Cambridge Solutions Limited

an Xchanging group company

www.cambridgeworldwide.com

ANNUAL REPORT - 2009

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BOARD OF DIRECTORS

David Andrews	-	Executive Chairman & Chief Executive Officer
Richard Houghton	-	Executive Vice Chairman & Executive Director
Darren Fisher	-	Executive Director & Chief Financial Officer
Thomas Runge	-	Executive Director & Chief Production Officer
Kunal Kashyap	-	Independent Director
Eugene P Beard	-	Independent Director
Shamsher H M Kanji	-	Independent Director
Kamal Gupta	-	Independent Director

COMPANY SECRETARY

Vijayamahantesh V. Khannur

STATUTORY AUDITORS

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

REGISTERED OFFICE

SJR I-Park Plot 13,14,15
EPIP Industrial Area
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Bangalore - 560 066
Karnataka
Phone : +91 80 30540000
Fax : +91 80 41157394
Email : compliance@cambridge-asia.com
Website : www.cambridgeworldwide.com

REGISTRAR AND TRANSFER AGENTS

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 Ninth Annual Report and the Audited Statement of Accounts of the Company for the year ended December 31, 2009.

Financial Results

As per Indian GAAP Standalone

Particulars	December 31, 09 (Twelve Months) (Rs. In Million)	December 31, 08 (Nine Months) (Rs. In Million
Sales & Other Income	2,596.20	2,172.06
Total Expenditure	2,070.34	1,795.09
Profit before Interest Depreciation and Tax	525.86	376.96
Finance Costs	147.41	73.96
Depreciation & Amortisation	142.69	106.41
Exceptional cost	29.57	70.16
Profit before Tax	206.20	126.43
Income Tax (including deferred tax)	(1.03)	9.68
Profit after Tax	207.23	116.75
EPS (Rs)	1.86	1.05

As per Indian GAAP Consolidated

Particulars	December 31, 09 (Twelve Months) (Rs. In Million)	December 31, 08 (Nine Months) (Rs. In Million)
Sales & Other Income	11,710.95	8,822.55
Total Expenditure	11,009.63	8,849.82
Profit before Interest Depreciation and Tax	701.32	(27.28)
Finance Costs	388.79	270.03
Depreciation & Amortisation	398.44	421.63
Exceptional cost & prior periods items	3,537.09	664.65
Profit before Tax	(3,623.00)	(1,383.58)
Income Tax (including deferred tax)	98.91	136.90
Profit after Tax	(3,721.91)	(1,520.48)
EPS (Rs)	(33.42)	(13.65)

Review of Operations

During the year ended December 31, 2009, the consolidated revenue of your Company was Rs.11,599.66 million as against Rs. 8,761.88 million during the previous period nine months ended December 31, 2008. At a stand alone level the total revenue of the Company amounted to Rs.2,527.24 million compared to Rs. 2,135.56 million in the previous period nine months ended December 31, 2008. During the year, the Company earned profit before interest, depreciation and tax & exceptional items of Rs.525.86 million compared to Rs.376.96 million in the previous period nine months ended December 31, 2008. The Company earned a net profit of Rs. 207.23 million compared to a net profit of Rs.116.75 million in the previous period nine months ended December 31, 2008.

Dividend

Your Directors are recommending no Dividend on the Equity Shares.

Share Capital

Your Company has issued 16,666 equity shares of Rs. 10/- each fully paid, under Cambridge Solutions Limited Employees Stock Option Plan 2006 (Program II). The paid up capital has increased to Rs. 1,11,38,20,490/- comprising of 11,13,82,049 equity shares of Rs. 10/- each fully paid-up.

Acquisition by Xchanging

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 76.04% of the outstanding share capital of the Company. Though the open offer procedures were completed on April 9, 2009, XML obtained the power of operational control of the Company effective January 1, 2009.

Subsidiary Companies

Your Company has 14 subsidiary companies Scandent Group Inc., USA, Scandent Group GmbH, Germany, Cambridge Solutions Europe Limited, UK (Formerly Scandent Network Europe Ltd., UK), Cambridge Solutions PTE Ltd. Singapore (Formerly Scandent Group Pte Ltd, Singapore), Scandent Group Sdn, BHD, Malaysia, Indigo Markets Ltd, Bermuda, Cambridge SARL, France (Formerly BWH SARL, France), Cambridge Integrated Services Australia Pty Ltd., Australia, Cambridge Integrated Services Victoria Pty Ltd., Australia, Cambridge Galaher Settlements &

Insurance Services, USA, Cambridge Integrated Services Group Inc., USA, ProcessMind Holdings Mauritius Limited, Mauritius, Nexplicit Infotech India Private Limited, India and Cambridge Solutions PTY Ltd, Australia.

As per Section 212 of the Companies Act 1956, your Company is required to attach Directors’ Report, Balance Sheet and Profit & Loss Account of these subsidiaries. Your Company has received approval from the Government of India for an exemption from such attachment as it presents the audited consolidated financial statements of the Company and its subsidiaries in the annual report. The Directors believe that the consolidated accounts present a full and fair picture of the state of affairs and the financial condition of the consolidated companies in your Company. Accordingly, the Annual Report does not contain the financial statements of these subsidiaries, but contains the audited consolidated financial statements of the Company and its subsidiaries. The accounts of these subsidiary Companies along with related information, is 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 Solutions Corporation Limited Employee Stock Option Plan 2004.**
4. **Scandent SSI IT Services Employee Stock Option Plan 2004.**

During the year, the outstanding options under Scandent Solutions Corporation Limited Employee Stock Option Plan 2004 have lapsed due expiry of the grant period, and accordingly they were forfeited and cancelled. The details of options granted under the above 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. The importance of Corporate Governance Report has always been recognized by your Company and in order to enhance customer satisfaction and stakeholder value, the Company continues to benchmark its corporate governance practices with the best in the industry.

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 constitution of Committees such as the Audit Committee and Investor Grievance Committee.

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

Directors

Mr. Eugene Beard retires by rotation and being eligible offers himself for re-appointment.

Personnel

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

Directors’ Responsibility Statement

As stipulated in Section 217(2AA) of the Companies Act, 1956 (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, 2009, 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 re-appointment.

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,

Chairman

Place : London, UK
Date : February 26, 2010

Annexure 1

		Cambridge 2006 1	Scandent 2005 2	Scandent 2004 3	Scandent SSI 2004 4
A	Total No. of options granted	-	-	477,268	70,892
	Program I	60,000	185,000	NA	NA
	Program II	3,927,946	452,473	NA	NA
B	Options granted during the year	-	-	NIL	NIL
	Program I	NIL	NIL	NA	NA
	Program II	NIL	NIL	NA	NA
C	Exercise Price	NIL	NIL	NIL	NIL
	Program I	NIL	NIL	NA	NA
	Program II	NIL	NIL	NA	NA
D	Total Options Vested (Net of Forfeited options)	-	-	453,268	1,200
	Program I	NIL	185,000	NA	NA
	Program II	495,297	98,500	NA	NA

		Cambridge 2006 1	Scandent 2005 2	Scandent 2004 3	Scandent SSI 2004 4
E	Options Exercised during the year	-	-	NIL	NIL
	Program I	-	NIL	NA	NA
	Program II	16,666	NIL	NA	NA
F	Total shares arise as a result of exercise of options during the year	-	-	NIL	NIL
	Program I	-	NIL	NA	NA
	Program II	16,666	NIL	NA	NA
G	Options lapsed during the year	-	-	45	NA
	Program I	NIL	NIL	NA	NA
	Program II	88,000	NIL	NA	NA
H	Variation of terms of options	NIL	NIL	NIL	NIL
I	Money realized by exercise of options during the year	-	-	NIL	NIL
	Program I	NIL	NIL	NA	NA
	Program II	948,296	NIL	NA	NA
J	Total Number of options in force	-	-	-	1,200
	Program I	NIL	5,000	NA	NA
	Program II	1,377,280	98,500	NA	NA
K	Employee-wise details of options granted during the year to				
	i) Senior Managerial Personnel	NIL	NIL	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	NIL	NIL
	iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of your Company at the time of grant.	NIL	NIL	NIL	NIL
L	Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of option	1.86	1.86	1.86	1.86
M	Impact of employee compensation cost calculated as difference between Intrinsic Value and Fair Market Value in accordance with SEBI Guidelines on ESOP, on Net Profit and EPS	Refer Table 1	Refer Table 1	Refer Table 1	Refer Table 1
N	Weighted average exercise price	-	-	No Grants	No Grants
	Program 1	No Grants	No Grants	NA	NA
	Program 2	No Grants	No Grants	NA	NA
O	Weighted Average fair value of options	-	-	No Grants	No Grants
	Program 1	No Grants	No Grants	NA	NA
	Program 2	No Grants	No Grants	NA	NA
P	Description of the method and significant assumptions used during the year	NA	NA	NA	NA

Table 1

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

	(Rs. In Millions) Year ended December 31, 2009	(Rs. In Millions) Nine Months Period ended December 31, 2008
Net Income as reported	207.23	116.75
Net Income available for equity shareholders	207.23	116.75
Add: Stock based employee compensation expenses Included in reported income	(0.003)	(0.74)
Less : Stock based employee compensation expenses determined under Fair Value based method net of tax effects	6.37	30.61
Proforma Net Income	200.86	85.40
Reported Earnings per Share (including share capital pending allotment) (Rs.)		
Basic	1.86	1.05
Diluted	1.86	1.05
Proforma Earnings per share (Rs.)		
Basic	1.80	0.77
Diluted	1.80	0.77

For and on behalf of the Board of Directors,

Chairman

Place : London, UK
Date : February 26, 2010

Annexure 2

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

   A. **Conservation of Energy**

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

   B. **Technology Absorption**

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

   C. **Foreign Exchange Earnings and Outgo**

   Total Foreign Exchange Earnings and Outgo

		(Rs. In Millions) Year ended December 31, 2009	(Rs. In Millions) Nine Months Period ended December 31, 2008
(i)	Total Foreign Exchange earned	2,494.09	2,082.05
(ii)	Total Foreign Exchange used	602.79	632.64

For and on behalf of the Board of Directors,

Chairman

Place : London, UK
Date : February 26, 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Developments

Growing global market

The global trends for BPO are positive and commentators are forcasting significant growth over the next five years. We see opportunities within our customer base and in this growing global market.

Below are the key industry trends and forecasts for Cambridge's markets and services.

USA

The weak US economy in 2009 resulted in both reduced IT outsourcing spend and weak demand for discretionary services. However, the US continues to be the largest Business Process Outsourcing (BPO) market in the world. IDC estimates the current size of the US BPO market to be US$70 billion and projected to grow to US$89 billion by 2013.

The BPO market for industry-specific processing looks attractive in 2010 with increased interest in insurance and financial services.

Multi-line claims processing remains a largely untapped market in the USA. This market looks attractive for global players with deep industry expertise.

The life and annuity industry has experienced significant change in 2009 due to the financial market crisis. This has required the marketplace to refocus on product development and find ways of unlocking lower transaction costs against a back drop of increasing regulation and high technology-based fixed costs.

Given the restructuring of the US banking industry and increase in Government oversight, we are witnessing a return to banks focusing on core products and services. These strategic changes are creating market opportunities for both BPO and technology services.

Asia Pacific

China and India remain the growth engines of Asia Pacific and their recovery has, to a certain extent, insulated Australia from the recession. The fast-growing Australian BPO market presents significant opportunities in banking, funds administration (superannuation) and procurement where Xchanging is a strong player in Europe. The claims processing sector in Australia is fragmented and dominated by insurance companies. Therefore, there is significant opportunity to grow in this market.

In India, there is an emerging domestic market opportunity in the financial services space. In addition, Singapore has started to recover as the financial services industry is showing signs of rebounding.

