Cambridge Solutions Limited

an Xchanging group company

www.cambridgeworldwide.com

ANNUAL REPORT - 2011

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BOARD OF DIRECTORS

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

CHIEF FINANCIAL OFFICER

Vinod Goel

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@cambridge-asia.com
Website : www.cambridgeworldwide.com

REGISTRAR AND SHARE TRANSFER AGENT

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

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

DIRECTORS' REPORT

Dear Shareholders,

Your directors are pleased to present the Eleventh Annual Report and the Audited Statement of Accounts of the Company for the year ended December 31, 2011.

Financial Results

As per Indian GAAP Standalone

Particulars	December 31, 2011 (Rs. '000)	December 31, 2010 (Rs. '000)
Total Income	1,860,836	2,207,453
Total Expenditure	1,379,419	1,762,854
Profit before Interest, Depreciation and Tax	481,417	444,599
Depreciation & Amortization	85,121	139,213
Finance Costs	34,207	73,542
Exceptional cost & prior period items	(1,558,819)	(228,250)
Profit / (Loss) before Tax	(1,196,730)	3,594
Income Tax (including deferred tax)	98,786	18,357
Net Profit / (Loss) after Tax	(1,295,516)	(14,763)
Earnings / (Loss) per share Rs.	(11.63)	(0.13)

As per Indian GAAP Consolidated

Particulars	December 31, 2011 (Rs. '000)	December 31, 2010 (Rs. '000)
Total Income	5,916,570	10,812,963
Total Expenditure	5,595,583	9,962,847
Profit before Interest Depreciation and Tax	320,987	850,116
Depreciation & Amortization	131,864	281,698
Finance Costs	51,837	337,018
Exceptional cost & prior periods items	5,363,145	(845,396)
Profit / (Loss) before Tax	5,500,431	(613,996)
Income Tax (including deferred tax)	126,761	47,409
Net Profit / (Loss) after Tax	5,373,670	(661,405)
Earnings / (Loss) per share Rs.	48.24	(5.94)

Significant events during the year 2011

During the year, your Company underwent certain restructuring process in order to dispense with the loss making US BPO business and to focus on the growing IT industry. The Board evaluated various options to halt the ongoing cash losses from US BPO business and accordingly the business of Cambridge Integrated Services Group Inc, USA, a wholly owned subsidiary ('CISGI') was sold to Sedgwick Claims Management Services Inc, USA. Subsequently, the investment made by the Company in CISGI was sold to Waltham Holdings Limited, USA. With the sale of CISGI business, Xchanging UK had invoked the Corporate Guarantee provided by your Company to the loan provided by Xchanging UK to CISGI and in order to meet financial obligation arising out of invocation of Corporate Guarantee and to discharge the external bank borrowings, the Company sold BPO Australia and BPO India divisions to Xchanging group entities. This restructuring helped your Company in halting the cash outflow and to improve the net worth of the Cambridge group.

Review of Operations (Rs. '000)

During the year ended December 31, 2011, the consolidated revenue of your Company was Rs. 5,916,570 as against Rs. 10,812,963 during the previous year ended December 31, 2010. At a standalone level the total revenue of the Company for the year ended December 31, 2011 amounted to Rs. 1,860,836 compared to Rs. 2,207,453 during the previous year ended December 31, 2010. The BPO divisions of group are disposed off at different intervals of time during the year and hence the revenues from such divisions in the standalone & consolidated financials in current year are up to time of their disposal. The total revenue from the continued ITO business of the Group for the year ended December 31, 2011 amounted to Rs. 2,108,342 compared to Rs. 2,201,213 for the year ended December 31, 2010.

Dividend

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

Share Capital

There was no change in the paid up share capital of the Company. As at December 31, 2011, the paid up capital of the Company was Rs. 1,114,037,160/- comprising of 111,403,716 equity shares of Rs. 10/- each fully paid-up.

Subsidiary Companies

As at December 31, 2011, your Company had 7 subsidiary companies, namely

1. Cambridge Solutions and Services, Inc., USA (Formerly Scandent Group Inc., USA)
2. Cambridge Solutions Europe Limited, UK (Formerly Scandent Network Europe Ltd., UK)
3. Cambridge Solutions (Xchanging) Pte. Ltd. Singapore (Formerly Scandent Group Pte Ltd, Singapore)
4. Cambridge Solutions Sdn. BHD, Malaysia (Formerly Scandent Group Sdn, BHD, Malaysia,)
5. Nexplicit Infotech India Private Limited, India
6. Cambridge Solutions PTY Ltd, Australia
7. Indigo Markets Ltd, Bermuda

The names of Cambridge Solutions Pte Ltd, Singapore and Scandent Group Inc., USA, wholly owned subsidiaries of the Company, were changed to Cambridge Solutions (Xchanging) Pte Ltd, and Cambridge Solutions and Services, Inc., respectively, during the year.

Cambridge Solutions Pty Ltd., Australia had been a dormant company since long time and accordingly it has been decided to dissolve the same by striking off its name from the records of the Australian Securities and Investment Commission (ASIC). The necessary application has been made to ASIC for striking off the name of Cambridge Solutions Pty Ltd., Australia and the formal notification from ASIC is awaited.

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

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

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

Employee Stock Option Plans

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

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

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

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

Corporate Governance Report

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

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

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

Personnel

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

Directors' Responsibility Statement

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

1. In the preparation of the annual accounts for the year ended December 31, 2011, 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 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 **David Bauernfeind**

Date : February 29, 2012
Place : London, UK

Annexure 1

		Cambridge ESOP 2006	Scandent ESOP 2005
A	Total No. of options granted		-
	Program I	60,000	185,000
	Program II	3,927,946	452,473
B	Options granted during the year		
	Program I	NIL	NIL
	Program II	NIL	NIL
C	Exercise Price	NIL	NIL
	Program I	NIL	NIL
	Program II	NIL	NIL
D	Total Options Vested (Net of Forfeited options)	-	-
	Program I	NIL	5,000
	Program II	743,946	20,500
E	Options Exercised during the year		
	Program I	NIL	NIL
	Program II	NIL	NIL
F	Total shares arise as a result of exercise of options during the year		
	Program I	NIL	NIL
	Program II	NIL	NIL
G	Options lapsed during the year		
	Program I	NIL	NIL
	Program II	341,667	68,000
H	Variation of terms of options	NIL	NIL
I	Money realized by exercise of options during the year		
	Program I	NIL	NIL
	Program II	NIL	NIL
J	Total Number of options in force	-	-
	Program I	NIL	5,000
	Program II	743,946	20,500
K	Employee-wise details of options granted during the year to		
	i) Senior Managerial Personnel	NIL	NIL
	ii) any other employees who receives a grant in any one year of option amounting to 5%or more of option granted during that year	NIL	NIL
	iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of your company at the time of grant.	NIL	NIL
L	Diluted Earnings/ (Loss) per Share (EPS) pursuant to issue of shares on exercise of option	(11.63)	(11.63)
M	Impact of employee compensation cost calculated as difference between Intrinsic Value and Fair Market Value in accordance with SEBI Guidelines on ESOP, on Net Profit and EPS	Refer Table 1	Refer Table 1
N	Weighted average exercise price		
	Program 1	No Grants	No Grants
	Program 2	No Grants	No Grants
O	Weighted Average fair value of options		
	Program 1	No Grants	No Grants
	Program 2	No Grants	No Grants
P	Description of the method and significant assumptions used during the year	NA	NA

<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, 2011 (Rs. '000)	Year ended December 31, 2010 (Rs. '000)
Net Profit / (Loss) as reported	(1,295,516)	(14,763)
Net Profit / (Loss) available for equity shareholders	(1,295,516)	(14,763)
Add: Stock based employee compensation expenses Included in reported income	0.00	0.00
Less : Stock based employee compensation expenses determined under Fair Value based method net of tax effects	0.00	2,135
Proforma Net Profit / (Loss)	(1,295,516)	(16,898)
Reported Earnings / (Loss) per Share (including share capital pending allotment) Rs.		
Basic	(11.63)	(0.13)
Diluted	(11.63)	(0.13)
Proforma Earnings / (Loss) per share Rs.		
Basic	(11.63)	(0.15)
Diluted	(11.63)	(0.15)

For and on behalf of the Board of Directors

Kenneth Lever **David Bauernfeind**

Date : February 29, 2012
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**

	Particulars	Year ended December 31, 2011 (Rs. '000)	Year ended December 31, 2010 (Rs. '000)
(i)	Total Foreign Exchange earnings	1,667,092	2,046,103
(ii)	Total Foreign Exchange outgo	100,333	276,357

For and on behalf of the Board of Directors

Kenneth Lever **David Bauernfeind**

Date : February 29, 2012
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 subsidiaries 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. Refer note No.3.16, 3.18 and 3.19 to the Consolidated Financial Statements regarding discontinuation of BPO operations during the year. Xchanging (Mauritius) Limited ("XML"), a wholly owned subsidiary of Xchanging plc ("X plc"), a listed company, incorporated under the laws of England and Wales, had 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.

During the year ended December 31, 2011, the consolidated revenue of the Company was Rs. 5,916 million as against Rs. 10,812 million during the previous year ended December 31, 2010. At a standalone level the total revenue of the Company for the year ended December 31, 2011 amounted to Rs. 1,860 million compared to Rs. 2,207 million during the previous year ended December 31, 2010. The BPO divisions of group are disposed off at different intervals of time during the year and hence the revenues from such divisions in the standalone & consolidated financials in current year are up to time of their disposal. The total revenue from the continued ITO business of the Group for the year ended December 31, 2011 amounted to Rs. 2,108 million compared to Rs. 2,201 million for the year ended December 31, 2010.

Outsourcing market trends

Market advisory firm Everest advises that demand for outsourcing will remain tentative in the first half of 2012, given macro-economic and political uncertainty, particularly in the US and Europe.[i] However, business confidence is expected to return in the second half of the year.

According to Everest, macro-economic uncertainty will cause buyers in 2012 to focus their ITO spend on a smaller number of deals with simpler pricing models.[ii] Cloud computing will remain a strong trend, with new and sophisticated solutions leading to new hybrid models and integration approaches, making cloud adoption more mainstream. This along with other next generation IT such as Remote Infrastructure Management Outsourcing (RIMO), will drive growth in infrastructure outsourcing.

In industries facing increased regulatory requirements, such as insurance and financial services, IT spend will be driven by risk and compliance. Master data management will see growth and agility and hence flexibility of technology solutions will be crucial in 2012.[iii]

Group Performance

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

Particulars	December 31, 2011 (Rs. in million)	December 31, 2010 (Rs. in million)
Total Income	5,916.57	10,812.96
Total Expenditure	5,595.58	9,962.84
Profit before Interest Depreciation and Tax	320.99	850.12
Depreciation & Amortization	131.86	281.70
Finance Costs	51.84	337.02
Exceptional cost & prior periods items	(5,363.14)	845.40
Profit / (Loss) before Tax	5,500.43	(614)
Income Tax (including deferred tax)	126.76	47.41
Net Profit / (Loss) after Tax	5,373.67	(661.41)
Earnings / (Loss) per share Rs.	48.24	(5.94)

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. During the year, the group has sold its all three BPO divisions.

BPO Divisions

Due to disposal of BPO divisions during the year, current year revenue and profit numbers are till the time of their disposal and hence not comparable with previous year numbers.

ITO

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

Revenue for the year is Rs. 2,108 million (2010: Rs. 2,201 million), decline of Rs. 93 million over 2010. Decline is primarily due to lower level of staffing business in US & Europe and non renewal of few contracts.

Segment Profit before Interest, Tax and Exceptional items is Rs. 247.8 million (2010: Rs. 23.6 million). The increase in Profit is mainly due to forex gain as a result of depreciation of Rupee, operational efficiency and cost saving initiatives.

Geographic Profile

Geography	Revenue 2011 (Rs. in millions)	%
USA	3,032	55%
Australia	1,100	20%
Europe	1,341	24%
Rest of world	45	1%
	5,518	**100%**

Exceptional Costs

The Group reported an exceptional income of Rs. 5,363 million during the current year. Break-up of the exceptional income is provided in note No. 3.2 of the Consolidated Financial Statements.

Balance Sheet

The Consolidated Balance Sheet numbers for the current year are not comparable with the previous year due to disposal of BPO divisions of the Group during the current year.

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 No. 3.5 of the Standalone Financial Statements and note No. 3.5 of the Consolidated Financial Statements.

Internal control systems and their adequacy

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

Threats and Risks Management

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

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

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

How we manage risk

We 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 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. • Quarterly 18-month rolling forecasts help the group respond to and recognize the impact of the changing financial conditions upon our business. • Proactively researching off shoring sustainability and expanding our activities in India Tier 3 cities such as Shimoga.
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 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 • 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	We ensure successful implementation in the following ways: • 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 demand efficient processing and high levels of service to help them achieve their objectives and protect our reputation.	Service levels continue to be consistently on target, 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 model. • Our operations focus 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 were 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 • Significant investment in leadership training programmes underpins our succession plans, and develops our employees.
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 focus on continued development of business continuity and disaster recovery planning, and testing in conjunction with our customers and suppliers. • We have clearly defined information security policies and protocols.
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 budgeting, forecasting and working capital controls have been strengthened through implementing a quarterly 18-month rolling forecast process and a 12-week rolling cash flow forecast. With these enhancements our financial risks are well managed, reducing the volatility of our financial results, giving the Board greater medium-term visibility and ensuring we have required credit facilities in place. • Our group treasury is controlled centrally • The Treasury Risk Committee meets on a regular basis and monitors our key financial risk measurements in accordance with clearly defined limits, policies and procedures authorised by the Board.

Our People

2011 has seen a period of change for our Xchanging people. We are evolving into an organization that is stronger, leaner and more focused. In March 2011, a campaign was launched to focus our people on this change journey and in July 2011 we launched our new Values. These Values reflect what Xchanging stands for, what we believe in, and most importantly, how we behave.

Our new Values represent six key behaviours around: Customer Focus, Innovation, Speed and Efficiency, People, Excellence and Integrity. All six have been chosen because they define what is important to us. We recognize that changing the way people work requires investment and commitment at all levels in the organization. To support this we have launched a programme of change across our business that is committed to delivering a series of projects that move us towards closer integration of our global business, creating value and growing our business and ensuring that Xchanging is a place that people want to work. These projects are involving our people at all levels in the organization.

Following the 2010 enhancement of our performance development review process and the increased rigour of objective setting, we have continued to invest in the development of our people. We have developed and launched three bespoke Talent Programmes which provide focused development for identified groups of high potential leaders to improve their readiness to succeed in larger business leadership roles. The programmes include participants from across our global businesses and include facilitated sessions by faculty from top business schools.

We have held employee focus groups across all Xchanging locations and responded to the feedback in multiple ways. We have ensured that priority topics were included in our change programme, and have introduced more regular communication at all levels across the organization. We have quarterly global webinars hosted by members of Xchanging executive committee and each business area has a schedule of regular communications to their teams. We have regular 'news flashes' that keep all employees updated on activities within the organization, from business changes to corporate social responsibility and charity events. Two way communications is very important to us and we encourage all employees to use "Ask Xchanging" which ensures that all questions Xchanging people may have, are answered openly and honestly by the leadership team.

[i] Source: Everest Group, '2012 Market Predictions', December 2011.
[ii] Source: Everest Group, '2012 Market Predictions', December 2011.
[iii] Source: Ovum, '2012 Trends to Watch: Financial Markets Technology', October 2011 and Ovum, '2012 Trends to Watch: Insurance Technology', October 2011.

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED DECEMBER 31, 2011

(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, 2011 comprised of 4 Directors of which 2 are Non-Executive Directors. The Chairman is an Executive Director. The number of Independent Directors i.e. those who do not have any material pecuniary relationship with the Company is 2, which is 50% of the total number of Directors. The composition of Board is in conformity with Clause 49 of the listing agreement entered into with the Stock Exchanges.

*Membership in Board and Sub Committees of the Directors of the Company as on December 31, 2011 – **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
Kenneth Lever*	Promoter-Executive Chairman	None	-	-
David Bauernfeind*	Promoter - Executive Director	None	-	-
Kunal Kashyap	Independent Director	1	1	1
Eugene Beard	Independent Director	None	-	-

* Mr. Kenneth Lever was appointed as Executive Director and Vice Chairman with effect from February 28, 2011 and as Executive Chairman and Chief Executive Officer with effect from July 29, 2011. Mr. David Bauernfeind was inducted on the Board with effect from July 29, 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, 2011, total of 11 Board Meetings (including board meetings via video conferencing) were held, the dates being February 28, 2011, May 13, 2011, May 27, 2011, May 31, 2011, June 10, 2011, June 13, 2011, July 29, 2011, August 12, 2011, August 30, 2011, October 27, 2011 and November 11, 2011 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 23.05.2011
Kenneth Lever	Promoter- Executive Chairman	11	NIL	NO
David Bauernfeind*	Promoter – Executive Director	4	1	NA
Kunal Kashyap	Independent Director	4	7	YES
Eugene Beard	Independent Director	9	2	NO
David Andrews*	Promoter-Executive Chairman	Nil	Nil	NA
Darren Fisher*	Promoter-Executive Director	7	NIL	YES
Thomas Runge*	Promoter-Executive Director	Nil	Nil	NA
Kamal Gupta*	Independent Director	Nil	Nil	NA
Shamsher Kanji*	Independent Director	Nil	Nil	NA

* Mr. Kenneth Lever was appointed as Executive Director and Vice Chairman with effect from February 28, 2011 and as Executive Chairman and Chief Executive Officer with effect from July 29, 2011. Mr. David Bauernfeind was inducted on the Board with effect from July 29, 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. Mr. Darren Fisher resigned from the Board with effect from July 29, 2011.

c) **Remuneration of Directors:**

The remuneration paid to the directors during the year ended December 31, 2011, other than sitting fees.

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

Shareholding of the Non-Executive Directors in the Company as on 31.12.2011

Sl. No.	Name of the Director	No. of Equity Shares of Rs. 10/- each held
1	Kunal Kashyap	21,446
2	Eugene Beard	Nil

3. **AUDIT COMMITTEE:**

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

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

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

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

The Audit Committee also reviews the following information:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the audit committee), submitted by management;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

Composition of the Audit Committee

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

1. Mr. Kunal Kashyap - Chairman
2. Mr. Eugene Beard - Member
3. Mr. Kamal Gupta* - Member
4. Mr. Kenneth Lever* - 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. Mr. Kenneth Lever stepped down from the membership of the Audit Committee and Mr. David Bauernfeind was inducted as member of the Audit Committee with effect from July 29, 2011.

Thus as on December 31, 2011, the Audit Committee comprised of:

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

During the year under review, four meetings of the Audit Committee (including meetings via videoconferencing) were held, the dates being February 28, 2011, May 13, 2011, July 29, 2011 and November 11, 2011.

The attendance for the Audit Committee meetings is as follows:

Name of the Director	No. of Meetings Attended	Leave of Absence granted
Kunal Kashyap	4	Nil
Eugene Beard	4	Nil
Kamal Gupta	Nil	Nil
Kenneth Lever	3	Nil
David Bauernfeind	1	Nil

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

The previous Annual General Meeting of the Company was held on May 23, 2011 and the Chairman of the Audit Committee was present at the Annual General Meeting of the Company.

4. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE :

The Committee has been constituted towards the following:

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

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

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

* Mr. Darren Fisher resigned from the Board with effect from July 29, 2011 and hence ceased to be member of the Committee. Mr. David Bauernfeind was inducted as member of the Committee with effect from July 29, 2011.

Thus as on December 31, 2011, the Shareholders' Grievances Committee consisted of the following:

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

The Company Secretary is the Compliance Officer.

During the year under review, the Shareholders' Grievances Committee held a meeting on November 11, 2011 in which Mr. Kunal Kashyap was Chairman.

All the requests for dematerialization of shares have been attended in time and there were no dematerialization requests were pending as on December 31, 2011.

CEO / CFO CERTIFICATION

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

CODE OF CONDUCT

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

5. General Meeting:

5.1 ANNUAL GENERAL MEETING

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

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

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

5.2. Extraordinary General Meeting:

No Extra Ordinary General meeting was conducted during the year ended December 31, 2011.

5.3 Postal Ballot:

The Company has passed the following Ordinary Resolution through Postal Ballot during the year ended December 31, 2011.

- Approval for sale and transfer of the 'Business Process Outsourcing Division' ("BPO Division") of the Company as a going concern on a slump sale basis, to Xchanging Technology Services India Private Limited ("XTSI").

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, 2011 to December 31, 2011: 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	:	Tuesday, May 22, 2012 at 10.00 AM
Venue	:	Regd. Office: SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore 560 066

2. Financial Calendar

The financial calendar of the Company is reproduced below:

Annual General Meeting	:	May 22, 2012
Results for quarter ending March 31, 2012	:	May 2012
Results for quarter ending June 30, 2012	:	Aug 2012
Results for quarter ending September 30, 2012	:	Nov 2012
Results for year ending December 31, 2012	:	February / March 2013

3. Book Closure : May 15, 2012 to May 22, 2012 (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 2011-12, has been paid to the above Stock Exchanges.

The annual custodial fee for the year 2011-12 has been paid to both NSDL and CDSL.

