceeds raised through these preferential issues are as follows:

	2010	**2009**
Capital expenditure	-	244
Bank balance	-	-
Total	**-**	**244**

3.15 Additional information pursuant to the provisions of paragraphs 3, 4, 4B, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956

		2010	**2009**
(i)	**Auditors remuneration (included in Legal and professional)**		
	As auditor		
	Statutory audit fee	3,000	5,500
	Tax accounts and tax audit fee	1,300	2,400
	Limited review of quarterly financial results	3,420	4,475
	Certifications	250	
	Out of pocket expenses	866	302

		2010	**2009**
(ii)	**Managerial remuneration**		
	Whole time directors		
	Salary, allowances and bonus	5,986	-
	Contribution to provident and other funds	646	-
	Perquisites (valued in accordance with Income Tax Rules)	2,088	-
		8,720	**-**

Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 for calculating managerial remuneration

	2010	**2009**
Net Profit before Taxation	3,594	-
Add : Depreciation charged in the accounts	139,213	-
Directors' Remuneration	8,720	-
Exceptional Item-provision in diminution in value of investments	252,035	-
Directors Sitting Fee	470	-
	404,032	-
Less : Depreciation as per Section 350	(139,213)	-
Profit on sale /disposal of fixed assets	(845)	-
Net Profit for the purpose of Section 198	**263,974**	-

Note : Remuneration Committee and Board of Directors have approved the managerial remuneration in their meeting held on October 29, 2010. Managerial remuneration is subject to Shareholders' approval, which is proposed to be obtained in the ensuing Annual General Meeting of shareholders

		2010	**2009**
(iii)	Earnings in foreign currency	2,046,103	2,494,085

(Rs. '000)

		2010	2009
(iv)	**Expenditure in foreign currency**		
	Project work expenses	133,078	514,516
	Travelling	31,954	61,019
	Interest	5,593	6,174
	Communication	12,971	15,165
	Others	92,761	5,914
		276,357	**602,788**

		2010	2009
(v)	Value of imports calculated on CIF basis		
	Capital goods	9,182	141,206

(vi)	The Company is engaged in the business of development and maintenance of computer software and rendering of ITeS services. The production and sale of such software and the rendering of such services are not capable of being expressed in any generic unit. Hence, it is not possible to furnish quantitative details of such services and all other information required under paragraph 3, 4C and 4D of Part II of the Schedule VI to the Companies Act, 1956

3.16 Capital Commitments

	2010	2009
Estimated amount of contracts remaining to be executed on capital account, net of advances	13,796	1,326

3.17 Figures in the accounts and notes are all in rupees thousands except for certain figures in the notes on Schedules 1 and 4 and note 3.7 and 3.14 above.

3.18 Prior year comparatives

Previous year's figures have been regrouped/ reclassified wherever necessary to conform to the current year's presentation

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

Shivakumar Hegde
Partner
Membership Number: 204627

Place : Bangalore
Date : February 28, 2011

For and on behalf of the Board of Directors of
Cambridge Solutions Limited

Kenneth Lever
Executive Director &
Vice Chairman

Place : London, UK
Date : February 28, 2011

Darren Fisher
Executive Director &
Chief Financial Officer

Vijayamahantesh Khannur
Company Secretary

Place : Bangalore
Date : February 28, 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	L72200KA2002PLC030072	State Code	08
Balance Sheet date (Date/Month/Year)	31 Dec 2010		

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	Rights Issue	Bonus Issue	Private Placement
Nil	Nil	Nil	Nil

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities		Total Assets	
Sources of Funds		**Application of Funds**	
Paid up Capital	1,114,037	Net Fixed Assets	179,829
Reserves & Surplus	1,578,240	Investments	1,777,769
Secured Loans	374,522	Deferred Tax Assets	-
Unsecured Loans	200,000	Net Current Assets	1,309,201
Deferred Tax Liabilities	-	Miscellaneous Expenditure	-
		Accumulated Losses	-

IV. Performance of Company(Amount in Rs. Thousands)

Turnover (including Other Incomes)	2,245,048	Total Expenditure	2,241,454
Profit/(Loss) Before Tax	3,594	Profit/(Loss) After Tax	(14,763)
Earning per Share in Rs.	-0.13	Dividend %	-

V. Generic Names of Three Principal Products/Services of Company (As per monetary terms)

Item Code No. (ITC Code)	The Company is engaged in providing business processing
Product Description	services and software development support services.
Item Code No. (ITC Code)	Item codes have not been defined for these services.
Product Description	
Item Code No. (ITC Code)	
Product Description	

For and on behalf of Board of Directors

Kenneth Lever
Executive Director &
Vice Chairman

Place: London, UK
Date: February 28, 2011

Darren Fisher
Executive Director &
Chief Financial Officer

Vijayamahantesh Khannur
Company Secretary

Place: Bangalore
Date: February 28, 2011

STATEMENT PURSUANT TO SECTION 212 (1)(E) OF THE COMPANIES ACT, 1956 RELATING TO THE SUBSIDIARY COMPANIES FOR THE PERIOD ENDED DECEMBER 31, 2010

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

Relating to the subsidiary companies for the year ended December 31, 2010

1 Name of the Subsidiary Company	Scandent Group Inc, USA	Nexplicit Infotech, India Pvt Ltd	Indigo Markets Ltd, Bermuda	Scandent Group GmBh, Germany	Cambridge Solutions Europe Ltd, UK	Cambridge Solutions Pte Ltd., Singapore	Scandent Group Sdn,BHD, Malaysia	Cambridge Solutions France, SARL	Cambridge Builders Pvt. Limited
2 Financial Year of the subsidiary company	31st December 2010	31st December 2010	31st December 2010	31st December 2010	31st December 2010	31st December 2010	31st December 2010	31st December 2010	31st December 2010
3 No. of shares held in Subsidiary Company as on above date	9,930,062	10,000	12,000	25,565	2,664,278	2,300,000	250,000	500	10,000
4 % of holding (Equity)	100%	100%	100%	100%	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 with in the Account of the company for the year ended December 31, 2010	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b. Not Dealt with in the Account of the company for the year ended December 31, 2010	USD (9,96,975)	INR (2,388,481)	USD (9,984)	ERRO 463,856	GBP 23,988	SGD (2,417,257)	RM 1,065,193	EURO 130,721	INR (515,468)
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 with in the Account of the company for the year ended December 31, 2010	Nil	Nil		Nil	Nil	Nil	Nil	Nil	Nil
b. Not Dealt with in the Account of the company for the year ended December 31, 2010	USD (69,103,276)	INR 5,714,392	USD 9,561	EURO (489,421)	GBP (1,457,744)	SGD 3,050,142	RM 2,286,963	EURO (583,373)	-

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

Relating to the subsidiary companies for the year ended December 31, 2010

1 Name of the Subsidiary Company	Cambridge Solutions Pty Ltd, Australia	Cambridge Galahar Settlements & Insurance Services	Cambridge Intergreted Services Group Inc.	ProcessMind Holdings Mauritius Limited	Cambridge Integreted Services Victoria Pty Ltd	Cambridge Integreted Services Australia Pty Ltd
2 Financial Year of the subsidiary company	31st December 2010	31st December 2010	31st December 2010	31st December 2010	31st December 2010	31st December 2010
3 No. of shares held in Subsidiary Company as on above date	10,000	1,000	2,800	1	100	-
4 % of holding (Equity)	100%	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 with in the Account of the company for the year ended December 31, 2010	Nil	Nil	Nil	Nil	Nil	Nil
b. Not Dealt with in the Account of the company for the year ended December 31, 2010	AUD (28,276)	-	USD (2,144,860)	USD (15,547)	AUD (7,037,374)	AUD (11,574,476)
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 with in the Account of the company for the year ended December 31, 2010	Nil	Nil	Nil	Nil	Nil	Nil
b. Not Dealt with in the Account of the company for the year ended December 31, 2010	AUD 70,883	-	USD (103,788,674)	USD 3,431,004	AUD 14,445,032	AUD 4,766,304

Note:

1. Scandent Group GmbH., Germany liquidated on 19th November 2010

STATEMENT PURSUANT TO SECTION 212 (1)(E) OF THE COMPANIES ACT, 1956 RELATING TO THE SUBSIDIARY COMPANIES FOR THE PERIOD ENDED DECEMBER 31, 2010

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

(All Amounts in INR Millions)

Sr 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	Scandent Group Inc., USA	45.55	452.31	(2,302.93)	409.53	2,260.15	-	686.41	(45.41)	-	(45.41)	-	U.S.A
2	Scandent Group GmbH, Germany	60.36	1.54	(1.54)	-	-	-	27.85	28.00	-	28.00	-	GERMANY
3	Cambridge Solutions Europe Limited (Formerly Scandent Network Europe Limited., UK)	70.47	187.75	(101.03)	258.00	171.28	-	272.88	1.69	-	1.69	-	U.K.
4	Cambridge Solutions Pte Limited, Singapore (Formerly Scandent Group Pte Limited., Singapore)	35.27	81.13	26.80	291.09	183.16	-	440.22	(87.43)	(2.16)	(85.26)	-	SINGAPORE
5	Scandent Group Sdn, BHD, Malaysia	14.76	3.69	49.49	76.54	23.35	-	34.33	15.73	-	15.73	-	MALAYSIA
6	Indigo Markets Ltd,Bermuda	45.55	0.55	(0.89)	0.72	1.06	-	-	(0.45)	-	(0.45)		U.S.A
7	BWH SARL, France	60.36	21.88	(27.32)	42.39	47.84	-	200.20	15.35	7.46	7.89	-	FRANCE
8	Cambridge Integrated Services Australia Pty Limited	46.29	0.00	(315.12)	330.83	645.94	-	587.31	(572.75)	-	(572.75)	-	AUSTRALIA
9	Cambridge Galaher Settlements & Insurance Services	45.55	0.05	-	0.05	-	-	-	-	-	-	-	U.S.A
10	Cambridge Integrated Services Victoria Pty Limited	46.29	0.00	342.86	1,335.46	992.60		1,356.70	(312.98)	12.74	(325.73)	-	AUSTRALIA
11	Cambridge Integrated Services Group Inc.	45.55	0.00	(3,809.91)	3,942.24	7,752.14	-	5,529.43	103.26	5.57	97.70	-	U.S.A
12	ProcessMind Holdings Mauritius Limited	45.55	0.00	314.56	316.47	1.91	-	-	(0.71)	-	(0.71)	-	U.S.A
13	Nexplicit Infotech India Private Limited	1.00	0.10	9.03	17.04	7.90	-	19.09	3.04	0.65	2.39	-	INDIA
14	Cambridge Solutions Pty Ltd, Australia	46.29	0.46	1.97	5.20	2.76	-	3.17	(1.07)	0.24	(1.31)	-	AUSTRALIA
15	Cambridge Builders Pvt Limited	1.00	0.10	-	26.30	26.20	-	-	(0.52)	-	(0.52)	-	INDIA

Note:

1. Scandent Group GmbH., Germany liquidated on 19th November 2010

To

The Board of Directors of Cambridge Solutions Limited

1. We have audited the attached consolidated balance sheet of Cambridge Solutions Limited (the "Company") and its subsidiaries, hereinafter referred to as the "Group" (refer Note 2.1 B on Schedule 18 to the attached consolidated financial statements) as at December 31, 2010, the related consolidated Profit and Loss Account 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 10 subsidiaries included in the consolidated financial statements, which constitute total assets of Rs.432,432,023 and net assets of Rs.166,361,956 as at December 31, 2010, total revenue of Rs.982,964,827, net profit of Rs.90,000,147 and net cash flows amounting to Rs.106,304,802 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 auditor 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, 2010;

   (b) in the case of the consolidated Profit and Loss Account, of the loss 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.