Overall, as a result of their limited exposure to the US mortgage market, local and multinational corporations in Asia Pacific performed well in 2009. Future opportunities with multinational, regional and local banks, insurance and fund management groups are expected to be centred around lessons learnt from the financial crisis, such as focusing on core competencies and driving transparency in business.

Europe

Consistent with the trends reported by industry commentators, German banks experienced lower retail securities volumes in 2009 as consumers stayed out of the market. Banks also cut back on discretionary spend in order to protect their overall financial and cash positions.

There are opportunities in the funds administration and securities businesses as the market continues to consolidate. There is also an increased interest in BPO from the insurance and manufacturing sectors in Germany.

In Italy, opportunities in the banking sector (procurement, securities processing, fund administration and investment account administration) are expected to open up from 2010 onwards.

The market for HR services was adversely affected as companies reduced recruitment, training and relocation in order to reduce employment costs. Moving into 2010, we see similar trends. Demand will depend on the state of the economy and is unlikely to pick up in the UK until the second half at the earliest. During 2010, we will look to expand our HR services portfolio into the USA and Australia to meet the growing demand for broader employment services such as back-to-work and medical compensation schemes.

In insurance, we expect commercial insurance companies to continue to invest in infrastructure and to look for ways of reducing back-office costs. We see strong latent demand for insurance processing services globally.

Cambridge Acquisition

During 2009, the principal shareholders (Scandent Holding Mauritius Limited ('SHML'), AON Minet Pension Scheme ('AON') and Katra Finance Limited ('Katra')) of the Company entered into share purchase agreements (the "SPAs") to sell up to 75% of the fully diluted share capital of the Company to Xchanging (Mauritius) Limited ("XML"), a wholly-owned subsidiary of Xchanging plc ("Xplc"), a listed company incorporated under the laws of England and Wales. In compliance with Indian law and as a consequence of entering into the SPAs, XML made an open offer to acquire up to 20% of the fully diluted share capital of the Company (the "Open Offer"). The open offer to the public completed on 2 April 2009, with the acquisition of shares under the SPA completing subsequently on 9 April 2009. The total proportion of the shares in the Company acquired by XML under the SPAs and the Open Offer is 76.06% of the outstanding share capital, with the proportion of the shares to be acquired under the SPAs being scaled back to reflect the number of shares actually acquired by XML under the Open Offer. However, pursuant to the terms of the SPAs, XML assumed certain rights in relation to the Company in advance of the acquisition completion date. A number of these rights were assumed from January 1, 2009 and therefore it is from this date that the power of operational control is considered to have passed to XML.

Group Performance

The table below summarise the Group's consolidated and Cambridge Solutions standalone financial performance for the year:

(Rs Million)

	Consolidated		Standalone	
	January 1, 2009 to December 31, 2009	April 1, 2008 to December 31, 2008	January 1, 2009 to December 31, 2009	April 1, 2008 to December 31, 2008
Revenues	11,599.66	8,761.88	2,527.24	2,135.56
Other Income	111.29	57.08	68.97	36.49
Operating expenses	11,009.63	8,849.82	2,070.34	1,795.09
EBITDA	701.32	(27.28)	525.86	376.96
EBITDA margins	6.0%	-0.3%	20.8%	17.7%
Finance Cost	388.79	270.03	147.41	73.96
Depreciation and Amortization	398.44	421.63	142.69	106.41
Prior period items	189.40	-	29.57	70.16
Exceptional Items	3,347.69	664.65	-	-
PBT	(3,623.00)	(1,383.58)	206.20	126.43
PAT	(3,721.91)	(1,520.48)	207.23	116.75
Net Margins	-32.1%	-17.4%	8.2%	5.5%

The Company changed its financial year end from 31 March to 31 December during 2008. As such, the comparative period is for the nine month period ended 31 December 2008.

During the year ended 31 December 2009, the consolidated revenue of the Group was Rs. 11,599.66 million as against Rs.8,761.88 million during the previous nine months ended 31 December 2008. At a standalone level the total revenue of the Company amounted to Rs. 2,527.24 million compared to Rs. 2,135.56 million in the previous period nine months ended 31 December 2008. During the period, the company earned profit before interest, depreciation, tax, and exceptional items of Rs. 525.86 million compared to Rs. 376.96 million in the previous year period nine months ended 31 December 2008. the Company earned a net profit of Rs. 207.23 million compared to a net profit of Rs. 116.75 million in the previous period nine months ended 31 December 2008.

The economic environment has impacted the performance of the company during 2009 with trading particularly difficult for the ITO business where discretionary IT expenditure has been cut by Cambridge's existing and potential customer base. In addition, transaction volumes in the BPO businesses have been affected, particularly in the BPO US transportation business. Low interest rates continue to affect interest earned on escrow account balance we manage for third parties (which is booked as operating revenue). The business has also seen a reduction in bonus revenue from the BPO Australia workers compensation processing businesses compared with prior years. BPO India has partially offset the reduction in revenue with continued growth leveraged off the run rate from the prior year and increased business from existing customers.

Segmental Performance

For management review purposes, the Company is structured into ITO and BPO divisions, with BPO further broken down into the US, India and Australia regions. On a line of business basis, the BPO segment contributed 78% to consolidated revenues. IT Services contributed 22% of the consolidated revenues.

BPO USA

BPO USA posted revenues of Rs 6,028 million for the year ended December 31, 2009. Revenues are lower than the prior equivalent period due to loss of business during 2008 which has had a full period effect in 2009. The business has achieved a high level of contract renewals success during 2009, which has stabilized the core revenue streams. Revenues additionally were impacted by a softening of the US economy which has impacted the businesses transactional volumes, in particular in consumer claims handling and escrow account administration, the later being driven by lower interest rates and lower escrow funds balances.

BPO USA's underlying EBIT improved materially during 2009. The BPO USA business was restructured during the year, with the operations consolidated from 45 locations to 16 primary processing centres and secondary sites, which has reduced operating costs. In addition, EBIT has benefited from a review and subsequent impairment of the Ovation claims system which has reduced amortisation charges. Costs related to the restructuring activities have been treated and disclosed as exceptional costs.

BPO Australia

BPO Australia operations are focused on the claims processing market, through the State government insurance programs, as Scheme Agents. Revenue declined in 2009, primarily due to reduction in the bonuses received from the government authorities, partly due to the decline in the economic environment affecting the performance of the government workers compensation schemes. During the year we renewed our workers' compensation handling contract with the WorkCover Authority of New South Wale. This five-year contract replaces an earlier contract which was entered into in 2006.

BPO Australia EBIT has improved during the year with management's focus of tight cost control reducing operating costs. In addition, the value of the Ovation claims system was reviewed and subsequently impaired reducing amortization charges.

BPO India

BPO India revenue has continued to grow with the run rate effect of business won during 2008 and growth of business during the year, particularly through the Group's relationship with Xchanging.

BPO India EBIT has improved as a result of high utilization of production staff, scale benefits achieved through growth of the business, and arbitrage benefits from new low cost operating units established in Shimoga during 2008.

ITO

The ITO revenue performance materially declined during 2009 due to the economic climate, which has reduced demand for discretionary IT development and support. This has reduced revenue from existing and new customers where some projects have been reduced in scope, terminated or delayed.

ITO EBIT performance has been impacted by the decline in revenue and a drop in utilization with an increase in resources on the bench. The effect of the revenue decline on EBIT has been partially mitigated through the removal of variable costs and general cost control and reduction initiatives.

Geographic Profile

In terms of geographic split, the Americas contributed over 65% of the revenue contribution at Rs 7,543 million and Australia contributed 17% revenue of Rs 1,936 million. The rest of the world, comprising of Europe and Asia together accounted for the balance Rs 2,121 million.

Stand Alone Accounts

The detailed stand alone expenses analysis is detailed in the table below:-

Operating expenses	January 1, 2009 to December 31, 2009	% of Revenue	April 1, 2008 to December 31, 2008	% of Revenue
Employee Costs				
Salaries, Allowances, Bonus	820.00	32.45%	674.61	31.59%
Contribution to PF	41.25	1.63%	39.72	1.86%
ESOP Charge	-	0.00%	(0.74)	-0.03%
Staff Welfare	51.65	2.04%	36.92	1.73%
Recruitment	5.75	0.23%	13.16	0.62%
Total Employee Cost	**918.65**	**36.35%**	**763.66**	**35.76%**
Project Work Expenses	**573.40**	**22.69%**	**588.17**	**27.54%**
Other Expenses				
Travel	131.96	5.22%	107.68	5.04%
Rent	117.62	4.65%	98.77	4.63%
Communication	66.84	2.64%	49.96	2.34%
Power & Fuel	62.62	2.48%	45.10	2.11%
Insurance	6.09	0.24%	4.31	0.20%
Rates & Taxes	1.43	0.06%	2.82	0.13%
Repairs & Maintenance				
--Computer equipment	14.68	0.58%	9.48	0.44%
--Others	41.49	1.64%	30.07	1.41%
Legal & professional	60.62	2.40%	65.66	3.07%
Printing & Stationary	6.77	0.27%	5.00	0.23%
Business Promotion	4.19	0.17%	22.06	1.03%
Exchange loss / (gain)	39.07	1.55%	(64.30)	-3.01%
Director’s sitting fees	0.57	0.02%	0.31	0.01%
(Profit) / loss on sale of fixed assets	(0.36)	-0.01%	0.02	0.00%
Provision for bad & doubtful debts / advance	4.49	0.18%	55.58	2.60%
Miscellaneous	20.22	0.80%	10.74	0.50%
Total other expenses	**578.29**	**22.88%**	**443.26**	**20.76%**
Total	**2,070.34**	**81.92%**	**1,795.09**	**84.06%**

Exceptional Costs

The Group posted exceptional charges of 3,348 million during the year. These charges were incurred primarily in relation to restructuring the BPO USA business, with the operations consolidated from 45 locations to 16 primary processing centres and secondary sites. In addition, the Group has reviewed and impaired its Ovation claims systems, assessed and provided for litigation in relation to a number of ongoing claims arising primarily in the BPO USA business, and an adjustment to deferred revenue in relation to a claims run-off contract.

Balance Sheet

Details of the key movements in the balance sheet are outlined below:

Secured Loans – Secured loans have decreased by 75% to Rs 648 million, primarily due to loan repayments.

Unsecured Loans – Secured loan has increased to Rs 3,315 million from 268 million in previous year. The increase is due to a new loan of Rs 3,300 million from Xchanging, U.K.

Deferred tax liability – The deferred tax liability relating to BPO Australia has increased from Rs 8 million to Rs 33 million on account of movement in accrued income during the year ending December 31, 2009.

Fixed assets – The Company has added tangible fixed assets of Rs 196 million as detailed below by division:

Rs in million

Business unit	CY_2009
BPO-US	86
BPO-AUS	7
BPO-India	82
ITO	21
Total	**196**

During the year, as a result of the restructuring activity in the US, the Company has recorded an impairment of Rs 87 million in relation to tangible assets.

The company has also added intangible assets for Rs 115 million as detailed below by division:

Rs in million

Business unit	CY_2009
BPO-US	93
BPO-India	17
ITO	6
Total	**115**

During the year company has impaired computer software (Australia ovation and US ovation) for Rs 522 million.

Investments – In January 2009, the company has made an additional investment of $0.75 million. During the year ending December 31, 2009 a provision towards diminution in the value of the investment has been made for $1.97 million.

Sundry Debtors – Sundry Debtors amounts to Rs 1,615 million (net of provision for doubtful debts amounting to Rs 485 million) as at December 31, 2009, compared to Rs 1,761 million (net of provision for doubtful debts amounting to Rs 417 million) as at December 31, 2008. Debtors include unbilled revenue for Rs 736 million (2008: Rs 727 million). These debtors are considered good and realizable. Debtors are at 13.9% of revenue for the year ended December 31, 2009, compared to 20.4% for the previous year, representing Day Sale Outstanding (DSO) of 51 days and 74 days for the respective years.