Stock Code :

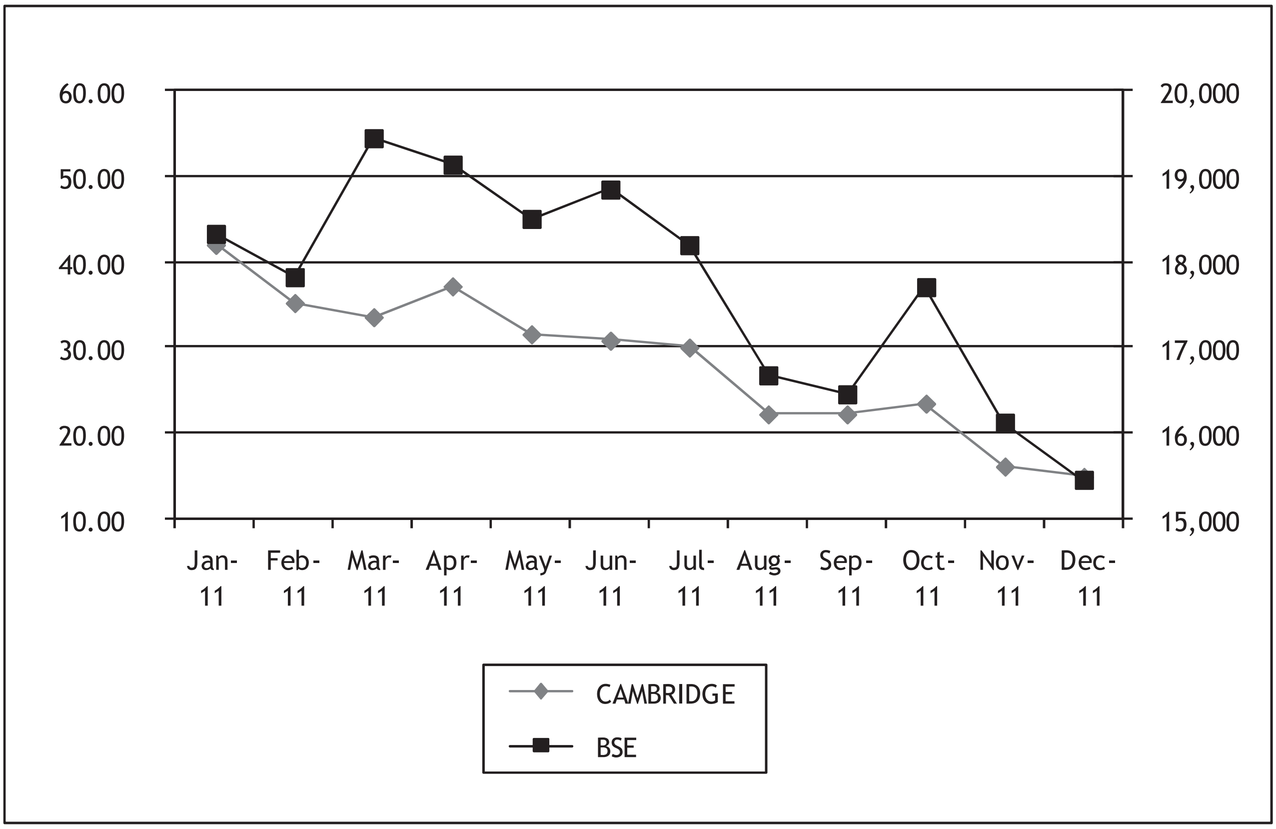
NSE : CAMBRIDGE

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 2011	43.95	41.20	41.55	51.70	40.00	42.00
February 2011	36.80	34.30	34.50	43.00	33.00	35.20
March 2011	34.30	33.00	33.30	35.95	32.10	33.55
April 2011	37.95	36.60	37.50	40.95	33.30	37.15
May 2011	32.70	31.35	31.90	37.40	30.50	31.55
June 2011	31.30	30.00	31.25	44.75	29.60	30.80
July 2011	30.40	29.65	29.65	32.55	28.20	30.00
August 2011	22.50	21.70	22.50	30.15	21.05	22.20
September 2011	22.90	21.30	22.90	26.80	21.70	22.20
October 2011	23.90	22.70	22.75	24.50	20.30	23.45
November 2011	16.05	16.00	16.00	24.10	12.75	16.10
December 2011	16.40	14.85	14.95	18.25	12.25	14.90

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



8. **Registrars and Transfer Agent:**

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

9. **Share Transfer System:**

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

10. **a. Shareholding Pattern**

Categories of shareholding as on December 31, 2011

Category	No. of Shares held	% of shareholding
Promoters	84,239,164	75.62
Banks, FIs, Insurance Companies	443,682	0.40
FIIs	1,117	0.00
Private Corporate Bodies	659,070	0.59
Indian Public	4,668,632	4.19
NRIs/OCBs	17,191,803	15.43
Others	4,200,248	3.77
Grand Total	**111,403,716**	**100.00**

b. Distribution of shareholding as on December 31, 2011

No. of shares	No. of shareholders	% of total shareholders	No. of shares held	% to total equity
1 - 5000	19355	92.14	20,157,920	1.81
5001 - 10000	909	4.33	7,209,070	0.65
10001 - 20000	400	1.90	5,974,550	0.54
20001 - 30000	128	0.61	3,223,380	0.29
30001 - 40000	53	0.25	1,855,240	0.17
40001 - 50000	50	0.24	2,273,680	0.20
50001 - 100000	65	0.31	4,424,610	0.40
100001 & Above	45	0.21	1,068,918,710	95.95
Total	21005	100.00	1,114,037,160	100.00

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

The Company's shares are compulsorily traded in dematerialized form. The Company has arrangements with both National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) for demat facility. As on December 31, 2011, 107,096,117 shares representing 96.13% of the Company's total shares were held in dematerialized form and the balance 4,307,599 shares representing 3.87% of the Company's total shares were in physical form. The Company's shares are regularly traded on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

ISIN No. : INE 692G01013

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

There are no outstanding GDRs/ADRs/Warrants.

13. **Plant locations :**

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

14. **Address for Correspondence:**

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

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

The above report has been placed before the Board at its meeting held on February 29, 2012 and the same was approved.

15. **No. of shares traded during the year ended December 31, 2011:**

BSE : 1,841,267 Shares
NSE : 2,768,066 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 29, 2012

The Board of Directors
Cambridge Solutions Limited
Bangalore

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

a. We have reviewed the division related financial statements and the cash flow statement for the year ended December 31, 2011 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 division during the year which are fraudulent, illegal or violative of the Company's code of conduct.

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

d. We have indicated to the auditors:
   (i) There are no significant changes in the internal control over financial reporting during the year ended December 31, 2011.
   (ii) There are no significant changes in the accounting policies during the year ended December 31, 2011.
   (iii) There have been no instances of significant fraud of which we have become aware or our involvement therein of the management or an employee having a significant role in the division's internal control over financial reporting.

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

Kenneth Lever
Executive Chairman and Chief Executive Officer

Vinod Goel
Chief Financial Officer

Annexure - II

CERTIFICATE ON CORPORATE GOVERNANCE REPORT

To,

The Members
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, 2011, 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 14, 2012

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, 2011 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. 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.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
   (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   (c) The Balance Sheet, 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, 2011, and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2011 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, 2011;
      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.
5. We draw your attention to Note 3.18 Schedule 18, regarding redemption of certain debentures, aggregating to Rs. 62,500,000, by the Company in the year 2007; subsequent order of the Hon'ble High Court of adjudicature at Madras restraining the Company from reflecting the redemption of debentures and to continue to show it as due and payble consequent to a petition filed by a third party; and non-reversal of the aforesaid redemption of debentures in the books of account of the Company pending admission and disposal of the appeal filed by the Company with the Hon'ble High Court of adjudicature at Madras on July 26, 2011. Depending on the outcome of the Company's appeal, significant adjustments may be required to be made and reflected in the subsequent period financial reporting. Our opinion is not qualified in this respect.

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

Shivakumar Hegde
Partner
Membership No.: 204627

Bangalore
February 29, 2012

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Cambridge Solutions Limited on the financial statements for the year ended December 31, 2011]

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, the Company has disposed of a substantial part of fixed assets during the year. On the basis of our examination of the books and records of the Company and according to the information and explanations given to us, in our opinion, the disposal of the said part of fixed assets has not affected the going concern status of the Company.

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 regular in depositing undisputed statutory dues including provident fund, employees state insurance, investor education and protection fund, 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, 2011, 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 (*)	2003-04	Commissioner of Income Tax (Appeals), Bangalore
		119,316,051 (**)	2004-05	
		13,741,157 (***)	2005-06	Income Tax Appellate Tribunal, Bangalore
		7,210,807	2006-07	Income Tax Appellate Tribunal, Bangalore

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
		35,930,590	2007-08	Commissioner of Income Tax (Appeals), Bangalore
		8,530,640	2008-09	Commissioner of Income Tax (Appeals), Bangalore
		1,288,637	2010-11	Commissioner of Income Tax (Appeals), Bangalore

(*) Rs. 2,801,977 has been deposited under protest by the Company.
(**) Rs. 82,096,750 has been deposited under protest by the Company.
(***) Rs. 7,500,000 has been deposited under protest by the Company.

10) The accumulated losses of the Company did not exceed fifty percent of its net worth as at December 31, 2011 and it has not incurred 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.

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 29, 2012

BALANCE SHEET AS AT DECEMBER 31, 2011

CAMBRIDGE SOLUTIONS LIMITED

(Rs. '000)

	Schedule	2011	2010
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	1,114,037	1,114,037
Reserves and surplus	2	848,046	1,578,240
		1,962,083	2,692,277
Loan Funds			
Secured loans	3	15,011	374,522
Unsecured loans	4	-	200,000
		15,011	574,522
		1,977,094	**3,266,799**
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross block (at cost)		306,073	867,535
Less: Depreciation		267,393	697,134
Net block		38,680	170,401
Capital work-in-progress		-	9,428
		38,680	179,829
Investments	6	587,440	1,777,769
Current Assets, Loans and Advances			
Sundry debtors	7	500,624	584,563
Cash and bank balances	8	236,484	52,554
Other current assets	9	59,771	91,041
Loans and advances	10	426,519	1,290,307
		1,223,398	2,018,465
Less: Current Liabilities and Provisions			
Liabilities	11	325,741	631,081
Provisions	12	112,005	78,183
		437,746	709,264
Net Current Assets		785,652	1,309,201
Profit and Loss account		565,322	-
		1,977,094	**3,266,799**
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 29, 2012

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

Kenneth Lever
Executive Chairman &
Chief Executive Officer
Place : London
Date : February 29, 2012

David Bauernfeind
Executive Director

Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : February 29, 2012

Vijayamahantesh Khannur
Company Secretary

CAMBRIDGE SOLUTIONS LIMITED

(Rs. '000)

	Schedule	2011	2010
INCOME			
Service Revenue	13	1,730,140	2,179,171
Other income	14	130,696	28,282
		1,860,836	**2,207,453**
EXPENDITURE			
Employee costs	15	927,426	1,030,647
Other operating costs	16	451,993	732,207
		1,379,419	**1,762,854**
Profit before depreciation, amortisation, exceptional items, finance cost and taxation		481,417	444,599
Depreciation and amortisation	5	85,121	139,213
Finance cost	17	34,207	73,542
Profit before exceptional items and taxation		**362,089**	**231,844**
Exceptional items - (loss) (refer note 3.2 on Schedule 18)		(1,558,819)	(228,250)
Profit/ (Loss) before taxation		(1,196,730)	3,594
Consisting of:			
Profit/(Loss) before taxation from Continuing Operations:			
Profit/(Loss) before tax from operations		111,066	(80,031)
Profit before taxation from Discontinued Operations:			
Profit before tax from operations	3.17	251,023	311,875
Profit from sale of operations (included in exceptional items)	3.17	2,806,054	-
Exceptional items - (loss) -Others		(4,364,873)	(228,250)
		(1,196,730)	3,594
Provision for taxation from Continuing Operations:			
Current tax		18,117	2,467
MAT credit entitlement		(43,508)	(30,043)
Provision for taxation from Discontinued Operations:			
Current tax	3.17	124,177	45,933
Total tax expense		98,786	18,357
Profit / (Loss) after taxation		**(1,295,516)**	**(14,763)**
Net profit brought forward from prior year		169,008	183,771
		(1,126,508)	169,008
Setoff against General reserve		561,186	-
Net Profit/ (Loss) carried to the Balance Sheet		(565,322)	169,008
Earnings/(Loss) per share [Equity shares, par value of Rs. 10 (2010 : Rs. 10)]			
Basic		(11.63)	(0.13)
Diluted		(11.63)	(0.13)
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 29, 2012

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

Kenneth Lever
Executive Chairman &
Chief Executive Officer
Place : London
Date : February 29, 2012

David Bauernfeind
Executive Director

Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : February 29, 2012

Vijayamahantesh Khannur
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011

CAMBRIDGE SOLUTIONS LIMITED

(Rs. '000)

	2011	2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	(1,196,730)	3,594
Adjustments for:		
Depreciation and amortisation	85,121	139,213
(Profit) / Loss on sale of fixed assets	(327)	(845)
Gain on disposal of operations	(2,806,054)	-
Loss on fair value accounting of Investments	2,933,632	-
Foreign exchange (gain)/ loss (net) - unrealised	46,768	12,901
Interest income	(12,732)	(607)
Provision for/ (writeback of) onerous lease contracts	-	(23,785)
Provision for doubtful debts	9,240	23
Provision for doubtful advance and deposits	-	16,283
Loss on sale of Long Term Investment (net)	132,105	-
Impairment of loan receivables	986,914	-
Provision for diminution in the value of investments	312,222	252,035
Interest expense	27,639	59,808
Operating profit before working capital changes	517,798	458,620
Movement in working capital:		
(Increase)/ Decrease in sundry debtors and other current assets	(162,534)	263,028
Decrease in loans and advances	11,415	131,769
(Decrease) in current liabilities and provisions	(84,326)	(551,973)
Net cash from operating activities	282,353	301,444
Direct taxes paid (net of refunds)	(106,067)	(46,343)
Net cash from operating activities (A)	**176,286**	**255,101**
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets and intangible assets	(56,507)	(51,473)
Proceeds from sale of fixed assets	457	3,491
Investment in intercorporate deposits	(90,000)	-
Proceeds from sale of investment in subsidiaries	745,902	-
Consideration received for sale of operations (net)	2,943,797	-
Investments in subsidiary	-	(100)
Interest received	8,365	607
Net cash used in investing activities (B)	**3,552,015**	**(47,475)**

Contd.....

(Rs. '000)

	2011	2010
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	-	1,233
(Repayment)/ proceeds from short term bank borrowings	(289,176)	45,003
Payment on account of corporate guarantee invocation	(2,933,632)	-
Proceeds from loans	-	40,000
(Repayment) of loans	(271,250)	(228,750)
(Repayment)/proceeds of loans for purchase of fixed assets and finance lease obligation	8,182	(9,118)
Interest paid	(58,496)	(39,637)
Net cash used in financing activities (C)	**(3,544,372)**	**(191,269)**
Net increase in cash and cash equivalents (A + B + C)	**183,929**	**16,357**
Cash and cash equivalents at the beginning of the year	52,554	36,197
Cash and cash equivalents at the end of the year	**236,483**	**52,554**
Components of cash and cash equivalents:		
Cash on hand	19	41
Balances with scheduled banks	38,276	48,332
Fixed deposits*	198,189	4,181
	236,484	52,554

* Fixed deposits include Rs. 1,250 (2010: Rs. 1,660) retained as margin money for Bank Guarantee.

Notes:

(1) The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at December 31, 2011 and the related Profit and Loss Account for the year ended on that date.

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

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

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

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

Shivakumar Hegde
Partner
Membership Number: 204627
Place : Bangalore
Date : February 29, 2012

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

Kenneth Lever
Executive Chairman &
Chief Executive Officer
Place : London
Date : February 29, 2012

David Bauernfeind
Executive Director

Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : February 29, 2012

Vijayamahantesh Khannur
Company Secretary

CAMBRIDGE SOLUTIONS LIMITED

(Rs. '000)

		2011	2010
1	**CAPITAL**		
	Authorised capital		
	125,000,000 (2010: 125,000,000) Equity shares of Rs. 10 each	1,250,000	1,250,000
	Issued, subscribed and paid-up capital		
	111,403,716 (2010: 111,403,716) Equity shares of Rs. 10 each fully paid	1,114,037	1,114,037
		1,114,037	1,114,037

(i) Of the above:

a) 74,757,507 (2010: 74,757,507) shares were allotted at par to the shareholders/ awardholders of Cambridge Services Holdings LLC, USA, pursuant to a merger scheme. These shares were issued for consideration other than cash.

b) Nil (2010: 21,667) shares have been allotted at a premium of Nil (2010: 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 was reduced from Rs. 328,445 (2010: Rs. 328,445) to Rs. 131,590 (2010: Rs. 131,590) and the capital reduction of Rs. 196,855 (2010: Rs. 196,855) was 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 disclosed in Note 3.10.

		2011	2010
2	**RESERVES AND SURPLUS**		
	Capital reserve [refer note below]	5,701	5,701
	Securities premium :		
	As at last balance sheet date	841,661	840,645
	Add: Share premium on Employee Stock Options exercised during the year	-	1,016
	Balance, end of the year		
		841,661	841,661
	Stock compensation adjustment		
	As at last balance sheet date	684	684
	Balance, end of the year	684	684
	General reserve:		
	As at last balance sheet date	561,186	561,186
	Less: Adjustment towards debit balance in Profit and Loss Account Balance, end of the year	(561,186)	-
		-	561,186
	Profit and Loss Account balance, end of the year		
	Balance, end of the year	-	169,008
		-	169,008
		848,046	1,578,240

Note :

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

(Rs. '000)

		2011	2010
3	**SECURED LOANS**		
	From Banks:		
	Cash/ export credit facility [Note (i)]	-	289,176
	Term loan [Notes (ii)]	-	71,250
	[Repayable within one year Rs. Nil (2010: Rs. 71,250)]	-	360,426
	From Others:		
	Loans for purchase of fixed assets [Note (iii)]	15,011	13,372
	Finance lease obligation [Note (iv)]	-	724
		15,011	14,096
		15,011	374,522

Notes:

(i) During the year the Company has repaid and closed the Cash credit facility with Axis Bank and Yes Bank, and the export packing credit facility with State Bank of India

(ii) During the year the Company has repaid and closed the Corporate Loan facility with Bank of India and the Term Loan facility with Yes Bank.

(iii) 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, 2011, Rs. 15,011 (2010: Rs. 13,372) was outstanding against the financing arrangements.

(iv) The Company has obtained vehicle on finance lease for period of five years. During the year the lease has been transferred to Xchanging Technology Services India Private Limited (XTSI) on sale of BPO division (refer note 3.17).

		2011	2010
4	**UNSECURED LOANS**		
	Loans from others	-	200,000
		-	200,000

Note :

During the year, a facility of Rs. 200,000 sanctioned to the Company for general corporate purposes by Xchanging Technology Services India Private Ltd. (XTSI), a fellow subsidiary has been repaid.

5. FIXED ASSETS

(Rs. '000)

	Gross Block (at cost)					Depreciation/Amortisation					Net Block	
	2010	Additions	Deletions	Deduction discontinued operations	2011	2010	For the year	Deletions	Deduction discontinued operations	2011	2011	2010
Tangible												
Leasehold improvements	167,851	6,077	-	154,582	19,346	138,584	24,172	-	147,177	15,579	3,767	29,267
Computers	268,786	21,129	8,491	132,421	149,003	238,738	18,366	8,491	113,856	134,757	14,246	30,048
Vehicles [Note (i)]	35,574	16,257	2,364	11,050	38,417	23,818	8,046	2,234	5,114	24,516	13,901	11,756
Office Equipment	168,778	4,568	914	151,253	21,179	113,791	15,128	915	111,735	16,269	4,910	54,987
Furniture and fixtures	87,040	6,026	-	71,509	21,557	64,540	8,783	-	53,094	20,229	1,328	22,500
Intangible												
Computer Software	123,403	2,145	-	68,978	56,571	110,595	8,657	-	63,209	56,043	528	12,808
License to use intellectual property	16,103	-	-	16,103	-	7,068	1,969	-	9,036	-	-	9,035
Total	867,535	56,202	11,769	605,896	306,073	697,134	85,121	11,640	503,221	267,393	38,680	170,401
2010	**870,307**	**49,650**	**52,422**	**-**	**867,535**	**607,697**	**139,213**	**49,776**	**-**	**697,134**	**170,401**	**262,610**
Capital work-in-progress (including capital advances: Nil (2010: Rs.9,428)]											-	9,428

Notes :

(i) All vehicles are taken on loan.

(ii) As at December 31, 2011, the gross book value and net book value of Nil (2010: Rs. 79,053) and Nil (2010: Rs. 23,622) respectively are being used by a sub-lessee. The Company has recorded a depreciation charge of Rs. 9,874 (2010: Rs. 18,026) against these assets during the year.