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

Shivakumar Hegde
Partner
Membership No.: 204627

Bangalore
February 28, 2011

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2010

CAMBRIDGE SOLUTIONS LIMITED

(Rs. '000)

	Schedule	2010	2009
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	1,114,037	1,113,820
Reserves and surplus	2	1,844,715	1,539,267
		2,958,752	2,653,087
Loan Funds			
Secured loans	3	402,425	648,117
Unsecured Loans	4	4,358,310	3,314,924
		4,760,735	3,963,041
Deferred Tax Liability (net)		-	32,573
		7,719,487	**6,648,701**
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross block (at cost)		9,095,846	9,241,538
Less: Depreciation		5,366,100	4,654,104
Net block		3,729,746	4,587,434
Capital work-in-progress		94,031	70,356
		3,823,777	4,657,790
Deferred Tax Asset (net)		41,462	-
Investments	6	-	48,133
Current Assets, Loans and Advances			
Sundry debtors	7	1,360,706	1,615,071
Cash and bank balances	8	895,500	508,051
Other current assets	9	131,224	150,307
Loans and advances	10	434,154	313,743
		2,821,584	2,587,172
Less: Current Liabilities and Provisions			
Liabilities	11	2,369,860	3,489,093
Provisions	12	2,089,113	1,985,533
		4,458,973	5,474,626
Net Current Assets		(1,637,389)	(2,887,454)
Profit and Loss Account		5,491,637	4,830,232
		7,719,487	**6,648,701**
Notes on Accounts	18		

The schedule referred to above and the notes thereon form an integral part of the Consolidated Balance Sheet.

This is the Consolidated Balance Sheet referred to in our report of even date.

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

Shivakumar Hegde
Partner
Membership Number: 204627

Place : Bangalore
Date : February 28, 2011

For and on behalf of the Board of Directors of
Cambridge Solutions Limited

Kenneth Lever
Executive Director &
Vice Chairman

Place : London, UK
Date : February 28, 2011

Darren Fisher
Executive Director &
Chief Financial Officer

Vijayamahantesh Khannur
Company Secretary

Place : Bangalore
Date : February 28, 2011

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010

CAMBRIDGE SOLUTIONS LIMITED

(Rs. '000)

	Schedule	2010	2009
INCOME			
Services Revenue	13	10,577,054	11,928,494
Other income	14	368,712	111,293
		10,945,766	**12,039,787**
EXPENDITURE			
Employee costs	15	6,185,222	7,007,501
Other operating costs	16	3,910,428	4,330,962
		10,095,650	**11,338,463**
Profit before depreciation, amortisation, prior period exceptional items, finance cost and taxation		**850,116**	**701,324**
Depreciation and amortisation	5	281,698	398,442
Finance costs	17	337,018	388,788
Profit / (Loss) before prior period, exceptional items and taxation		231,400	(85,906)
Prior period adjustments (net) (refer note 3.3 on Schedule 18)		-	189,405
Exceptional items (refer note 3.2 on Schedule 18)		845,396	3,347,694
Loss before taxation		(613,996)	(3,623,005)
Provision for taxation :			
Current tax (including taxes relating to previous year Nil (2009: Rs. 13,945)		147,795	119,881
MAT credit entitlement		(30,043)	(52,446)
Deferred tax charge / (credit)		(76,080)	18,034
Fringe benefit tax		5,737	13,437
Total tax expense		**47,409**	**98,906**
Net Loss		**(661,405)**	**(3,721,911)**
Net loss brought forward from prior year		(4,830,232)	(1,108,321)
Net Loss carried to Balance Sheet		(5,491,637)	(4,830,232)
Weighted average number of equity shares used in computing earnings per share			
Basic		111,401,054	111,367,620
Diluted		111,405,285	111,372,987
Loss per share [Equity shares, par value of Rs. 10 (2009: Rs. 10)]			
Basic		(5.94)	(33.42)
Diluted		(5.94)	(33.42)
Notes on Accounts	18		

The schedule referred to above and the notes thereon form an integral part of the Consolidated Profit and Loss Account.

This is the Consolidated Profit and Loss Account referred to in our report of even date

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

Shivakumar Hegde
Partner
Membership Number: 204627

Place : Bangalore
Date : February 28, 2011

For and on behalf of the Board of Directors of Cambridge Solutions Limited

Kenneth Lever
Executive Director & Vice Chairman

Place : London, UK
Date : February 28, 2011

Darren Fisher
Executive Director & Chief Financial Officer

Vijayamahantesh Khannur
Company Secretary

Place : Bangalore
Date : February 28, 2011

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

CAMBRIDGE SOLUTIONS LIMITED

		2010	2009
			(Rs'000)
A.	**Cash flow from operating activities**		
	Loss before taxation	**(613,996)**	**(3,623,005)**
	Adjustments for:		
	Depreciation and amortisation	1,045,007	1,008,109
	Amortisation of loan arrangement and processing fees	-	98,331
	Amortisation of deferred contract cost	-	11,345
	Loss on sale of fixed assets	3,745	1,959
	Foreign exchange (gain)/loss (net) - unrealised	(70,148)	32,519
	Interest income	(10,792)	(8,067)
	Write back of liability	(19,059)	3,412
	Provision for onerous customer contracts	113,622	1,378,181
	Provision for/(writeback of) onerous lease contracts	(58,263)	487,810
	Bad Debts	191,093	-
	Provision for/(writeback of) Doubtful Debts	(212,588)	45,176
	Provision for Doubtful advance	15,923	629
	Provision for diminution in value of investment	47,081	97,293
	Deferred employee compensation cost	-	(3)
	Interest expense	289,973	245,453
	Operating profit before working capital changes	721,598	(220,858)
	Movement in working capital :		
	Decrease in sundry debtors and other current assets	289,183	125,126
	(Increase) in loans and advances	(106,171)	(95,269)
	Increase / (Decrease) in current liabilities and provisions	(1,044,286)	55,294
	Net cash used in operating activities	(139,676)	(135,707)
	Direct taxes paid, net of refunds	(130,912)	(167,271)
	Net cash used in operating activities (A)	**(270,588)**	**(302,978)**
B.	**Cash flows from investing activities**		
	Purchase of fixed assets and intangible assets	(215,575)	(299,964)
	Proceeds from sale of fixed assets	6,165	3,929
	Purchase of investments	-	(35,168)
	Interest received	10,792	8,067
	Proceeds from maturity of fixed deposits > 3 months	(582)	20,486
	Net cash used in investing activities (B)	**(199,200)**	**(302,650)**

(Rs'000)

	2010	2009
C. Cash flows from financing activities		
Proceeds from issue of share capital	1,233	948
Loan arrangement and processing fees	-	(13,241)
(Repayment)/ proceeds from cash/ export credit facilities - net	102,767	(41,551)
Proceeds from term loans	1,063,598	3,449,941
(Repayment) of term borrowings	(228,750)	(2,145,159)
(Repayment) of loan for purchase of fixed assets and finance lease obligation	(38,025)	(74,719)
Interest paid	**(69,407)**	**(271,755)**
Net cash used in financing activities (C)	**831,416**	**904,464**
Net decline in cash and cash equivalents (A + B + C)	**361,628**	**298,836**
Cash and cash equivalents at the beginning of the year	504,452	310,634
Effect of changes in exchange rates on cash and cash equivalents	25,239	(105,018)
Cash and cash equivalents at the end of the year	**891,319**	**504,452**
Components of cash and cash equivalents:		
Cash on hand	161	122
Balances with scheduled banks	55,104	37,741
Balances with other banks	840,235	470,188
	895,500	508,051
Less: Fixed deposits with maturity greater than 3 months	(4,181)	(3,599)
	891,319	**504,452**

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

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

Shivakumar Hegde
Partner
Membership Number: 204627

Place : Bangalore
Date : February 28, 2011

For and on behalf of the Board of Directors of
Cambridge Solutions Limited

Kenneth Lever
Executive Director &
Vice Chairman

Place : London, UK
Date : February 28, 2011

Darren Fisher
Executive Director &
Chief Financial Officer

Vijayamahantesh Khannur
Company Secretary

Place : Bangalore
Date : February 28, 2011

CAMBRIDGE SOLUTIONS LIMITED

(Rs. '000)

	2010	2009
1. CAPITAL		
Authorised capital		
125,000,000 (2009 : 125,000,000) Equity shares of Rs 10 each	1,250,000	1,250,000
Issued, subscribed and paid-up capital		
111,403,716 (2009 : 111,382,049) Equity shares of Rs 10 each fully paid up	1,114,037	1,113,820

Notes:

(i) Of the above:

a) 74,757,507 (2009: 74,757,507) shares have been allotted at par to the shareholders/award holders of Cambridge Services Holdings LLC, USA pursuant to a merger scheme. These shares were issued for consideration other than cash.

b) 21,667 (2009: 16,666) shares have been allotted at a premium of Rs.46.90 (2009:Rs.46.90) per share pursuant to options being exercised by employees under the Employee Stock Option Plans of the Company.

(ii) Pursuant to SSI Limited (Information Technology division) Merger Scheme, the share capital of the Company as at March 31, 2004 had been reduced from Rs.328,445 (2009:Rs.328,445) to Rs.131,590(2009:Rs.131,590) and the capital reduction of Rs.196,855(2009:Rs.196,855) had been utilised to adjust the debit balance of equivalent amount in the Profit and Loss account of the Company as at March 31, 2004.

(iii) Particulars of employees stock options on unissued share capital have been specified in Note 3.11

	2010	2009
2. RESERVE AND SURPLUS		
Capital reserve (refer note below)	36,117	36,117
Securities premium		
As at last balance sheet date	840,644	839,862
Add: Share premium on Employee Stock Options exercised during the year	1,016	782
Balance, end of the year	841,660	840,644
Stock compensation adjustment		
As at last balance sheet date	684	687
Less: Reversal on forfeiture / lapse of stock options granted	-	(3)
Balance, end of the year	684	684
General reserve		
As at last balance sheet date	561,186	561,186
Balance, end of the year	561,186	561,186
Foreign currency translation reserve	405,068	100,636
	1,844,715	**1,539,267**

Note:

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

(Rs ’000)

	2010	2009
3. SECURED LOANS		
From Banks		
Cash / export credit facility [Notes (i),(ii) &(iii)]	289,176	249,697
Term loan [Notes (iv) and (v)]	71,250	300,000
[Repayable within one year Rs.71,250 (2009: Rs.188,750)]	**360,426**	**549,697**
From Others		
Loans for purchase of fixed assets [Note(vi)]	13,372	14,703
Finance lease obligation [Note(vii)]	28,627	83,717
	41,999	**98,420**
	402,425	**648,117**

Notes :

(i) On May 15, 2005, the Group entered into a letter of arrangement for a cash credit facility with Axis Bank for a tenor of one year, which has been subsequently renewed every year. The credit is secured by a first pari passu charge on all the current assets of the Company, both present and future, except receivable from Scandent Company Inc., USA. As of December 31, 2010, the Group has availed a facility of Rs.31,024 (2009 : Rs.21,283).

(ii) On December 14, 2006, Yes Bank sanctioned a cash credit facility of Rs 100,000 to meet the working capital requirements of the Group. The loan is secured by way of first pari passu charge on the current assets and movable fixed assets of the Company and by unconditional and irrevocable corporate guarantee of Xchanging (Mauritius) Ltd., the immediate holding company. As at December 31, 2010, the Group has availed a facility of Rs.38,293 (2009:Rs.12,475).

(iii) On January 16, 2007, State Bank of India sanctioned Export Packing Credit facility of Rs.220,000 to meet the working capital requirements of the Group. The loan is secured by way of first pari passu charge on the current assets and movable fixed assets of the Company and by corporate guarantee of Xchanging (Mauritius) Ltd., the immediate holding company. The Group has fully availed the facility and the balance outstanding is Rs.219,859 (2009 : Rs.215,939).