Cash & bank balance – Cash and bank balances amounts to Rs 508 million as at December 31, 2009, compared to Rs 335 million as at December 31, 2008.

Other Current Assets – Other current assets amounts to Rs 150 million as at December 31, 2009, compared to Rs 151 million as at December 31, 2008. Other current assets represent deposits.

Loans and Advances – Loans and Advances amounts to Rs 314 million as at December 31, 2009, compared to Rs 310 million as at December 31, 2008. Loans and advances primarily represents advance tax, MAT credit entitlements and other receivables.

Current Liabilities – Current liabilities amounts to Rs 3,489 million as at December 31, 2009, compared to Rs 2,956 million as at December 31, 2008. Current liabilities represent, sundry creditors, book overdraft, advance received from customer, deferred revenue and other liabilities. This increase is primarily due to reinstatement of CIGA Fremont revenues of Rs 1,186 in BPO US.

Provisions – Provision amounts to Rs 1,986 million as at December 31, 2009, compared to Rs 1,279 million as at December 31, 2008. Provisions represents, liability for tax, compensated absence, gratuity, onerous leases and onerous contracts, litigation and restructuring liability. This increase in provisions is due to additional provision of vacant space / onerous contracts in BPO-US.

Related Parties

Persuant to acquisition by Xchanging, there has been transactions with fellow subsidiaries.

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

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

Prospects

The markets that Cambridge serve are more stable than at the beginning of last year and we are confident in our ability to continue to grow the business in the coming year.

Threats and Risks Management

The Group maintains a hierarchy of risk registers, which cover the key internal and external risks to our business. The Group risk register is approved by the Board and ensures we have mitigation plans in place to minimise the potential impact of key risks on the Group.

Key Risks	Potential Impacts	Mitigation Strategy
We could be impacted by the general economic downturn	Market conditions have led to a slow down in economic growth in a number of sectors and territories, potentially impacting our ability to secure new revenue opportunities	• Clearly defined service offering and sales strategies • Strong outsourcing offering, complementary to customer needs in such market conditions • Disciplines sales governance processes
Our growth strategy is dependant on attracting new customers in large-scale arrangements	Not attracting new customers could make it difficult to achieve our financial goals	• 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
Continuing to retain our key personnel and recruit new talented individuals is key to our success	Failure to retain and develop our skill sets may hinder the ability to achieve our goals	• Retention plans in place for key employees • Established structure for staff performance and development monitoring • Clear recruitment strategy attracting high potential employees • Leadership training schemes in place to underpin succession plans
Our service delivery and reputation is highly reliant on business continuity and information security	Business disruption, IT system issues or security issues could result in loss of service, loss or compromise of customer and internal data, breach of legal and regulatory obligations and damage to our reputation	• Clearly defined information security policies and protocols • Focus on continued development of business continuity and disaster recovery planning and testing • Group Information Security Officer leading teams within each region

Internal control and risk management

The Board is responsible for regularly reviewing the operation and effectiveness of the Group's internal controls. The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material errors, losses or fraud. The Board is also responsible for ensuring, and has satisfied itself through the half-yearly risk summary report, that appropriate systems are in place to enable it to identify, assess and manage key risks.

The Board has reviewed the effectiveness of the Group's internal control systems for 2009. The review was undertaken by the Audit Committee and its findings were reported to the Board by the Audit Committee Chairman at the 18 January 2010 Board meeting. No significant failings or weaknesses were identified during this review and the Board confirms that the necessary actions are in place to remedy any less than significant ones. The Group's key internal control and risk management procedures include the following:

- reviews of the Group's strategy and the performance of principal subsidiaries through a comprehensive system of reporting based on variances to annual budgets, key performance indicators and regular forecasting.
- well-defined Group policies and processes, communicated through the Group Financial Reporting Procedures Manual and intranet portal and a strict process governing the approval of sales opportunities and capital expenditure
- a defined organisational structure with appropriate delegation of authority
- formal authorisation procedures for all investments with clear guidelines on appraisal techniques and success criteria (Xchanging's 'Authority to Invest' process).
- formal authorisation procedures for all significant sales opportunities, with clear guidelines on success criteria (Xchanging's sales opportunities approval process including 'Authority to Proceed and Contract').
- the Audit Committee routinely monitors the internal control environment through its review of control matters from both internal audit and external audit and other related reports from management
- the work performed by the Group's Internal Audit department is focused on areas of greatest risk to the Group (as identified through the risk management process outlined below), as well as issues identified by monthly performance reporting. Internal Audit's objective is to provide independent assurance to the Board and Audit Committee over operational and financial controls and to assist the Board in its assessment of the effectiveness of internal controls. The Head of Group Internal Audit reports directly to the Chief Financial Officer, but has the right to report to the Audit Committee Chairman independently of Executive Management. All significant internal audit reports are reviewed by the Audit Committee and made available to the external auditors.
- each division has a Head of Quality, responsible for the quality of controls and processes within that sector as well as for ensuring compliance with policies and procedures, legislation and the operation of risk management procedures. Each regional Head of Quality reports to the divisional Managing Director.

The Group's key risk management procedures have been in place throughout 2009 and up to the date of approval of the annual report and accounts include the following:

- the maintenance of a hierarchy of risk registers for each business and region, assessing the probability of key risks occurring, the consequences should those risks crystallise and the controls in place to mitigate those risks. The registers and mitigating actions are monitored on an ongoing basis within the respective region and business unit's management team. The Group risk register incorporates risks pervasive or material to the whole Group and is reviewed at least annually by the Board and the Audit Committee
- the half-yearly Board approval of the Group risk summary report that collates information from risk registers, XPC meetings and other corporate level meetings and reports. The Group risk summary report identifies and assesses key risks and sets out management actions to address those risks and any required Board actions.

The internal control environment will continue to be monitored and reviewed by the Board which will, where necessary, ensure improvements are implemented.

Our People

We are passionate about our people. Cambridge recruits, manages and develops a versatile and dynamic workforce. They are the key to our prosperity and success. We are committed to realising our people's ambitions and achieving our common goal to become the global business processor of choice.

As a fast growing business our ability to attract, retain and motivate our people globally is something we take seriously. To support our global growth, new learning and development systems have been enhanced and introduced for our employees worldwide. All our people undergo regular performance reviews and development plans are in place throughout the organisation.

Talent management

Identifying and developing senior and emerging talent is a key priority for Cambridge. Cambridge leverages Xchanging's Group Head of Talent to work with our divisional heads and heads of Human Resources to help release the potential of these talented employees. We have succession plans in place for our divisional leadership teams. Development and support is in place for individuals who have the desire and capability to undertake senior roles in the future growth of Cambridge.

We are constantly investing in our people to build capability in our business to meet our current and future objectives.

Learning and development

Building on the importance of talent and leadership, The Xchanging Academy (the Academy) was set up in 2009 as is available to all Cambridge employees. It is led by the Xchanging Group Head of Learning and Development. The Academy is an internal university for all employees worldwide. It comprises a framework, model and methodology by which employees can embark on a consistent, measurable and planned learning journey.

A set of global competencies has been established providing employees and their managers with a clear understanding of their job roles, skills, behaviours and experiences. The implementation and roll-out of the Academy across Cambridge will embed employee development into their day-to-day operations.

Performance the Xchanging Way embraces a single, Group-wide (including Cambridge), high-performance culture. It creates an environment in which all employees can make a real contribution and be recognised for their part in Cambridge's continuous improvement drive.

Our bi-annual Personal Development Review (PDR) process measures performance against objectives. To enhance our PDR process, The Talent Management Service was launched in December 2009 and it will be fully implemented across Cambridge by July 2010. This is an integrated talent service that enables Cambridge to address talent challenges globally in order to align development, performance and succession with Company objectives.

Employee engagement

During 2009, we invested and developed two-way internal communications channels such as web seminars. We share information to inspire, motivate and engage with our employees around the world and to receive their feedback. This contributes to our objective of motivating and retaining employees.

To improve our understanding of employees' views, an online employee survey focusing on the individual employees has been introduced. This survey went to all employees in early 2010. Once employee feedback is reviewed and understood, we will be making any necessary changes and will begin implementing where required in a consistent manner globally. Any changes will be in line with our aim to continually improve employee experience.

Reward

Our reward principles are based around fairness, consistency of application and flexibility while being market competitive and reflecting the Company's ability to pay. Reward is used to drive a high-performing culture through promoting the Company values and encouraging preferred behaviours. It is supported by clear communication.

Policies

Our values are backed up by specific policies that set out the standards that we expect our employees to work to. With the acquisition by Xchanging, Cambridge has become part of a truly global business. We will be working towards a suite of global policies during 2010.

Equal opportunities and diversity

The Group is committed to employment policies which follow best practice based on equal opportunities for all employees irrespective of gender, race, colour, ethnic or national origin, disability, political opinions, age, nationality, sexual orientation, religion, marital status, social class or family circumstances. We ensure that diversity is appropriately supported in our workforce and reflected in our leaders.

Health, safety and wellbeing

Providing and promoting the health, safety and wellbeing of all our employees is a priority for Xchanging. All Xchanging employees work in an environment where health and safety risks are understood and managed responsibly.

Ethics

Our Ethical Code of Business Conduct guides the actions of our employees in accordance with our values. The Code ensures that we adhere to all applicable laws, regulations and standards in every country in which we operate around the globe. Our whistle-blowing policy provides a safe channel for employees to report breaches of policies or illegal activity.

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED DECEMBER 31, 2009

(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, 2009 comprised of 8 Directors of which 4 are Non-Executive Directors. The Chairman is Executive Director and the Board comprised of 50% of Independent Directors. The number of Independent Directors i.e. those who do not have any material pecuniary relationship with the Company is 4, which is 50% of the total number of Directors. The composition of Board is in conformity with Clause 49 of the listing agreement entered into with the Stock Exchanges.

*Membership in Board and Sub Committees of the Directors of the Company as on December 31, 2009 – **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 #	
			Chairman	Member
David Andrews*	Promoter-Executive Chairman	Nil	-	-
Richard Houghton*	Promoter- Executive Vice Chairman	Nil	-	-
Darren Fisher*	Promoter - Executive Director	Nil	-	-
Thomas Runge*	Promoter - Executive Director	Nil	-	-
Kunal Kashyap	Independent Director	1	-	1
Eugene Beard	Independent Director	Nil	-	-
Kamal Gupta*	Independent Director	6	5	4
Shamsher Kanji	Independent Director	Nil	-	-

* Mr. Christopher A Sinclair and Mr. Satyen Patel (whole time directors) resigned as Executive Chairman and Executive Vice Chairman respectively with effect from January 12, 2009. Mr. Shobhan Thakore (independent director) resigned as Director with effect from January 12, 2009, Mr. Jan Verplancke (independent director) resigned with effect from April 9, 2009, Mr. Dilip Keshu (whole time director) and Mr. Praful Chandaria (director) resigned as Directors with effect from July 31, 2009. Mr. David Andrews is appointed as Executive Chairman & Chief Executive Officer and Mr. Richard Houghton is appointed as Executive Vice Chairman & Executive Director, with effect from January 12, 2009. Mr. Darren Fisher is appointed as Executive Director & Chief Financial Officer and Mr. Kamal Gupta as independent director, with effect from July 31, 2009. Mr. Thomas Runge is appointed as Executive Director & Chief Production Officer with effect from October 22, 2009.