(Rs. '000)

6	INVESTMENTS (Unquoted, at cost, unless otherwise stated, fully paid-up)		2011		2010
	In Subsidiary Companies (Long term): (other than trade investments)				
	Cambridge Solutions (Xchanging) Pte Limited, Singapore (formerly Cambridge Solutions Pte Limited, Singapore) 2,300,000 (2010: 2,300,000) ordinary shares of Singapore $ 1 each		678		678
	Cambridge Solutions Europe Limited, UK 2,664,278 (2010: 2,664,278) ordinary shares of GBP 1 each	222,194		222,194	
	Less: Provision for diminution in value of investment	(153,379)	68,815	-	222,194
	Cambridge Solutions & Services Inc. (formerly Scandent Group Inc.,) 9,930,062 (2010: 9,930,062) common stock of US$ 1 each	1,122,480		1,122,480	
	Less: Provision for diminution in value of investment	(604,533)	517,947	(445,690)	676,790
	Scandent Group GmbH, Germany (refer Note (i) below) Nil (2010: 25,600) shares of Euro 1 each	-		452	
	Less: Adjustment pursuant to a Court Merger Scheme	-	-	(452)	-
	Indigo Markets Limited, Bermuda, USA (refer Note (ii) below) 12,000 (2010: 12,000) common stock of US$ 1 each	109,620		109,620	
	Less: Adjustment pursuant to a Court Merger Scheme	(109,620)	-	(109,620)	-
	Cambridge Integrated Services Victoria Pty Limited, Australia Nil (2010: 100) ordinary shares of Australian $ 0.05 each (sold during the year Refer Note 3.14 on schedule 18)	-		240,625	
	Add : Adjustment pursuant to a Court Merger Scheme	-	-	637,382	878,007
	Cambridge Integrated Services Group Inc, USA Nil (2010: 2,800) common units of US$ 0.01 each (sold during the year Refer Note 3.12 & 3.13 on schedule 18)	-		3,209,495	
	(Less): Adjustment pursuant to a Court Merger Scheme	-		(2,957,460)	
	(Less): Provision for diminution in value of investment	-	-	(252,035)	-
	Cambridge Builders Private Limited Nil (2010: 10,000) common units of Rs. 10 each (Control transferred during the year Refer Note 3.17 on schedule 18)		-		100
			587,440		1,777,769

Notes :

(i) Liquidation process for Scandent Group GmbH, Germany, a wholly owned subsidiary was initiated in the year 2010 and completed during the year.

(ii) IndigoMarkets Limited, Bermuda USA, a wholly owned subsidiary of the Company went into members' voluntary winding up and the final dissolution was completed by January 10, 2012.

7	SUNDRY DEBTORS (Unsecured)	2011	2010
	Debts outstanding for a period exceeding six months		
	Considered good	37,216	178,666
	Considered doubtful	73,148	78,042
	Other debts		
	Considered good	463,408	405,897
	Considered doubtful	2,229	-
		576,001	662,605
	(Less): Provision for doubtful debts	(75,377)	(78,042)
		500,624	**584,563**

Notes :

(i) Sundry debtors include unbilled revenue amounting to Rs. 25,810 (2010: Rs. 6,803) exceeding six months and Rs. 22,911 (2010: Rs. 63,946) under other debts, which are considered good.

ii) Sundry debtors include unbilled revenue amounting to Rs. 5,893 (2010: Rs. Nil) exceeding six months and Rs. 2,229 (2010: Rs. Nil) under other debts,which are considered doubtful and has been fully provided.

		2011	2010
			(Rs. '000)
8	**CASH AND BANK BALANCE**		
	Cash on hand	19	41
	Balances with scheduled banks:		
	- Current accounts	38,276	48,332
	- Fixed deposit	198,189	4,181
		236,484	**52,554**

Note: Fixed deposits include Rs. 1,250 (2010: Rs. 1,660) retained as margin money for bank guarantee.

		2011	2010
9	**OTHER CURRENT ASSETS (Unsecured, Considered good except stated otherwise)**		
	Other deposits [including considered doubtful : Rs. 13,714 (2010: 13,714)]	73,485	104,755
	(Less): Provision for doubtful deposits	(13,714)	(13,714)
		59,771	**91,041**
10	**LOANS AND ADVANCES (UNSECURED)**		
	Considered good		
	Dues from subsidiaries		
	Loans and advances	367	990,842
	Expenses receivable	43,621	61,816
		43,988	1,052,658
	Dues from fellow subsidiaries		
	Loans and advances	94,367	-
	Expenses receivable	28,861	-
		123,228	-
	Advances recoverable in cash or kind or for value to be received	133,306	152,172
	Minimum Alternative Tax (MAT) credit entitlement	125,997	82,489
	Advance tax [net of provision Rs. Nil (2010: Rs. 169,811)]	-	2,988
		426,519	1,290,307
	Considered doubtful		
	Dues from subsidiaries		
	Loans and advances	1,728,301	741,387
	(Less): Provision for doubtful loans and advances	(1,728,301)	(741,387)
		-	-
	Dues from others		
	Loans and advances	3,806	3,806
	(Less): Provision for doubtful loans and advances	(3,806)	(3,806)
		-	-
		426,519	**1,290,307**

Note:
As at December 31, 2011, the entire loans and advances balance of Rs. 1,772,289 (2010: Rs. 1,794,797) due from subsidiaries is interest free and repayable on demand.

(Rs. '000)

	Maximum amount due at anytime during the year	Balance as at December 31, 2011
Dues from subsidiaries		
Cambridge Solutions & Services Inc.	1,790,401	1,749,115
(formerly called as Scandent Group Inc.,)		
Cambridge Solutions Pty Limited, Australia	1,381	-
Cambridge Solutions (Xchanging) Pte Limited, Singapore		
(formerly called as Cambridge Solutions Pte Limited, Singapore)	3,780	3,461
Cambridge Solutions Europe Limited, UK	19,661	19,661
Cambridge Solutions Sdn Bhd	52	52
(formerly called Scandent Group Sdn Bhd)		
Cambridge Integrated Services Group Inc., USA	4,391	-
Cambridge Integrated Services Australia Pty Limited, Australia	2,361	-
Cambridge Integrated Services Victoria Pty Limited, Australia	572	-
Cambridge Builders Private Limited, India	9,946	-
		1,772,289
(Less) : Provision for doubtful loans and advances		(1,728,301)
		43,988
Dues from subsidiaries		
Cambridge Solutions & Services Inc.	1,884,941	1,766,053
(formerly called as Scandent Group Inc.,)		
Cambridge Solutions Pty Limited, Australia	1,288	1,288
Cambridge Solutions (Xchanging) Pte Limited, Singapore	20,864	1,109
(formerly called as Cambridge Solutions Pte Limited, Singapore)		
Cambridge Solutions Europe Limited, UK	73,207	15,155
Cambridge Integrated Services Group Inc., USA	482	469
Cambridge Integrated Services Australia Pty Limited, Australia	413	413
Cambridge Integrated Services Victoria Pty Limited, Australia	364	364
Nexplicit Infotech India Private Limited, India	16,325	-
Cambridge Builders Private Limited, India	9,946	9,946
		1,794,797
Less: Provision for doubtful loans and advances		(742,139)
		1,052,658

		2011	2010
11	**LIABILITIES**		
	Sundry creditors		
	- Dues to Micro and Small Enterprises	-	-
	- Others	164,962	270,318
	Dues to subsidiaries		
	- Advances received	-	24,473
	- Expenses payable	103,818	193,070
	Interest accrued but not due on loans	-	30,856
	Advance from customers	49,123	89,886
	Deferred revenue	-	3,326
	Other liabilities	7,838	19,152
		325,741	631,081

(Note: As at December 31, 2011, based on the information available with the Company, there are no dues to suppliers who are registered as micro or small enterprises under the Micro, Small and Medium Enterprises Development Act, 2006.

		2011	2010
			(Rs. '000)
11	**LIABILITIES** (Contd....)		
	Dues to subsidiaries		
	Cambridge Solutions & Services Inc.,USA (formerly Scandent Group Inc.,)	17,034	3,655
	Cambridge Solutions (Xchanging) Pte Limited, Singapore (formerly Cambridge Solutions Pte Limited)	54,352	67,505
	Cambridge Solutions Europe Limited, UK	23,844	84,957
	Nexplicit Infotech India Private Limited, India	8,588	879
	Cambridge Integrated Services Group Inc., USA	-	60,547
		103,818	**217,543**
12	**PROVISIONS**		
	Taxation [net of advance tax Rs. 278,867 (2010: Rs. Nil)	33,239	-
	Gratuity	32,596	28,694
	Compensated absences	25,656	28,975
	Onerous lease contracts	17,314	17,314
	Litigation	3,200	3,200
		112,005	**78,183**

(Rs. '000)

		2011	2010
13	**SERVICE REVENUE**		
	Software Services	917,275	909,000
	Information Technology enabled Services	812,865	1,270,171
		1,730,140	**2,179,171**
14	**OTHER INCOME**		
	Interest income - Gross	7,879	607
	[Tax deducted at source Rs. 773 (2010: Rs. 26)]		
	Interest income on loan to related party- Gross	4,853	-
	[Tax deducted at source Rs. 485 (2010: Nil)]	-	
	Sub-lease rental income	33,238	62,796
	(including premises facility and maintenance income Rs. 11,771 (2010: Rs. 43,831)		
	Profit on sale of fixed assets (net)	327	845
	Exchange gain (net)	82,291	(37,595)
	Miscellaneous income	2,108	1,629
		130,696	**28,282**
15	**EMPLOYEE COSTS**		
	Salaries, allowances and bonus	828,549	908,661
	Contribution to provident and other funds	52,324	57,715
	Staff welfare	37,979	51,514
	Recruitment and relocation	8,574	12,757
		927,426	**1,030,647**
16	**OTHER OPERATING COSTS**		
	Project work expense	56,475	182,371
	Travelling and conveyance	58,187	106,181
	Rent and hire charges	103,234	130,552
	Communication	63,555	72,043
	Power and fuel	38,387	64,340
	Insurance	6,711	16,994
	Rates and taxes	1,307	2,144
	Repairs and maintenance:		
	- Computer equipment	14,885	28,508
	- Others	38,167	44,253
	Legal and professional	36,615	45,416
	Printing and stationery	4,063	4,929
	Business promotion	10,970	5,334
	Directors' sitting fees	380	470
	Loss on sale of fixed assets (net)		-
	Provision for doubtful debts (net)	9,240	23
	Provision for doubtful advances	-	2,569
	Provision for doubtful deposits	-	13,714
	Miscellaneous	9,817	12,366
		451,993	**732,207**
17	**FINANCE COST**		
	Loan arrangement and processing fees	4,479	11,285
	Interest on fixed loans	14,423	36,177
	Interest on loan from related party	13,216	23,631
	Bank charges	2,089	2,449
		34,207	**73,542**

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 subsidiaries in several countries including the USA and Australia. Also, refer notes 3.13, 3.14 and 3.17 relating to sale of BPO business and subsidiaries during the year.

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

- SSI Limited (Information Technology division with operations in India, USA and several other countries).
- Scandent Group Limited, Mauritius (with operations in USA, Singapore, Germany, etc.).
- 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% (2010: 75.62%) 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.

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

Name of the shareholder	**2011**	**2010**
Xchanging (Mauritius) Limited	75.62%	75.62%
Scandent Holding Mauritius Limited	11.82%	11.82%
AON Minet Pension Scheme	3.77%	3.77%
Katra Finance Limited	2.70%	2.70%
Others	6.09%	6.09%
Total	**100.00%**	**100.00%**

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

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 their intended use.

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

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

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

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

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

2.5 Borrowing costs

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

2.6 Lease accounting

Finance lease

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

(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 customers and are stated at the lower of cost and net realisable value. Cost of licenses is determined using the first-in-first-out method.

2.9 Impairment of assets

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

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

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

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

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

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

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

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

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

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

(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 prior year financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

Exchange differences arising on a monetary item that, in substance, forms part of the Company's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognised as income or as expense.

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

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

2.12 Employee benefits

(a) Short term employee benefits:

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

(b) Defined-contribution plans:

The Company's contribution towards defined contribution plans (where Company pays pre-defined amounts and does not have any legal or informal obligation to pay additional sums) for post employment benefits, namely, Provident Fund, Employee Pension Scheme, etc. are charged to 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 for employees in form of Gratuity, the liability in respect of which is determined on the basis of valuation carried out by an independent actuary (using the projected unit credit method) at the balance sheet date.

(Rs. '000)

(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.

2.13 Taxes on income

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

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

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.

(Rs. '000)

2.14 Earnings / (loss) per share

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

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

2.15 Provisions and Contingent Liabilities

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

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

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

2.16 Segment reporting

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

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

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

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

2.17 Exceptional items

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

2.18 Project work expenses

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

2.19 Cash and cash equivalents

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

(Rs.'000)

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.

3.1 Contingent Liabilities:

	2011	2010
Bank Guarantees [Note (b)]	1,250	351,782
Income tax matters:		
Assessment year 2004-05 [Note (b)]	5,820	5,820
Assessment year 2005-06 [Note (c)]	119,316	119,316
Assessment year 2006-07 [Note (d)]	13,741	13,741
Assessment year 2007-08 [Note (e)]	7,210	7,210
Assessment year 2008-09 [Note (f)]	35,931	-
Assessment year 2009-10 [Note (f)]	8,530	-
Assessment year 2011-12 [Note (g)]	1,288	-

Notes:

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

(b) Relates to transfer pricing adjustment for arm's length price by the assessing officer and other adjustments which are disputed by the Company, and the matter is lying under appeal with the Commissioner of Income-tax (Appeals), Bangalore. An amount of Rs. 2,802 (2010: Rs. 2,802) has been paid under protest against the demand.

(c) Relates to transfer pricing adjustment for arm's length price by the assessing officer and other adjustments which are disputed by the Company. The matter is lying under appeal with the Commissioner of Income-tax (Appeals), Bangalore. An amount of Rs. 82,096 (2010: Rs. 30,504) has been paid under protest against the demand.

(d) Relates to certain tax adjustments arrived at by the assessing officer, which is disputed by the Company. An amount of Rs. 7,500 (2010: Rs. 3,800) has been paid under protest against the demand. The Company has filed an appeal with the Income Tax Appellate Tribunal, Bangalore in this regard.

(e) Relates to transfer pricing adjustment for arm's length price by the assessing officer which is disputed by the Company. The Company has filed an appeal with the Income Tax Appellate Tribunal, Bangalore in this regard.

(f) Relates to withholding tax adjustments arrived at by the assessing officer which is disputed by the Company, and the matter is lying under appeal with the Commissioner of Income- tax (Appeals), Bangalore.

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

Contingent Liabilities does not include the following:

(h) 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, 2011, the Company has availed duty benefits amounting to Rs. 31,235 (2010: Rs 74,497). The Company has transferred the duty benefits entitlement of its BPO division to the buyer on sale (refer note 3.17). The Company expects to meet its commitment to earn requisite revenue in foreign currency as stipulated by the STPI regulations.

(i) As at December 31, 2011, Cambridge Solutions & Services Inc. USA, (formerly Scandent Group Inc.,) wholly owned subsidiary company has negative net assets amounting to Rs. 2,223,697 (2010: Rs. 1,850,570). While the subsidiary is confident of generating funds from their operations, the Company intends to support the shortfall, if any.

(Rs. '000)

3.2 Exceptional items

During the year, the Company has recorded significant exceptional items aggregating to Rs. 1,558,819 (2010: Rs. 228,250) as detailed below:

	2011	2010
Fair value loss on accounting of investment in Cambridge Integrated Services Group Inc., USA ("CISGI") on account of conversion of asset recoverable in to equity related to subrogation right on invocation of corporate guarantee and payment there of (refer note 3.12)	2,933,632	-
The Company has disposed of its investment in Cambridge Integrated Services Victoria Pty Limited ("CISV"), Australia, wholly owned subsidiary to Xchanging Procurement Pty Limited, Australia ("XPPL") on June 13, 2011and recognised a loss on sale (refer note 3.14)	132,151	-
The Company has disposed of its BPO operation in India along with its investment in Cambridge Builders Private Limited ("CBPL") to Xchanging Technology Services India Private Limited ("XTSI") on July 21, 2011 and recognised a profit on sale (refer note 3.17)	(2,806,054)	-
The Group has disposed of its investment in Cambridge Integrated Services Group Inc., USA ("CISGI") to Waltham Holdings Limited, Jersey, Channel Islands on August 31, 2011 and recognised a profit on sale (refer note 3.13)	(46)	-
The Company has granted loans and advances to Cambridge Solutions & Services Inc., USA ("CSSI") (formerly Scandent Group Inc.,), wholly owned subsidiary. The Company has made a provision against the loans and advances considering it to be doubtful of recovery (refer note 3.15)	986,914	-
The Company tested the investment in CSSI for impairment and pursuant to that assessment, partially impaired the value of its investment (refer note 3.15)	158,843	-
The Company tested the investment in Cambridge Solutions Europe Limited, UK ("CSEL"), for impairment and pursuant to that assessment, partially impaired the value of its investment (refer note 3.16)	153,379	-
During the prior year, the Company tested the investment in Cambridge Integrated Services Group Inc.USA for impairment and pursuant to that assessment fully impaired the remaining value of its investment	-	252,035
During the prior year, significant restructuring costs have been incurred. Specifically, these costs represented onerous lease contracts and related assets impairment. The onerous lease provision created represented the remaining costs, primarily rent, associated with these vacant properties. The company has exited one of its vacant properties and accordingly reversed the related onerous lease provision.	-	(23,785)
	1,558,819	**228,250**

3.3 Employee benefits

Defined contribution plan:

During the year, the Company has recognised Rs. 44,115 (2010: Rs. 46,269) 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.

(Rs. '000)

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

	2011	2010
Opening defined benefit obligation	43,390	34,933
Interest cost	2,420	3,104
Current service cost	7,410	8,828
Benefits paid	(3,007)	(4,739)
Actuarial (gains)/ losses on obligation	(1,620)	(1,403)
Past service cost	-	978
Unrecognised past service cost	-	1,689
Discontinued operations	(15,997)	-
Closing defined benefit obligation	**32,596**	**43,390**

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

	2011	2010
Opening fair value of plan assets	15,997	11,507
Expected return	-	1,187
Contributions by employer	-	3,938
Benefits paid	-	(1,058)
Actuarial gains/ (losses)	-	423
Discontinued operations	(15,997)	-
Closing fair value of plan assets	**-**	**15,997**

Details of Provision for Gratuity (Balance Sheet) :

	2011	2010
Defined benefit obligation	(32,596)	(43,390)
Fair value of plan assets	-	15,997
Plan asset/ (liability)	**(32,596)**	**(27,393)**

Net employees benefit expense (recognised in employee cost):

	2011	2010
Current service cost	7,410	8,828
Interest cost on benefit obligation	2,420	3,104
Expected return on plan assets	-	(1,188)
Net actuarial (gain)/ loss recognised in the year	(1,621)	(1,826)
Past service cost	-	2,528
Net benefit expense	**8,209**	**11,446**

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

	2011 %	2010 %
Investments with insurer	-	100

The principal assumptions used in determining gratuity are shown below:

	(%)	
	2011	2010
Expected rate of return on plan assets	N/A	8%
Discount rate	8.25%	8% to 8.25%
Increase in compensation cost	10%	7% to 10%
Retirement age	65	65
Employee turnover	20%	Upto 35-15%; 36-45-5%; 46-55-2%; 55-1%

(Rs. '000)

Amounts for the current and previous periods are as follows:

	2011	2010	2009	2008
Defined benefit obligation	32,596	43,390	34,933	30,714
Plan assets	-	15,997	11,507	5,419
Surplus/ (deficit)	32,596	(27,393)	(23,426)	(25,295)
Experience adjustments on plan liabilities	1,239	(1,403)	(5,735)	3,901
Experience adjustments on plan assets	-	423	841	299

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.

3.4 Segment reporting

The primary segment reporting of the Group 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'). Also, refer Note 3.17 relating to sale of BPO business during the year. Segments have been identified and reported considering industry segments of customers, risks and returns, organisation structure and internal financial reporting systems.