(iv) On July 14, 2008, Bank of India sanctioned a corporate loan of Rs.250,000. The loan is secured by way of first pari passu charge on the current assets, movable fixed assets of the Company, both present and future and a charge on all future and present intangible assets of the Company including goodwill and by unconditional and irrevocable corporate guarantee of Xchanging (Mauritius) Ltd., the immediate holding company. The Group has availed the entire loan and balance outstanding as at December 31, 2010 Rs.30,000 (2009 : Rs.150,000).

(v) On July 27, 2009, Yes Bank sanctioned a term loan of Rs.150,000 for general corporate purposes. The loan is secured by way of first pari passu charge on the current assets and movable fixed assets of the Company and by corporate guarantee of Xchanging (Mauritius) Ltd., the immediate holding company. The Group has availed full loan and balance outstanding as at December 31, 2010 is Rs.41,250 (2009: Rs.150,000).

(vi) The Group has obtained vehicles under a financing arrangement. The loan is repayable over two to five years and are secured by assets taken against these loans. As at December 31, 2010, Rs.13,372 (2009: Rs.14,703) was outstanding against the financing arrangements.

(vii) The Group obtained computers, vehicle and office equipments on finance lease. These leases range for a period of two to five years and are secured by the assets acquired under these leases. Balance outstanding as at December 31, 2010 is Rs. 28,627 (2009: Rs.83,717)

(Rs ’000)

	2010	2009
4. UNSECURED LOANS		
Loans from others[Notes(i) to (iv)]	4,167,914	3,300,185
Interest accrued and due thereon	179,185	-
Receivable purchase facility[Note(v)]	11,211	14,739
	4,358,310	**3,314,924**

Notes:

(i) On February 11, 2009, Xchanging UK Ltd. (XUK), a fellow subsidiary, sanctioned a loan facility of US$ 25 million to Cambridge Integrated Services Group Inc. USA (CISGI), wholly owned subsidiary, for working capital and general corporate purposes. The balance outstanding as on December 31, 2010 is Rs.954,893(US $ 20.96 million) [(2009: Rs. 1,147,205(US $ 24.46 million)].

(ii) On June 5, 2009, Xchanging Technologies Services India Private Ltd. (XTSI), a fellow subsidiary, sanctioned a loan facility of Rs.200,000 to the Company for general corporate purposes The balance outstanding as on December 31, 2010 is Rs.200,000 (2009:Rs.160,000).

(iii) On June 25, 2009 XUK sanctioned a term loan facility of US$ 55 million to CISGI. During the year the sanctioned amount has been increased to US$ 66 million. The Company has provided a corporate guarantee of US$ 66 million to XUK for this loan facility. The balance outstanding as on December 31, 2010 is Rs. 2,988,025 (US $65.6 million) [2009: Rs.1,992,980 (US$ 42.5 million)].

(iv) On July 21, 2010, Xchanging Technologies Services India Private Ltd. (XTSI), a fellow subsidiary sanctioned a loan of Rs.55,000 to Cambridge Builders Private Limited, a wholly owned subsidiary. The amount availed during the year is Rs.25,000 and the amount outstanding as on December 31, 2010 is Rs.25,000.

(v) On January 8, 2008, Cambridge Solutions France SARL, a wholly owned subsidiary, entered into a receivable purchase agreement with Natixis Factor, France. As of December 31, 2010, the net amount outstanding under the agreement is Rs.11,211 (Euro 185,737) [2009 : Rs.14,739 (Euro 219,290)].

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5. FIXED ASSETS

(Rs '000)

	Gross Block (at cost)					Depreciation						Net Block	
	2009	Additions	Deletions / adjustments [refer note (iv)]	Transla-tion adjust-ment	2010	2009	For the year	Impair-ment [refer note (iii)]	"Deletions / adjustments [refer note (iv)]"	Transla-tion adjust-ment	2010	2010	2009
Tangible													
Leasehold Improvements	354,110	34,993	38,133	6,493	357,463	172,475	62,008	-	(28,035)	2,863	265,381	92,082	181,635
Computers	611,035	23,909	51,497	1,015	584,462	536,599	46,218	-	50,975	1,147	532,989	51,473	74,436
Vehicles	39,339	8,627	12,392	-	35,574	25,083	8,376	-	9,642	-	23,817	11,757	14,256
Office Equipment	458,451	11,191	12,101	(5,011)	452,530	305,335	75,658	-	11,430	(2,373)	367,190	85,340	153,116
Furniture and fittings	473,517	725	55,013	(3,433)	415,796	460,039	21,495	-	116,130	(6,467)	358,937	56,859	13,478
Total	1,936,452	79,445	169,136	(936)	1,845,825	1,499,531	213,755	-	160,142	(4,830)	1,548,314	297,511	436,921
Capital work-in-progress												44,762	5,775
Intangible													
Goodwill arising on consolidation	4,028,165	-	-	-	4,028,165	27,190	-	650,000	-	-	677,190	3,350,975	4,000,975
Goodwill acquired	110,224	-	40,025	(2,893)	67,306	93,732	-	-	26,098	(328)	67,306	-	16,492
Computer software	3,150,594	117,279	83,783	(85,668)	3,098,422	3,029,973	56,458	113,309	82,867	(82,622)	3,034,251	64,171	120,621
License to use intellectual Property	16,103	-	(40,025)	-	56,128	3,678	11,485	-	(26,098)	(2,222)	39,039	17,089	12,425
Total	7,305,086	117,279	83,783	(88,561)	7,250,021	3,154,573	67,943	763,309	82,867	(85,172)	3,817,786	3,432,235	4,150,513
Capital work-in-progress												49,269	64,581
Grand Total	**9,241,538**	**196,724**	**252,919**	**(89,497)**	**9,095,846**	**4,654,104**	**281,698**	**763,309**	**243,009**	**(90,002)**	**5,366,100**	**3,729,746**	**4,587,434**
Total Capital work-in-progress (includes capital advance of Rs 10,065)												94,031	70,356
2009	9,250,361	311,384	219,438	(100,769)	9,241,538	3,985,726	398,442	609,669	213,552	(126,181)	4,654,104	4,587,434	-

(i) Computers and office equipment include assets taken under finance lease. All vehicles include asset taken on loan/finance lease. The gross book value and net book value of assets under finance lease have been disclosed in the table below.

	Gross block		Accumulated depreciation		Net block	
	2010	2009	2010	2009	2010	2009
Computers	10,197	12,181	10,197	11,763	-	418
Vehicles	4,475	2,321	3,819	1,278	656	1,043
Office Equipment	189,514	189,499	162,400	123,541	27,114	65,958
	204,186	204,001	176,416	136,582	27,770	67,419

(ii) As at December 31, 2010, the Gross and net book value of Rs.79,053 (2009 : Rs.79,053) and Rs.23,622 (2009 : Rs.41,648) respectively are being used by a sub-lessee. The Group has recorded depreciation charge of Rs.13,442 (2009:Rs.18,799) for these assets during the year ended December 31, 2010.

(iii) Depreciation during the year includes impairment of computer software for Rs.113,309 (2009 Rs.523,392) and impairment of goodwill arising on consolidation Rs 650,000 (2009: Nil) (refer note 3.20).

(iv) Adjustment in gross block and accumulated depreciation under the heads Leasehold Improvements, Furniture and Fittings,Goodwill acquired and License to use intellectual property relates to reclassification between those heads on account of erroneous classification in prior years, which, however, does not have an impact on the deprecation for the year.

(Rs '000)

		2010	2009
6.	**INVESTMENTS (Unquoted, long term at cost, fully paid-up)**		
	Trade:		
	4,938,297 (2009 : 4,938,297) Class A common stock of BIGeREALESTATE,Inc. USA	136,647	140,670
	Less:- Provision for diminution in value of investment	(136,647)	(92,537)
		-	**48,133**
7.	**SUNDRY DEBTORS (Unsecured)**		
	Debts outstanding for a period exceeding six months		
	Considered good	201,727	49,207
	Considered doubtful	260,854	425,866
	Other debts		
	Considered good	1,158,979	1,565,864
	Considered doubtful	4,091	59,286
		1,625,651	2,100,223
	Less : Provision for doubtful debts	264,945	485,152
		1,360,706	**1,615,071**

Note:
Sundry debtors included unbilled revenue amounting to Rs.8,234 (2009: Rs.39,777) exceeding six months and Rs.365,654 (2009: Rs.695,966) under other debts, which are considered good.

		2010	2009
8.	**CASH AND BANK BALANCES**		
	Cash on hand	161	122
	Balances with scheduled banks:		
	- Current accounts	50,923	34,142
	- Fixed deposits	4,181	3,599
	Balances with Other banks:		
	- Current accounts	840,235	470,188
		895,500	**508,051**

Note:
Fixed deposits include Rs.1,660 (2009 - Rs.3,599) retained as margin money for bank guarantee.

		2010	2009
9.	**OTHER CURRENT ASSETS (Unsecured, considered good)**		
	Other deposits [net of provision of Rs.13,714 (2009: Nil)]	144,938	150,307
	Less : Provision for doubtful deposits	(13,714)	-
		131,224	**150,307**
10.	**LOANS AND ADVANCES (unsecured)**		
	Considered good		
	Dues from related parties	73,754	7,118
	Advances recoverable in cash or kind or for value to be received	274,876	248,200
	Minimum Alternative Tax (MAT) credit entitlement	82,489	52,446
	Advance tax (net of provision Rs.172,156 (2009 : Rs.121,411))	3,035	5,979
		434,154	313,743
	Considered doubtful		
	Advances recoverable in cash or kind or for value to be received	42,528	41,436
	Less: Provision for doubtful advances	(42,528)	(41,436)
		-	-
		434,154	**313,743**

(Rs ’000)

	2010	2009
11. LIABILITIES		
Sundry creditors	1,144,316	1,081,968
Dues to related parties		
- Expense Payable	107,364	133,639
- Interest accrued but not due	59,334	16,855
Book Overdraft	14,999	57,825
Interest accrued but not due	495	1,593
Advance from customers	346,604	285,629
Deferred revenue (refer note 3.16)	512,604	1,742,393
Other liabilities	184,144	169,191
	2,369,860	**3,489,093**
12. PROVISIONS		
Taxation (net of advance tax : Rs.2,345 (2009- Rs.5,346))	118,052	91,151
Gratuity	28,694	25,920
Compensated absences	233,772	254,236
Onerous lease contracts	530,398	952,320
Restructuring	17,303	27,388
Onerous customer contracts (refer note 3.16)	253,743	188,813
Litigation and others	907,151	445,705
	2,089,113	**1,985,533**

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(Rs '000)

		2010	2009
13.	**SERVICES REVENUE**		
	Revenue from Software services	2,150,753	2,569,990
	Claims Service fee	7,294,451	8,276,335
	Revenue from Information Technology enabled Services	1,131,850	1,082,169
		10,577,054	**11,928,494**
14.	**OTHER INCOME**		
	Liability no longer required written back	19,059	3,412
	Interest Income	10,792	8,067
	Sub-lease rentals [including premises facility and maintenance income Rs.43,831 (2009: Rs.44,999)]	102,909	85,867
	Provision for doubtful debts written back (net)	212,588	-
	Miscellaneous income	23,364	13,947
		368,712	**111,293**
15.	**EMPLOYEE COSTS**		
	Salaries, allowances and bonus	5,329,909	6,085,044
	Contribution to provident fund and other funds	376,029	425,964
	Employee stock compensation expense	-	(3)
	Staff welfare	427,003	463,397
	Recruitment and relocation	52,281	33,099
		6,185,222	**7,007,501**
16.	**OTHER OPERATING COSTS**		
	Project work expenses	508,399	403,730
	Claims work expenses	1,123,374	1,385,196
	Travelling and conveyance	275,276	377,772
	Rent and hire charges	558,135	686,785
	Communication	273,491	333,534
	Power and fuel	104,989	112,206
	Insurance	94,146	101,060
	Rates and taxes	46,629	66,567
	Repairs and maintenance		
	- Computer equipment	95,248	63,672
	- Others	110,741	75,363
	Legal and professional	213,882	289,100
	Printing and stationery	58,797	73,001
	Business promotion	33,669	45,878
	Exchange loss/(gain), net	132,803	173,815
	Loss on sale of fixed assets, (net)	3,745	1,959
	Bad Debts	191,093	-
	Provision for bad and doubtful debts (net)	-	45,176
	Provision for doubtful advances (net)	2,210	629
	Provision for doubtful deposits	13,714	-
	Miscellaneous	70,087	95,519
		3,910,428	**4,330,962**
17.	**FINANCE COST**		
	Loan arrangement and processing fees	11,285	98,331
	Interest on loans	289,973	245,453
	Bank charges	35,760	45,004
		337,018	**388,788**

18. NOTES ON ACCOUNTS **(Rs. '000)**

1. BACKGROUND

Cambridge Solutions Limited ('the Company'), incorporated on February 1, 2002, is a business process outsourcing (BPO) and information technology (IT) services provider with operations in India and an international presence established through offices in several countries including the USA and Australia.