@ 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, 2009, 6 Board Meetings were held on 12.01.2009, 27.03.2009, 27.04.2009, 18.06.2009, 31.07.2009 and 22.10.2009 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 18/06/2009
David Andrews*	Promoter-Executive Chairman	3	2	YES
Richard Houghton*	Promoter-Executive Vice Chairman	4	1	YES
Darren Fisher***	Promoter-Executive Director	2	NIL	NA
Thomas Runge***	Promoter-Executive Director	NIL	1	NA
Kunal Kashyap	Independent Director	5	1	YES
Eugene Beard	Independent Director	3	3	NO
Kamal Gupta***	Independent Director	1	1	NA
Shamsher Kanji	Independent Director	2	4	NO
Christopher A. Sinclair*	Promoter-Executive Chairman	1	NIL	NA
Satyen Patel*	Promoter-Executive Vice Chairman	1	NIL	NA
Dilip Keshu***	Executive Director	4	NIL	YES
Praful Chandaria***	Non executive Director	2	3	NO
Jan Verplancke**	Independent Director	NIL	2	NA
Shobhan Thakore*	Independent Director	NIL	1	NA

* Mr. Christopher A Sinclair and Mr. Satyen Patel resigned as Executive Chairman and Executive Vice Chairman respectively with effect from January 12, 2009 and Mr. David Andrews is appointed as Executive Chairman & Chief Executive Officer and Mr. Richard Houghton is appointed as Executive Vice Chairman & Executive Director, with effect from January 12, 2009. Mr. Shobhan Thakore resigned as Director with effect from January 12, 2009.

** Mr. Jan Verplancke resigned as Director with effect from April 9, 2009.

*** Mr. Praful Chandaria and Mr. Dilip Keshu resigned from the Board with effect from July 31, 2009 and Mr. Darren Fisher and Mr. Kamal Gupta were appointed to the Board on July 31, 2009. Mr. Thomas Runge was appointed to the Board on October 22, 2009.

c) Remuneration of Directors:

None of the Directors are in receipt of any remuneration for the year ended December 31, 2009, other than sitting fees.

Shareholding of the Non-Executive Directors in the Company as on 31.12.2009.

Sl.No.	Name of the Director	No. of Equity Shares of Rs. 10/- each held
1	Kunal Kashyap	-
2	Eugene Beard	-
3	Shamsher Kanji	-
4	Kamal Gupta*	-

* Mr. Kamal Gupta is appointed as Director with effect from July 31, 2009.

3. **AUDIT COMMITTEE:**

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

2. The broad terms and references of Audit Committee are as follows:

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

   - Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
   - Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees to enable an adequate audit to be conducted.
   - Recommending to the Board the approval of payment to statutory auditors for any other services rendered by the statutory auditors.
   - Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
     - 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
     - Changes, if any, in accounting policies and practices and reasons for the same
     - Major accounting entries involving estimates based on the exercise of judgment by management
     - Significant adjustments made in the financial statements arising out of audit findings
     - Compliance with listing and other legal requirements relating to financial statements
     - Disclosure of any related party transactions
     - Any qualifications in the draft audit report.
   - Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
   - Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
   - Reviewing, with the management, performance of statutory and internal auditors.
   - Reviewing, with the management, the adequacy of the internal control and risk management systems.
   - Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
   - Discussion with internal auditors any significant findings and follow up there on.
   - Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
   - Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
   - To look into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
   - To review the functioning of the Whistle Blower mechanism.

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. Shobhan Thakore* - Member
3. Mr. Christopher A. Sinclair* - Member

* Mr. Christopher A Sinclair and Mr. Shobhan Thakore resigned from the Board of Directors of the Company with effect from January 12, 2009 and thus ceased to be members of the Committee.

The Board reconstituted the Audit Committee as follows :

1. Mr. Kunal Kashyap - Chairman
2. Mr. Eugene Beard - Member
3. Mr. Richard Houghton - Member

Further with the induction of Mr. Kamal Gupta on the Board of Directors on July 31, 2009, he was appointed as member of the Committee on July 31, 2009. Thus, as on December 31, 2009, the Audit Committee comprised of:

1. Mr. Kunal Kashyap - Chairman
2. Mr. Eugene Beard - Member
3. Mr. Richard Houghton - Member
4. Mr. Kamal Gupta - Member

During the year under review, four meetings of the Audit Committee were held, the dates being 26.03.2009, 27.04.2009, 31.07.2009 and 22.10.2009.

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	3	1
Kamal Gupta	1	1
Richard Houghton	3	1

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

The previous Annual General Meeting of the Company was held on June 18, 2009 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 Mr. Dilip Keshu, Mr. Kunal Kashyap and Mr. Shobhan Thakore. Mr. Shobhan Thakore resigned from the Board of Directors with effect from January 12, 2009 and thus ceased to be the member. The Board re-constituted the Committee on March 27, 2009 comprising of Mr. Kunal Kashyap, Mr. Eugene Beard and

Mr. Richard Houghton. Further the Board in its meeting held on October 22, 2009 appointed Mr. Darren Fisher as member of the Committee. Thus as on December 31, 2009, the Shareholders' Grievances Committee consisted of the following:

1. Mr. Kunal Kashyap
2. Mr. Eugene Beard
3. Mr. Richard Houghton
4. Mr. Darren Fisher

The Company Secretary is the Compliance Officer.

During the year under review, the Shareholders' Grievances Committee held a meeting on 22.10.2009 in which Mr. Kunal Kashyap was Chairman and Mr. Darren Fisher was member.

All the requests for dematerialization of shares have been attended in time and there were no dematerialization requests were pending as on December 31, 2009.

CEO / CFO CERTIFICATION

The Board of Directors has received a certificate from Mr. David Andrews, Executive Chairman & Chief Executive Officer and Mr. Darren Fisher, Executive Director & Chief Financial Officer as per the requirements of Para V of Clause 49 of the Listing Agreement is annexed to this Report in Annexure I.

CODE OF CONDUCT

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

5. General Meeting:

5.1 ANNUAL GENERAL MEETING

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

Date	Time	Venue	Special Resolutions Passed	Directors' Attendance at AGM
June 18, 2009	11 AM	SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore - 560 066	a. Approval of Appointment of Mr. David Andrews as Executive Chairman & Chief Executive Officer of the Company. b. Approval of Appointment of Mr. Richard Houghton as Executive Vice Chairman & Executive Director of the Company.	1. David Andrews 2. Richard Houghton 3. Kunal Kashyap 4. Dilip Keshu
September 29, 2008	11 AM	SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore - 560 066	a. Approval of Appointment of Mr. Chrisopher A. Sinclair as Executive Chairman of the Company. b. Approval of Appointment of Mr. Satyen Patel as Executive Vice Chairman of the	1. Satyen Patel 2. Kunal Kashyap
September 19, 2007	11 AM	Sathya Sai Samskruta Sadanam, No. 20, Hosur Road, Bangalore – 560 029	NIL	1. Satyen Patel 2. Shobhan Thakore

5.2. Extraordinary General Meeting:

No Extra Ordinary General meeting was conducted during the year ended December 31, 2009.

5.3 Postal Ballot:

The Company has not passed any Resolution through Postal Ballot during the year ended December 31, 2009.

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, 2009 to December 31, 2009: 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 "Times of India (Kannada)", 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

Day and Time	:	Monday April 26, 2010 at 11.00 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	:	April 26, 2010
Results for quarter ending March 31, 2010	:	April 2010
Results for quarter ending June 30, 2010	:	July 2010
Results for quarter ending September 30, 2010	:	October 2010
Results for year ending December 31, 2010	:	March 2011

3. Book Closure	:	April 20, 2010 to April 26, 2010 (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, National Stock Exchange of India Limited, Madras Stock Exchange and Ahmedabad Stock Exchange Limited. An annual Listing fee for the year 2009-10, has been paid to the above Stock Exchanges.

The Company has made application to Madras Stock Exchange and Ahmedabad Stock Exchange for delisting of equity shares, for which approval is awaited. This intimation is pursuant to Regulation 7(d) of the SEBI (Delisting of Equity Shares) Regulations, 2009. The annual custodial fee for the year 2009-10 has been paid to both NSDL and CDSL.

Stock Code :

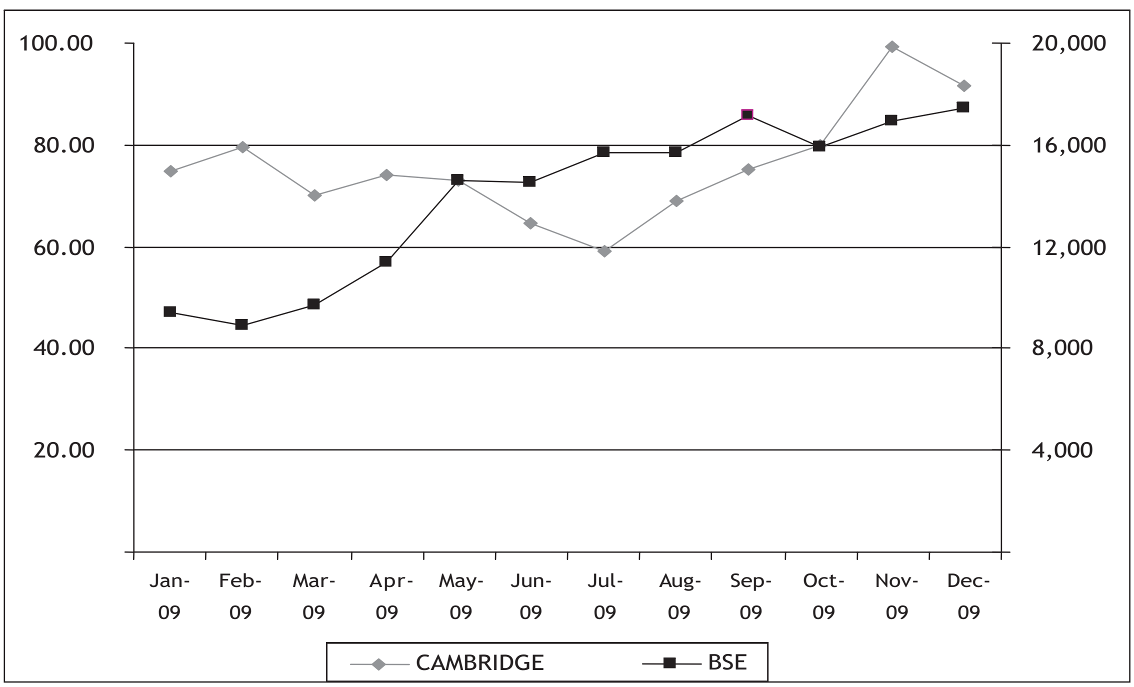
NSE : CAMBRIDGE

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	2009	75.35	73.00	74.85	75.50	73.00	74.90
February	2009	79.45	73.00	79.45	79.90	73.50	79.40
March	2009	82.00	60.80	70.00	79.55	62.00	70.05
April	2009	84.50	69.60	72.45	84.65	64.10	74.15
May	2009	84.40	62.00	71.95	78.75	65.00	72.95
June	2009	80.75	64.70	64.85	81.70	63.00	64.70
July	2009	67.75	55.55	59.30	67.50	50.10	59.10
August	2009	89.80	54.15	69.15	84.00	55.50	69.00
September	2009	82.80	68.20	75.35	83.70	68.55	75.00
October	2009	106.45	70.00	80.50	106.30	71.00	79.90
November	2009	99.85	72.10	98.35	99.75	71.00	99.40
December	2009	104.35	87.35	91.85	104.15	86.15	91.70

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



8. **Registrars and Transfer Agents:**

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, 2009

Category	No. of Shares held	% of shareholding
Promoters	8,46,99,061	76.04%
Mutual Funds and UTI	300	0.00%
Banks, Financial Institutions, Insurance Companies	4,44,382	0.40%
FIIs	30,08,287	2.70%
Private Corporate Bodies	8,17,146	0.73%
Indian Public	39,35,569	3.53%
NRIs/OCBs	1,42,77,056	12.83%
Others	42,00,248	3.77%
Grand Total	**11,13,82,049**	**100.00%**

b. Distribution of shareholding as on December 31, 2009

No. of shares	No. of shareholders	% of total shareholders	No. of shares held	% to total equity
1 - 5,000	20,497	93.84%	2,02,16,850	1.82%
5,001 - 10,000	775	3.55%	60,80,580	0.55%
10,001 - 20,000	301	1.38%	45,31,520	0.41%
20,001 - 30,000	104	0.48%	26,15,910	0.23%
30,001 - 40,000	42	0.19%	14,53,890	0.13%
40,001 - 50,000	40	0.18%	18,46,120	0.17%
50,001 - 1,00,000	44	0.20%	33,69,180	0.30%
100001 & above	40	0.18%	1,07,37,06,440	96.40%
Total	**21,843**	**100.00%**	**1,11,38,20,490**	**100.00%**

11. **Dematerialisation 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, 2009, 10,70,28,279 shares representing 96.09% of the Company's total shares were held in dematerialized form and the balance 43,53,770 shares representing 3.91% of the Company's total shares were in physical form. The Company's shares are regularly traded on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

ISIN No. : INE 692G01013

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

    There are no outstanding GDRs/ADRs/Warrants.