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

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

3.4 SEGMENT REPORTING - Cont.

(Rs. '000)

Particulars	IT		BPO (discontinued operations)		Unallocated		Eliminations		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenues										
External sales	917,275	909,000	812,865	1,270,171	-	-	-	-	1,730,140	2,179,171
Inter-segment transfers	3,458	14,576	-	-	-	-	(3,458)	(14,576)	-	-
Total revenues	**920,733**	**923,576**	**812,865**	**1,270,171**	**-**	**-**	**(3,458)**	**(14,576)**	**1,730,140**	**2,179,171**
Segment result	139,969	36,994	243,595	267,785	12,732	607	-	-	396,296	305,386
Exceptional items	-	23,785	-	-	(1,558,819)	(252,035)	-	-	(1,558,819)	(228,250)
Segment result before tax and interest	139,969	60,779	243,595	267,784	(1,546,087)	(251,428)	-	-	(1,162,523)	77,136
Interest income	-	-	-	-	-	-	-	-	-	-
Finance costs	-	-	-	-	(34,207)	(73,542)	-	-	(34,207)	(73,542)
Tax expense	-	-	-	-	(98,786)	(18,357)	-	-	(98,786)	(18,357)
Net profit	**139,969**	**60,779**	**243,595**	**267,784**	**(1,679,080)**	**(343,327)**	**-**	**-**	**(1,295,516)**	**(14,763)**
Other information										
Segment assets	1,849,518	1,608,593	-	500,043	-	-	-	-	1,849,518	2,108,636
Inter segment assets	-	-	-	951,800	-	-	-	(951,800)	-	-
Unallocated Assets						1,867,427			-	1,867,427
Total assets	**1,849,517**	**1,608,593**	**-**	**1,451,843**	**-**	**1,867,427**	**-**	**(951,800)**	**1,849,517**	**3,976,063**
Segment liabilities	452,757	433,253	-	245,149	-	-	-	-	452,757	678,402
Inter segment liabilities	-	951,800	-	-	-	-	-	(951,800)	-	-
Unallocated Liabilities						605,384			-	605,384
Total liabilities	**452,757**	**1,385,053**	**-**	**245,149**	**-**	**605,384**	**-**	**(951,800)**	**452,757**	**1,283,786**
Other segment information										
Capital expenditure	27,227	26,676	23,569	29,621	-	-	-	-	50,796	56,297
Depreciation and amortisation	23,768	27,084	61,353	112,129	-	-	-	-	85,121	139,213
Provision for doubtful debts, advances and deposits	9,240	17,017	-	(711)	-	-	-	-	9,240	16,306
Provision for onerous leases	-	(23,785)	-	-	-	-	-	-	-	(23,785)
Provision for dimunition in value of investment	-	-	-	-	312,222	252,035	-	-	312,222	252,035
Provision for dimunition in value of loan	-	-	-	-	986,914	-	-	-	986,914	-
Loss on fair value accounting of investment	-	-	-	-	2,933,632	-	-	-	2,933,632	-
Loss on disposal of investments	-	-	-	-	132,105	-	-	-	132,105	-
Profit on disposal of operations	-	-	-	-	(2,806,054)	-	-	-	(2,806,054)	-

(Rs. '000)

Refer table below for disclosures under geographic segment basis:

Revenues:	2011	2010
USA	639,783	937,717
Europe	891,864	1,075,032
Rest of the World	198,493	166,422
	1,730,140	**2,179,171**

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 ('XML')
	Subsidiary companies	Cambridge Solutions Europe Limited, UK ('CSEL')
		Cambridge Solutions (Xchanging) Pte Limited, Singapore ('CSPL') (formerly Cambridge Solutions Pte Limited)
		Cambridge Solutions Sdn Bhd ('CSSB"), Malaysia (formerly Scandent Group Sdn Bhd)
		Cambridge Solutions & Services Inc., USA ("CSSI") (formerly Scandent Group Inc.,)
		Indigo Markets Limited, Bermuda ('IML')
		Cambridge Integrated Services Group Inc., USA ('CISGI') (up to August 31, 2011)
		Cambridge Galaher Settlements & Insurance Services, USA ('CGSIS') (up to May 31, 2011)
		Cambridge Integrated Services Victoria Pty Limited, Australia ('CISVPL') (up to June 13, 2011)
		Cambridge Integrated Services Australia Pty Limited, Australia ('CISAPL') (up to June 13, 2011)
		Cambridge Solutions Pty Limited, Australia ('CSPL')
		Cambridge Solutions France SARL, France ('CSFS') (up to October 28, 2011)
		ProcessMind Holding Mauritius Limited, Mauritius ('PHML') (up to August 31, 2011)
		Nexplicit India Infotech Private Limited, India ('NIIPL')
		Cambridge Builders Private Limited, India ('CBPL') (up to July 22, 2011)
(b)	**Parties under common control with whom transactions have taken place during the year:**	
	Fellow subsidiaries	Cambridge Integrated Services Group Inc., USA ('CISGI') (from September 1, 2011)
		ProcessMind Holding Mauritius Limited, Mauritius ('PHML') (from September 1, 2011
		Cambridge Integrated Services Victoria Pty Limited, Australia ('CISVPL') (from June 14, 2011)
		Cambridge Integrated Services Australia Pty Limited, Australia ('CISAPL') (from June 14, 2011)
		Cambridge Builders Private Limited, India ('CBPL') (from July 22, 2011)

(Rs. '000)

		Cambridge Galaher Settlements & Insurance Services, USA ('CGSIS') (from June 1, 2011)
		Xchanging Systems and Service Inc., USA ('XSSI')
		Xchanging Broking Services Limited, UK ('XBSL')
		Xchanging Claim Services Limited, UK ('XCSL')
		Xchanging Global Insurance Solutions Ltd., UK ('XGISL')
		Xchanging Technology Services India Private Limited, India ('XTSIPL')
		Xchanging UK Limited, UK ('XUKL')
		Xchanging GmbH, Germany ("XG")
		Xchanging Asia Pacific Sdn Bhd, Malaysia ('XAPSB')
		Xchanging HR Services Ltd, UK ('XHRSL')
		Ins-sure Services Limited, UK ('ISSL')
		Xchanging Procurement Services Limited, UK ('XPSL')
		Ferguson Snell & Associates Ltd, UK ("FSAL")
		Waltham Holdings Limited, Jersey, Channel Island ('WHL')
(c)	**Key management personnel**:	
	Executive Chairman and Chief Executive Officer	Kenneth Lever (*)
	Executive Director and Chief Financial Officer	Darren Fisher (*) (up to July 29,2011)
	Executive Director	David Bauernfeind (*)
	Executive Director and Chief Production Officer	Thomas Runge (*) (up to February 14,2011)

(*) No transactions during the year.

Notes:

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:

	Holding companies [Note A(a)(i)]		Subsidiary companies [Note A(a)(ii)]		Fellow Subsidiaries [Note A(b)]		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Expenses paid on behalf of the Company:								
CISGI, USA	-	-		55,369	-	-	-	55,369
CSEL, UK	-	-	28,006	39,171	-	-	28,006	39,171
CSPL, Singapore	-	-	26,860	173	-	-	26,860	173
NIIPL, India	-	-	-	16,605	-	-	-	16,605
CSSI, USA	-	-	7,345	88	-	-	7,345	88
XUKL, UK	-	-	-	-	9,355	23,243	9,355	23,243
XTBG, Germany	-	-	-	-	5,478	4,935	5,478	4,935
XTSIPL, India	-	-	-	-	1,390	550	1,390	550
XBSL, UK	-	-	-	-	-	9,097	-	9,097
XGISL, UK	-	-	-	-	15,428	11,455	15,428	11,455
XHRSL, UK	-	-	-	-	(4,985)	7,997	(4,985)	7,997
XSSI, USA	-	-	-	-	3,621	8,797	3,621	8,797
FSA	-	-	-	-	29	-	29	-
Expenses paid on behalf of the related party:								
CISAPL, Australia	-	-	312	-	-	-	312	-
CISGI, USA	-	-	2,185	5,329	-	-	2,185	5,329
CISVPL, Australia	-	-	1,969	2,432	-	-	1,969	2,432
CSEL, UK	-	-	12,707	4,136	-	-	12,707	4,136
CSPL, Singapore	-	-	2,025	2,603	-	-	2,025	2,603
CSPL, Australia	-	-	-	-	-	-	-	-
CSSB, Malaysia	-	-	-	716	-	-	-	716
CSSI, USA	-	-	16,616	14,078	-	-	16,616	14,078
XBSL, UK	-	-	-	-	16,119	24,439	16,119	24,439
XTSIPL, India	-	-	-	-	22,158	20,067	22,158	20,067
ISSL, UK	-	-	-	-	-	30	-	30
XAPSB, Malaysia	-	-	-	-	13,116	415	13,116	415
XCSL, UK	-	-	-	-	2,220	8,838	2,220	8,838
CBPL, India	-	-	-	9,946	-	-	-	9,946
XPSL, UK	-	-	-	-	-	251	-	251
XUKL, UK	-	-	-	-	723	-	723	-
XSSI, USA	-	-	-	-	(145)	-	(145)	-
Interest expense on loans:								
XTSIPL, India	-	-	-	-	13,216	23,632	13,216	23,632
Project work expenses:								
NIIPL, India	-	-	-	34,565	-	-	-	34,565
CSEL, UK	-	-	-	38,808	-	-	-	38,808
CSPL, Singapore	-	-	-	10,350	-	-	-	10,350
CSSI, USA	-	-	-	48,853	-	-	-	48,853

(Rs. '000)

3.5 RELATED PARTY DISCLOSURES

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

	Holding companies [Note A(a)(i)]		Subsidiary companies [Note A(a)(ii)]		Fellow Subsidiaries [Note A(b)]		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Revenue:								
CISGI, USA	-	-	68,845	158,924	-	-	68,845	158,924
CISVPL, Australia	-	-	1,768	2,931	-	-	1,768	2,931
CSEL, UK	-	-	164,241	185,366	-	-	164,241	185,366
CSPL, Singapore	-	-	21,382	22,094	-	-	21,382	22,094
CSSI, USA	-	-	217,692	249,092	-	-	217,692	249,092
CISAPL, Australia	-	-	13,552	12,351	18,263	-	31,815	12,351
XBSL, UK	-	-	-	-	369,570	609,990	369,570	609,990
XCSL, UK	-	-	-	-	18,207	15,642	18,207	15,642
XGISL, UK	-	-	-	-	101,097	84,433	101,097	84,433
XSSI, USA	-	-	-	-	-	-	-	-
XUKL, UK	-	-	-	-	7,238	9,951	7,238	9,951
ISSL, UK	-	-	-	-	13,511	3,429	13,511	3,429
XAPSB, Malaysia	-	-	-	-	33,504	-	33,504	-
XHRSL, UK	-	-	-	-	921	267	921	267
XTSIPL, India	-	-	-	-	7,208	-	7,208	-
Investments made during the year:								
CBPL, India	-	-	-	-	-	100	-	100
CISGI,USA*	-	-	2,933,632	-	-	-	2,933,632	-
* Investment by conversion of loan								
Loans given during the year:								
XTSIPL, India	-	-	-	-	94367	-	94,367	-
Loans repaid during the year:								
XTSIPL, India	-	-	-	-	200,000	-	200,000	-
Loans borrowed during the year:								
XTSIPL, India	-	-	-	-	-	40,000	-	40,000
Sale of Subsidiary Companies								
XTSIPL, India	-	-	-	-	2,997,502	-	2,997,502	-
XPTYL, Australia	-	-	-	-	745,856	-	745,856	-
WHL, Channel Island	-	-	-	-	46	-	46	-
Payment on account of invocation of Corporate Guarantee								
XUKL, UK	-	-	-	-	2,933,632	-	2,933,632	-

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

Advance Received:								
CSPL, Singapore	-	-	-	15,404	-	-	-	15,404
CISGI, USA	-	-	-	9,073	-	-	-	9,073

(Rs. '000)

3.5 RELATED PARTY DISCLOSURES

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

	Holding companies [Note A(a)(i)]		Subsidiary companies [Note A(a)(ii)]		Fellow Subsidiaries [Note A(b)]		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Debtors:								
CISGI, USA	-	-	-	65,145	-	-	-	65,145
CISVPL, Australia	-	-	-	2,007	5,878	-	5,878	2,007
CSEL, UK	-	-	95,323	97,131	-	-	95,323	97,131
CSPL, Singapore	-	-	5,987	-	-	-	5,987	-
IML, Bermuda	-	-	-	-	-	-	-	-
CSSI, USA	-	-	283,152	227,453	-	-	283,152	227,453
XSSI, USA	-	-	-	-	-	-	-	-
XTSIPL, India	-	-	-	-	23,595	-	23,595	-
XBSL, UK	-	-	-	-	-	10,850	-	10,850
XCSL, UK	-	-	-	-	-	7,850	-	7,850
XUKL, UK	-	-	-	-	-	9,411	-	9,411
ISSL, UK	-	-	-	-	-	3,350	-	3,350
XAPSB, Malaysia	-	-	-	-	28,955	2,725	28,955	2,725
XHRSL, UK	-	-	-	-	-	261	-	261
XGISL, UK	-	-	-	-	21,047	33,371	21,047	33,371
CSSB, Malaysia	-	-	-	-	-	-	-	-
Expenses Payable:								
CISGI, USA	-	-	-	51,474	-	-	-	51,474
CSEL, UK	-	-	23,844	84,957	-	-	23,844	84,957
CSPL, Singapore	-	-	54,352	52,101	-	-	54,352	52,101
CISAPL, Australia	-	-	-	-	-	-	-	-
NIIPL, India	-	-	8,588	879	-	-	8,588	879
CSSI, USA	-	-	17,035	3,655	-	-	17,035	3,655
XUKL, UK	-	-	-	-	7,017	1,673	7,017	1,673
XGISL, UK	-	-	-	-	5,081	4,101	5,081	4,101
XHRSL, UK	-	-	-	-	-	7,210	-	7,210
XSSI, USA	-	-	-	-	-	8,702	-	8,702
XTBG, Germany	-	-	-	-	-	3,556	-	3,556
XTSIPL, India	-	-	-	-	7,761	489	7,761	489
Expenses Receivable:								
CISAPL, Australia	-	-	-	413	-	-	-	413
CISGI, USA	-	-	-	469	-	-	-	469
CISVPL, Australia	-	-	-	364	-	-	-	364
CSEL, UK	-	-	19,661	15,155	-	-	19,661	15,155
CSPL, Singapore	-	-	3,094	1,109	-	-	3,094	1,109
CSPL, Australia	-	-	-	1,288	-	-	-	1,288
CSSB, Malaysia	-	-	51	-	-	-	51	-
IML, Bermuda	-	-	-	-	-	-	-	-
CSSI, USA	-	-	20,815	33,072	-	-	20,815	33,072

(Rs. '000)

3.5 RELATED PARTY DISCLOSURES

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

	Holding companies [Note A(a)(i)]		Subsidiary companies [Note A(a)(ii)]		Fellow Subsidiaries [Note A(b)]		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
XTSIPL, India	-	-	-	-	357	16,334	357	16,334
XAPSB, Malaysia	-	-	-	-	-	1,106	-	1,106
XBSL, UK	-	-	-	-	-	2,392	-	2,392
XCSL, UK	-	-	-	-	-	11	-	11
XPSL, UK	-	-	-	-	-	252	-	252
CBPL, India	-	-	-	9,946	-	-	-	9,946
Guarantee taken by the related party:								
CISAPL, Australia	-	-	-	127,184	-	-	-	127,184
CISVPL, Australia	-	-	-	37,125	-	-	-	37,125
XUKL, UK	-	-	-	-	-	3,006,244	-	3,006,244
CISGI, USA	-	-	-	182,612	-	-	-	182,612
Guarantee Given by the related party:								
XML, Mauritius	-	940,000	-	-	-	-	-	940,000
Interest accrued but not due:								
XTSIPL, India	-	-	-	-	-	30,361	-	30,361
Loans and advances:								
CISGI, USA	-	-	-	-	-	-	-	-
CISVPL, Australia	-	-	-	-	-	-	-	-
CSEL, UK	-	-	367	-	-	-	367	-
CSPL, Singapore	-	-	-	-	-	-	-	-
NIIPL, India	-	-	-	-	-	-	-	-
XTSIPL, India	-	-	-	-	94,367	-	94,367	-
CSSI, USA	-	-	1,728,301	1,732,981	-	-	1,728,301	1,732,981
Unsecured loan:								
XTSIPL, India	-	-	-	-	-	200,000	-	200,000

3.6. Lease disclosures

(A) Operating leases

(i) In case of assets taken on lease:

The Company has operating lease arrangements for its office premises, guest houses and certain equipment. The lease arrangements for premises and guest houses have been entered up to a maximum of six years from the respective dates of inception. Some of these lease arrangements have price escalation clauses. Rent and hire charges for such operating leases recognised in the Profit and Loss Account for the year ended December 31, 2011 amounts to Rs. 103,234 (2010: Rs. 130,552).

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

	2011	2010
Payable not later than one year	35,658	38,730
Payable later than one year and not later than five years	40,702	496
Payable later than 5 years	-	-
Total	**76,360**	**39,226**

(Rs. '000)

ii. *In case of assets given on lease:*

The Company has sub-let office premises on operating lease arrangement. The lease is non-cancellable for tenure of four years and entails an escalation of lease rent on a periodic basis. Rent income from such operating leases recognised in the Profit and Loss Account for the year ended December 31, 2011 amounts to Rs. 21,467 (2010: Rs. 18,965).

Future minimum lease payment details are as under:

	2011	2010
Not later than one year	-	2,644
Later than one year and not later than five years	-	-
Later than 5 years	-	-
	-	**2,644**

(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 this finance lease is as follows:

	2011	2010
Total minimum lease payments	-	787
(Less): Interest	-	(63)
Present value of minimum lease payments	-	724

Future minimum lease payments under finance lease are as under:

	2011		2010	
	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
Payable later than one year and not later than five years	-	-	157	154
Payable later than five years	-	-	-	-
	-	-	787	724

3.7 Earnings/ (loss) per share)

	2011	2010
Net profit/ (loss) for the year after tax	(1,295,516)	(14,763)
Weighted average number of equity shares considered for calculating basic earnings/ (loss) per share – (A)	111,403,716	111,401,054
Earnings/ (loss) per share – Basic (Rs.)	(11.63)	(0.13)
Add: Weighted average number of potential equity shares under employee stock options during the year – (B)	3,327	4,231
Weighted average number of equity shares considered for calculating diluted earnings/ (loss) per share – (A + B)	111,407,043	111,405,285
Earnings/ (loss) per share – Diluted (Rs.)	(11.63)	(0.13)

(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 India . While ascertaining the taxable income for the current year, the brought forward losses if any, have also been considered.

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

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

MAT Credit Entitlement

Based on assessment of future taxable income and sunset of tax holiday period, the management is of the opinion that there is convincing evidence that the Company will pay normal income tax within the specified period during which MAT credit is available for set off. Accordingly, Loans and Advances includes MAT Credit Entitlement asset of Rs. 125,997(2010: Rs. 82,489) out of which Rs. 43,508 (2010: Rs. 30,043) has been recognised during the year by way of credit to Profit and Loss Account. MAT Credit Entitlement asset will be reviewed at each balance sheet date for write-down, if any.

Deferred Tax

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

Transfer pricing

The Company has significant intra group transactions pertaining to revenue and expense cross charges. The management is in the process of updating the transfer pricing study for such transactions entered into during the year ended December 31, 2011, and does not anticipate any adjustments with regard to the transactions involved.

3.9 Provisions

In accordance with AS 29 'Provisions, Contingent Liabilities and Contingent Assets', the particulars of provisions as at December 31, 2011 are as follows:

Description	2010	Created during the year	Utilised/ Reversed during the year	2011
Onerous lease contracts [Note (i)]	17,314	-	-	17,314
	(61,873)	-	(44,559)	(17,314)
Litigation [Note (ii)]	3,200	-	-	3,200
	(3,200)	-	-	(3,200)
	20,514	**-**	**-**	**20,514**
	(65,073)	-	(44,559)	(20,514)

Notes:

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

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

(iii) Prior year numbers are disclosed within brackets.

(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 year from the date of grant - 40% of the options three year from the date of grant		One year from the date of grant		40% of the options one year from the date of grant and balance 60% two years from the date of grant		- 33.33% of the options one year from the date of grant - 33.33% of the options two year from the date of grant - 33.33% of the options three year from the date of grant	
Method of accounting	Intrinsic value		Intrinsic value		Intrinsic value		Intrinsic value	
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, 2011								
Options outstanding at the beginning of the year	1,200	128.75	5,000	10	88,500	126.78	1,085,613	93.04
Options granted during the year	-	-	-	-	-	-	-	-
Options forfeited during the year	-	-	-	-	68,000	113.15	341,667	94.48
Options exercised during the year	-	-	-	-	-	-	-	-
Options expired during the year	1,200	128.75	-	-	-	-	-	-
Options outstanding at the end of the year	-	-	5,000	10	20,500	172.00	743,946	92.38
Options exercisable at the end of the year	-	-	5,000	10	20,500	172.00	743,946	92.38
Weighted average remaining contractual life (in years)	-	-	0.4	-	0.4	-	2.64	-
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	-

	2011	**2010**
Net profit/ (loss) as reported	(1,295,516)	(14,763)
Net profit/ (loss) available for equity shareholders	(1,295,516)	(14,763)
Add: Stock based employee compensation expenses included in reported income	-	-
(Less): Stock based employee compensation expenses determined under fair value based method, net of tax effects	-	(2,135)
Revised (loss)	(12,95,516)	(16,898)
Earnings/ (loss) per share:		
Basic	(11.63)	(0.15)
Diluted	(11.63)	(0.15)

(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:

		2011	2010
(i)	a) Principal amount remaining unpaid as at December 31, 2011 b) Interest due thereon remaining unpaid on December 31, 2011 (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, 2011 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 On May 31, 2011, Cambridge Integrated Services Group Inc, USA ('CISGI'), a wholly owned subsidiary of the Company entered into agreements with Sedgwick Claims Management Services, Inc, USA for the sale of virtually its entire operations of workers' compensation and third party administration.

The Company had issued corporate guarantee in favour of Xchanging UK Limited, UK ('XUK'), a fellow subsidiary of the Company, in connection with a loan of Rs. 2,933,632 granted between 2009 and 2010 to CISGI. Post the sale of CISGI operation to Sedgwick on June 10, 2011, XUK called the loan amount. CISGI, owing to its financial condition, replied that it would not be able to repay loan. Thereafter, XUK, invoked the corporate guarantee on the Company. The Board of Directors, in the meeting held on June 10, 2011, acknowledged the liability of Rs. 2,933,632 to XUK on account of invocation of the corporate guarantee and made remittance in three tranches. Pursuant to the settlement the rights of XUK were subrogated to the Company (which was reflected as an asset recoverable from CISGI in recognition of the legal right). The Board of Directors in its meeting held on August 12, 2011, approved the conversion of subrogated right of Rs. 2,933,632 into the equity shares of CISGI for an equivalent amount and accordingly the shareholder funds in CISGI Balance Sheet increased by Rs. 2,933,632. The Company has made relevant filings with the Authorised Dealer Bank in relation to such conversion. However, Accounting Standard 13 requires recognition of investment at fair value in case of acquisition of investment in exchange of other assets. In compliance with aforesaid accounting standard, the Company has recorded the investment at a Nil value and the balance amount of Rs. 2,933,632 has been recorded as loss on fair value accounting of investments.

3.13 On August 31, 2011, the Company has sold its investment in CISGI to Waltham Holdings Limited, Jersey, Channel Islands, a fellow subsidiary, for a nominal consideration of Rs. 46. This consideration has been arrived based on the valuation done by the two independent valuation experts. The transaction has been approved by the Board of directors of the company in the meeting held on August 30, 2011. The carrying value of investments on the date of disposal was Rs. Nil. The Company has recognised a profit on sale of subsidiary of Rs. 46.

(Rs. '000)

3.14 On June 13, 2011, the Company entered into a Share Purchase Agreement with Xchanging Procurement Pty Limited, Australia, a fellow subsidiary, for sale of shares held by the Company in Cambridge Integrated Services Victoria Pty Ltd, Australia, a wholly owned subsidiary of the Company ('CISV') for a consideration of Rs. 745,856. This consideration has been arrived based on the valuation done by the two reputed independent valuation experts. The transaction has been approved by the Board of directors of the comapny in the meeting held on June 13, 2011. The initial Investment value of Rs. 240,625 was increased pursuant to a Court merger scheme in an earlier year by Rs. 637,382. The Company has recognised a loss on sale of subsidiary of Rs. 132,151.