Pursuant to agreements, arrangements, amalgamations, etc. (with requisite approvals from various High Courts in India, wherever applicable), the Company has, during earlier years, acquired BPO and IT services businesses (including assets and liabilities) of / from 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.).
- Cambridge Services Holdings LLC, USA (with operations in USA and Australia).
- Cambridge Integrated Services India Private Limited (with operations in India)
- 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 75.62% (2009:76.04%) of the outstanding share capital of the Company. Though the open offer procedures were completed on April 9, 2009, XML obtained the power of operational control of the Company effective January 1, 2009.

Shareholding pattern as at the year end:

Name of the shareholder	**2010**	**2009**
Xchanging (Mauritius) Limited	75.62%	76.04%
Scandent Holding Mauritius Limited	11.82%	11.82%
AON Minet Pension Scheme	3.77%	3.77%
Katra Finance Limited	2.70%	2.70%
Others	6.09%	5.67%
Total	**100%**	**100%**

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

A. The consolidated financial statements relate to Cambridge 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 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 previous period.

The consolidated financial statements of the Group have been prepared based on a line-by-line consolidation of the balance sheet, profit and loss account and cash flow statement of the Company and its subsidiaries as at and for the period ended December 31, 2010. All material inter-company transactions and balances between the entities included in the consolidated financial statements have been eliminated.

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 Fixed 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.

(Rs. '000)

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.

B. Subsidiaries considered in the consolidated financial statements:

Name of the Subsidiary	Country of incorporation	Ownership interest
Cambridge Solutions Europe Limited	United Kingdom	100%
Cambridge Solutions Pte Limited	Singapore	100%
Scandent Group Sdn Bhd	Malaysia	100%
Scandent Group GmbH	Germany	100%
Scandent Group Inc.	USA	100%
Indigo Markets Limited	Bermuda	100%
Cambridge Integrated Services Group Inc.	USA	100%
Cambridge Galaher Settlements & Insurance Services	USA	100%
Cambridge Integrated Services Victoria Pty Limited	Australia	100%
Cambridge Integrated Services Australia Pty Limited	Australia	100%
Cambridge Solutions Pty Limited	Australia	100%
Cambridge Solutions France SARL	France	100%
ProcessMind Holding Mauritius Limited	Mauritius	100%
Nexplicit India Infotech Private Limited	India	100%
Cambridge Builders Pvt Ltd.	India	100%

Notes:

(i) During the year, the Company has acquired 100% shares of Cambridge Builders Private Limited, India.

(ii) During the year, Scandent Group, GmbH, Germany, a wholly owned subsidiary has been liquidated.

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

2.3 Fixed assets and depreciation

(i) Fixed 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 fixed assets determined by management as follows:

	Years
Computers	2-4
Vehicles	2-5
Office equipment	3-5
Furniture and fixtures	5-10

(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.

(Rs. '000)

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.

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 Profit and Loss Account on a straight line basis over the lease term. Operating leases, which are renewed, after the primary lease period and have not been opted for transfer of ownership, are reclassified to finance lease prospectively.

2.8 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.

2.9 Inventories

Inventories comprise licenses purchased by the Company 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.

(Rs. '000)

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 Profit and Loss Account 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 the economic benefit will flow to the Group and that the revenue can be reliably measured.

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

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

(iii) 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 Group.

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

(v) Revenue from claim services fees primarily comprise of claims processing or program administration fees and are earned proportionately in accordance with estimated claims closing rates or over the service period of the underlying service contract. Unbilled fees are recognised at their estimated collectible amounts at the time such services are rendered. Substantially all unbilled fees are billed within one year. For certain agreements, out-of pocket costs that are incurred in providing services are passed on by the Group to its clients and are included in revenues, which, however are not material in relation to the revenues.

(vi) The Group recognises revenue from incentives on the basis of estimates of amounts of incentives, which are reasonably certain to be received. Revenue recognition from incentives is postponed to the extent of uncertainty involved until it is reasonably certain that the ultimate collection will be made.

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

(viii) 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.

(ix) 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 terms of the underlying service contracts, which are generally one year.

(x) 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.

(Rs. '000)

(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 previous 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 Group'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.

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 expenses 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 Group has defined contribution plans (where Group pays pre-defined amounts and does not have any legal or informal obligation to pay additional sums) for post employment benefits, and the Group's contributions thereto are charged to Profit and Loss Account every year. The Group's contributions to State plans are also charged to Profit and Loss Account as expense during the period in which the employees perform the service.

(Rs. '000)

(c) Defined-benefit plan:

The Group has a defined benefit plan (viz., Gratuity in India) for employees, the liability for which is determined on the basis of valuation carried out by an independent actuary (under 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 Profit and Loss Account 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 profit and loss account 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, deferred and fringe benefit taxes. Current income tax and fringe benefit 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 Group 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 Group 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 Group 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 Group 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

(Rs. '000)

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 profit and loss account 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 Company will pay normal income tax during the specified period.

2.15 Earnings 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 Group 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 Group 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 can 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 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.

(Rs. '000)

2.20 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.

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 profit and loss account 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 adopted by the Group with effect from April 1, 2010.

3.1 Contingent Liabilities:

	2010	2009
Bank Guarantees [Note (b)]	355,253	369,182
Income tax matters:		
Assessment year 2004-05 [Note (c)]	5,820	5,820
Assessment year 2005-06 [Note (d)]	119,316	119,316
Assessment year 2006-07 [Note (e)]	13,741	124,151
Assessment year 2007-08 [Note (f)]	7,210	-
Limited Risk Model [Note (g)]	55,541	-

Notes:

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

(b) Bank guarantee facilities are mainly with Yes Bank for the purpose of issuance of standby letter of credit (SBLC) in favour of a correspondent bank in India /outside India for extending bank guarantee facilities to the Company's subsidiaries in the USA and Australia. In the event of default by the subsidiaries, the Company will have to indemnify Yes Bank.

(c) Relates to transfer pricing adjustment for arm's length price by the assessing officer and other adjustments which is disputed by the Group, and the matter is lying under appeal with the Commissioner of Income-tax (Appeals), Bangalore. An amount of Rs.2,802 (2009: Rs.2,802) has been paid under protest against the demand.

(d) Relates to transfer pricing adjustment for arm's length price by the assessing officer and other adjustments which is disputed by the Group, and the matter is lying under appeal with the Commissioner of Income-tax (Appeals), Bangalore. An amount of Rs.30,504 (2009: Rs.15,000) has been paid under protest against the demand.

(e) Relates to certain tax adjustments arrived at by the assessing officer, which is disputed by the Group. An amount of Rs. 3,800 (2009: Nil) has been paid under protest against the demand. The Group has filed an appeal to the Income Tax Appellate Tribunal in this regard.

(f) Relates to transfer pricing adjustment for arm's length price by the assessing officer which is disputed by the Group, and the matter is to be filed with the Income Tax Dispute Resolution Panel, Bangalore.

(g) Relates to ongoing discussions with the ATO around changes to the Limited Risk Model following the change of ownership when Xchanging acquired Cambridge in 2009.

Contingent Liabilities does not include the following:

(i) 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, 2010, the Company has availed duty benefits amounting to Rs.74,497 (2009: Rs 72,847). The Company expects to meet its commitment to earn requisite revenue in foreign currency as stipulated by the STPI regulations.

(ii) The Company has counter guaranteed the term loan facility of Rs. 3,006,244 (US$ 66 million) (2009: 2,578,950) (US$ 55 million) granted by Xchanging UK Limited, a fellow subsidiary of the Company, to Cambridge Integrated Services Company, Inc USA, a wholly owned subsidiary of the Company.

(Rs. '000)

3.2 Exceptional items

During the year, the Group has recorded significant exceptional items aggregating to Rs.845,396 (2009: Rs.3,347,694) as detailed below:

	2010	2009
During the year, the Group has tested Goodwill arising on consolidation for impairment and accordingly recorded an impairment loss (refer note 3.20).	650,000	-
The Board formally approved a restructuring plan for the United States (US) claims operations on March 27, 2009 and pursuant to such plan, significant restructuring costs have been incurred. Specifically, these costs represent onerous lease contracts, related assets impairment, employee severance and other costs directly relating to restructuring activities. Key aspects of the implementation programme include the major restructuring of the US BPO business, with the significant consolidation of existing sites into a few key locations, which has resulted in a number of vacant properties from which the Group has been unable to terminate its commitments. The onerous lease provision created represents the remaining costs, primarily rent, associated with these vacant properties.	-	1,017,561
The Group has carried out a detailed review of all exposures related to litigations against the Group especially in the US claims operations. On the basis of such review of various litigation related matters across the Group, an additional provision has been created during the year	-	332,303
The group has re-evaluated all significant customer contracts and identified loss making contracts wherein the group is obligated to service the claims in future periods without earning sufficient revenue to match the costs. Accordingly, the estimated unavoidable costs of such onerous customer contracts in excess of estimated revenue have been accounted for as provision for onerous contracts (refer note 3.17).	113,622	192,232
Pursuant to acquisition of Cambridge Integrated Services Group Inc, USA ('CISGI' or the US claims business), the wholly owned subsidiary of the Company, from AON Corporation, USA ('AON'), the Company acquired the "California Insurance Guarantee Association (CIGA) Fremont" contract for rendering field claims services (FCS), bill review services and case management services. During the initial contract period, AON had recognised the revenue relating to FCS on a cash receipt basis, irrespective of the related servicing costs, as the payments under the contract were spread over six years. CISGI and the Group continued the same revenue recognition policy. The last instalment of payment for FCS was received during April 2008. During the year, the revenue previously recognised has been re-assessed in light of revised estimations of costs expected to be incurred to close all outstanding claims. As a result, the Group has concluded that the revenue relating to the said contract requires restatement based on a proportionate completion method. Accordingly, an adjustment to/ reinstatement of Deferred Revenue has been recognised in respect of the run-off contract	-	1,185,949
The Group has reviewed its strategy with respect to investment in BIGeREALESTATE Inc ('BigE'), a US based subsidiary of Cushman & Wakefield. Based on discounted future cash flows, the Group has assessed and concluded that the investment is fully impaired and accordingly a provision for diminution in the value of investment has been created	47,081	97,293
During the year, the Group has evaluated the onerous lease provision made in earlier years. Based on such evaluation, the Group has reversed onerous lease provision on account of sub-lease arrangements, cancellation of lease contracts, etc.	(98,922)	-
The Group evaluates the carrying value of intangible assets on a periodic basis. During the current year, based on such evaluation, the Group's core claims handling software asset, were found to be materially impaired. Accordingly, the Group has recorded an impairment provision with respect to its intangible assets.	133,615	522,356
	845,396	**3,347,694**

(Rs. '000)

3.3 Prior period adjustments

During the previous year, the Group has recorded significant prior period adjustments aggregating to Nil (2009:Rs. 189,405) as detailed below:

	2010	2009
During previous year the Group has recorded a prior period adjustment relating to provision for compensated absences, which represent impact of actuarial valuation on compensated absences (long service leave and sick leave) pertaining to employees of the Australia subsidiaries, Scandent Group Inc, USA and Cambridge Solutions Pte Limited, Singapore, all wholly owned subsidiaries of the Company	-	42,494
Reversal of excess provision relating to certain onerous lease contracts, which were provided for in the prior period without considering the exit options available within the lease contracts	-	(19,835)
As part of the detailed review of compliance with laws and regulations at the US operations, the Group identified a potential exposure with respect to applicability of sales and use tax relating to earlier years at a couple of States where the Group carried out its insurance related services, and based on a study carried out by an independent outside tax consultant the probable cash outflow has been accrued in the books	-	73,154
Reversal of excess revenue recorded in earlier years on account of error in sub-contractor submission of data for one of the streams of revenue at the US operations	-	30,854
Under accrual of certain quality audit fees in earlier years owing to dispute and reconciliation issues with consultants	-	25,801
Under provisioning of doubtful receivables relating to earlier periods	-	29,631
Escrow reconciliation related adjustments relating to earlier periods	-	7,306
	-	**189,405**

3.4 Employee benefits

Defined contribution plan:

During the year, the Company has recognised Rs.264,695 (2009:Rs.316,843) in the Profit and Loss Account relating to defined contribution plans, which are included in the Contribution to Provident and other funds in Schedule 15.