13. **Plant locations:**

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

14. **Address for Correspondence:**

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

Registered Office	**Registrars and Transfer Agents**
Cambridge Solutions Limited SJR I-Park, Plot 13, 14, 15. EPIP Industrial Area, Phase I Whitefield, Bangalore - 560 066, India. Phone : + 91 080 3054 0000 Fax : + 91 080 4115 7394 Email: compliance@cambridge-asia.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 26.02.2010 and the same was approved.

15. **No. of shares traded during the year ended December 31, 2009:**

    BSE: 1,49,33,209 Shares

    NSE: 2,52,23,417 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

The Board of Directors
Cambridge Solutions Limited
Bangalore

We David Andrews, Chief Executive Officer and Darren Fisher, Chief Financial Officer of Cambridge Solutions Limited hereby certify to the Board, that;

a. We have reviewed financial statements and the cash flow statement for the year ended December 31, 2009 and that to the best of our knowledge and belief :

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

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

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

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

d. We have indicated to the auditors and the Audit committee

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

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

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

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

DAVID ANDREWS
EXECUTIVE CHAIRMAN & CHIEF EXECUTIVE OFFICER

DARREN FISHER
EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER

Date : February 26, 2010

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, 2009, 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.

We 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 17, 2010

To

The Members of Cambridge Solutions Limited

1. We have audited the attached Balance Sheet of Cambridge Solutions Limited as at December 31, 2009 and the related Profit and Loss Account and the Cash Flow Statement for the year ended on the 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 auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. Without qualifying our opinion, attention is invited to Note 3.13 on Schedule 19. As at December 31, 2009, the Company has net receivables (after eliminating payables) from Scandent Group Inc, USA, a wholly owned subsidiary of the Company, of Rs.1,945,437,385 (net of payables of Rs.218,669,185). Based on an evaluation, the Company has made a provision of Rs.766,420,288 against the net receivables in an earlier year. The Company, based on strategic funding plans, believes that the remaining dues are good and will be recovered in the foreseeable future.

4. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the Order.

5. Further to our comments in the Annexure referred to 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 the written representations received from the directors, as on December 31, 2009, and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2009 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 the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2009;
      ii. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
      iii. in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Price Waterhouse & Co.
Chartered Accountants

Shivakumar Hegde
Partner
Membership No.: 204627
Bangalore
February 26, 2010

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 4 of the Auditors' Report of even date to the members of Cambridge Solutions Limited on the financial statements for the year ended December 31, 2009]

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

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

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

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

3) The Company has neither granted nor taken any loans, secured or unsecured, to/ from companies, firms or other parties listed in the register maintained under Section 301 of the Act and accordingly sub-clauses (a), (b), (c), (d), (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, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, 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, commenting on transactions made in pursuance of such contracts or arrangements does not arise.

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

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

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

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

   b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess as at December 31, 2009, which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount [Rs.]	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act,1961	Income tax	5,820,828 (*) 119,316,051 (**)	2003-04 2004-05	Commissioner of Income Tax (Appeals), Bangalore
		124,150,901	2005-06	Income Tax Dispute Resolution Panel, Bangalore

(*) Rs.2,801,977 has been deposited under protest by the Company.

(**) Rs.15,000,000 has been deposited under protest by the Company.

10) The Company has no accumulated losses as at December 31, 2009 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

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

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

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

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

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

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

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

18) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.

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

20) The Company has not raised any money by public issues during the year. The management has disclosed the end use of monies during the year, out of public issue raised in the earlier year [refer Note 3.14 on Schedule 19] and the same has been verified by us.

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

For Price Waterhouse & Co.
Chartered Accountants

Shivakumar Hegde
Partner
Membership No.: 204627
Bangalore
February 26, 2010

BALANCE SHEET AS AT DECEMBER 31, 2009

CAMBRIDGE SOLUTIONS LIMITED

(Rs. '000)

	Schedule	2009	2008
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	1,113,820	1,113,654
Reserves and surplus	2	1,591,987	1,383,985
		2,705,807	2,497,639
Loan Funds			
Secured loans	3	565,405	968,279
Unsecured loans	4	160,000	-
		725,405	968,279
		3,431,212	**3,465,918**
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross block (at cost)		870,307	754,316
Less: Depreciation		607,697	458,747
Net block		262,610	295,569
Capital work-in-progress		2,781	10,329
		265,391	305,898
Investments	6	2,029,704	2,029,704
Current Assets, Loans and Advances			
Sundry debtors	7	856,206	985,109
Cash and bank balances	8	36,197	64,759
Other current assets	9	104,371	100,895
Loans and advances	10	1,410,481	1,387,838
		2,407,255	2,538,601
Less: Current Liabilities and Provisions			
Liabilities	11	1,150,175	1,320,751
Provisions	12	120,963	127,815
		1,271,138	1,448,566
Net Current Assets		1,136,117	1,090,035
Miscellaneous Expenditure (to the extent not written off or adjusted)	13	-	40,281
		3,431,212	**3,465,918**
Notes on Accounts	19		

The schedule 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 and on behalf of the Board of Directors of
Cambridge Solutions Limited

Shivakumar Hegde
Partner
For and on behalf of
Price Waterhouse & Co.
Chartered Accountants

Place : Bangalore
Date : February 26, 2010

David Andrews
Executive Chairman &
Chief Executive Officer
Place : London, UK
Date : February 26, 2010

Richard Houghton
Executive Vice Chairman

Darren Fisher
Chief Financial Officer &
Executive Director

Vijayamahantesh Khannur
Company Secretary
Place : Bangalore
Date : February 26, 2010

CAMBRIDGE SOLUTIONS LIMITED

(Rs. '000)

	Schedule	12 months ended December 31, 2009	9 months ended December 31, 2008
INCOME			
Service Revenue	14	2,527,236	2,135,562
Other income	15	68,966	36,493
		2,596,202	**2,172,055**
EXPENDITURE			
Employee costs	16	918,648	763,657
Other operating costs	17	1,151,692	1,031,436
Profit before depreciation, amortisation, exceptional items, finance cost and taxation		**525,862**	**376,962**
Depreciation and amortisation	5	142,687	106,411
Finance cost	18	147,406	73,961
Profit before exceptional cost and taxation		**235,769**	**196,590**
Exceptional items (refer note 3.2)		29,575	70,161
Profit before taxation		206,194	126,429
Provision for taxation :			
Current tax (net of reversal relating to earlier years and MAT credit entitlement)		(3,366)	(3,757)
Deferred tax charge		-	7,017
Fringe benefit tax		2,337	6,422
Net Profit carried to Balance Sheet		**207,223**	**116,747**
Weighted average number of equity shares used in computing earnings per share			
Basic		111,367,620	111,356,011
Diluted		111,372,987	111,360,899
Earnings per share [Equity shares, par value of Rs. 10 (2008: Rs.10)]			
Basic		1.86	1.05
Diluted		1.86	1.05
Notes on Accounts	19		

The schedule referredh 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 and on behalf of the Board of Directors of
Cambridge Solutions Limited

Shivakumar Hegde
Partner
For and on behalf of
Price Waterhouse & Co.
Chartered Accountants

Place : Bangalore
Date : February 26, 2010

David Andrews
Executive Chairman &
Chief Executive Officer
Place : London, UK
Date : February 26, 2010

Richard Houghton
Executive Vice Chairman

Darren Fisher
Chief Financial Officer &
Executive Director

Vijayamahantesh Khannur
Company Secretary
Place : Bangalore
Date : February 26, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2009

CAMBRIDGE SOLUTIONS LIMITED

(Rs'000)

	12 months ended December 31, 2009	9 months ended December 31, 2009
A. Cash flow from operating activities		
Profit before taxation	206,194	126,429
Adjustments for:		
Depreciation	153,350	106,411
Amortisation of miscellaneous expenditure (included in Finance costs)	42,507	10,247
Amortisation of deferred contract cost	11,345	-
(Profit) / Loss on sale of fixed assets	(355)	25
Foreign exchange (gain)/loss (net) - unrealised	32,518	58,083
Interest income	(2,865)	(1,027)
Write back of liability	(2,727)	-
Provision for onerous lease contracts	15,711	70,161
Provision for Bad and Doubtful Debts	4,486	54,347
Provision for Bad and Doubtful advance	-	1,237
Sale of long term investments	-	(100)
Deferred employee compensation cost	(3)	(743)
Interest expense	101,974	60,751
Operating profit before working capital changes	562,135	485,821
Movement in working capital :		
Decrease / (Increase) in sundry debtors and other current assets	119,408	(413,861)
Decrease / (Increase) loans and advances	50,630	(322,883)
Increase / (Decrease) in current liabilities and provisions	(228,853)	210,138
Net cash from operating activities	503,320	(40,785)
Direct taxes paid (net of refunds)	(50,531)	(18,864)
Net cash from operating activities (A)	**452,789**	**(59,649)**
B. Cash flows from investing activities		
Purchase of fixed assets and intangible assets	(140,325)	(73,872)
Proceeds from sale of fixed assets	2,798	5,494
Investments in fixed deposits with maturity >3 months	-	(79)
Proceeds from maturity of fixed deposits with maturity > 3 months	20,486	2,509
Sale of Investments	-	100
Interest received	2,865	1,027
Net cash used in investing activities (B)	**(114,176)**	**(64,821)**
C. Cash flows from financing activities		
Proceeds from issue of share capital	948	240
Loan arrangement and processing fees	(13,571)	(36,891)
(Repayment) / proceeds from cash/export credit facilities -(net)	(16,770)	(70,633)

(Rs. '000)

	12 months ended December 31, 2009	9 months ended December 31, 2009
Proceeds from term loans	310,000	570,000
Repayment of term loans and finance lease obligation	(534,425)	(320,385)
Interest paid	(92,873)	(61,873)
Net cash used in financing activities (C)	**(346,691)**	**80,458**
Net increase in cash and cash equivalents (A + B + C)	**(8,078)**	**(44,012)**
Cash and cash equivalents at the beginning of the period / year	40,674	51,798
Cash and cash equivalents on account of CISIPL transferred pursuant to the Scheme	-	32,888
Cash and cash equivalents at the end of the year	**32,596**	**40,674**
Components of cash and cash equivalents:		
Cash on hand	65	82
Balances with scheduled banks	36,132	64,672
Balances with other banks	-	5
	36,197	64,759
Less: Fixed deposits with maturity greater than 3 months	(3,599)	(24,085)
	32,598	**40,674**

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

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

Shivakumar Hegde
Partner
For and on behalf of
Price Waterhouse & Co.
Chartered Accountants

Place : Bangalore
Date : February 26, 2010

David Andrews
Executive Chairman &
Chief Executive Officer
Place : London, UK
Date : February 26, 2010

Richard Houghton
Executive Vice Chairman

Darren Fisher
Chief Financial Officer &
Executive Director

Vijayamahantesh Khannur
Company Secretary
Place : Bangalore
Date : February 26, 2010

CAMBRIDGE SOLUTIONS LIMITED

(Rs. '000)

		2009	2008
1	**CAPITAL**		
	Authorised capital		
	125,000,000 (2008 -- 125,000,000) Equity shares of Rs 10 each	1,250,000	1,250,000
	Issued, subscribed and paid-up capital		
	111,382,049 (2008 -- 111,365,383) Equity shares of Rs 10 each fully paid	1,113,820	1,113,654

(i) Of the above:

a) 74,757,507 (2008: 74,757,507) shares have been allotted at par to the shareholders/award holders of Cambridge Services Holdings LLC, USA pursuant to a merger scheme.

b) 16,666 (2008: 10,119) shares have been allotted at a premium of Rs.46.90 (2008: Rs.118.75) per share and Nil (2008: 681,268) have been allotted at par pursuant to options being exercised by employees under the Employee Stock Option Plans of the Company.