3.15 The Company has strategic investment amounting to Rs. 676,789 (2010: Rs. 676,789) in Cambridge Solutions & Services Inc. (formerly Scandent Group Inc.,) its wholly owned subsidiary. Further, the Company has granted loans and advances aggregating to Rs. 1,728,301 (2010: Rs. 1,732,980) and also has receivables (net of payables and provision) from the subsidiary amounting to Rs 272,940 (2010: Rs. 256,870). Based on assessment of diminution in the value of investments and evaluation of recoverability of other balances, the Company, has made a provision of Rs:158,843 (2010: Nil) against the investments towards diminution in value considering it to be "a decline other than temporary" and Rs. 1,728,301 (2010: Rs. 741,387) against the loans and advances considering it to be doubtful of recovery. The Company tested the investment for impairment using cash flow forecasts based on approved budgets and using a discounted cash flow method. The Company considers CSSI a strategic long term investment and based on future growth projections, in the opinion of the management, the remaining value of the investments is not impaired. Further, based on the aforesaid evaluation of recoverability, the entire receivables is considered good and recoverable.

3.16 The Company has strategic investments amounting to Rs. 222,194 (2010: Rs. 222,194) in Cambridge Solutions Europe Ltd., UK ("CSEL"), its wholly owned subsidiary. Based on assessment of diminution in the value of investments, the Company, has made a provision of Rs: 153,379 (2010: Nil) considering it to be "a decline other than temporary". The Company tested the investment for impairment using cash flow forecasts based on approved budgets and using a discounted cash flow method. The Company considers CSEL a strategic long term investment and based on future growth projections, in the opinion of the management, the remaining value of the investments is not impaired.

3.17 On June 16, 2011, the Company entered into a Business Transfer Agreement with Xchanging Technology Services India Private Limited (XTSI), a fellow subsidiary, for sale of its India BPO business including its Investments in Cambridge Builders Private Limited ('CBPL'), a wholly owned subsidiary of the Company, on a slump sale basis for consideration of Rs. 2,997,502. This consideration has been arrived based on the valuation done by the two reputed independent valuation experts. The transaction has been approved by the Board of Directors in the meeting held on June 13, 2011. Thereafter, a postal ballot process for shareholders approval was initiated on June 18, 2011 and completed on July 19, 2011. The transaction was finally concluded on July 21, 2011. The net asset value of the operation as on the date of disposal was Rs. 179,293. The Company has recognised a profit on sale of operation of Rs. 2,806,054 (net of tax of Nil) after adjusting transaction costs of Rs. 12,155.

Pursuant to the above, the India BPO business has been considered as discontinued operations. The following statement shows revenue and expenses in respect of the ordinary activities attributable to the discontinued operations of the business:

	For the year end December 31, 2011	**For the year end December 31, 2010**
Revenue	845,935	1,333,233
Expense	594,912	1,021,358
Profit Before Tax	251,023	311,875
Taxes	124,177	45,933
Profit After Tax	126,846	265,942

(Rs. '000)

The carrying amount of total assets and liabilities pertaining to the discontinued operations of the business are as follows:

	As at July 21, 2011	**As at December 31,2010**
Total Assets	384,768	367,905
Total Liabilities	205,475	158,922

Net cash flows attributable to the discontinued operations of the business are as follows:

	As at July 21, 2011	**As at December 31,2010**
Operating	292,796	459,160
Investing	(20,650)	(29,621)
Financing	(278,249)	(414,951)
Net cash inflows / (outflows)	**(6,103)**	**14,588**

Due to certain procedural matters relating to approval from authorities of Special Economic Zone (SEZ), the legal ownership of CBPL has not been transferred to date, but management control has been transferred to XTSI effective July 21, 2011. The Company has received confirmation from the Office of Development Commissioner SEZ vide their letter dated September 29, 2011 for proposed transfer of legal ownership. Though there is no specific requirement under SEZ Act to take Board of Approval (BOA) approval before transferring legal ownership; however, as a matter of abundant caution, the Company has applied for BOA approval also and in due course, the legal ownership of CBPL will be transferred.

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

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

(Rs. '000)

3.20 **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**

		2011	2010
(i)	**Auditors' remuneration (*)** (included under Legal and Professional)		
	Statutory audit	2,875	3,000
	Audit of tax accounts and tax audit	1,300	1,300
	Limited review of quarterly financial results	2,905	3,420
	Certifications	780	250
	Out-of-pocket expenses	784	866

(*) Excludes service tax.

		2011	2010
(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:

	2011	2010
Net Profit before taxation	-	3,594
Add : Depreciation charged in the accounts	-	139,213
Directors' remuneration	-	8,720
Exceptional item - provision for 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**

		2011	2010
(iii)	**Earnings in foreign currency**		
	FOB value of exports	1,677,092	2,046,103

		2011	2010
(iv)	**Expenditure in foreign currency**		
	Project work expenses	24,965	133,078
	Travelling	9,748	31,954
	Interest	2,824	5,593
	Communication	14,295	12,971
	Others	48,501	92,761

		2011	2010
(v)	**Value of imports calculated on CIF basis**		
	Capital goods	9,372	9,182

(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.

(Rs. '000)

3.21 Capital Commitments

Estimated amount of contracts remaining to be executed on capital account, net of advances	46,139	13,796

3.22 Figures in the accounts and notes are all in rupees thousands except for certain figures in the notes on Schedules 1 and note 3.7 and 3.10 above.

3.23 Prior year comparatives

Previous year's figures have been regrouped/ reclassified, wherever necessary to conform to current year's presentation. Considering the sale of businesses and investments as explained in notes 3.13, 3.14 and 3.17 at various points of time during the year, the current year numbers are strictly not comparable with the prior period numbers.

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

Shivakumar Hegde
Partner
Membership Number: 204627
Place : Bangalore
Date : February 29, 2012

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

Kenneth Lever
Executive Chairman &
Chief Executive Officer
Place : London, UK
Date : February 29, 2012

David Bauernfeind
Executive Director

Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : February 29, 2012

Vijayamahantesh Khannur
Company Secretary

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 2011		

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	38,680
Reserves & Surplus	848,046	Investments	587,440
Secured Loans	15,011	Deferred Tax Assets	-
Unsecured Loans	-	Net Current Assets	785,652
Deferred Tax Liabilities	-	Miscellaneous Expenditure	-
		Accumulated Losses	565,322

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

Turnover (including Other Incomes)	1,860,836	Total Expenditure	3,057,566
Profit/(Loss) Before Tax	(1,196,730)	Profit/(Loss) After Tax	(1,295,516)
Earning per Share in Rs.	(11.63)	Dividend %	-

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

Item Code No. (ITC Code)
Product Description
Item Code No. (ITC Code)
Product Description
Item Code No. (ITC Code)
Product Description

The Company is engaged in providing business processing services and software development support services. Item codes have not been defined for these services.

For and on behalf of Board of Directors

Kenneth Lever
Executive Chairman &
Chief Executive Officer
Place : London, UK
Date : February 29, 2012

David Bauernfeind
Executive Director

Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : February 29, 2012

Vijayamahantesh Khannur
Company Secretary

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

Relating to the subsidiary companies for the period ended December 31, 2011

1	Name of the Subsidiary Company	Cambridge Solutions & Services Inc., USA (Formerly Scandent Group Inc.,USA)	Nexplicit India Infotech Private Limited, India	Indigo Markets Limted, Bermuda	Cambridge Solutions Europe Limited, UK (Formerly Scandent Network Europe Limited, UK)	Cambridge Solutions (Xchang-ing) Pte Limited, Singapore (Formerly Cambridge Solutions Pte Limited Singapore)	Cambridge Solutions Sdn, Bhd, Malyasia (Formerly Scandent Group Sdn, Bhd, Malyasia)	Cambridge Solutions, France, SARL, France	Cambridge Builders Private Limited, India
2	Financial Year of the subsidiary company	31st December 2011	31st December 2011	31st December 2011	31st December 2011	31st December 2011	31st December 2011	31st December 2011	31st December 2011
3	No. of shares held in Subsidiary Company as on above date	9,930,062	10,000	12,000	2,664,278	2,300,000	250,000	Nil	Nil
4	% of holding (Equity)	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, 2011	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b.	Not Dealt with in the Account of the company for the year ended December 31, 2011	USD (2,752,493)	INR (1,018,493)	USD 23,292	GBP (445,229)	SGD 233,287	RM 650,911	EURO 170,512	INR (522,633)
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, 2011	Nil	Nil		Nil	Nil	Nil	Nil	Nil
b.	Not Dealt with in the Account of the company for the year ended December 31, 2011	USD (70,100,251)	INR 8,102,873	USD (423)	GBP (1,433,756)	SGD 632,885	RM 3,352,156	EURO (452,652)	INR (515,468)

STATEMENT PURSUANT TO SECTION 212 (1)(E) OF THE COMPANIES ACT, 1956 RELATING TO THE SUBSIDIARY COMPANIES FOR THE PERIOD ENDED DECEMBER 31, 2011

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

Relating to the subsidiary companies for the period ended December 31, 2011

1	Name of the Subsidiary Company	Cambridge Solutions Pty Limited, Australia	Cambridge Galahar Settlements & Insurance Services, USA	Cambridge Intergreted Services Group Inc., USA	ProcessMind Holdings Mauritius Limited, Mauritius	Cambridge Integreted Services Victoria Pty Limited, Australia	Cambridge Integreted Services Australia Pty Limited, Australia
2	Financial Year of the subsidiary company	31st December 2011	31st December 2011	31st December 2011	31st December 2011	31st December 2011	31st December 2011
3	No. of shares held in Subsidiary Company as on above date	10,000	Nil	Nil	Nil	Nil	Nil
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 menbers of the company	-	-	-	-	-	-
a.	Dealt with in the Account of the company for the year ended December 31, 2011	Nil	Nil	Nil	Nil	Nil	Nil
b.	Not Dealt with in the Account of the company for the year ended December 31, 2011	AUD (44,620)	-	USD (32,032,221)	USD (1,500)	AUD 14,981	AUD 749,910
6	The net aggregate of Profit / (Losses) of the subsidiary companies for the previous financial years since it bacame 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, 2011	Nil	Nil	Nil	Nil	Nil	Nil
b.	Not Dealt with in the Account of the company for the year ended December 31, 2011	AUD 42,607	-	USD (105,933,534)	USD 3,415,457	AUD 7,407,658	AUD (6,808,172)

Note:

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

STATEMENT PURSUANT TO SECTION 212 (1)(E) OF THE COMPANIES ACT, 1956 RELATING TO THE SUBSIDIARY COMPANIES FOR THE PERIOD ENDED DECEMBER 31, 2011

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

Sl No	Name of the Subsidiary Company	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Investment other than investment in subsidiary	Turnover	Profit/ (Loss) before taxation	Provision for taxation	Profit/ (Loss) after taxation	Proposed dividend	Country
1	Cambridge Solutions & Services Inc.(Formerly Scandent Group Inc.)	54.29	539.07	(2,894.04)	302.44	2,657.42	-	762.03	(148.61)	0.82	(149.42)	-	U.S.A
2	Cambridge Solutions Europe Limited (Formerly Scandent Network Europe Limited)	83.89	223.50	(157.63)	216.57	150.69	-	362.15	(37.35)	-	(37.35)	-	U.K.
3	Cambridge Solutions (Xchanging) Pte Limited (Formerly Cambridge Solutions Pte Limited)	41.80	96.14	41.50	301.81	164.16	-	553.57	12.55	2.80	9.75	-	SINGAPORE
4	Cambridge Solutions Sdn, Bhd (Formerly Scandent Group Sdn, Bhd)	17.12	4.28	68.52	74.32	1.53	-	26.50	11.14	-	11.14	-	MALAYSIA
5	Indigo Markets Limted	54.29	-	-	-	-	-	1.18	1.09	-	1.09	-	BERMUDA
6	Cambridge Solutions France SARL	70.29	-	-	-	-	-	*123.62*	11.27	-	11.27	-	FRANCE
7	Cambridge Integrated Services Australia Pty Limited	55.24	-	-	-	-	-	*361.91*	3.77	*3.18*	0.60	-	AUSTRALIA
8	Cambridge Galaher Settlements & Insurance Services	54.29	-	-	-	-	-	-	-	-	-	-	U.S.A
9	Cambridge Integrated Services Victoria Pty Limited	55.24	-	-	-	-	-	591.39	59.59	*18.73*	40.86	-	AUSTRALIA
10	Cambridge Integrated Services Group Inc.	54.29	-	-	-	-	-	*2,025.12*	*(1,451.19)*	*2.26*	*(1,453.45)*	-	U.S.A
11	ProcessMind Holdings Mauritius Limited	54.29	-	-	-	-	-	-	(0.07)	-	(0.07)	-	MAURITIUS
12	Nexplicit India Infotech Private Limited	1.00	0.10	10.05	16.90	6.75	-	-	1.02	-	1.02	-	INDIA
13	Cambridge Solutions Pty Limited	55.24	0.55	(0.11)	0.44	-	-	*0.10*	(2.47)	-	(2.47)	-	AUSTRALIA
14	Cambridge Builders Private Limited	1.00	-	-	-	-	-	*0.02*	(0.52)	-	(0.52)	-	INDIA

Note:

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

Auditors' Report

To

The Board of Directors of 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, 2011, 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 7 subsidiaries included in the consolidated financial statements, which constitute total assets of Rs. 22,183,781 and net assets of Rs. 14,016,204 as at December 31, 2011, total revenue of Rs. 123,621,528, net losst of Rs. 12,881,287 and net cash flows amounting to Rs. 3,788,118 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, 2011;
   (b) in the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date: and
   (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

6. We draw your attention to Note 3.22 on Schedule 18, regarding redemption of certain debentures, aggregating to Rs. 62,500,000 by the Company in the year 2007; subsequent order of the Hon'ble High Court of adjudicture at Madras restraining the Company from reflecting the redemption of debentures and to continue to show it as due and payable consequent to a petition filed by a third party ; and non-reversal of the aforesaid redemption of debentures in the books of account of the Company pending admission and disposal of the appeal filed by the Company with the Hon'ble High Court of adjudicature of Madras on July 26, 2011. Depending on the outcome of the Company's appeal, significant adjustments may be required to be made and reflected in the subsequent period financial reporting. Our opinion is not qualified in this respect.

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

Shivakumar Hegde
Partner
Membership No.: 204627

Bangalore
February 29, 2012

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2011

CAMBRIDGE SOLUTIONS LIMITED

(Rs. '000)

	Schedule	2011	2010
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	1,114,037	1,114,037
Reserves and surplus	2	1,255,587	1,844,715
		2,369,624	2,958,752
Loan Funds			
Secured loans	3	15,011	402,425
Unsecured Loans	4	-	4,358,310
		15,011	4,760,735
		2,384,635	**7,719,487**
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross block (at cost)		2,539,071	9,095,846
Less: Depreciation		896,716	5,366,100
Net block		1,642,355	3,729,746
Capital work-in-progress		-	94,031
		1,642,355	3,823,777
Deferred Tax Asset (net)		-	41,462
Investments	6	-	-
Current Assets, Loans and Advances			
Sundry debtors	7	616,168	1,360,706
Cash and bank balances	8	412,324	895,500
Other current assets	9	79,260	131,224
Loans and advances	10	404,393	434,154
		1,512,145	2,821,584
Less: Current Liabilities and Provisions			
Liabilities	11	613,033	2,369,860
Provisions	12	156,832	2,089,113
		769,865	4,458,973
Net Current Assets		742,280	(1,637,389)
Profit and Loss Account		-	5,491,637
		2,384,635	**7,719,487**
Notes on Accounts	18		

The schedules 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 29, 2012

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

Kenneth Lever
Executive Chairman &
Chief Executive Officer
Place : London, UK
Date : February 29, 2012

David Bauernfeind
Executive Director

Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : February 29, 2012

Vijayamahantesh Khannur
Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2011

CAMBRIDGE SOLUTIONS LIMITED

(Rs. '000)

	Schedule	2011	2010
INCOME			
Services revenue	13	5,518,090	10,577,054
Other income	14	398,480	235,909
		5,916,570	**10,812,963**
EXPENDITURE			
Employee costs	15	3,634,142	6,185,222
Other operating costs	16	1,961,441	3,777,625
		5,595,583	**9,962,847**
Profit before depreciation, amortisation, exceptional items, finance cost and taxation		320,987	850,116
Depreciation and amortisation	5	131,864	281,698
Finance costs	17	51,837	337,018
Profit / (Loss) before exceptional items and taxation		**137,286**	**231,400**
Exceptional items - (loss)/ gain (refer note 3.2 on Schedule 18)		5,363,145	(845,396)
Profit/ (Loss) before taxation		5,500,431	(613,996)
Consisting of :			
Profit before taxation from Continuing Operations:			
Profit before tax from operations		1,274,675	(1,057,166)
Profit/ (Loss) before taxation from Discontinued Operations:			
(Loss) before tax from operations		(1,137,389)	(402,226)
Profit from sale of subsidiaries (included in exceptional items)		4,836,843	-
Exceptional items (loss)/ gain - Others		526,302	845,396
		5,500,431	**(613,996)**
Provision for taxation from Continuing Operations:			
Current tax		21,918	8,137
MAT credit entitlement		(43,508)	(30,043)
Provision for taxation from Discontinued Operations:			
Current tax		130,511	139,658
Deferred tax charge / (credit)		11,487	(76,080)
Fringe benefit tax		6,353	5,737
Total tax expense		**126,761**	**47,409**
Profit/ (Loss) after taxation		**5,373,670**	**(661,405)**
Net (loss) brought forward from prior year		(5,491,637)	(4,830,232)
Net (Loss) carried to the Balance Sheet		**(117,967)**	**(5,491,637)**
Earnings/ (Loss) per share [equity shares, par value of Rs. 10 (2010: Rs. 10)]			
Basic		48.24	(5.94)
Diluted		48.23	(5.94)
Notes on Accounts	18		

The schedules 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 29, 2012

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

Kenneth Lever
Executive Chairman & Chief Executive Officer
Place : London, UK
Date : February 29, 2012

David Bauernfeind
Executive Director

Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : February 29, 2012

Vijayamahantesh Khannur
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011

CAMBRIDGE SOLUTIONS LIMITED

			(Rs. '000)
		2011	**2010**
A.	**Cash flow from operating activities**		
	Profit/(Loss) before taxation	**5,500,431**	**(613,996)**
	Adjustments for:		
	Depreciation and amortisation	131,864	1,045,007
	(Profit) / Loss on sale of fixed assets	(388)	3,745
	(Profit) / Loss on sale of discontinued operations	(4,836,843)	-
	Foreign exchange (gain)/ loss (net) - unrealised	46,768	(70,148)
	Interest income	(23,729)	(10,792)
	Write back of liability	(263,854)	(19,059)
	Provision for onerous customer contracts	-	113,622
	Provision for/ (writeback of) onerous lease contracts	-	(58,263)
	Bad debts	86,064	191,093
	Provision for/ (writeback of) doubtful debts	166,243	(212,588)
	Provision for doubtful advances	-	15,923
	Provision for diminution in value of investments	-	47,081
	Interest expense	29,477	289,973
	Operating profit before working capital changes	836,033	721,598
	Movement in working capital :		
	(Increase)/ Decrease in sundry debtors and other current assets	(759,671)	289,183
	(Increase) in loans and advances	(1,478,108)	(106,171)
	Increase /(Decrease) in current liabilities and provisions	543,153	(1,044,286)
	Net cash used in operating activities	(858,593)	(139,676)
	Direct taxes paid, net of refunds	(187,649)	(130,912)
	Net cash used in operating activities (A)	**(1,046,242)**	**(270,588)**
B.	**Cash flows from investing activities**		
	Purchase of fixed assets and intangible assets	(136,561)	(215,575)
	Proceeds from sale of fixed assets	5,995	6,165
	Investment in intercorporate deposits	(90,000)	-
	Interest received	19,362	10,792
	Receipt from disposal of subsidiaries (net)	4,119,763	-
	Net cash used in investing activities (B)	**3,918,559**	**(198,618)**

Consolidated Cash Flow Statement for the year ended December 31, 2011

		(Rs. '000)
	2011	**2010**
C. Cash flows from financing activities		
Proceeds from issue of share capital	-	1,233
(Repayment)/ proceeds from short term bank borrowings	(289,176)	102,767
Proceeds from loans	603,987	1,063,598
(Repayment) of loans (refer note 3 below)	(3,471,336)	(228,750)
(Repayment)/proceeds of loan for purchase of fixed assets and finance lease obligation	128	(38,025)
Interest paid	(61,348)	(69,407)
Net cash used in financing activities (C)	**(3,217,745)**	**831,416**
Net decline in cash and cash equivalents (A + B + C)	**(345,428)**	**362,210**
Cash and cash equivalents at the beginning of the year	895,500	508,051
Effect of changes in exchange rates on cash and cash equivalents	(137,748)	25,239
Cash and cash equivalents at the end of the year	**412,324**	**895,500**
Components of cash and cash equivalents:		
Cash on hand	19	161
Balances with scheduled banks	8,161	50,923
Balances with other banks	205,955	840,235
Fixed deposits *	198,189	4,181
	412,324	**895,500**

* Fixed deposits include Rs.6,380 (2010: Rs.1,660) retained as margin money for Bank Guarantee

Notes:

(1) The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at December 31, 2011 and the related Profit and Loss Account for the year ended on that date.