Defined benefit plan:

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 profit and loss account and amounts recognised in the balance sheet for the gratuity plan.

(Rs. '000)

Changes in the present value of the defined benefit obligation are as follows:

	2010	2009
Opening defined benefit obligation	34,933	30,714
Interest cost	3,104	2,351
Current service cost	8,828	10,298
Benefits paid	(4,739)	(2,695)
Actuarial (gains)/ losses on obligation	(1,403)	(5,735)
Past Service Cost	978	-
Unrecognised past service cost	1,689	-
Closing defined benefit obligation	**43,390**	**34,933**

Changes in the fair value of plan assets are as follows:

	2010	2009
Opening fair value of plan assets	11,507	5,419
Expected return	1,187	641
Contributions by employer	3,938	5,871
Benefits paid	(1,058)	(1,265)
Actuarial gains/ (losses)	423	841
Closing fair value of plan assets	**15,997**	**11,507**

The Company does not expect to contribute any amount to gratuity during the year 2010 (2009: Rs. 2,092)

Details of Provision for Gratuity (Balance Sheet):

	2010	2009
Defined benefit obligation	(43,390)	(34,933)
Fair value of plan assets	15,997	11,507
Plan asset / (liability)	**(27,393)**	**(23,426)**

Net employees benefit expense (recognised in employee cost):

	2010	2009
Current service cost	8,828	10,298
Interest cost on benefit obligation	3,104	2,351
Expected return on plan assets	(1,188)	(641)
Net actuarial (gain)/ loss recognised in the year	(1,826)	(6,575)
Past Service cost	2,527	-
Net benefit expense	**11,445**	**5,433**

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	(%)	
	2010	2009
Investments with insurer	100	100

(Rs. '000)

The principal assumptions used in determining gratuity are shown below:

	(%)	
	2010	**2009**
Expected rate of return on plan assets	8	7.5
Discount rate	8 to 8.25	7.5
Increase in compensation cost	7 to 10	10
Employee turnover	Upto 35- 15%; 36-45-5%; 46-55-2%; 55-1%	20
Retirement age	65	60

Notes:

(i) 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.

(ii) 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.

(iii) 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.

(iv) Pursuant to an amendment to the Payment of Gratuity Act, 1972 (notified in the Gazette on May 18, 2010), the ceiling for payment of gratuity to employees has been increase from Rs 350 to Rs 1,000. Accordingly the benefits (past service cost) that are already vested following the increase in limit (i.e., amounts pertaining to periods already served by employee) amounting to Rs 2,527 (2009: Nil) have been recognised in the profit and loss account.

Amounts for the current and previous periods are as follows:

	2010	**2009**	**2008**	**March 31, 2008**
Defined benefit obligation	43,390	34,933	30,714	22,327
Plan assets	15,997	11,507	5,419	2,907
Surplus / (deficit)	(27,393)	(23,426)	(25,295)	(19,420)
Experience adjustments on plan liabilities	(1,403)	(5,735)	3,901	2,587
Experience adjustments on plan assets	423	841	299	193

3.5 Segment reporting

The primary segment reporting of the Group is on the basis of business segments. The Group is organised into two business segments, viz., Information Technology and related services ('IT') and Business Process Outsourcing ('BPO'). Segments have been identified and reported considering industry segments of customers, risks and returns, organisation structure and internal financial reporting systems.

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

Corporate activities such as treasury and taxation, which do not qualify as operating segments under Accounting Standard 17, 'Segment Reporting', have been considered as unallocated items.

3.5 SEGMENT REPORTING - Contd.

(Rs. '000)

Particulars	IT		BPO		Unallocated		Eliminations		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenues										
External sales	2,150,753	2,569,990	8,426,301	9,358,504	-	-	-	-	10,577,054	11,928,494
Inter-segment transfers	50,460	49,897	-	-	-	-	(50,460)	(49,897)	-	-
Total revenues	**2,201,213**	**2,619,887**	**8,426,301**	**9,358,504**	**-**	**-**	**(50,460)**	**(49,897)**	**10,577,054**	**11,928,494**
Segment result	23,675	(77,417)	534,897	269,854	10,793	111,293	(947)	(848)	568,418	302,882
Prior period items	-	23,692		165,713	-	-	-	-	-	189,405
Exceptional items	(23,785)	133,460	172,100	3,214,234	697,081	-	-	-	845,396	3,347,694
Segment result before tax and interest	47,460	(234,569)	362,797	(3,110,093)	(686,288)	111,293	(947)	(848)	(276,978)	(3,234,217)
Finance costs	-	-	-	-	(337,018)	(388,788)	-	-	(337,018)	(388,788)
Tax expense	-	-	-	-	(47,409)	(98,906)	-	-	(47,409)	(98,906)
Net profit									**(661,405)**	**(3,721,911)**
Other information										
Segment assets	2,553,269	2,609,459	4,002,388	4,625,927	-	-	-	-	6,555,657	7,235,386
Inter segment assets	-	-	(3,770,101)	256,431	-	-	3,770,101	(256,431)	-	-
Unallocated assets	-	-	-	-	131,166	57,709	-	-	131,166	57,709
Total assets	**2,553,269**	**2,609,459**	**232,287**	**4,882,358**	**131,166**	**57,709**	**3,770,101**	**(256,431)**	**6,686,823**	**7,293,095**
Segment liabilities	510,977	726,853	3,770,101	4,638,195	-	-	-	-	4,281,078	5,365,048
Inter segment liabilities	653,878	256,431	-	-	-	-	(653,878)	(256,431)	-	-
Unallocated liabilities	-	-	-	-	4,938,630	4,105,192	-	-	4,938,630	4,105,192
Total liabilities	**1,164,855**	**983,284**	**3,770,101**	**4,638,195**	**4,938,630**	**4,105,192**	**(653,878)**	**(256,431)**	**9,219,708**	**9,470,240**
Capital expenditure	52,464	21,238	65,969	74,551	-	-	-	-	118,433	95,789
Depreciation and amortisation	39,390	57,055	220,276	341,387	-	-	-	-	259,666	398,442
Impairment provision	-	-	763,309	609,669	-	-	-	-	763,309	609,669
Provision for Bad and doubtful debts, advances and deposits	25,907	11,009	(31,478)	34,796	-	-	-	-	(5,571)	45,805
Writeback of liability	(12,251)	(685)	(6,808)	(2,727)	-	-	-	-	(19,059)	(3,412)
Provision for onerous leases	-	15,711	40,719	472,099	-	-	-	-	40,719	487,810
Provision for onerous customer contracts	-	-	113,622	1,378,181	-	-	-	-	113,622	1,378,181

(Rs. '000)

Geographical segments

Revenue	2010	2009
Australia	1,809,331	1,935,670
Europe	1,399,819	1,361,492
USA	6,800,075	7,872,094
Rest of World	567,829	759,238
	10,577,054	**11,928,494**

Assets	2010	2009
Australia	857,512	664,269
Europe	197,850	119,257
USA	1,189,981	2,065,030
Rest of world	959,346	385,856
Unallocated	3,482,134	4,058,683
	6,686,823	**7,293,095**

Liabilities	2010	2009
Australia	763,819	386,150
Europe	115,466	47,500
USA	2,807,051	4,110,617
Rest of world	594,742	820,781
Unallocated	4,938,630	4,105,192
	9,219,708	**9,470,240**

3.6 Related party disclosures

A. Names of related parties and description of relationship

Ref.	Description of relationship	Names of related parties
(a)	**Parties where control exists:**	
	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
	Subsidiary companies	Cambridge Solutions Europe Limited, UK
		Cambridge Solutions Pte Limited, Singapore
		Scandent Group Sdn Bhd, Malaysia
		Scandent Group GmbH, Germany
		Scandent Group Inc., USA
		Indigo Markets Limited, Bermuda
		Cambridge Integrated Services Group Inc., USA
		Cambridge Galaher Settlements & Insurance Services, USA
		Cambridge Integrated Services Victoria Pty Limited, Australia
		Cambridge Integrated Services Australia Pty Limited, Australia
		Cambridge Solutions Pty Limited, Australia
		Cambridge Solutions France SARL, France
		ProcessMind Holding Mauritius Limited, Mauritius
		Nexplicit India Infotech Private Limited, India
		Cambridge Builders Private Limited, India

(Rs. '000)

Ref.	Description of relationship	Names of related parties
(b)	**Parties under common control with whom transactions have taken place during the year:**	
	Fellow subsidiaries	Xchanging Systems and Service Inc., USA
		Ferguson Snell & Associates Ltd., UK
		Ins-sure Services Limited, UK
		Xchanging Advisory Services Limited, UK
		Xchanging Asia Pacific Sdn Bhd, Malaysia
		Xchanging Broking Services Limited, UK
		Xchanging Claim Services Limited, UK
		Xchanging Global Insurance Solutions Ltd., UK
		Xchanging Inc, USA
		Xchanging Procurement Services Pty Ltd., Australia
		Xchanging Pty Limited, Australia
		Xchanging Technology Services India Private Limited, India
		Xchanging Transaction Bank GmbH, Germany
		Xchanging UK Limited, UK
		Xchanging HR Services Ltd., UK
(c)	**Key management personnel:**	
	Vice Chairman	Kenneth Lever (*)
	Executive Director and Chief Financial Officer	Darren Fisher
	Executive Director and Chief Production Officer	Thomas Runge

(*) No transactions during the year.

Note:

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 Group, which has been relied upon by the auditors.