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

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

		2009	2008
2	**RESERVES AND SURPLUS**		
	Capital reserve [refer note (ii) below]	5,701	5,701
	Securities premium		
	As at last balance sheet date	839,863	813,081
	Add: Share premium on Employee Stock Options exercised during the year / period	782	26,782
	Balance, end of the year / period	840,645	839,863
	Stock compensation adjustment		
	As at last balance sheet date	687	28,707
	Less: Amount transferred to securities premium on exercise of options	-	(26,782)
	Less: Reversal on forfeiture / lapse of stock options granted	(3)	(1,238)
	Balance, end of the year / period	684	687
	General reserve		
	As at last balance sheet date	561,186	569,286
	Less : Adjustments pursuant to Merger Scheme	-	(8,100)
	Balance, end of the year / period	561,186	561,186
	Profit and Loss account		
	As at last balance sheet date	(23,452)	(37,412)
	Add: Profit for the year / period	207,223	116,747
	Less : Adjustment pursuant to Cambridge-India Merger Scheme [Refer Note 2]	-	(102,787)
	Balance, end of the year / period	183,771	(23,452)
		1,591,987	1,383,985
	Notes :		
	(i) Deferred employee stock compensation expense		
	Balance, beginning of the period / year	-	495
	Less: Stock compensation expense amortised during the year/ period	-	(495)
	Balance, end of the period / year	-	-
	(ii) Capital reserve represents waiwer of liability by Scandent Holding Mauritius Ltd., erstwhile ultimate holding company		

		2009	2008
			(Rs. '000)
3	**SECURED LOANS**		
	From Banks:		
	Cash / export credit facility	249,697	469,558
	Term loan (Repayable within one year Rs.188,750 (2008: Rs.330,000)	300,000	480,000
		549,697	949,558
	From Others:		
	Loans for purchase of fixed assets	14,481	17,052
	Finance lease obligation	1,227	1,669
		15,708	18,721
		565,405	968,279

(i) On May 15, 2005, the Company entered into a letter of arrangement for a cash credit facility with Axis Bank for a tenor of one year, which has been subsequently renewed every year, including this year. The credit is secured by a first pari-passu charge on all the current assets of the Company, both present and future, except receivable from Scandent Group Inc., USA. As of December 31, 2009, the Company has availed a facility of Rs 21,283 (2008-- Nil).

(ii) On December 14, 2006, Yes Bank sanctioned a cash credit facility of Rs 50,000 to meet the working capital requirements of the Company. Pursuant to the merger of Cambridge Integrated Service India Pvt. Limited (CISIPL) with the Company the overdraft facility with Yes Bank of CISIPL was transferred to the Company. Consequent to this, the bank on December 24, 2008 enhanced the facility from Rs 50,000 to Rs 100,000. The loan is secured by way of first pari passu charge on the current assets and movable fixed assets of the Company and by unconditional and irrevocable corporate guarantee of Scandent Holding Mauritius Limited, the erstwhile holding company, which is in the process of being novated to Xchanging Mauritius Ltd., the immediate holding company. As at December 31, 2009, the Company has availed facility of Rs 12,475 (2008 -- Rs 48,559).

(iii) On January 16, 2007, State Bank of India sanctioned Export Packing Credit facility of Rs 220,000 in equivalent US Dollars to meet the working capital requirements of the Company. On November 30, 2008 the facility was renewed and limit was enhanced to Rs 255,000 with an equivalent Cash credit facility as a sub limit for a period of 12 months. The loan is secured by way of hypothecation of all the receivable, present and future on pari passu charge with EXIM Bank, Axis Bank, Bank of India and Yes Bank, and corporate guarantee of Scandent Holding Mauritius Limited, the erstwhile holding company, which is in the process of being novated to Xchanging Mauritius Ltd., the immediate holding company. As at December 31, 2009, the Company has fully availed the facility and the balance outstanding is Rs 215,939 (2008: Rs 227,198)

(iv) On July 14, 2008, Bank of India sanctioned a corporate loan of Rs 250,000. The loan is secured by way of first pari passu charge on the current assets, movable fixed assets of the Company, both present and future and a charge on all future and present intangible assets of the Company including goodwill and by unconditional and irrevocable corporate guarantee of Scandent Holding Mauritius Limited, the erstwhile holding company, which is in the process of being novated to Xchanging Mauritius Ltd., the immediate holding company. The loan is repayable in twenty five equal installments commencing from March 2009. The Company has availed the entire loan and balance outstanding as at December 31, 2009 is Rs 150,000 (2008 -- Rs.250,000).

(v) On July 27, 2009, Yes Bank sanctioned a term loan of Rs 150,000 for general corporate purposes. The loan is secured by way of first pari passu charge on the current assets and movable fixed assets of the Company and by corporate guarantee of Xchanging Mauritius Ltd. The Company has availed full loan and balance outstanding as at December 31, 2009 is Rs 150,000 (2008: Nil).

(vi) The Company has obtained vehicles under a financing arrangement. The loan is repayable over two to five years and are secured by assets taken against these loans. As at December 31, 2009, Rs 14,481 (December 31, 2008 -- Rs 17,052) was outstanding against the financing arrangements.

(vii) The Company has obtained a vehicle on finance lease. The lease is for a period of five years and is secured by the asset acquired under the lease. Balance outstanding as at December 31, 2009 is Rs 1,227 (December 31, 2008 - Rs 1,669).

		2009	2008
4	**UNSECURED LOANS**		
	Loans from others	160,000	-
		160,000	-

(i) On June 5, 2009, Xchanging Technologies Services India Private Ltd. (XTSI), fellow subsidiary, sanctioned a loan facility of Rs 200,000 to the Company for general corporate purposes The balance outstanding as on December 31, 2009 is Rs 160,000 (2008: Nil).

5. FIXED ASSETS

(Rs. '000)

	Gross Block (at cost)				Depreciation					Net Block	
	2008	Additions	Deletions	2009	2008	For the period / year	Impair-ment	Deletions	2009	2009	2008
Tangible											
Leasehold Improvements	156,353	30,446	-	186,799	71,281	36,599	7,123	-	115,003	71,796	85,072
Computers	233,804	34,803	-	268,607	190,260	34,735	-	-	224,995	43,612	43,544
Vehicles	37,748	7,839	6,845	38,742	19,154	9,916	-	4,402	24,668	14,074	18,595
Office Equipment	146,822	17,607	-	164,429	62,779	26,666	2,062	-	91,507	72,922	84,042
Furniture and fixtures	79,972	9,900	-	89,872	41,102	13,089	1,480	-	55,671	34,201	38,869
Total	654,699	100,595	6,845	748,449	384,576	121,005	10,665	4,402	511,844	236,605	270,122
Intangible											
Computer Software	83,514	22,241	-	105,755	73,883	18,292	-	-	92,175	13,580	9,631
License to use intellectual property	16,103	-	-	16,103	288	3,390	-	-	3,678	12,425	15,816
Total	99,617	22,241	-	121,858	74,171	21,682	-	-	95,853	26,005	25,447
Grand Total	**754,316**	**122,836**	**6,845**	**870,307**	**458,747**	**142,687**	**10,665**	**4,402**	**607,697**	**262,610**	**295,569**
Capital Work-in-progress										**2,781**	**10,329**
2008	**645,344**	**119,711**	**10,739**	**754,316**	**357,631**	**106,411**	**-**	**5,295**	**458,747**	**295,569**	**-**

(i) All vehicles include assets taken on loan /under finance lease.

(ii) As at December 31, 2009, the Gross book value and net book value of Rs 79,053 (2008 -- Rs 78,263) and Rs 41,648 (2008 -- Rs 59,631) respectively are being used by a sub-lessee. The Company has recorded depreciation charge of Rs 18,799 (2008 -- Rs 9,509) for these assets during the period ended December 31, 2009.

(Rs. '000)

6	INVESTMENTS (Unquoted, at cost, unless otherwise stated, fully paid-up)		2009		2008
	In Subsidiary Companies (Long term): (other than trade investments)				
	2,300,000 (2008 -- 2,300,000) ordinary shares of Singapore Dollar 1 each in Cambridge Solutions Pte Ltd., Singapore		678		678
	2,664,278 (2008 -- 2,664,278) ordinary shares of GBP 1 each in Cambridge Solutions Europe Ltd., UK		222,194		222,194
	9,930,062 (2008 -- 9,930,062) common stock of US $ 1 each in Scandent Group Inc.,USA	1,122,480		1,122,480	
	Less: Provision for diminution in value of investment	(445,690)		(445,690)	
		676,790	676,790	676,790	676,790
	Euro 25,600 (2008 -- Euro 25,600) share capital in Scandent Group Gmbh, Germany	452		452	
	Less: Adjustment to the value of investment pursuant to a Merger Scheme	(452)	-	(452)	-
	12,000 (2008 -- 12,000) common stock of US $ 1 each in Indigo Market Limited Bermuda, USA	109,620		109,620	
	Less: Adjustment to the value of investment pursuant to a Merger Scheme	(109,620)	-	(109,620)	-
	100 (2008 -- 100) ordinary shares of Australian Dollar 0.05 each in Cambridge Integrated Services Victoria Pty. Ltd., Australia	240,625		240,625	
	Add: Adjustment to the value of investment pursuant to a Merger Scheme	637,382	878,007	637,382	878,007
	2,800 (2008 -- 2,800) common units of US $ 0.01 each in Cambridge Integrated Services Group Inc., USA	3,209,495		3,209,495	
	Less:Adjustment to the value of investment pursuant to Merger Schemes	(2,957,460)	252,035	(2,957,460)	252,035
			2,029,704		2,029,704

7	**SUNDRY DEBTORS (Unsecured)**		
	Debts outstanding for a period exceeding six months		
	Considered good	5,668	-
	Considered doubtful	78,019	74,647
	Other debts		
	Considered good	850,538	985,109
		934,225	1,059,756
	Less : Provision for doubtful debts	78,019	74,647
		856,206	985,109

(i) Sundry Debtors include unbilled revenue amounting to Rs 140,672 (2008: Rs 163,873) under other debts, which are considered good

8	**CASH AND BANK BALANCE**		
	Cash on hand	65	82
	Balances with scheduled banks:		
	-- Current accounts	32,533	40,587
	-- Fixed deposit	3,599	24,085
	Balances with other banks		
	-- Current accounts		
	China Trust Commercial Bank	-	5
	(Maximum balance held during the period -- Rs 5 (2008 -- Rs 104)		
		36,197	64,759

(i) Fixed deposits include Rs 3,599 (2008 - Rs 2,438) retained as margin money for bank guarantee.