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

(3) This includes payments made on account of invocation of corporate guarantee (refer note 3.17)

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

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 29, 2012

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

Kenneth Lever
Executive Chairman &
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Place : London, UK
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David Bauernfeind
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Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : February 29, 2012

Vijayamahantesh Khannur
Company Secretary

CAMBRIDGE SOLUTIONS LIMITED

(Rs. '000)

	2011	2010
1. CAPITAL		
Authorised capital		
125,000,000 (2010: 125,000,000) Equity shares of Rs. 10 each	1,250,000	1,250,000
Issued, subscribed and paid-up capital		
111,403,716 (2010: 111,403,716) Equity shares of Rs. 10 each fully paid	1,114,037	1,114,037
	1,114,037	**1,114,037**

Notes:

(i) Of the above:

a) 74,757,507 (2010: 74,757,507) shares were allotted at par to the shareholders/ awardholders of Cambridge Services Holdings LLC, USA, pursuant to a merger scheme. These shares were issued for consideration other than cash.

b) Nil (2010: 21,667) shares have been allotted at a premium of Rs. Nil (2010: 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 was reduced from Rs. 328,445 (2010: Rs. 328,445) to Rs. 131,590 (2010: Rs. 131,590) and the capital reduction of Rs. 196,855 (2010: Rs. 196,855) was 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 disclosed in Note 3.10.

	2011	2010
2. RESERVES AND SURPLUS		
Capital reserve (refer note below)	36,117	36,117
Securities premium		
As at last balance sheet date	841,660	840,644
Add: Share premium on Employee Stock Options exercised during the year	-	1,016
Balance, end of the year	841,660	841,660
Stock compensation adjustment		
As at last balance sheet date	684	684
Balance, end of the year	684	684
General reserve		
As at last balance sheet date	561,186	561,186
Less: transferred to Profit and Loss Account balance	(561,186)	-
Balance, end of the year	-	561,186
Foreign currency translation reserve, end of the year	(66,093)	405,068
Profit and loss account balance:		
As at last balance sheet date	-	-
Add: transferred from General reserve	561,186	-
Add:(Loss) tranferred from Profit and Loss Account	(117,967)	-
Balance, end of the year	443,219	-
	1,255,587	1,844,715

Note:

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

	2011	2010
		(Rs. '000)
3. SECURED LOANS		
From Banks		
Cash/ export credit facility [Note (i)]	-	289,176
Term loan [Notes (ii)]	-	71,250
[Repayable within one year Rs. Nil (2010: Rs. 71,250)]	**-**	**360,426**
From Others		
Loans for purchase of fixed assets [Note (iii)]	15,011	13,372
Finance lease obligation [Note (iv)]	-	28,627
	15,011	41,999
	15,011	**402,425**

Notes :

(i) During the year the group has repaid and closed the Cash credit facility with Axis Bank and Yes Bank, and the Export Packing credit facility with State Bank of India.

(ii) During the year the group has repaid and closed the Corporate Loan facility with Bank of India and the Term Loan facility with Yes Bank.

(iii) The Group has obtained vehicles under a financing arrangement. The loan is repayable over two to five years and secured by assets taken against the loan. As at December 31, 2011, Rs. 15,011 (2010: Rs. 13,372) was outstanding against the financing arrangements.

(iv) The Group had has obtained vehicles on finance lease for a period of five years. During the year the lease has been transferred to Xchanging Technology Services India Private Limited (XTSI) on sale of BPO division (refer note 3.19).

(Rs. '000)

	2011	2010
4. UNSECURED LOANS		
Loans from others [Notes (i) to (iv)]	-	4,167,914
Interest accrued and due thereon	-	179,185
Receivable purchase facility [Note (v)]	-	11,211
	-	**4,358,310**

Notes:

(i) On February 11, 2009, Xchanging UK Limited, UK ("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. During the year, the Group disposed off its investment in CISGI. (Refer note 3.16 regarding sale of CISGI Investment)

(ii) During the year, a facility of Rs. 200,000 sanctioned to the Group for general corporate purposes by Xchanging Technology Services India Private Ltd. (XTSI), a fellow subsidiary has been repaid.

(iii) On June 25, 2009, XUK sanctioned a term loan facility of US$ 55 million to CISGI which was increased to US $ 66 Million in 2010. The Group has provided a corporate guarantee of US$ 66 million to XUK for this loan facility. During the year, XUK invoked the corporate guarantee and the Group repaid the outstanding loan of US$ 65.6 million (refer to note 3.17 regarding invocation of corporate guarantee)

(iv) On July 21, 2010, XTSI sanctioned a loan of Rs. 55,000 to Cambridge Builders Private Limited, (CBPL) wholly owned subsidiary. During the year the loan amount is increased to Rs. 95,000. Further during the year, the Group disposed of its investment in CBPL (Refer note 3.19 on sale of BPO division).

(v) On January 8, 2008, Cambridge Solutions France SARL, a wholly owned subsidiary, entered into a receivable purchase agreement with Natixis Factor, France. During the year, the Group disposed of its investments in Cambridge Solutions France SARL (Refer note 3.20 on sale of Cambridge France).

5. FIXED ASSETS

(Rs. '000)

	Gross Block (at cost)						Depreciation							Net Block		
	2010	Additions	Deletions	Translation	Deduction discontinued operations	2011	2010	For the year	Impairment	Deletions	Translation	Deduction discontinued operations	2011	2011	2010
Tangible:															
Leasehold Improvements	357,463	34,561	28,030	9,262	305,152	68,104	265,381	41,857	-	27,026	4,937	238,126	47,023	21,081	92,082
Computers	584,462	23,497	10,592	15,322	368,119	244,570	532,989	25,579	-	10,603	14,946	334,251	228,660	15,910	51,473
Vehicles	35,574	16,257	2,365	-	11,050	38,416	23,817	8,047	-	2,234	-	5,114	24,516	13,900	11,757
Office Equipment	452,530	4,974	9,117	94	414,893	33,588	367,190	24,435	-	10,039	483	354,254	27,815	5,773	85,340
Furniture and Fittings	415,796	19,362	108,503	1,396	293,939	34,112	358,937	13,534	-	103,091	939	237,690	32,629	1,483	56,859
Intangible															
Goodwill arising on consolidation	4,028,165	-	-	-	2,417,284	1,610,881	677,190	-	-	-	-	650,000	27,190	1,583,691	3,350,975
Goodwill acquired	67,306	-	-	-	-	67,306	67,306	-	-	-	-	-	67,306	-	-
Computer software	3,098,422	2,164	-	57,508	2,716,000	442,094	3,034,251	13,135	-	8	57,964	2,663,765	441,577	517	64,171
License to use intellectual property	56,128	-	-	(403)	55,725	-	39,039	5,277	-	-	1,043	45,359	-	-	17,089
Total	9,095,846	100,815	158,607	83,179	6,582,162	2,539,071	5,366,100	131,864	-	153,001	80,309	4,528,559	896,716	1,642,355	3,729,746
2010	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
Capital work-in-progress (including capital advances: Rs.Nil (2010: Rs.10,065)]														-	94,031

(i) Computers and office equipment include assets taken under finance lease. All vehicles are either taken on loan or acquired under 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	
	2011	2010	2011	2010	2011	2010
Computers	-	10,197	-	10,197	-	-
Vehicles	-	4,475	-	3,819	-	656.00
Office Equipment	-	189,514	-	162,400	-	27,114.00
	-	**204,186**	**-**	**176,416**	**-**	**27,770**

(ii) As at December 31, 2011, the Gross and net book value of Rs.Nil (2010: Rs.79,053) and Rs.Nil (2010: Rs.23,622) respectively are being used by a sub-lessee. The Group has recorded depreciation charge of Rs.9,874 (2010: Rs.13,442) for these assets during the year ended December 31, 2011.

(iii) Depreciation during the year includes impairment of computer software for Rs.Nil (2010 Rs.113,309) and impairment of goodwill arising on consolidation Rs.Nil (2010: Rs.650,000) (refer note 3.17).

(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)

	2011	2010
6. INVESTMENTS (Unquoted, long term at cost, fully paid-up)		
Trade:		
4,938,297 (2010: 4,938,297) Class A common stock of BIGeREALESTATE, Inc. USA	136,647	136,647
(Less): Provision for diminution in value of investment	(136,647)	(136,647)
	-	-

7. SUNDRY DEBTORS (Unsecured)

	2011	2010
Debts outstanding for a period exceeding six months		
Considered good	47,793	201,727
Considered doubtful	157,912	260,854
Other debts		
Considered good	568,375	1,158,979
Considered doubtful	14,980	4,091
	789,060	1,625,651
(Less): Provision for doubtful debts	(172,892)	(264,945)
	616,168	**1,360,706**

Notes:

(i) Sundry debtors include unbilled revenue amounting to Rs. 25,810 (2010: Rs. 8,234) exceeding six months and Rs. 163,571 (2010: Rs. 365,654) under other debts, which are considered good.

(ii) Sundry debtors include unbilled revenue amounting to Rs. 5,893 (2010: Rs. Nil) exceeding six months and Rs. 2,229 (2010: Rs. Nil) under other debts, which are considered doubtful and has been fully provided.

8. CASH AND BANK BALANCES

	2011	2010
Cash on hand	19	161
Balances with scheduled banks:		
- Current accounts	8,161	50,923
- Fixed deposits (Note)	198,189	4,181
Balances with Other banks:		
- Current accounts	205,955	840,235
	412,324	**895,500**

Note:

Fixed deposits include Rs. 6,380 (2010: Rs. 1,660) retained as margin money for bank guarantee.

9. OTHER CURRENT ASSETS (Unsecured, considered good except stated otherwise)

	2011	2010
Other deposits [including considered doubtful: Rs. 13,714 (2010: Rs. 13,714)]	92,974	144,938
(Less): Provision for doubtful deposits	(13,714)	(13,714)
	79,260	**131,224**

10. LOANS AND ADVANCES (Unsecured)

	2011	2010
Considered good		
Dues from fellow Subsidiaries	123,228	73,754
Advances recoverable in cash or kind or for value to be received	155,168	274,876
Minimum Alternative Tax (MAT) credit entitlement	125,997	82,489
Advance tax [net of provision Rs. Nil (2010: Rs. 172,156)]	-	3,035
	404,393	434,154
Considered doubtful		
Advances recoverable in cash or kind or for value to be received	39,109	42,528
Less: Provision for doubtful advances	(39,109)	(42,528)
	-	-
	404,393	**434,154**

(Rs. '000)

	2011	2010
11. LIABILITIES		
Sundry creditors	507,501	1,144,316
Dues to fellow subsidiaries:		
- Expense Payable	6,656	107,364
- Interest accrued but not due	-	59,334
Book Overdraft	-	14,999
Interest accrued but not due	-	495
Advance from customers	55,178	346,604
Deferred revenue	-	512,604
Other liabilities	43,698	184,144
	613,033	**2,369,860**
12. PROVISIONS		
Taxation [net of advance tax: Rs. 282,184 (2010: Rs. 2,345)]	35,677	118,052
Gratuity	32,596	28,694
Compensated absences	68,045	233,772
Onerous lease contracts	17,314	530,398
Restructuring	-	17,303
Onerous customer contracts	-	253,743
Litigation and others	3,200	907,151
	156,832	**2,089,113**

(Rs. '000)

		2011	2010
13.	**SERVICES REVENUE**		
	Software services	2,089,566	2,150,753
	Claims Service fee	2,679,877	7,294,451
	Information Technology enabled Services	748,647	1,131,850
		5,518,090	**10,577,054**
14.	**OTHER INCOME**		
	Interest Income	18,876	10,792
	Interest income on loan to related party	4,853	-
	Sub-lease rental income [including premises facility and maintenance income Rs. 11,771 (2010: Rs. 43,831)]	52,467	102,909
	Profit on sale of fixed assets (net)	388	-
	Provision for doubtful debts written back (net)	-	212,588
	Liability no longer required written back	263,854	19,059
	Exchange gain (net)	54,192	(132,803)
	Miscellaneous income	3,850	23,364
		398,480	**235,909**
15.	**EMPLOYEE COSTS**		
	Salaries, allowances and bonus	3,192,709	5,329,909
	Contribution to provident and other funds	156,491	376,029
	Staff welfare	261,487	427,003
	Recruitment and relocation	23,455	52,281
		3,634,142	**6,185,222**
16.	**OTHER OPERATING COSTS**		
	Project work expense	164,917	508,399
	Claims work expense	432,050	1,123,374
	Travelling and conveyance	154,254	275,276
	Rent and hire charges	360,668	558,135
	Communication	143,523	273,491
	Power and fuel	56,377	104,989
	Insurance	51,278	94,146
	Rates and taxes	25,803	46,629
	Repairs and maintenance:		
	- Computer equipment	48,879	95,248
	- Others	53,939	110,741
	Legal and professional	136,875	213,882
	Printing and stationery	20,094	58,797
	Business promotion	26,903	33,669
	Loss on sale of fixed assets (net)	-	3,745
	Bad debts written-off	86,064	191,093
	Provision for doubtful debts (net)	166,243	-
	Provision for doubtful advances	-	2,210
	Provision for doubtful deposits	-	13,714
	Miscellaneous	33,574	**70,087**
		1,961,441	**3,777,625**
17.	**FINANCE COST**		
	Loan arrangement and processing fees	4,479	11,285
	Interest on loans	16,261	289,973
	Interest on loan from related party	13,216	-
	Bank charges	17,881	35,760
		51,837	**337,018**

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. Also, refer notes 3.16, 3.18 and 3.19 relating to sale of BPO businesses during the year.

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

- SSI Limited (Information Technology division with operations in India, USA and several other countries).
- Scandent Group Limited, Mauritius (with operations in USA, Singapore, Germany, etc.).
- 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% (2010: 75.62%) 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.

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

Name of the shareholder	2011	2010
Xchanging (Mauritius) Limited	75.62%	75.62%
Scandent Holding Mauritius Limited	11.82%	11.82%
AON Minet Pension Scheme	3.77%	3.77%
Katra Finance Limited	2.70%	2.70%
Others	6.09%	6.09%
	100.00%	**100.00%**

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

The consolidated financial statements of the Group have been prepared based on a line-by-line consolidation of the balance sheet, profit and loss account and cash flow statement of the Company and its subsidiaries as at and for the year ended December 31, 2011. 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 are given below:

Name of the Subsidiary	Country of incorporation	Ownership interest
Direct subsidiaries:		
Cambridge Solutions (Xchanging) Pte Limited (formerly Cambridge Solutions Pte Limited)	Singapore	100%
Cambridge Solutions Europe Limited	United Kingdom	100%
Cambridge Solutions & Services Inc. (formerly Scandent Group Inc.,)	USA	100%
Indigo Markets Limited [Note (vi)]	Bermuda	100%
Cambridge Integrated Services Victoria Pty Limited [Note (ii)]	Australia	100%
Cambridge Integrated Services Group Inc. [Note (iv)]	USA	100%
Cambridge Builders Private Limited [Note (iii)]	India	100%
Step down subsidiaries:		
Cambridge Galaher Settlements & Insurance Services [Note (i)]	USA	100%
Cambridge Integrated Services Australia Pty Limited [Note (ii)]	Australia	100%
Cambridge Solutions France SARL [Note (v)]	France	100%
Cambridge Solutions Pty Limited	Australia	100%
Nexplicit India Infotech Private Limited	India	100%
ProcessMind Holding Mauritius Limited [Note (iv)]	Mauritius	100%
Cambridge Solutions Sdn Bhd (formerly Scandent Group Sdn Bhd)	Malaysia	100%

Notes:

(i) Investment in Cambridge Galaher Settlements & Insurance Services has been sold to Sedgwick Claims Management Services, Inc, USA with effect from May 31, 2011.

(ii) Investment in Cambridge Integrated Services Victoria Pty Limited, Australia and its wholly owned subsidiary Cambridge Integrated Services Australia Pty Limited has been sold to Xchanging Procurement Pty Limited, Australia with effect from June 13, 2011.

(iii) Management control of Cambridge Builders Private Limited has been transferred to Xchanging Technology Services India Private Limited with effect from July 22, 2011.

(iv) Investment in Cambridge Integrated Services Group Inc., USA and its wholly owned subsidiary Process Mind Holding Mauritius Limited has been sold to Waltham Holdings Limited, Jersey, Channel Islands with effect from August 31, 2011.

(v) Investment in Cambridge Solutions France SARL has been sold to the erstwhile owners of the entity with effect from October 28, 2011.

(vi) Indigo Markets Limited has been liquidated ,subsequent to the year end on January 10,2012.

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

(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	2 to 4
Vehicles	2 to 5
Office equipment	3 to 5
Furniture and fittings	5 to 10

(iii) Leasehold improvements are amortised over the period of lease or five years, whichever is lower. Assets acquired on finance lease are depreciated at the lower of lease term and estimated useful life as stated above.

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.

(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.

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

2.10 Impairment of assets

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

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

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

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

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

(vi) 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.

(vii) 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.

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

(Rs. '000)

(ix) 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.

(x) 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.

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

2.12 Foreign currency transactions

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting the Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in 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.

(Rs.'000)

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

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

2.13 Employee benefits

(a) Short term employee benefits:

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

(b) Defined-contribution plans:

The Group's contribution towards 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, namely, Provident Fund, Employee Pension Scheme, etc. are charged to Profit and Loss Account as expense during the period in which the employees perform the service.

(c) Defined-benefit plan:

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

(d) Other long term employee benefits:

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

(e) Actuarial gains and losses:

Actuarial gains and losses comprise experience adjustments and the effect of changes in the actuarial assumptions, and are recognised immediately in the 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.

(Rs. '000)

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 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 Group will pay normal income tax during the specified period.

2.15 Earnings/ (loss) per share

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

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

2.16 Provisions and Contingent Liabilities

Provisions are recognised when the 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.

(Rs. '000)

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.

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.

3.1 Contingent Liabilities:

	2011	2010
Bank Guarantees	6,380	355,253
Income tax matters:		
Assessment year 2004-05 [Note (b)]	5,820	5,820
Assessment year 2005-06 [Note (c)]	119,316	119,316
Assessment year 2006-07 [Note (d)]	13,741	13,741
Assessment year 2007-08 [Note (e)]	7,210	7,210
Assessment year 2008-09 [Note (f)]	35,931	-
Assessment year 2009-10 [Note (f)]	8,530	-
Assessment year 2011-12 [Note (g)]	1,288	-
Limited Risk Model	-	55,541

(Rs. '000)

Notes:

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

(b) Relates to transfer pricing adjustment for arm's length price by the assessing officer and other adjustments which 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 (.2010: Rs. 2,802) has been paid under protest against the demand.

(c) Relates to transfer pricing adjustment for arm's length price by the assessing Officer and other adjustments which are disputed by the Company. The matter is lying under appeal with the Commissioner of Income-tax (Appeals), Bangalore. An amount of Rs. 82,096 (2010: Rs. 30,504) has been paid under protest against the demand.

(d) Relates to certain tax adjustments arrived at by the assessing officer, which is disputed by the Company. An amount of Rs. 7,500 (2010: Rs. 3,800) has been paid under protest against the demand. The Company has filed an appeal with the Income Tax Appellate Tribunal, Bangalore in this regard.

(e) Relates to transfer pricing adjustment for arm's length price by the assessing officer, which is disputed by the Company. The Company has filed an appeal with the Income Tax Appellate Tribunal, Bangalore in this regard.

(f) Relates to withholding tax adjustments arrived at by the assessing officer which is disputed by the Company, and the matter is lying under appeal with the Commissioner of Income- tax (Appeals), Bangalore.

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

Contingent Liabilities does not include the following:

(h) 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, 2011, the Company has availed duty benefits amounting to Rs. 31,235 (2010: Rs. 74,497). The Company has transferred the duty benefits entitlement of its BPO division to the buyer on sale (refer note 3.19). The Company expects to meet its commitment to earn requisite revenue in foreign currency as stipulated by the STPI regulations.

(i) As at December 31, 2011, Cambridge Solutions & Services Inc.,USA (formerly Scandent Group Inc.,) wholly owned subsidiary company has negative net assets amounting to Rs. 2,223,697 (2010: Rs. 1,850,570). While the subsidiary is confident of generating funds from their operations, the Company intends to support the shortfall, if any.