(Rs. '000)

3.6 RELATED PARTY DISCLOSURE

B. Summary of transactions with related parties is as follows :

Description	Fellow Subsidiaries [Note A(b)]
Expenses paid on behalf of the company by the related party:	
Xchanging Advisory Services Ltd., UK.	-
	(2,138)
Xchanging Asia Pacific Sdn Bhd., Malaysia.	128
	(98)
Xchanging Global Insurance Solutions Ltd., UK.	34,570
	(1,222)
Xchanging Inc.,USA.	56,220
	(42,843)
Xchanging Procurement Services Pty Ltd., Austalia.	1,407
	(1,011)
Xchanging Pty Ltd., Australia.	75,852
	(9,522)
Xchanging Transaction Bank GmbH., Germany.	21,889
	(1,153)
Xchanging UK Ltd.,UK.	55,484
	(19,854)
Ferguson Snell and Associates Ltd., UK.	1,555
	(-)
Ins-sure Services Ltd.,UK.	9,704
	(-)
Xchanging Broking Services Ltd.,UK.	9,097
	(-)
Xchanging HR Services Ltd.,UK.	15,124
	(-)
Xchanging Procurement Services Ltd., UK	479
	(-)
Xchanging Systems and Services Inc., USA.	9,186
	(-)
Xchanging Technology Services India Private Ltd., India.	3,848
	(-)
Expenses paid on behalf of the related party:	
Xchanging Asia Paciffic Sdn Bhd., Malaysia.	7,592
	(3,696)
Xchanging Broking Services Ltd., UK.	24,439
	(75,092)
Xchanging Claim Services Ltd., UK.	8,838
	(9)
Xchanging Procurement Services Pty Ltd., Austalia.	257
	(64)
Ferguson Snell & Associates Ltd., UK.	(-)
	(50)
Ins-sure Services Ltd., UK.	30
	(-)

(Rs. '000)

3.6 RELATED PARTY DISCLOSURE

B. Summary of transactions with related parties is as follows : (Contd..)

Description	Fellow Subsidiaries [Note A(b)]
Xchanging Global Insurance Solutions Ltd., UK.	31,028 (-)
Xchanging Inc., USA.	10,163 (-)
Xchanging Procurement Services Ltd., UK.	252 (-)
Xchanging Pty Ltd., Australia.	12,704 (-)
Xchanging Systems and Services Inc., USA.	9,060 (-)
Xchanging Technology Services India Private Ltd., India.	20,067 (-)
Xchanging UK Ltd., UK.	38,823 (-)
Salary paid on behalf of the company by the related party	
Xchanging Systems and Service Inc., USA.	- (164,263)
Salary paid on behalf of the related party	
Xchanging Systems and Service Inc., USA.	21,090 (-)
Interest on Loans:	
Xchanging Technology Services India Pvt Ltd, India.	24,759 (10,964)
Xchanging UK Ltd.,UK.	219,539 (91,575)
Revenue:	
Ins-sure Services Ltd., UK.	3,429 (1,336)
Xchanging Broking Services Ltd., UK.	609,990 (561,708)
Xchanging Claim Services Ltd., UK.	15,642 (934)
Xchanging Global Insurance Solutions Ltd., UK.	113,593 (171,194)
Xchanging UK Ltd.,UK.	16,417 (14,138)
Xchanging Asia Pacific Sdn Bhd., Malaysia.	2,721 (-)
Xchanging HR Services Ltd., UK.	267 (-)
Xchanging Pty Ltd., Australia.	576 (-)
Loans borrowed during the year	
Xchanging Technology Services India Private Limited, India.	65,000 (160,000)

(Rs. '000)

3.6 RELATED PARTY DISCLOSURE

C. Summary of balances of related parties is as follows :

Description	Ultimate/ Immediate Holding Company [Note A(a)]	Fellow Subsidiaries [Note A(b)]
Debtors:		
Xchanging Broking Services Ltd., UK.	-	10,850
	(-)	(60,223)
Xchanging Claim Services Ltd., UK.	-	7,850
	(-)	(934)
Xchanging Global Insurance Solutions Ltd., UK.	-	35,366
	(-)	(28,369)
Xchanging Systems and Service Inc., USA.	-	-
	(-)	(1,216)
Xchanging UK Ltd.,UK.	-	15,270
	(-)	(14,138)
Ins-sure Services Ltd., UK.	-	3,350
	(-)	(-)
Xchanging Asia Pacific Sdn Bhd., Malaysia.	-	2,725
	(-)	(-)
Xchanging HR Services Ltd., UK.	-	261
	(-)	(-)
Xchanging Procurement Services Ltd., UK.	-	2
	(-)	(-)
Xchanging Procurement Services Pty Ltd.,Australia.	-	12
	(-)	(-)
Expenses Payable:		
Xchanging Asia Pacific Sdn Bhd., Malaysia.	-	23
	(-)	(97)
Xchanging Global Insurance Solutions Ltd., UK.	-	15,252
	(-)	(159)
Xchanging Inc., USA.	-	10,502
	(-)	(5,107)
Xchanging Pty Ltd., Australia.	-	16,154
	(-)	(9,522)
Xchanging Systems and Services Inc., USA.	-	36,742
	(-)	(99,858)
Xchanging Transaction Bank GmbH., Germany.	-	6,420
	(-)	(432)
Xchanging UK Ltd.,UK.	-	11,706
	(-)	(16,373)
Xchanging Advisory Services Ltd., UK.	-	-
	(-)	(2,091)
Xchanging HR Services Ltd.,UK.	-	7,633
	(-)	(-)
Xchanging Procurement Services Pty Ltd., Australia.	-	1,528
	(-)	(-)
Xchanging Technology Services India Pvt. Ltd., India.	-	1,404
	(-)	(-)

(Rs. '000)

3.6 RELATED PARTY DISCLOSURE

C. Summary of balances of related parties is as follows : (Contd..)

Description	Ultimate/ Immediate Holding Company [Note A(a)]	Fellow Subsidiaries [Note A(b)]
Expenses Receivable:		
Ferguson Snell & Associates Ltd., UK.	-	-
	(-)	(49)
Xchanging Advisory Services Ltd., UK.	-	-
	(-)	(2,091)
Xchanging Asia Pacific Sdn Bhd., Malaysia.	-	5,315
	(-)	(3,668)
Xchanging Broking Services Ltd., UK.	-	2,392
	(-)	(4,914)
Xchanging Procurement Services Pty Ltd., Australia.	-	252
	(-)	(21)
Xchanging Claim Services Ltd., UK.	-	11
	(-)	(-)
Xchanging Global Insurance Solutions Ltd., UK.	-	7,937
	(-)	(-)
Xchanging Inc.,USA.	-	5,915
	(-)	(-)
Xchanging Pty Ltd., Australia.	-	9,446
	(-)	(-)
Xchanging Systems and Services Inc., USA.	-	7,706
	(-)	(-)
Xchanging Technology Services India Pvt Ltd., India.	-	16,334
	(-)	(-)
Xchanging UK Ltd.,UK.	-	18,446
	(-)	(-)
Interest accrued but not due:		
Xchanging Technology Services India Pvt Ltd., India.	-	31,376
	(-)	(9,093)
Xchanging UK Ltd.,UK.	-	27,958
	(-)	(7,762)
Unsecured Loan:		
Xchanging Technology Services India Pvt Ltd., India.	-	225,000
	(-)	(160,000)
Xchanging UK Ltd.,UK.	-	4,122,099
	(-)	(3,139,941)
Guarantee taken by the related party:		
Xchanging UK Ltd.,UK.	-	3,006,244
	(-)	(2,578,950)
Guarantee given by the related parties		
Xchanging (Mauritius) Ltd., Mauritius.	940,000	-
	(-)	(-)
Xchanging Plc, UK	3,900	-
	(-)	(-)

Note:

Guarantee given by related parties does not include certain unlimited guarantees issued by Xchanging (Mauritus), Mauritius Ltd. and Xchanging Plc, UK on behalf of the Group.

(Rs. '000)

3.7 Lease disclosures

(A) Operating leases

The lease rentals charged during the year ended December 31, 2010 and 2009 and maximum obligation on long term, non cancellable operating leases payable are as per the rentals stated in the respective agreements. The operating lease arrangements extend up to a maximum period of fifteen years from the respective dates of inception and relates to rented premises, computers, office equipment, etc. Some of the lease agreements have price escalation clauses.

(i) *In case of assets taken on lease*

Office premises, guest house premises and equipment are obtained under operating lease. The lease arrangements have been entered up to a maximum of fifteen years from their respective dates of inception. Some of these lease agreements have price escalation clauses.

	2010	2009
Rent and Hire Charges recognised in Profit and Loss Account	491,688	435,430
Minimum lease payments included under Rent and Hire Charges above	491,688	435,430

Minimum lease payments on account of non-cancellable operating leases are as follows:

	2010	2009
Not later than one year	536,395	672,108
Later than one year but not later than five years	779,243	1,116,652
Later than five years	25,862	51,258
	1,341,500	**1,840,018**

(ii) *In case of assets given on lease*

The Group has sub-leased premises on operating lease. The leases are non-cancellable for a tenure of two to three years and some agreements entail an escalation of lease rent on a periodic basis.

	2010	2009
Rent income recognised in Profit and Loss Account	59,078	40,983

There are no uncollectible minimum lease payments receivable at the balance sheet date.

	2010	2009
Future minimum lease payment		
Not later than one year	43,834	18,612
Later than one year and not later than five years	45,189	2,531
Later than five years	-	-
	89,023	**21,143**

(B) Finance leases

The Group has entered into an arrangement for lease of computer systems and office equipment for a period of three and five years respectively. Under the terms of the lease, the Group is required to pay fixed monthly instalments over the lease term. These leases have terms of renewal but no purchase options and escalation clauses

The amount payable on account of these finance leases are as follows:

	2010	2009
Total minimum lease payments*	30,745	90,137
Less: Interest	1,887	6,444
Present value of minimum lease payments*	**28,858**	**83,693**

* net of security deposit paid for computer systems.

(Rs. '000)

Future minimum lease payments under finance lease are as under:

	2010	
	Minimum lease payments	Present value of minimum lease payments
Payable not later than one year	21,428	19,760
Payable later than one year and not later than five years	9,317	9,098
Payable later than five years	-	-
Total	**30,745**	**28,858**

	2009	
	Minimum lease payments	Present value of minimum lease payments
Payable not later than one year	58,770	54,251
Payable later than one year and not later than five years	31,367	29,442
Payable later than five years	-	-
Total	**90,137**	**83,693**

3.8 Loss per share

	2010	2009
Loss for the year after tax	(661,405)	(3,721,911)
Weighted average number of equity shares in calculating basic EPS - (A)	111,401,054	111,367,620
Basic Loss per share (Rs.)	(5.94)	(33.42)
Weighted average number of potential equity shares under employee stock options during the year - (B)	4,231	5,367
Weighted average number of equity shares in calculating diluted EPS - (A+B)	111,405,285	111,372,987
Diluted Loss per share (Rs.)	(5.94)*	(33.42)*

* As diluted Loss per share increases after consideration of potential equity shares (under employee stock options), it is anti-dilutive and hence restricted to the value of basic Loss per share.

3.9 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 the respective countries. While ascertaining the taxable income for the current year, the brought forward losses of the respective entities, if any, have also been considered.

In India, the Group operates out of six facilities (two each in Chennai and Bangalore, one in Mumbai and one in Shimoga). The Bangalore and Shimoga units are registered with the Software Technology Parks of India (STPI) and are eligible to claim tax holiday under Section 10A of the Income-tax Act, 1961, of India. In Chennai, the Group has two units, one step up during 2002 which is not eligible to claim tax holiday benefit and the second facility transferred to the Company as a result of demerger of IT division of SSI Limited is entitled for tax holiday under Section 10A of the Income Tax Act 1961.

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

(Rs. '000)

MAT Credit Entitlement

Based on assessment of future taxable income and potential 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. Accordingly, MAT Credit Entitlement asset (disclosed under Loans and Advances) of Rs.82,489 (2009: Rs 52,446) has been recognised during the year by way of a credit to profit and loss account. However, MAT Credit Entitlement asset will be reviewed at each balance sheet date for write-down, if any.