(Rs. '000)

		2009	2008
9	**OTHER CURRENT ASSETS (UNSECURED, CONSIDERED GOOD)**		
	Other deposits	104,371	100,895
		104,371	100,895
10	**LOANS AND ADVANCES (UNSECURED)**		
	Considered good		
	Dues from subsidiaries		
	Loans and advances	1,215,648	1,220,022
	Expenses receivable	33,689	77,279
		1,249,337	1,297,301
	Advances recoverable in cash or kind or for value to be received	96,445	84,606
	MAT credit entitlement	52,446	-
	Advance tax (net of provision)	5,045	5,931
	Other receivables	7,208	-
		1,410,481	1,387,838
	Considered doubtful		
	Dues from subsidiaries		
	Loans and advances	742,139	742,139
	Less: Provision for doubtful loans and advances	(742,139)	(742,139)
		-	-
	Dues from others		
	Loans and advances	1,237	1,237
	Less: Provision for doubtful advances	(1,237)	(1,237)
		-	-
		1,410,481	1,387,838

(i) As at December 31, 2009, the entire loans and advances balance of Rs 1,991 (2008 -- Rs 2,039) due from subsidiaries is interest free and repayable on demand.

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

(Rs. '000)

	Maximum amount due at anytime during the period	Balance as at December 31, 2008
Dues from subsidiaries		
Scandent Group Inc. USA	1,939,319	1,908,358
Cambridge Solutions Pty Ltd., Australia	1,853	1,853
Cambridge Solution Pte Ltd., Singapore	334	324
Cambridge Solutions Europe Ltd., UK	68,574	57,287
Cambridge Australia	41,769	8,583
CISGI	50,129	50,129
IM Bermuda	823	800
Nexplicit Infotech India Pvt Ltd	17,890	12,106
		2,039,440
Less: Provision for doubtful loans and advances		742,139
		1,297,301

	2009	2008
11 LIABILITIES		
Sundry creditors		
- Dues to Micro Enterprises and Small Enterprises	-	-
- Others	214,518	259,128
Dues to subsidiaries		
- Advances received	55,061	58,028
- Expenses payable	576,523	727,711
Interest accrued but not due on loans	10,685	1,584
Advance from customers	280,547	257,680
Other liabilities	12,841	16,620
	1,150,175	1,320,751

(i) As at December 31, 2009, based on the information available with the Company, there are no dues to suppliers who are registered as micro, small or medium enterprises under the Micro, Small and Medium Enterprises Development Act, 2006.

	2009	2008
Dues to subsidiaries		
Scandent USA (formerly Albion)	218,669	392,035
Cambridge Singapore	163,085	99,585
Cambridge UK	248,620	288,874
IM Bermuda	-	1,367
CISGI USA	1,210	3,878
	631,584	785,739
12 PROVISIONS		
Gratuity	25,119	25,295
Compensated absences	30,771	32,359
Onerous lease contracts	61,873	70,161
Litigation	3,200	-
	120,963	127,815
13 MISCELLANEOUS EXPENDITURE		
Deferred contract costs	-	11,345
Deferred upfront/processing fee for loans	-	28,936
	-	40,281

(Rs. '000)

		12 months ended December 31, 2009	9 months ended December 31, 2008
14	**SERVICE REVENUE**		
	Revenue from Software services	1,318,793	1,339,569
	Revenues from Information Technology enabled Services	1,208,443	795,993
		2,527,236	2,135,562
15	**OTHER INCOME**		
	Interest income on bank deposits - Gross (Gross of Tax deducted at source of Rs 649 [2008-- Rs 230]	2,865	1,027
	Sub-lease rentals (including premises facility and maintenance income Rs. 44,999 (2008: 25,521))	63,374	35,366
	Miscellaneous income	-	100
	Liability no longer required written back	2,727	-
		68,966	36,493
16	**EMPLOYEE COSTS**		
	Salaries, allowances and bonus	819,999	674,605
	Contribution to provident and other funds	41,249	39,717
	Employee stock compensation expense	(3)	(743)
	Staff welfare	51,650	36,919
	Recruitment and relocation	5,753	13,159
		918,648	763,657
17	**OPERATING COSTS**		
	Project work expense	573,399	588,173
	Travelling and conveyance	131,961	107,675
	Rent and hire charges	117,616	98,772
	Communication	66,840	49,960
	Power and fuel	62,622	45,101
	Insurance	6,086	4,311
	Rates and taxes	1,425	2,821
	Repairs and maintenance		
	-- Computer equipment	14,680	9,479
	-- Others	41,485	30,067
	Legal and professional	60,622	65,661
	Printing and stationery	6,773	5,001
	Business promotion	4,193	22,056
	Exchange loss /(gain), net	39,069	(64,301)
	Directors' Sitting Fees	569	312
	(Profit) /loss on sale of fixed assets	(355)	25
	Provision for bad and doubtful debts (net)	4,486	54,347
	Provision for advances	-	1,237
	Miscellaneous	20,221	10,739
		1,151,692	1,031,436
18	**FINANCE COST**		
	Loan arrangement and processing fees	42,507	10,247
	Interest on loans	101,974	60,751
	Bank charges	2,925	2,963
		147,406	73,961

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

1. BACKGROUND

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

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

- SSI Limited (Information Technology division with operations in India, USA and several other countries).
- Scandent Group Limited, Mauritius (with operations in USA, Singapore, Germany, etc.).
- Cambridge Services Holdings LLC, USA (with operations in USA and Australia).
- Cambridge Integrated Services India Private Limited (with operations in India)
- Matrix One India Limited (with operations in India)

Pursuant to share purchase agreements between Xchanging (Mauritius) Limited (XML), a wholly owned subsidiary of Xchanging Plc, a listed company incorporated in UK, and the erstwhile principal shareholders of the Company, and consequent open offer to public, XML now owns 76.04% of the outstanding share capital of the Company. Though the open offer procedures were completed on April 9, 2009, XML obtained the power of operational control of the Company effective January 1, 2009.

Shareholding pattern as at the period end:

Name of the shareholder	2009	2008
Xchanging (Mauritius) Limited	76.04%	-
Scandent Holding Mauritius Limited	11.82%	50.09%
AON Minet Pension Scheme	3.77%	15.71%
Katra Finance Limited	2.70%	11.25%
Reliance Capital Trustee Company Limited	-	4.29%
Others	5.67%	18.66%
Total	**100%**	**100%**

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

2.2 Use of estimates

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

(Rs. '000)

2.3 Fixed assets and depreciation

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

(ii) Depreciation is provided on a straight line method (SLM) based on estimated useful life of fixed assets determined by management as follows:

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

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

(iii) Leasehold improvements are amortised over the period of lease or five years, whichever is lower. Assets acquired on finance lease are depreciated at the lower of lease term and estimated useful life as stated above. Assets individually costing up to Rs.5 are fully depreciated in the year of purchase.

2.4 Intangible assets

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

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

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

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

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

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

2.5 Borrowing costs

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

2.6 Lease accounting

Finance lease

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

(Rs. '000)

Operating lease

Assets acquired on lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals on assets taken on operating lease are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term. Operating leases, which are renewed, after the primary lease period and have not been opted for transfer of ownership, are reclassified to finance lease prospectively.

2.7 Investments

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

2.8 Inventories

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

2.9 Impairment of assets

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

2.10 Revenue recognition

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

(i) Revenue from software services includes revenue from time and material and fixed price contracts. Revenue from time and material contracts are recognised as related services are performed. Revenue from fixed price contracts for delivering services is recognised under the proportionate-completion method wherein revenue is recognised based on services performed to date as a percentage of total services to be performed.

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

(iii) Revenue from Information Technology enabled Services (ITeS) is recognised as services are rendered, on the basis of an agreed amount in accordance with the agreement entered into by the Company.

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

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

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

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

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

(Rs. '000)

2.11 Foreign currency transactions

(i) Initial recognition

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

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting the Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

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

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

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

2.12 Employee benefits

(a) Short term employee benefits:

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

(b) Defined-contribution plans:

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

(c) Defined-benefit plan:

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

(d) Other long term employee benefits:

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

(Rs. '000)

(e) Actuarial gains and losses:

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

(f) Deferred employee stock compensation costs

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

2.13 Taxes on Income

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

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

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

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

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

2.14 Earnings per share

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

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

(Rs. '000)

2.15 Provisions and Contingent Liabilities

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

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

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

2.16 Segment reporting

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

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

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

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

2.17 Exceptional items

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

2.18 Project work expenses

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

2.19 Cash and cash equivalents

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

2.20 Derivative instruments

As per The Institute of Chartered Accountants of India ('ICAI') Announcement, accounting for derivative contracts, derivative contract other than those covered under AS - 11, 'The effects of changes in the foreign exchange rates', are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the income statement. Net gains are ignored.

(Rs. '000)

3.1 Contingent Liabilities:

	2009	2008
Bank Guarantees [Note (b)]	369,182	353,175
Income tax matters:		
Assessment year 2004-05 [Note (c)]	5,820	5,820
Assessment year 2005-06 [Note (d)]	119,316	119,316
Assessment year 2006-07 [Note (e)]	124,151	-

Notes:

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

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

(c) Relates to transfer pricing adjustment for arm's length price proposed by the assessing officer of Rs.95,280 (2008: Rs.95,280), 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 (2008: Rs.2,802) has been paid under protest against the demand.

(d) Relates to transfer pricing adjustment for arm's length price proposed by the assessing officer of Rs.223,468 (2008: Rs.223,468), 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.15,000 (2008: Rs.15,000) has been paid under protest against the demand.

(e) Relates to transfer pricing adjustment for arm's length price proposed by the assessing officer of Rs.228,032 (2008: Nil), which is disputed by the Company, and the matter is lying under appeal with the Income Tax Dispute Resolution Panel, Bangalore.

Contingent Liabilities does not include the following:

(i) The Company has export obligations under the Software Technology Parks of India (STPI) scheme. In accordance with such scheme, the Company procures capital goods without payment of duties, for which, agreements and bonds are executed by the Company in favour of the Government. In case the Company does not fulfil the export obligation, it is liable to pay, on demand an amount equal to such duties saved including interest and liquidated damages. As at December 31, 2009, the Company has availed duty benefits amounting to Rs.72,847 (2008: Rs.61,882). The Company expects to meet its commitment to earn requisite revenue in foreign currency as stipulated by the STPI regulations.

(ii) The Company has counter guaranteed the term loan facility of Rs.2,578,950 (2008: Nil) granted by Xchanging UK Limited, a fellow subsidiary of the Company, to Cambridge Integrated Services Group, Inc USA, a wholly owned subsidiary of the Company.

(iii) As at December 31, 2009, Cambridge Integrated Services Group Inc. USA, Scandent Group Inc. USA and Scandent Group GmbH, Germany, all wholly owned subsidiary companies have negative net assets amounting to Rs 4,279,019 (2008 -- Rs 330,885), Rs 1,778,176 (2008 -- Rs 1,531,967) and Rs 31,177 (2008 -- Rs 31,647), respectively. While the respective subsidiaries are confident of generating funds from their operations, the Company has committed to fund the shortfall, if any.

(Rs. '000)

3.2 Exceptional items

During the year, the Company has recorded significant exceptional items aggregating to Rs.29,575 (2008: Rs.70,161) as detailed below:

	2009	2008
During the period ended December 31, 2008, the Company held leases for a significant amount of unutilised office space in Pune and Chennai, which had become vacant due to decline in business. The management had plans to consolidate the property estate during 2009 and therefore were able to identify specific leases, which would not be reoccupied by the business and had hence become onerous. Pursuant to such plans, the Company has recorded a provision during the period ended December 31, 2008 towards onerous lease contracts and related assets impairment	-	70,161
During the year significant restructuring costs have been incurred. Specifically, these costs represent onerous lease contracts and related assets impairment. The onerous lease provision created represents the remaining costs, primarily rent, associated with these vacant properties.	26,375	-
The Company has carried out a detailed review of all exposures related to litigations against the Company. On the basis of such review a provision has been created during the year	3,200	-
	29,575	**70,161**

3.3 Employee benefits

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.