3.2 Exceptional items

During the year, the Group has recorded significant exceptional items aggregating to Rs. 5,363,145 (2010: Rs. 845,396) as detailed below:

	2011	2010
Loss on reassessment of impairment of assets, liabilities and provisions before the sale of Cambridge Integrated Services Group Inc., USA ("CISGI") operations (refer note 3.16)	(19,610)	-
In 2009, the revenue previously recognised on insurance contract with a customer (for rendering field claims services, bill review services and managed care services) was reassessed in the light of revised estimations of costs expected to be incurred to close all outstanding claims. As a result, the Group concluded that the revenue relating to the said contract requires restatement 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, the customer intimated the Group that they wish to cancel the Claims Servicing contract effective from November 30, 2010 and claimed that they have a right under the contract to reimbursement of service fees. The customer also withheld settlement of receivables relating to bill review and managed care services rendered. As at the year end 2010, the net liability represented by deferred revenue has been reclassified to provisions pending resolution/ settlement of the dispute. During the year, this provision has been reversed on sale of CISGI (refer note 3.16)	734,847	-

(Rs. '000)

	2011	2010
The Group has disposed of its subsidiary CISGI's operation along with its investment in Cambridge Galaher Settlements & Insurance Services., USA to Sedgwick Claims Management Services, Inc ("Sedgwick") USA on May 31, 2011 and recognised a profit on sale (refer note 3.16)	187,563	-
Employee cost paid towards vacation pay to employees on termination of their contract with CISGI at the time of transfer of their employment contract to Sedgwick on sale of CISGI's operations (refer note 3.16)	(54,347)	-
The Group has disposed of its investment in Cambridge Integrated Services Victoria Pty Limited, Australia and its wholly owned subsidiary Cambridge Integrated Services Australia Pty Limited to Xchanging Procurement Pty Limited, Australia on June 13, 2011 and recognised a loss on sale (refer note 3.18)	(337,406)	-
The Group has disposed of its BPO operation in India along with its investment in Cambridge Builders Private Limited to Xchanging Technology Services India Private Limited on July 21, 2011 and recognised a profit on sale (refer note 3.19)	2,539,067	-
The Group has written of the full amount of loan provided to CISGI by Cambridge Solutions & Services Inc., USA (formerly Scandent Group Inc.,) before the sale of CISGI on August 31, 2011 (refer note 3.16)	(134,587)	-
The Group has disposed of its investment in Cambridge Integrated Services Group Inc., USA ("CISGI") and its wholly owned subsidiary ProcessMind Holding Mauritius Limited to Waltham Holdings Limited, Jersey, Channel Islands on August 31, 2011 and recognised a profit on sale (refer note 3.16)	2,446,821	-
The Group has disposed of its investment in Cambridge Solutions France SARL during the year and recognised a profit on sale (refer note 3.20)	797	-
The Group has tested Goodwill arising on consolidation for impairment and accordingly recorded an impairment loss.	-	650,000
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.	-	113,622
The Group has reviewed its strategy with respect to investment in BIGeREALESTATE Inc ('BigE'), a US based subsidiary of Cushman & Wakefield. Based on review of 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
The Group has evaluated the onerous lease provision made in the earlier years. Based on such evaluation, the Group has reversed onerous lease provision on account of developments during the year like sub-lease arrangements, cancellation of lease contracts, etc.	-	(98,922)
The Group evaluates the carrying value of intangible assets on a periodic basis. 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 such intangible assets	**-**	**133,615**
	5,363,145	**845,396**

(Rs. '000)

3.3 Employee benefits

Defined contribution plan:

During the year, the Group has recognised Rs. 148,282 (2010: Rs. 264,695) in the Profit and Loss Account relating to defined contribution plans, which are included in the Contribution to Provident and other funds in Schedule15.

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.

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

	2011	**2010**
Opening defined benefit obligation	43,390	34,933
Interest cost	2,420	3,104
Current service cost	7,410	8,828
Benefits paid	(3,007)	(4,739)
Actuarial (gains)/ losses on obligation	(1,620)	(1,403)
Past service cost	-	978
Unrecognised past service cost	-	1,689
Discontinued operations	(15,997)	-
Closing defined benefit obligation	**32,596**	**43,390**

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

	2011	**2010**
Opening fair value of plan assets	15,997	11,507
Expected return	-	1,187
Contributions by employer	-	3,938
Benefits paid	-	(1,058)
Actuarial gains/ (losses)	-	423
Discontinued operations	(15,997)	-
Closing fair value of plan assets	**-**	**15,997**

Details of provision for gratuity (balance sheet):

	2011	**2010**
Defined benefit obligation	(32,596)	(43,390)
Fair value of plan assets	-	15,997
Plan asset/ (liability)	**(32,596)**	**(27,393)**

Net employees benefit expense (recognised in employee cost):

	2011	**2010**
Current service cost	7,410	8,828
Interest cost on benefit obligation	2,420	3,104
Expected return on plan assets	-	(1,188)
Net actuarial (gain)/ loss recognised in the year	(1,621)	(1,826)
Past service cost	-	2,528
Net benefit expense	**8,209**	**11,446**

(Rs. '000)

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

	(%)	
	2011	**2010**
Investments with insurer	-	100%

The principal assumptions used in determining gratuity are shown below:

	(%)	
	2011	**2010**
Expected rate of return on plan assets	N/A	8%
Discount rate	8.25%	8% to 8.25%
Increase in compensation cost	10%	7% to 10%
Retirement age	65	65
Employee turnover	20%	Upto 35-15%; 36-45-5%; 46-55-2%; 55-1%

Amounts for the current and previous periods are as follows:

	2011	**2010**	**2009**	**2008**
Defined benefit obligation	32,596	43,390	34,933	30,714
Plan assets	-	15,997	11,507	5,419
Surplus/ (deficit)	32,596	(27,393)	(23,426)	(25,295)
Experience adjustments on plan liabilities	1,239	(1,403)	(5,735)	3,901
Experience adjustments on plan assets	-	423	841	299

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.

3.4 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'). Also, refer Note 3.16, 3.18 and 3.19 relating to sale of BPO business during the year. Segments have been identified and reported considering industry segments of customers, risks and returns, organisation structure and internal financial reporting systems.

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

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

3.4 SEGMENT REPORTING - Contd.

(Rs. '000)

Particulars	IT		BPO (discontinued operations)		Unallocated		Eliminations		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenues										
External sales	2,089,566	2,150,753	3,428,524	8,426,301	-	-	-	-	5,518,090	10,577,054
Inter-segment transfers	18,776	50,460	-	-	-	-	(18,776)	(50,460)	-	-
Total revenues	**2,108,342**	**2,201,213**	**3,428,524**	**8,426,301**	**-**	**-**	**(18,776)**	**(50,460)**	**5,518,090**	**10,577,054**
Segment result	247,839	23,675	(82,445)	534,897	23,729	10,793	-	(947)	**189,123**	**568,418**
Exceptional items	-	(23,785)	-	172,100	(5,363,145)	697,081	-	-	(5,363,145)	845,396
Segment result before tax and interest	247,839	47,460	(82,445)	362,797	5,386,874	(686,288)	-	(947)	5,552,268	(276,978)
Finance costs	-	-	-	-	(51,837)	(337,018)	-	-	(51,837)	(337,018)
Tax expense	-	-	-	-	(126,761)	(47,409)	-	-	(126,761)	(47,409)
Net profit	**247,839**	**47,460**	**(82,445)**	**362,797**	**5,208,276**	**(1,070,715)**	**-**	**(947)**	**5,373,670**	**(661,405)**
Segment assets and liabilities										
Segment assets	3,154,500	2,553,269	-	4,002,388	-	-	-	-	3,154,500	6,555,657
Inter segment assets	-	-	-	653,876	-	-	-	(653,876)	-	-
Unallocated Assets	-	-	-	-		131,166	-		-	131,166
Total assets	**3,154,500**	**2,553,269**	**-**	**4,656,264**	**-**	**131,166**	**-**	**(653,876)**	**3,154,500**	**6,686,823**
Segment liabilities	784,876	510,977	-	3,770,101	-	-	-	-	784,876	4,281,078
Inter segment liabilities	-	653,878	-	-	-	-	-	(653,878)	-	-
Unallocated Liabilities						4,938,630			-	4,938,630
Total liabilities	**784,876**	**1,164,855**	**-**	**3,770,101**	**-**	**4,938,630**	**-**	**(653,878)**	**784,876**	**9,219,708**
Other segment information										
Capital expenditure	58,259	52,464	54,627	65,969	-	-	-	-	112,886	118,433
Depreciation and amortisation	38,490	39,390	93,374	242,308	-	-	-	-	131,864	281,698
Liability no longer required written back	263,854	12,251	-	6,808	-	-	-	-	263,854	19,059
Impairment provision	-	-	-	763,309	-	-	-	-	-	763,309
Provision for doubtful debts, advances and deposits	166,243	25,907	-	(31,478)	-	-	-	-	166,243	(5,571)
Provision for onerous leases	-	-	-	40,719	-	-	-	-	-	40,719
Provision for onerous customer contracts	-	-	-	113,622	-	-	-	-	-	113,622

(Rs. '000)

3.4 SEGMENT REPORTING - Contd.

Refer table below for disclosures under geographic segment basis:

Revenue	**2011**	**2010**
Australia	1,099,805	1,809,331
Europe	1,340,595	1,399,819
USA	3,032,310	6,800,075
Rest of the World	45,380	567,829
	5,518,090	**10,577,054**

Assets	**2011**	**2010**
Australia	8,219	857,512
Europe	173,052	197,850
USA	279,615	1,189,981
Rest of the World	1,109,475	959,346
Unallocated	1,584,139	3,482,134
	3,154,500	**6,686,823**

Liabilities	**2011**	**2010**
Australia	6,644	763,819
Europe	78,485	115,466
USA	247,414	2,807,051
Rest of the World	452,333	594,742
Unallocated	-	4,938,630
	784,876	**9,219,708**

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 ('XML')
	Subsidiary companies	Cambridge Solutions Europe Limited, UK ('CSEL')
		Cambridge Solutions (Xchanging) Pte Limited, Singapore ('CSPL') (formerly Cambridge Solutions Pte Limited, Singapore)
		Cambridge Solutions Sdn Bhd (formerly Scandent Group Sdn Bhd)
		Cambridge Solutions & Services Inc., USA ("CSSI") (formerly Scandent Group Inc.,)
		Indigo Markets Limited, Bermuda ('IML')
		Cambridge Integrated Services Group Inc., USA ('CISGI') (up to August 31, 2011)
		Cambridge Galaher Settlements & Insurance Services, USA ('CGSIS') (up to May 31, 2011)
		Cambridge Integrated Services Victoria Pty Limited, Australia ('CISVPL') (up to June 13, 2011)

(Rs. '000)

Ref.	Description of relationship	Names of related parties
		Cambridge Integrated Services Australia Pty Limited, Australia ('CISAPL') (up to June 13, 2011)
		Cambridge Solutions Pty Limited, Australia ('CSPL')
		Cambridge Solutions France SARL, France ('CSFS') (up to October 28, 2011)
		ProcessMind Holding Mauritius Limited, Mauritius ('PHML') (up to August 31, 2011)
		Nexplicit India Infotech Private Limited, India ('NIIPL')
		Cambridge Builders Private Limited, India ('CBPL') (up to July 22, 2011)
(b)	**Parties under common control with whom transactions have taken place during the year:**	
	Fellow subsidiaries	Cambridge Integrated Services Group Inc., USA ('CISGI') (from September 1, 2011)
		ProcessMind Holding Mauritius Limited, Mauritius ('PHML') (from September 1, 2011)
		Cambridge Integrated Services Victoria Pty Limited, Australia ('CISVPL') (from June 14, 2011)
		Cambridge Integrated Services Australia Pty Limited, Australia ('CISAPL') (from June 14, 2011)
		Cambridge Builders Private Limited, India ('CBPL') (from July 22, 2011)
		Cambridge Galaher Settlements & Insurance Services, USA ('CGSIS') (from June 1, 2011)
		Xchanging Systems and Service Inc., USA ('XSSI')
		Xchanging Broking Services Limited, UK ('XBSL')
		Xchanging Claim Services Limited, UK ('XCSL')
		Xchanging Global Insurance Solutions Ltd., UK ('XGISL')
		Xchanging Technology Services India Private Limited, India ('XTSIPL')
		Xchanging UK Limited, UK ('XUKL')
		Xchanging GmbH, Germany('XG')
		Xchanging Asia Pacific Sdn Bhd, Malaysia ('XAPSB')
		Xchanging HR Services Ltd, UK ('XHRSL')
		Xchanging Inc.,USA ('XI')
		Ins-sure Services Limited, UK ('ISSL')
		Xchanging Claim Services Limited, UK ('XCSL')
		Xchanging Procurement Services Limited, UK ('XPSL')
		Xchanging Procurement Pty Limited, Australia('XPTYL')
		Xchanging Services Inc, USA('XSI')
		Ferguson Snell & Associates Ltd, UK("FSAL")
		Waltham Holdings Limited, Jersey, Channel Island ('WHL')
(c)	**Key management personnel:**	
	Executive Chairman and Chief Executive Officer	Kenneth Lever (*)
	Executive Director and Chief Financial Officer	Darren Fisher (*) (up to July 29,2011)
	Executive Director	David Bauernfeind (*)
	Executive Director and Chief Production Officer	Thomas Runge (*) (up to February 14,2011)

(*) 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)

3.5 RELATED PARTY DISCLOSURES

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

	Ultimate/ Immediate Holding companies [Note A(a)(i)]		Fellow Subsidiaries [Note A(b)]		Total	
	2011	2010	2011	2010	2011	2010
Expenses Paid by Related Party:						
XASL, UK	-	-	-	-	-	-
XAPSB, Malaysia	-	-	(7,822)	128	(7,822)	128
XGISL, UK	-	-	36,134	34,570	36,134	34,570
XI, USA	-	-	12,994	56,220	12,994	56,220
XPSPL, Australia	-	-	-	1,407	-	1,407
XPTYL, Australia	-	-	12,520	75,852	12,520	75,852
XG, Germany	-	-	4,766	21,889	4,766	21,889
XUKL, UK	-	-	31,067	55,484	31,067	55,484
FSAL, UK	-	-	7,397	1,555	7,397	1,555
ISSL, UK	-	-	4,931	9,704	4,931	9,704
XBSL, UK	-	-	5,432	9,097	5,432	9,097
XHRSL, UK	-	-	(2,534)	15,124	(2,534)	15,124
XPSL, UK	-	-	1,132	479	1,132	479
XSSI, USA	-	-	16,319	9,186	16,319	9,186
XTSIPL, India	-	-	1,209	3,848	1,209	3,848
CISAPL,Australia	-	-	583	-	583	-
CISVPL,Australia	-	-	3,559	-	3,559	-
XSI, USA	-	-	75	-	75	-
Expenses paid on behalf of related party:						
XAPSB, Malaysia	-	-	118,928	7,592	118,928	7,592
XGISL, UK	-	-	25,946	24,439	25,946	24,439
XCSL, UK	-	-	10,935	8,838	10,935	8,838
XPSPL, Australia	-	-	-	257	-	257
ISSL, UK	-	-	-	30	-	30
XGISL, UK	-	-	-	31,028	-	31,028
XG, Germany	-	-	(490)	-	(490)	-
XI, USA	-	-	70,610	10,163	70,610	10,163
XPSL, UK	-	-	1,077	252	1,077	252
XPTYL, Australia	-	-	19,317	12,704	19,317	12,704
XSSI, USA	-	-	1,093	9,060	1,093	9,060
XTSIPL, India	-	-	72,518	20,067	72,518	20,067
XUKL, UK	-	-	34,735	38,823	34,735	38,823
XBSL, UK	-	-	16,119	-	16,119	-
CISAPL,Australia	-	-	319	-	319	-
CISVPL,Australia	-	-	9,990	-	9,990	-
XSI, USA	-	-	742	-	742	-

(Rs. '000)

	Ultimate/ Immediate Holding companies [Note A(a)(i)]		Fellow Subsidiaries [Note A(b)]		Total	
	2011	2010	2011	2010	2011	2010
Salary paid on behalf of related party:						
XSSI, USA	-	-	-	21,090	-	21,090
Interest on loans:						
XTSIPL, India	-	-	16,996	24,759	16,996	24,759
Loans repaid during the year:						
XTSIPL, India	-	-	200,000	-	200,000	-
Liability no longer required return back:						
XUKL, UK	-	-	(194,835)	219,539	(194,835)	219,539
Payment on account of invocation of Corporate Guarantee:						
XUKL, UK	-	-	2,933,632	-	2,933,632	-
Sale of Subsidiary Companies:						
XTSIPL, India	-	-	2,997,502	-	2,997,502	-
XPTYL, Australia	-	-	745,856	-	745,856	-
WHL, Channel Island	-	-	46	-	46	-
Revenue:						
ISSL, UK	-	-	13,511	3,429	13,511	3,429
XBSL, UK	-	-	369,570	609,990	369,570	609,990
XCSL, UK	-	-	18,207	15,642	18,207	15,642
XGISL, UK	-	-	101,188	113,593	101,188	113,593
XUKL, UK	-	-	10,751	16,417	10,751	16,417
XAPSB, Malaysia	-	-	33,504	2,721	33,504	2,721
XHRSL, UK	-	-	921	267	921	267
XPL, Australia	-	-	-	576	-	576
XTSIPL, India	-	-	7,208	-	7,208	-
CISAPL,Australia	-	-	18,263	-	18,263	-
CISVPL,Australia	-	-	1,768	-	1,768	-
Loans borrowed during the year:						
XTSIPL, India	-	-	-	65,000	-	65,000
C. Summary of balances of related parties is as follows:						
Debtors:						
XBSL, UK	-	-	-	10,850	-	10,850
XCSL, UK	-	-	-	7,850	-	7,850
XGISL, UK	-	-	26,430	35,366	26,430	35,366
XUKL, UK	-	-	4,762	15,270	4,762	15,270
ISSL, UK	-	-	-	3,350	-	3,350
XAPSB, Malaysia	-	-	98,261	2,725	98,261	2,725
XHRSL, UK	-	-	-	261	-	261
XPSL, UK	-	-	-	2	-	2
XPSPL, Australia	-	-	-	12	-	12
XTSIPL, India	-	-	35,803	-	35,803	-
CISAPL,Australia	-	-	5,878	-	5,878	-
XSI, USA	-	-	764	-	764	-
XI, USA	-	-	22,601	-	22,601	-

(Rs. '000)

	Ultimate/ Immediate Holding companies [Note A(a)(i)]		Fellow Subsidiaries [Note A(b)]		Total	
	2011	2010	2011	2010	2011	2010
C. Summary of balances of related parties is as follows: (Contd....)						
Expenses Payable:						
FSAL, UK	-	-	404	-	404	-
XAPSB, Malaysia	-	-	27	23	27	23
XGISL, UK	-	-	6,466	15,252	6,466	15,252
XI, USA	-	-	-	10,502	-	10,502
XPL, Australia	-	-	-	16,154	-	16,154
XSSI, USA	-	-	10,171	36,742	10,171	36,742
XG, Germany	-	-	2,592	6,420	2,592	6,420
XUKL, UK	-	-	8,859	11,706	8,859	11,706
XHRSL, UK	-	-	642	7,633	642	7,633
XPSPL, Australia	-	-	-	1,528	-	1,528
XTSIPL, India	-	-	12,214	1,404	12,214	1,404
PHML	-	-	114,144	-	114,144	-
XPTYL, Australia	-	-	532	-	532	-
Expenses receivable:						
XAPSB, Malaysia	-	-	-	5,315	-	5,315
XBSL, UK	-	-	-	2,392	-	2,392
XPSPL, Australia	-	-	-	252	-	252
XCSL, UK	-	-	-	11	-	11
XGISL, UK	-	-	-	7,937	-	7,937
XI, USA	-	-	-	5,915	-	5,915
XPL, Australia	-	-	-	9,446	-	9,446
XSSI, USA	-	-	-	7,706	-	7,706
XTSIPL, India	-	-	357	16,334	357	16,334
XUKL, UK	-	-	-	18,446	-	18,446
XG, Germany	-	-	128	-	128	-
Interest accrued but not due:						
XTSIPL, India	-	-	-	31,376	-	31,376
XUKL, UK	-	-	-	27,958	-	27,958
Unsecured loan:						
XTSIPL, India	-	-	-	225,000	-	225,000
XUKL, UK	-	-	-	4,122,099	-	4,122,099
Loans and advances:						
XTSIPL, India	-	-	94,367	-	94,367	-
Guarantee taken by related party:						
XUKL, UK	-	-	-	3,006,244	-	3,006,244
Guarantee given by related parties:						
XML, Mauritius	-	940,000	-	-	-	940,000
Xchanging Plc, UK	-	3,900	-	-	-	3,900

Note:

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

(Rs. '000)

3.6 Lease disclosures

(A) Operating leases :

The lease rentals charged during the year, and the 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.

	2011	2010
Rent and Hire Charges recognised in Profit and Loss Account	324,178	491,688
Minimum lease payments included under Rent and Hire Charges above	324,178	491,688

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

	2011	2010
Not later than one year	35,658	536,395
Later than one year but not later than five years	40,702	779,243
Later than five years	-	25,862
	76,360	**1,341,500**

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

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

	2011	2010
Rent income recognised in Profit and Loss Account	40,696	59,078

There is no uncollectible minimum lease payment receivable at the balance sheet date.

	2011	2010
Future minimum lease payments :		
Not later than one year	-	43,834
Later than one year and not later than five years	-	45,189
Later than five years	-	-
	-	**89,023**

(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:

	2011	2010
Total minimum lease payments (*)	-	30,745
(Less): Interest	-	(2,118)
Present value of minimum lease payments (*)	**-**	**28,627**

(*) Net of security deposit paid for computer systems.

(Rs. '000)

Future minimum lease payments under finance lease are as under:

	2011		2010	
	Minimum lease payments	Present value of minimum lease payments	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	-	-	-	-
			30,745	**28,858**

3.7 Earnings/ (loss) per share

	2011	2010
Profit/ (Loss) for the year after tax	5,373,670	(661,405)
Weighted average number of equity shares considered for calculating basic earnings/ (loss) per share – (A)	111,403,716	111,401,054
Earnings/ (Loss) per share – Basic (Rs.)	48.24	(5.94)
Add: Weighted average number of potential equity shares under employee stock options during the year – (B)	3,327	4,231
Weighted average number of equity shares considered for calculating diluted earnings/ (loss) per share – (A + B)	111,407,043	111,405,285
Earnings/ (Loss) per share – Diluted (Rs.)	48.23	(5.94) *

* 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.

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

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

MAT Credit Entitlement

Based on assessment of future taxable income and sunset of tax holiday period, the management is of the opinion that there is convincing evidence that the Group will pay normal income tax in India within the specified period during which MAT credit is available for set off. Accordingly, Loans and Advances includes MAT Credit Entitlement asset of Rs. 125,997 (2010: Rs. 82,489) out of which Rs. 43,508 (2010: 30,043) has been recognised during the year by way of credit to Profit and Loss Account. MAT Credit Entitlement asset will be reviewed at each balance sheet date for write-down, if any.