Deferred tax

The net Deferred Tax Asset/ (Liability) as at December 31, 2010 amounting to Rs.41,462 (2009: Rs.32,573) has been arrived as follows:

	2010	2009
Deferred Tax Assets arising from:		
Expenses charged in the financial statements but allowable as deductions in future years under Income Tax	75,752	65,908
	75,752	65,908
Deferred Tax (Liabilities) arising from:		
Income recognised in the financial statements but taxable in future years under Income Tax	(34,290)	(98,481)
Net Deferred Tax Asset/ (Liability) as at the year end	41,462	(32,573)
Translation adjustment	(2,045)	(6,412)
Deferred Tax Credit/ (Charge) for the year	(76,080)	18,034

Transfer pricing

The Group has significant intra group transactions pertaining to revenue and expenses cross charge. The management is in the process of updating the transfer pricing study for such transactions entered into during the year ended December 31, 2010, and does not anticipate any adjustments with regard to the transactions involved.

3.10 Provisions

In accordance with Accounting Standard 29 'Provisions, Contingent Liabilities and Contingent Assets' the particulars of provisions as at December 31, 2010 are as follows:

Description	2009	Created during the year	Utilised/ Reversal during the year	Translation / Adjustment	2010
Onerous Lease contracts	952,320	40,719	(440,029)	(22,612)	530,398
Onerous Customer contracts	188,813	113,622	(39,103)	(9,589)	253,743
Restructuring	27,388	-	(9,378)	(707)	17,303
Litigations and others	445,705	27,890	(366,022)	799,578	907,151
	1,614,226	**182,231**	**(854,532)**	**766,670**	**1,708,595**
Previous year	**879,406**	**1,726,628**	**(945,415)**	**(46,393)**	**1,614,226**

Notes:

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, and the cash outflows are expected to occur over the eight years.

Provision for Customer 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. Due to the very nature of such costs, it is not possible to estimate the timing/ uncertainties relating to their outflows. Translation / adjustment includes reclassification from deferred revenue (refer note 3.16).

Provision for Restructuring relates to the restructuring plan approved by the Board of Directors, and the cash outflows are expected to occur over the next one year.

Provision for Litigation and others relates to various litigation matters etc., across the group. Due to the very nature of such costs, it is not possible to estimate the timing/ uncertainties relating to their outflows. Opening balance include previous year's figure re-class of Rs. 211,005.

(Rs. '000)

3.11 EMPLOYEE STOCK OPTION PLANS

	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 years from the date of grant - 40% of the options three years 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 years from the date of grant - 33.33% of the options three years 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, 2010								
Options outstanding at the beginning of the year	1,200	128.75	5,000	10	98,500	131.37	1,377,280	89.91
Options granted during the year	-	-	-	-	-	-	-	-
Options forfeited during the year	-	-	-	-	10,000	172	270,000	79.95
Options exercised during the year	-	-	-	-	-	-	21,667	56.9
Options expired during the year	-	-	-	-	-	-	-	-
Options outstanding at the end of the year	1,200	128.75	5,000	10	88,500	126.78	1,085,613	93.04
Options exercisable at the end of the year	1,200	128.75	5,000	10	88,500	126.78	997,275	-
Weighted average remaining contractual life (in years)	0.86	-	1.4	-	2.41		3.524	
December 31, 2009								
Options outstanding at the beginning of the year	1,200	128.75	5,000	10	98,500	131.37	1,481,946	91.36
Options granted during the year	-	-	-	-	-	-	-	-
Options forfeited during the year	-	-	-	-	-	-	88,000	120.57
Options exercised during the year	-	-	-	-	-	-	16,666	56.9
Options expired during the year	-	-	-	-	-	-	-	-
Options outstanding at the end of the year	1,200	128.75	5,000	10	98,500	131.37	1,377,280	89.91
Options exercisable at the end of the year	1,200	128.75	5,000	10	98,500	131.37	892,601	-
Weighted average remaining contractual life (in years)	1.86	-	2.4	-	3.31	-	4.58	-

	2010	2009
Net Loss as reported	(661,405)	(3,721,911)
Net loss available for equity shareholders	(661,405)	(3,721,911)
Add: Stock based employee compensation expenses included in reported income	0	(3)
Less: Stock based employee compensation expenses determined under Fair value based method net of tax effects	2,135	6,369
Revised loss	(663,540)	(3,728,283)
Earnings Per Share		
Basic	(5.94)	(33.48)
Diluted	(5.94)	(33.48)

(Rs. '000)

3.12 On January 18, 2007, the Group entered into a stock and warrant purchase agreement with BIGeREALESTATE, Inc. ('BigE'), a USA based subsidiary of Cushman & Wakefield, Inc. for purchase of shares and warrants of BigE. As at December 31, 2010, the Group has made investment of Rs.136,670 (2009: Rs.140,670) to acquire 4,938,297 (2009: 4,938,297) Class A common stock of BigE constituting 20.44% shareholding. The Group is also entitled to 10,670,000 warrants at a price of US$ 1 to be exercised as per the terms of the aforesaid agreement. Though the holding is in excess of 20%, in substance, the Company is unable to influence the financial and operating policies of the investee company to any meaningful extent and accordingly, BigE is not treated as an associate in these consolidated financial statements, but accounted for as a 'long term investment' under Accounting Standard 13 "Accounting for Investments".

3.13 The consolidated financial statements of the Group have been prepared on the basis of a 'going concern', based on a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. Based on the committed funding from fellow subsidiaries, there is adequate headroom for the next one year.

One of the subsidiaries in the Group has not paid interest accrued and due to Xchanging UK Limited (XUK), a fellow subsidiary, which is an event of default under the loan facility agreements. The Group has sought a formal approval from XUK for waiver of the non-compliance with the debt covenant. The Group is confident of obtaining the waiver. Further, the group also intend seeking waiver for expected breach of financial covenants of Xchanging UK loan agreement, and confident to receive it during 2011.

3.14 Integral and non-integral operations

As at December 31, 2010, the management has considered all subsidiaries as non-integral foreign operations, except for the following which have been considered as integral foreign operations:

i. Cambridge Solutions Europe Limited., UK;
ii. Scandent Group GmbH, Germany;
iii. Indigo Markets Limited, Bermuda.

3.15 Cambridge Integrated Services Group, Inc USA ('CISGI') handles claims processing in respect of workmen's compensation and liability claims as part of its BPO operations in the USA. Some clients have an arrangement with CISGI wherein CISGI disburses the claims amount in addition to processing the claims on behalf of the clients. These customers provide funding to CISGI for payment of claims processed on their behalf, which is held by CISGI in a fiduciary capacity and termed as escrow funds. The escrow funds are accounted for in the books with a corresponding liability. As the escrow funds are not the property of the Group, they are disclosed at net in the financial statements. The net credit balance included under Other Liabilities is arrived as follows:

	2010	2009
Liability towards refund of escrow funds	(1,526,842)	(1,806,617)
Escrow funds	1,510,148	1,766,448
Excess of liability over funds included under Other Liabilities	(16,694)	(40,169)

3.16 In 2009, the revenue previously recognised on "California Insurance Guarantee Association (CIGA) Fremont" contract (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 based 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, CIGA 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 service fees. CIGA has also withheld settlement of receivables relating to bill review and managed care services rendered. The Group is disputing CIGA's claims including the termination of contract, and discussions are going on between the two parties. As at the year end, the net liability represented by deferred revenue has been reclassified to provisions pending resolution/ settlement of the dispute.

3.17 During the year, the Group has evaluated the contract of workers compensation claims processing services with one of its customers in Australia, and concluded that the Group is obligated to service the claims without earning sufficient revenues to match the costs of servicing under the contract. Accordingly, the contract has been identified as a onerous contract and the estimated unavoidable cost of servicing the contract in excess of the estimated revenue amounting to Rs.113,625 (2009: Nil) has been accounted for as provision for onerous contract.

3.18 Cambridge Integrated Services Group, Inc., USA, the wholly owned subsidiary of the Company, has entered into a two years contract with Compagnie Pour Assistance Technique ET Investments S.A. (CATISA), which is an independent time and

(Rs. '000)

material contract for rendering of business development and consultancy services. During the year, all services due under the contract have been completed and therefore all contractual obligations of the Group under the contract have been discharged, and CATISA has confirmed the balance outstanding as at the year end amounting to Rs.159,425 (2009: Nil). Accordingly, the balance outstanding is considered good and recoverable.

3.19 During the year, the Group has identified a prior period error relating to recognition of relationship in certain contracts. As part of the worker compensation claims processing business in the USA, the Group also provides non-pharmacy related ancillary medical services to its customers through designated service providers. During the year, the Group has reviewed the relationship with its ultimate customers and claimants, and wherever, based on risks assumed, it concluded that the relationship with ultimate customers and claimants is that of a principal and not an agent. In such cases, the gross revenue is recognised as income with corresponding costs being charged to the Profit and Loss Account. Due to this change in accounting, the consolidated revenues and costs charged to Profit and Loss Account are higher by Rs.279,925(2009 : Rs.328,837). However, this change in accounting does not have any impact on the net loss for the year or prior year.

3.20 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 (CGU), which include 'BPO USA', 'BPO Australia', 'BPO India' and 'ITO'. As at the year end, the Group has tested Goodwill arising on consolidation for impairment using cash flows forecasts based on approved budgets and using a discounted cash flow method to identify the enterprise value of each of the CGUs applying a discount rate of 8.5% based on weighted average cost of capital. Based on such assessment, it has been concluded that the recoverable value of 'BPO USA' CGU is lower than the carrying value driven primarily by the decline in the performance of the workers compensation claims processing business in the USA. Accordingly, an impairment loss, being the difference between the carrying value and the recoverable value, on Goodwill arising on consolidation estimated at Rs.650,000 (2009: Nil) has been recorded in the consolidated financial statements.

3.21 Details of utilisation of proceeds raised through preferential issues

During the financial year ended March 31, 2006, the Company had made preferential allotment of 1,025,227 equity shares of Rs.10 each at a premium of Rs.210 per share and preferential allotment of 5.22% Convertible Bonds amounting to Rs.1,336,500 (2009: Rs.1,336,500) to Indopark Holdings Limited, a wholly owned subsidiary of Merrill Lynch & Co.

Details of utilisation of proceeds raised through these preferential issues are as follows:

	2010	2009
Capital expenditure	-	244
Bank balance	-	-
Total	**-**	**244**

3.22 Figures in the accounts and notes are all in rupees thousands except for certain figures in the notes on Schedules 1 and 4 and notes 3.8 and 3.21 above.

3.23 Prior year comparatives

Previous year's figures have been regrouped/ reclassified wherever necessary to conform to the current year's presentation.

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

Shivakumar Hegde
Partner
Membership Number: 204627

Place : Bangalore
Date : February 28, 2011

For and on behalf of the Board of Directors of
Cambridge Solutions Limited

Kenneth Lever
Executive Director &
Vice Chairman

Place : London, UK
Date : February 28, 2011

Darren Fisher
Executive Director &
Chief Financial Officer

Vijayamahantesh Khannur
Company Secretary

Place : Bangalore
Date : February 28, 2011

NOTICE

Notice is hereby given that the Tenth Annual General Meeting ("AGM") of the Members of **CAMBRIDGE SOLUTIONS LIMITED (Formerly known as Scandent Solutions Corporation Limited)** ("Cambridge" or "the Company") will be held on **Monday, May 23, 2011 at 11.00 AM at SJR I-Park, Plot No. 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, 2010 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. Kunal Kashyap who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint M/s Price Waterhouse & Co, Chartered Accountants as Statutory Auditors of the Company, who shall hold the office from the conclusion of this meeting until the conclusion of the next AGM on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors.

SPECIAL BUSINESS:

4. To consider and if thought fit to pass with or without modification the following resolution as an **ORDINARY RESOLUTION:**

   RESOLVED THAT Mr. Kenneth Lever, who in terms of Section 260 of the Companies Act, 1956 and Article 93 of the Articles of Association of the Company, holds office till the date of this Annual General Meeting and in respect of whom a notice has been received from a member under Section 257 of the said Act, be and is hereby appointed as a Director of the Company.

5. To consider and, if thought fit to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION :**

   RESOLVED THAT pursuant to the provisions of Sections 269, 198, 309, Schedule XIII and all other applicable provisions of the Companies Act, 1956, if any, (including any statutory modifications or re-enactment(s) thereof, for time being in force) and subject to the approval of Central Government or any other statutory authority as may be applicable, the approval of the Members be and is hereby accorded to the appointment of Mr. Kenneth Lever as whole time director designated as Executive Director and Vice Chairman of the Board for a period of 3 years with effect from February 28, 2011 on the following broad terms & conditions:

   1. **Tenure:**

      The appointment of Mr. Kenneth Lever, as Whole Time Director designated as Executive Director and Vice Chairman of the Company shall be for a period of 3 years, effective from February 28, 2011.

   2. **Duties:**

      Mr. Kenneth Lever shall perform such duties and exercise such powers as may from time to time be entrusted to him, subject to the superintendence and control of the Board of Directors of the Company.

   3. **Salary & Commission:**

      Mr. Kenneth Lever shall not be paid any remuneration and not to be entitled to commission during his tenure as Whole Time Director.

   4. **Reimbursement of Travel and out of pocket expenses:**

      Mr. Kenneth Lever shall be entitled for actual reimbursement of travel and out of pocket expenses incurred for business purpose of the Company.

   RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do and perform such acts, deeds, matters or things and take such steps as may be necessary, expedient or desirable to give effect to this Resolution.

6. To consider and, if thought fit to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION :**

   RESOLVED THAT pursuant to the provisions of Sections 269, 198, 309, Schedule XIII and all other applicable provisions of the Companies Act, 1956, if any, (including any statutory modifications or re-enactment(s) thereof, for time being in force), the approval of the members of the Company be and is hereby accorded to vary the terms of appointment of Mr. Darren Fisher, Executive Director and Chief Financial Officer.

RESOLVED FURTHER THAT Mr. Darren Fisher, Executive Director and Chief Financial Officer of the Company be paid the remuneration with effect from January 1, 2010 till his remaining tenure as Whole Time Director of the Company, on the following broad terms & conditions:

a) Salary: A sum not exceeding Rs.6,00,000 Per month
b) Period: from 01.01.2010 to 30.07.2012
c) Perquisites as follows:
   i. Personal accident insurance – As per the rules of the Company.
   ii. Earned / privilege leave – As per the rules of the Company.
   iii. Company's contribution to provident fund and superannuation fund – As per the rules of the Company.
   iv. Gratuity – As per the rules of the Company.
   v. Encashment of leave – As per the rules of the Company.
   vi. Use of the Company's car and telephone at the residence for official purposes - As per the rules of the Company.
   vii. Reimbursement of Travel and out of pocket expenses: At actuals

Provided that the total of the emoluments paid to Mr. Darren Fisher, excluding those which under the Act are to be excluded for computation of ceiling, shall at no time exceed the limits laid down by Schedule XIII of the Companies Act, 1956.

Provided further that in the event of loss or inadequacy of profit in any financial year during the currency of his tenure of service, payment of salary, perquisites and other allowances shall be governed by the limits prescribed under Section II of the Part II of the Schedule XIII of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof, for the time being in force), or such other limits as may be prescribed by the government from time to time as minimum remuneration.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do and perform such acts, deeds, matters or things and take such steps as may be necessary, expedient or desirable to give effect to this Resolution.

7. To consider and, if thought fit to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION:**

RESOLVED THAT pursuant to the provisions of Sections 269, 198, 309, Schedule XIII and all other applicable provisions of the Companies Act, 1956, if any, (including any statutory modifications or re-enactment(s) thereof, for time being in force), the following remuneration paid to Mr. Thomas Runge, Executive Director and Chief Production Officer, be and is hereby approved by the members of the Company.

a) Salary: A sum not exceeding Rs. 3,00,000 Per month.
b) Period: from 01.01.2010 to 31.12.2010
c) Perquisites as follows:
   i. Company's contribution to provident fund and superannuation fund – As per the rules of the Company.
   ii. Reimbursement of Travel and out of pocket expenses: At actuals

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do and perform such acts, deeds, matters or things and take such steps as may be necessary, expedient or desirable to give effect to this Resolution.

By Order of the Board

Place : Bangalore
Date : February 28, 2011

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 may 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 13, 2011 to May 23, 2011 (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 who wish to attend the Annual General Meeting may give their names, address, Folio/Client ID Number and phone number, 7 days before the meeting to Mr. Vijayamahantesh V. Khannur by phone (080-43640000 Extn:1064) or through email (Vijayamahantesh.khannur@asia.xchanging.com). The transportation will be provided from the centralized location in the City to the venue of the Annual General Meeting.
11. Members are requested to address all correspondence to the Registrar and Share Transfer Agents – Karvy Comuputershare Private Limited, Plot No.17-24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081, India.
12. The Auditors Certificate 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 Board of Directors in its meeting held on October 29, 2010 appointed Mr. Kenneth as Additional Director under Section 260 of the Companies Act, 1956 to hold office up to the date of this AGM as per Article 93 of the Articles of Association of the Company and also appointed as Vice Chairman of the Board of Directors.

Notice is received in writing under Section 257 of the Companies Act, 1956 along with the deposit of Rs. 500/- has been received by the Company from a member signifying his intention to propose the appointment of Mr. Kenneth Lever as Director of the Company.

The Resolutions under item No. 4 is recommended as an Ordinary Resolution. None of the Directors other than Mr. Kenneth Lever is interested or concerned in the Resolution under item 4.

ADDITIONAL INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

Name of the Director	**Kenneth Lever**	
Date of Birth	September 11, 1953	
Date of appointment	October 29, 2010	
Qualification	B Sc (Hons) Management Sciences, Manchester University, UK Fellow of the Institute of Chartered Accountants in England & Wales, UK	
Relation with Promoters/ Directors	Promoter Director	
Expertise in Functional area	He joins Xchanging from Numonyx B.V., the Swiss-based technology company, where he was Chief Financial Officer and Senior Vice President. He joined private equity financed Numonyx B.V. in 2008 having previously served as Chief Financial Officer of Tomkins plc, the global engineering and manufacturing group, from 1999 to 2007. From 1995 - 1999 he was Finance Director at Albright & Wilson plc, the FTSE 250 chemicals manufacturer, and prior to that he was Finance Director at the international construction, house building and aggregates group, Alfred McAlpine. Since September 2008, he has been a member of the Accounting Standards Board, the UK accounting standard setting authority of the Financial Reporting Council, having previously chaired the Financial Reporting Committee of the UK 100 Group of Finance Directors.	
Directorships in other Public Companies	NIL	
	Chairman	Member
Audit Committee	NIL	NIL
Shareholders' Grievances Committee	NIL	NIL
Membership/ Chairmanship in Committees of Cambridge Solutions Limited	NIL	Audit Committee Investors' Grievances' Committee
Number of shares held in Cambridge Solutions Limited	NIL	
Percentage of shareholding	NA	

Item No. 5

The Board of Directors at its meeting held on February 28, 2011 appointed Mr. Kenneth Lever, Director and Vice Chairman as Whole time Director to be designated as Executive Director and Vice Chairman of the Company on the terms and conditions on the terms and conditions as may be agreed between by the Board of Directors and Mr. Kenneth Lever, for a period of three years with effect from February 28, 2011 and his appointment is subject to the approval of the shareholders. The said appointment is would be without any remuneration until otherwise determined by the Board. The above may also be treated as an abstract of the terms of the Agreement between the Company and Mr. Kenneth Lever pursuant to Section 302 of Companies Act, 1956. The Directors recommend the resolution under item No. 5 for the approval by the shareholders as Special Resolution. None of the Directors of the Company, except Mr. Kenneth Lever, being interested in the respective resolutions relating to his appointment, is interested in the said Resolution.

Item No. 6

The Board of Directors at its meeting held on October 29, 2010 resolved to vary the terms of appointment of Mr. Darren Fisher, Executive Director and Chief Financial Officer of the Company, with effect from January 1, 2010 till the remaining period of their tenure, subject to the approval of the shareholders. The said variation in the terms of appointment had been approved by the Remuneration Committee in its meeting held on October 29, 2010. The above may also be treated as an abstract of the terms of the Agreement between the Company and Mr. Darren Fisher pursuant to Section 302 of Companies Act, 1956. The Directors recommend the resolution under item No. 6 for the approval by the shareholders as Special Resolution. None of the Director of the Company, except Mr. Darren Fisher, is interested in the said resolutions.

Item No. 7

The Board of Directors at its meeting held on October 29, 2010 approved payment of remuneration to Mr. Thomas Runge, Executive Director and Chief Production Officer of the Company, with effect from January 1, 2010 till the remaining period of his tenure, subject to approval of the shareholders. The Remuneration Committee in its meeting held on October 29, 2010 also approved the payment of remuneration to Mr. Thomas Runge. However, Mr. Thomas Runge has resigned from the Board of Directors with effect from February 14, 2011 and the Company has paid remuneration to Mr. Thomas Runge only up to December 31, 2010. Hence, the approval of the members is sought for the remuneration paid to Mr. Thomas Runge for the period January 1, 2010 till December 31, 2010. The above may also be treated as an abstract of the terms pursuant to Section 302 of Companies Act, 1956. The Directors recommend the resolution under item No. 7 for the approval by the shareholders as Special Resolution. None of the Directors of the Company are interested in the said resolution.

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

The following is the bio-data of the Director seeking re-appointment or recommended for re-appointment as a Director:

Name of the Director	**Kunal Kashyap**	
Date of Birth	March 15, 1965	
Date of appointment	May 23, 2005	
Qualification	Chartered Accountant	
Relation with Promoters/ Directors	None	
Expertise in Functional area	Kunal is a Chartered Accountant by profession and is currently the Chairman and Managing Director of Allegro Capital Advisors Pvt Ltd, a leading Investment Bank. Kunal was also the founder and an executive director of Clestream Technologies Pvt Ltd, a leading software product engineering organisation. During the period 1994-2000, he was a global partner at Arthur Andersen responsible for developing the firms' practice in South India. Kunal has also been responsible for managing the treasury and Business Development function for Asia Pacific at Digital Equipment Corporations.	
Directorships in other Public Companies	1. Glaxo Consumer Healthcare Limited	
	Chairmanship	**Membership**
Audit Committee	GlaxoSmithKline Consumer Health Care Ltd	NIL
Shareholders' Grievances Committee	NIL	NIL
Membership / Chairmanship in Committees of Cambridge Solutions Limited	Audit Committee	Investors' Grievances Committee
Number of shares held in Cambridge Solutions Limited	21,446	
Percentage of shareholding	0.019%	

By Order of the Board

Place : Bangalore
Date : February 28, 2011

Vijayamahantesh V. Khannur
Company Secretary

CAMBRIDGE SOLUTIONS LIMITED

(Formerly Known as Scandent Solutions Corporation 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 **Tenth Annual General Meeting** of the Company to be held on **Monday May 23, 2011 at 11.00 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 .... 2011.

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.

CAMBRIDGE SOLUTIONS LIMITED

(Formerly Known as Scandent Solutions Corporation Limited)

Registered Office

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

ATTENDANCE SLIP

Tenth Annual General Meeting ____________________

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 Tenth Annual General Meeting of the Company at SJR I-Park, Plot No. 13, 14, 15, EPIP Industrial Area, Phase I, Whitefield, Bangalore - 560 066, India, on Friday May 13, 2011 at 11.00 A.M.

....
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

Cambridge 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.
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@cambridge-asia.com

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

BSE (Bombay Stock Exchange)
NSE (National Stock Exchange)
The Company got delisted from Madras Stock Exchange and Ahmedabad Stock Exchanges.

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 :

Cambridge Solutions Limited
SJR-I-Park, Plot 13, 14, 15
EPIP Industrial Area, Phase I
Whitefield, Bangalore - 560 066.