(Rs. '000)

Deferred tax

The net Deferred Tax Asset/ (Liability) as at December 31, 2011 amounting to Rs. Nil (2010: Rs. 41,462) has been arrived as follows:

	2011	2010
Deferred Tax Assets arising from:		
Expenses charged in the financial statements but allowable as deductions in future years under Income Tax	-	75,752
(Less): Deferred Tax (Liabilities) arising from: Income recognised in the financial statements but taxable in future years under Income Tax	-	(34,290)
Net Deferred Tax Asset/ (Liability) as at the year end (refer note below)	-	41,462
(Less): Translation adjustment	-	(2,045)
Deferred Tax Credit/ (Charge) for the year	11,487	(76,080)

Note: Deferred tax liability of Rs. 31,123 has been transferred on account of sale (refer note 3.18)

Transfer pricing

The Group has significant intra group transactions pertaining to revenue and expense cross charges. The management is in the process of updating the transfer pricing study for such transactions entered into during the year ended December 31, 2011, and does not anticipate any adjustments with regard to the transactions involved.

3.9 Provisions

In accordance with AS 29 'Provisions, Contingent Liabilities and Contingent Assets' the particulars of provisions as at December 31, 2011 are as follows:

Description	2010	Created during the year	Utilised/ Reversed during the year	Translation / Adjustment	Reversal on account of Discounted operation	2011
Onerous lease contracts [Note (i)]	530,398 (952,320)	- (40,719)	- (440,029)	- (22,612)	513,084 (-)	17,314 (530,398)
Onerous customer contracts [Note (ii)]	253,743 (188,813)	- 113,622	- (39,103)	- (9,589)	253,743 (-)	- (253,743)
Restructuring [Note (iii)]	17,303 (27,388)	- (-)	- (9,378)	- (707)	17,303 (-)	- (17,303)
Litigation and others	907,151 (445,705)	- (27,890)	45,549 (366,022)	- (799,578)	858,402 (-)	3,200 (907,151)
	1,708,595 (1,614,226)					**20,514** (1,708,595)

Notes:

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

(ii) Provision for 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 include reclassification from deferred revenue.

(iii) 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.

(iv) 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.

(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 year from the date of grant - 40% of the options three year from the date of grant		One year from the date of grant		40% of the options one year from the date of grant and balance 60% two years from the date of grant		- 33.33% of the options one - year from the date of grant - 33.33% of the options two - year from the date of grant - 33.33% of the options three - year from the date of grant	
Method of accounting	Intrinsic value method		Intrinsic value method		Intrinsic value method		Intrinsic value method	
Method of settlement	Equity		Equity		Equity		Equity	
Exercise price	128.75		10		113.15 - 172		56.90 - 140.35	
General description of Plans	Pursuant to SSIIT merger Scheme, the Company granted 70,892 options under the ESOP II Plan 2004 on November 10, 2004 to the holder of options in SSI as on July 2, 2004, the Appointed Date.		Under the ESOP Plan 2005, on May 27, 2005, 179,263 options have been issued under Program I . During the year ended March 31, 2007 additional 5,737 shares were granted.		Under the ESOP Plan 2005, on May 27, 2005, 384,473 options under Program II have been issued. During the year ended March 31, 2007 additional 68,000 shares were granted.		During the year ended March 31, 2007, 60,000 options have been issued under Program I and 2,057,946 options under Program II. Further, during the year ended march 31, 2008 additional 1,870,000 shares were granted under Program II.	
December 31, 2011								
Options outstanding at the beginning of the year	1,200	128.75	5,000	10	88,500	126.78	1,085,613	93.04
Options granted during the year	-	-	-	-	-	-	-	-
Options forfeited during the year	-	-	-	-	68,000	113.15	341,667	94.48
Options exercised during the year	-	-	-	-	-	-	-	-
Options expired during the year	1,200	128.75	-	-	-	-	-	-
Options outstanding at the end of the year	-	-	5,000	10	20,500	172.00	743,946	92.38
Options exercisable at the end of the year	-	-	5,000	10	20,500	172.00	743,946	92.38
Weighted average remaining contractual life (in years)	-	-	0.4	-	0.4	-	2.64	-
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	-

	2011	2010
Net Profit/ (loss) as reported	5,373,670	(661,405)
Net Profit/ (loss) available for equity shareholders	5,373,670	(661,405)
Add: Stock based employee compensation expenses included in reported income	-	-
(Less): Stock based employee compensation expenses determined under fair value based method, net of tax effects	-	(2,135)
Revised Profit/ (loss)	5,373,670	(663,540)
Earnings/ (loss) per share:		
Basic	48.24	(5.94)
Diluted	48.23	(5.94)

(Rs. '000)

3.11 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(C&W). for purchase of shares and warrants of BigE. As at December 31, 2011, the Group has made investment of Rs. 136,647 (2010: Rs. 136,647) to acquire 4,938,297 (2010: 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 Group 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". Subsequent to year end, on February 17, 2012, the Group has exchanged these shares and also agreed to surrender warrants with C&W for termination of funding obligation and US$100.

3.12 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.

3.13 Integral and non-integral operations

As at December 31, 2011, the management has considered all subsidiaries as non-integral foreign operations, except for Cambridge Solutions Europe Limited, UK, which have been considered as integral foreign operations.

3.14 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:

	2011	2010
Liability towards refund of escrow funds	-	(1,526,842)
Escrow funds	-	1,510,148
Excess of liability over funds included under Other Liabilities	-	(16,694)

During the year CISGI has been sold (refer note 3.16) and all assets and liabilities relating to it has been transferred to the buyer.

3.15 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'. Goodwill relating to 'BPO USA', 'BPO Australia', 'BPO India' has been adjusted during the year on sale of these operations (refer note 3.16,3.18 and 3.19). As at the year end, the Group has tested ITO Goodwill arising on consolidation for impairment using cash flows forecasts based on budgets and using a discounted cash flow method to identify the enterprise value by applying a discount rate of 12.25% based on weighted average cost of capital. Based on such assessment, it has been concluded that the recoverable value is higher than the carrying value and hence no impairment charge is accounted during the year.

3.16 On May 31, 2011, Cambridge Integrated Services Group Inc, USA ('CISGI'), a wholly owned subsidiary of the Company entered into agreements with Sedgwick Claims Management Services, Inc, USA for the sale of virtually its entire operations of workers' compensation and third party administration, for a consideration of Rs. 1,010,492. The transaction has been approved by the Board of Directors of the company in the meeting held on May 31, 2011. The net asset value of the operation as on the date of disposal was Rs. 546,899. CISGI has recognised a profit on sale of operation of Rs. 187,563 (net of tax of Nil) after adjusting transaction cost of Rs. 108,060 and release of debit balance under foreign currency translation reserve of Rs. 167,970. Pursuant to above, CISGI operations are considered as discontinued operations.

Subsequent to above, on August 31, 2011 the Company has sold its investment in CISGI to Waltham Holdings Limited, Jersey, Channel Islands, for a nominal consideration of Rs. 46. This consideration has been arrived based on the valuation done by the two reputed independent valuation experts. The transaction has been approved by the Board of Directors of the company in the meeting held on August 30, 2011. The net liability value of the subsidiary as on the date of disposal was Rs. 2,141,842. The Company has recognised a profit on sale of subsidiary of Rs. 2,446,821 (net of tax of Nil) after release of credit under foreign currency translation reserve of Rs. 304,933.

(Rs. '000)

This operation is a part of the BPO segment as per AS 17, Segment Reporting. The following statement shows revenue and expenses in respect of the ordinary activities attributable to the discontinued operations of the business:

Particulars	For the year end December 31, 2011	For the year end December 31, 2010
Revenue	2,025,119	5,588,763
Expense	3,476,374	5,485,088
Profit Before Tax	**(1,451,255)**	**103,675**
Taxes	2,264	5,628
Profit After Tax	**(1,453,519)**	**98,047**

The carrying amount of total assets and liabilities pertaining to the discontinued operation of business are as follows:

Particulars	**As at May 31, 2011** (date of discontinued operations)	**As at August 31, 2011** (date of sale of investment)	**As at December 31,2010**
Total Assets	1,465,743	923,932	3,750,077
Total Liabilities	918,844	3,065,774	7,433,970

Net cash flows attributable to the discontinued operation of business are as follows:

Particulars	As at July 21, 2011	As at December 31,2010
Operating	(235,882)	(1,105,436)
Investing	(45,185)	24,510
Financing	322,196	904,326
Net cash inflows / (outflows)	**41,129**	**(176,600)**

3.17 The Company had issued corporate guarantee in favour of Xchanging UK Limited, UK ('XUK'), a fellow subsidiary of the Company, in connection with a loan of Rs. 2,933,632 granted between 2009 and 2010 to CISGI. Post the sale of CISGI operation to Sedgwick on June 10, 2011, XUK called the loan amount. CISGI replied that it would not be able to repay loan. Thereafter, XUK, invoked the corporate guarantee on the Company. The Board of Directors of the company, in the meeting held on June 10, 2011, acknowledged the liability of Rs. 2,933,632 to XUK on account of invocation of the corporate guarantee and the rights of XUK were subrogated to the Company (which was reflected as an asset recoverable from CISGI in recognition of the legal right). In order to honour the financial commitment arising out of invocation of corporate guarantee, various alternatives were explored and the Board of Directors decided to dispose of the rest of the company's BPO division, which are part of the BPO segment as per AS 17 Segment Reporting.

3.18 On June 13, 2011, the Company entered into a Share Purchase Agreement with Xchanging Procurement Pty Limited, Australia, a fellow subsidiary, for sale of shares held by the Company in Cambridge Integrated Services Victoria Pty Ltd, Australia, a wholly owned subsidiary of the Company ('CISV') for a consideration of Rs. 745,856. This consideration has been arrived based on the valuation done by the two reputed independent valuation experts. The transaction has been approved by the Board of Directors of the company in the meeting held on June 13, 2011. The net asset value of the subsidiary as on the date of disposal was Rs. 1,277,174. The Company has recognised a loss on sale of subsidiary of Rs. 337,406 after release of credit under foreign currency translation reserve of Rs. 193,912. Pursuant to the above, BPO Australia business has been

(Rs. '000)

considered as discontinued operations. The following statement shows revenue and expenses in respect of the ordinary activities attributable to the discontinued operations of the business:

Particulars	For the year end December 31, 2011	For the year end December 31, 2010
Revenue	953,294	1,784,069
Expense	889,928	2,601,330
Profit Before Tax	**63,366**	**(817,261)**
Taxes	21,910	17,754
Profit After Tax	**41,456**	**(835,015)**

The carrying amount of total assets and liabilities pertaining to the discontinued operations of the business are as follows:

Particulars	As at June 13, 2011	As at December 31,2010
Total Assets	2,545,593	2,103,945
Total Liabilities	1,268,419	870,509

Net cash flows attributable to the discontinued operations of the business are as follows:

Particulars	As at June 13, 2011	As at December 31, 2010
Operating	(222,131)	189,182
Investing	(6,159)	(3,707)
Financing	-	131,867
Net cash inflows / (outflows)	**(228,290)**	**317,342**

3.19 On June 16, 2011, the Company entered into a Business Transfer Agreement with Xchanging Technology Services India Private Limited (XTSI), a fellow subsidiary, for sale of its India BPO business including its Investments in Cambridge Builders Private Limited ('CBPL'), a wholly owned subsidiary of the Company on a slump sale basis for consideration of Rs. 2,997,502. This consideration has been arrived based on the valuation done by the two reputed independent valuation experts. The transaction has been approved by the Board of Directors of the company in the meeting held on June 13, 2011. Thereafter, a postal ballot process for shareholders approval was initiated on June 18, 2011 and completed on July 19, 2011. The transaction was finally concluded on July 21, 2011. The net asset value of the operation as on the date of disposal was Rs. 446,280. The Company has recognised a profit on sale of operation of Rs. 2,539,067 (net of tax of Nil) after adjusting transaction cost of Rs. 12,155.

Due to certain procedural matters relating to approval from authorities of Special Economic Zone (SEZ), the legal ownership of CBPL has not been transferred to date, but management control has been transferred to XTSI effective July 22, 2011. The Company has received confirmation from the Office of Development Commissioner SEZ vide their letter dated September 29, 2011 for proposed transfer of legal ownership. Though there is no specific requirement under SEZ Act to take Board of Approval (BOA) approval before transferring legal ownership; however, as a matter of abundant caution, the Company has applied for BOA approval also and in due course, the legal ownership of CBPL will be transferred.

Pursuant to the above, the India BPO business has been considered as discontinued operations. The following statement shows revenue and expenses in respect of the ordinary activities attributable to the discontinued operations of the business:

Particulars	For the year end December 31, 2011	For the year end December 31, 2010
Revenue	845,935	1,333,233
Expense	595,435	1,021,873
Profit Before Tax	**250,500**	**311,360**
Taxes	124,177	45,933
Profit After Tax	**126,323**	**265,427**

(Rs.'000)

The carrying amount of total assets and liabilities pertaining to the discontinued operations of the business are as follows:

Particulars	As at July 21, 2011	As at December 31,2010
Total Assets	726,726	661,612
Total Liabilities	280,446	185,119

Net cash flows attributable to the discontinued operations of the business are as follows:

Particulars	As at July 21, 2011	As at December 31,2010
Operating	294,012	469,887
Investing	(52,186)	(62,790)
Financing	(238,249)	(389,951)
Net cash inflows / (outflows)	**3,577**	**17,146**

3.20 On October 31, 2011, Cambridge Solutions Europe Ltd, U.K ('CSEL'), a wholly owned subsidiary of the Company entered into agreement for the sale of its subsidiary Cambridge Solution SARL, France ('CSF'), for a nominal consideration. The transaction has been approved by the Board of directors of the company in the meeting held on October 27, 2011. The net liability value of the operation as on the date of disposal was Rs. 1,417. CSEL has recognised a profit on the sale of subsidiary of Rs. 797 after release of debit under foreign currency translation reserve of Rs. 620. Pursuant to the above, CSF ceases to be a subsidiary of the Group.

3.21 On December 1, 2011, IndigoMarkets Limited, Bermuda USA ('IMLB'), a wholly owned subsidiary of the Company opted for a members' voluntary winding up and the final dissolution was completed on January 10, 2012. The net asset value of the operation as on the date of disposal was Rs. 855. The Company has recognised a loss on sale of subsidiary of Rs. 855. Pursuant to the above, IMLB ceases to be a subsidiary of the Group.

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

3.23 Figures in the accounts and notes are all in rupees thousands except for certain figures in the notes on Schedules 1 and notes 3.7 and 3.10 above.

3.24 Prior year comparatives

Previous year's figures have been regrouped/ reclassified, wherever necessary to conform to current year's presentation. Considering the sale of businesses and investments as explained in notes 3.16, 3.18 and 3.19 at various points of time during the year, the current year numbers are strictly not comparable with the prior period numbers.

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

Shivakumar Hegde
Partner
Membership Number : 204627
Place : Bangalore
Date : February 29, 2012

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

Kenneth Lever
Executive Chairman &
Chief Executive Officer
Place : London, UK
Date : February 29, 2012

David Bauernfeind
Executive Director

Vinod Goel
Chief Financial Officer
Place : Bangalore
Date : February 29, 2012

Vijayamahantesh Khannur
Company Secretary

NOTICE

Notice is hereby given that the Eleventh 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 **Tuesday, May 22, 2012 at 10.00 AM at SJR I-Park, Plot 13, 14, 15., EPIP Industrial Area, Phase I Whitefield, Bangalore 560 066, India.,** to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at December 31, 2011 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 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:

3. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

   RESOLVED that Mr. David Bauernfeind, 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.

4. 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. David Bauernfeind as whole time director designated as Executive Director of the Board for a period of 3 years with effect from July 29, 2011 on the following broad terms & conditions:

   1. **Tenure:**

      The appointment of Mr. David Bauernfeind, as Whole Time Director designated as Executive Director of the Company shall be for a period of 3 years, effective from July 29, 2011.

   2. **Duties:**

      Mr. David Bauernfeind 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. David Bauernfeind 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. David Bauernfeind 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.

5. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

   RESOLVED that Mr. Henry D'Souza 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, liable to retire by rotation.

6. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

   RESOLVED that Mr. Ashok Kumar 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, liable to retire by rotation.

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 Section 21 and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof, for the time being in force), consent of the Company be and is hereby granted for changing the name of the Company from CAMBRIDGE SOLUTIONS LIMITED to XCHANGING SOLUTIONS LIMITED and consequently the new name XCHANGING SOLUTIONS LIMITED shall appear in the Memorandum and Articles of Association of the Company.

   RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution for change of name of the Company and for removal of any difficulty or doubt, the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things as may, in its absolute discretion, deem necessary, expedient, usual or proper and to settle any question or difficulty that may arise with regard to the above or any other matters incidental or consequential thereto.

By Order of the Board

Place : Bangalore
Date : April 19, 2012

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 15, 2012 to May 22, 2012 (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. 3

The Board of Directors in its meeting held on July 29, 2011 appointed Mr. David Bauernfeind 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.

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. David Bauernfeind as Director of the Company.

The Resolutions under item No. 3 is recommended as an Ordinary Resolutions. None of the Directors other than Mr. David Bauernfeind is interested or concerned in the Resolution under item 3.

ADDITIONAL INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

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

Item No. 4

The Board of Directors at its meeting held on July 29, 2011 appointed Mr. David Bauernfeind as Whole time Director to be designated as Executive Director 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. David Bauernfeind, for a period of three years with effect from July 29, 2011 and his appointment is subject to the approval of the shareholders. The said appointment is 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. David Bauernfeind 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. David Bauernfeind, being interested in the respective resolutions relating to his appointment, is interested in the said Resolution.

Item No. 5 & 6

The Board of Directors in its meeting held on February 29, 2012 appointed Mr. Henry D'Souza and Mr. Ashok Kumar as Additional Directors 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.

Notice is received in writing under Section 257 of the Companies Act, 1956 along with the deposit of Rs. 1000/- has been received by the Company from a member signifying his intention to propose the appointment of Mr. Henry D'Souza and Mr. Ashok Kumar as Directors of the Company.

The Resolutions under item No. 5 & 6 are recommended as an Ordinary Resolutions. None of the Directors other than Mr. Henry D'Souza and Mr. Ashok Kumar are interested or concerned in the Resolutions under items 6 & 7 respectively.

ADDITIONAL INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

Name of the Director	**Henry D'Souza**		**Ashok Kumar**	
Date of Birth	April 24, 1964		February 19, 1953	
Date of appointment	February 29, 2012		February 29, 2012	
Qualification	MBA (Marketing)		B.Com, FCA,	
Relation with Promoters/ Directors	None		None	
Expertise in Functional area	Henry has over 25 years of good experience in the industry. He is currently Chief Executive Officer (CEO) of Expat Leisure & Resorts Limited since May 2009. He was instrumental in building and developing the Indoor Sports Complex (XLR8 Indoor Sports Arena) opened at Kothanur, Bangalore and expanding the operations of the sports center and club-house (Balance-theclub) across India and the Middle East. Prior to joining Expat, Henry served as Vice President with Expertus Infotech based in Chennai, wherein he was responsible for building the Software Testing practice out of India and overseeing the setting up of business development Operations of the UK office. He had also held various positions in different roles and responsibilities in many other companies like Panduit International, Turbocam India and Bradma of India Limited		Ashok Kumar has 36 years rich experience in practice as a Chartered Accountant. Presently he is Senior Partner of Ashok Kumar Prabhashankar & Co., specializing in foreign collaborations & Foreign Exchange Matters, tax and investment consultancy for non- residents, management consultancy for few MNCs and auditing of companies & Banking Institutions. He had been visiting faculty for Indian Institute of Management, Bangalore. He was on the Board of Directors of Vijaya Bank during 2002 – 05 and member of the local Board of State Bank of India from 2008 – 2011.	
Directorships in other Public Companies	NIL		NIL	
	Chairman	**Member**	**Chairman**	**Member**
Audit Committee	NIL	NIL	NIL	NIL
Shareholders' Grievances Committee	NIL	NIL	NIL	NIL
Membership / Chairmanship in Committees of Cambridge Solutions Limited	NIL	Audit Committee Investors' Grievances Committee	Audit Committee	Audit Committee Investors' Grievances Committee
Number of shares held in Cambridge Solutions Limited	NIL		NIL	
Percentage of shareholding	NA		NA	

Item No. 7

Xchanging acquired Cambridge Solutions Limited in April 2009 and post acquisition, branding of Cambridge has been aligned with the Xchanging brand across all the Cambridge entities but legal entities name were not changed. In order to have unified identification of Cambridge with Xchanging group it is proposed to change name of the Company from Cambridge Solutions Limited to Xchanging Solutions Limited in line with the name of the group company.

The Registrar of Companies has confirmed the availability of the above name for adoption by the Company.

The Resolution under item No. 7 is recommended as a Special Resolution. None of the Directors are interested or concerned in the Resolution.

By Order of the Board

Place : Bangalore
Date : April 19, 2012

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 **Eleventh Annual General Meeting** of the Company to be held on Tuesday, May 22, 2012 **at 10.00 A.M.** at SJR I-Park, Plot No. 13, 14, 15, EPIP Industrial Area, Phase I, Whitefield, Bangalore - 560 066, India and at any adjournment thereof.

Signed this.......................................day of .... 2012.

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

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Registered Office

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ATTENDANCE SLIP

Eleventh Annual General Meeting **Tuesday, May 22, 2012**

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 Eleventh Annual General Meeting of the Company at SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore - 560 066, India, on Tuesday, May 22, 2012 at 10.00 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)

BOOK - POST
Under Certificate of Posting

If Undelivered, please return to :

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