Net employees benefit expense (recognised in employee cost):

	2009	2008
Current service cost	10,298	6,205
Interest cost on benefit obligation	2,351	1,612
Expected return on plan assets	(641)	(255)
Net actuarial (gain)/ loss recognised in the period	(6,575)	4,200
Net benefit expense	**5,433**	**11,762**

Details of Provision for Gratuity (Balance Sheet):

	2009	2008
Defined benefit obligation	(34,933)	(30,714)
Fair value of plan assets	11,507	5,419
Plan asset / (liability)	**(23,426)**	**(25,295)**

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

	2009	2008
Opening defined benefit obligation	30,714	22,327
Interest cost	2,351	1,612
Current service cost	10,298	6,204
Benefits paid	(2,695)	(3,330)
Actuarial (gains)/ losses on obligation	(5,735)	3,901
Closing defined benefit obligation	34,933	30,714

(Rs. '000)

The principal assumptions used in determining gratuity are shown below:

	(%)	
	2009	**2008**
Expected rate of return on plan assets	7.5	5.75
Discount rate	7.5	5.75 to 6
Increase in compensation cost	10	10
Employee turnover	20	20

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.

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

	2009	**2008**
Opening fair value of plan assets	5,419	2,907
Expected return	641	255
Contributions by employer	5,871	3,582
Benefits paid	(1,265)	(1,026)
Actuarial gains/ (losses)	841	(299)
Closing fair value of plan assets	11,507	5,419

The Company expects to contribute Rs.2,092 (2008: Rs. 2,300) to gratuity during the year 2010.

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

	2009 (%)	**2008 (%)**
Investments with insurer	100	100

Amounts for the current and previous two periods are as follows:

	2009	**2008**	**March 31, 2008**	**March 31, 2007**
Defined benefit obligation	34,933	30,714	22,327	15,397
Plan assets	11,507	5,419	2,907	2,505
Surplus / (deficit)	(23,426)	(25,295)	(19,420)	(12,892)
Experience adjustments on plan liabilities	(5,735)	3,901	2,587	1,094
Experience adjustments on plan assets	841	299	193	-

3.4 Segment reporting

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

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

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

3.4 SEGMENT REPORTING-Cont.

(Rs. '000)

Particulars	IT		BPO		Unallocated		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2,009	2008
Revenues										
External sales	1,318,793	1,339,569	1,208,443	795,993	-	-	-	-	2,527,236	2,135,562
Inter-segment transfers	5,350	8,781	-	-	-	-	(5,350)	(8,781)	-	-
Total revenues	**1,324,143**	**1,348,350**	**1,208,443**	**795,993**	**-**	**-**	**(5,350)**	**(8,781)**	**2,527,236**	**2,135,562**
Other income										
Interest and other income	-	-	-	-	68,966	36,493	-	-	68,966	36,493
Total other income	**-**	**-**	**-**	**-**	**68,966**	**36,493**	**-**	**-**	**68,966**	**36,493**
Total Income	**1,324,143**	**1,348,350**	**1,208,443**	**795,993**	**68,966**	**36,493**	**(5,350)**	**(8,781)**	**2,596,202**	**2,172,055**
Costs										
Segment costs	(1,364,570)	(1,327,325)	(848,457)	(574,178)	-	-	-	-	(2,213,027)	(1,901,503)
Inter-segment transfers	-	-	(5,350)	(8,781)	-	-	5,350	8,781	-	-
Total costs	**(1,364,570)**	**(1,327,325)**	**(853,807)**	**(582,959)**	**-**	**-**	**5,350**	**8,781**	**(2,213,027)**	**(1,901,503)**
Segment result	(40,427)	21,025	354,636	213,034	-	-	-	-	383,175	270,552
Exceptional items	(18,911)	(70,161)	(10,664)	-	-	-	-	-	(29,575)	(70,161)
Segment result before tax and interest	(59,338)	(49,136)	343,972	213,034	-	-	-	-	353,600	200,391
Finance costs	-	-	-	-	(147,406)	(73,961)	-	-	(147,406)	(73,961)
Tax expense	-	-	-	-	1,029	(9,683)	-	-	1,029	(9,683)
Net profit									**207,223**	**116,747**
Other information										
Segment assets	2,120,787	2,240,489	543,217	585,340	-	-	-	-	2,664,004	2,825,829
Inter segment assets	-	-	341,382	7,873	-	-	(341,382)	(7,873)	-	-
Unallocated Assets	-	-	-	-	2,038,350	2,088,655	-	-	2,038,350	2,088,655
Total assets	**2,120,787**	**2,240,489**	**884,599**	**593,213**	**2,038,350**	**2,088,655**	**(341,382)**	**(7,873)**	**4,702,354**	**4,914,484**
Segment liabilities	1,076,644	1,163,020	183,808	283,962	-	-	-	-	1,260,452	1,446,982
Inter segment liabilities	341,382	7,873	-	-	-	-	(341,382)	(7,873)	-	-
Unallocated Liabilities	-	-	-	-	736,091	969,863	-	-	736,091	969,863
Total liabilities	**1,418,026**	**1,170,893**	**183,808**	**283,962**	**736,091**	**969,863**	**(341,382)**	**(7,873)**	**1,996,543**	**2,416,845**
Capital expenditure	18,821	30,794	74,151	71,657	-	-	-	-	92,972	102,451
Depreciation and amortisation	36,843	32,404	105,844	74,007	-	-	-	-	142,687	106,411
Impairment provision	-	-	10,663	-	-	-	-	-	10,663	-
Bad debts / Provision for Bad and doubtful debts	3,655	52,284	831	2,063	-	-	-	-	4,486	54,347
Provision for onerous leases	15,711	70,161	-	-	-	-	-	-	15,711	70,161

(Rs. '000)

Geographical segments

Revenues:	**2009**	**2008**
USA	1,083,249	1,269,820
Europe	1,259,426	704,115
Rest of the World	184,561	161,627
Total	**2,527,236**	**2,135,562**

3.5 Related party disclosures

A. Names of related parties and description of relationship

Ref.	Description of relationship	Names of related parties
(a)	**Parties where control exists:**	
	Holding companies:	
	Ultimate holding company	Xchanging Plc, UK
	Intermediate holding companies	Xchanging Holdings Limited, UK
		Xchanging BV, The Netherlands
	Immediate holding company	Xchanging (Mauritius) Limited, Mauritius
	Subsidiary companies	Cambridge Solutions Europe Limited, UK
		Cambridge Solutions Pte Limited, Singapore
		Scandent Group Sdn Bhd, Malaysia
		Scandent Group GmbH, Germany
		Scandent Group Inc., USA
		Indigo Markets Limited, Bermuda
		Cambridge Integrated Services Group Inc., USA
		Cambridge Galaher Settlements & Insurance Services, USA
		Cambridge Integrated Services Victoria Pty Limited, Australia
		Cambridge Integrated Services Australia Pty Limited, Australia
		Cambridge Solutions Pty Limited, Australia
		Cambridge Solutions France SARL, France
		ProcessMind Holding Mauritius Limited, Mauritius
		Nexplicit India Infotech Private Limited, India
(b)	**Parties under common control with whom transactions have taken place during the year:**	
	Fellow subsidiaries	Xchanging Systems and Service Inc., USA.
		Xchanging Broking Services Limited, UK.
		Xchanging Claim Services Limited, UK.
		Xchanging Global Insurance Systems Ltd., UK.
		Xchanging Technology Services India Private Limited, India
		Xchanging UK Limited, UK.
(c)	**Key management personnel**:	
	Executive Chairman and CEO	David Andrews (*) (appointed on January 12, 2009)
	Executive Vice Chairman	Richard Houghton (*)(appointed on January 12, 2009)
	Executive Director and Chief Financial Officer	Darren Fisher (appointed on July 31, 2009)
	Executive Director and Chief Production Officer	Thomas Runge (*)(appointed on October 22, 2009)

(*) No transactions during the year.

Notes:

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

(Rs. '000)

3.5 RELATED PARTY DISCLOSURES - Cont.

B. Summary of transactions with related parties

S.no	Name of the related party	Relationship	Nature of Transactions	2009 Transactions	2009 Balances	2008 Transactions	2008 Balances
1	Scandent Group Inc., USA	Subsidiary company	Revenue	532,564	-	606,169	-
			Project work Expenses	(276,776)	-	(332,036)	-
			Expenses paid on behalf of the company by the related party	(8,393)	-	(2,327)	-
			Expenses paid on behalf of the related party	2,034	-	3,716	-
			Debtors	-	275,487	-	222,547
			Loans and advances	-	1,884,901	-	1,878,661
			Expenses Payable	-	(218,669)	-	(370,132)
			Expenses Receivable	-	3,718	-	29,697
			Provision for Bad debts	-	(24,282)	-	(24,282)
			Provision for Doubtful advance	-	(742,139)	-	(742,139)
			Unsecured loan given	-	-	79,218	-
			Advance Received	-	-	-	(21,902)
			Guarantees given by the related party	-	-	-	193,800
2	Cambridge Solutions Europe Limited., UK	Subsidiary company	Revenue	390,641	-	276,563	-
			Project work Expenses	(170,334)	-	(168,880)	-
			Expenses paid on behalf of the company by the related party	(38,713)	-	(32,860)	-
			Expenses paid on behalf of the related party	393	-	381	-
			Debtors	-	230,692	-	326,937
			Loans and advances	-	72,885	-	54,850
			Expenses Payable	-	(248,620)	-	(288,720)
			Expenses Receivable	-	-	-	2,437
			Provision for Bad debts	-	(22,441)	-	(22,441)
			Advance received	-	-	-	(154)
			Guarantees taken by the related party	-	-	-	7,001
			Guarantees given by the related party	-	-	-	193,800
3	Cambridge Solutions PTE Ltd. Singapore	Subsidiary company	Revenue	48,446	-	38,795	-
			Project work Expenses	(43,126)	-	(30,882)	-
			Expenses paid on behalf of the company by the related party	(2,589)	-	(4,461)	-
			Expenses paid on behalf of the related party	7,029	-	4,439	-
			Loans and advances	-	313	-	324
			Expenses Payable	-	(108,024)	-	(63,614)
			Expenses Receivable	-	15,206	-	-
			Advance received	-	(55,061)	-	(35,972)
			Guarantees given by the related party	-	-	-	193,800

(Rs. '000)

3.5 RELATED PARTY DISCLOSURES

B. Summary of transactions with related parties

S.no	Name of the related party	Relationship	Nature of Transactions	2009 Transactions	2009 Balances	2008 Transactions	2008 Balances
4	Indigo Markets Ltd, Bermuda.	Subsidiary company	Debtors	-	-	-	3,033
			Expenses Payable	-	-	-	(1,367)
			Expenses Receivable	-	-	-	800
			Expenses paid on behalf of the related party	-	-	252	-
5	Cambridge Integrated Services Australia Pty Ltd. Australia	Subsidiary company	Guarantee taken by the related party	-	113,058	-	98,196
6	Cambridge Integrated Services Victoria PTY LTD. Australia	Subsidiary company	Expenses paid on behalf of the related party	871	-	459	-
			Loans and advances	-	-	-	8,583
			Advances to vendors	-	-	73,766	-
			Guarantee taken by the related party	-	60,633	-	49,725
7	Cambridge Integrated Services Group Inc.USA	Subsidiary company	Revenue	170,806	-	175,801	-
			Expenses paid on behalf of the company by the related party	(20,278)	-	(17,236)	-
			Expenses paid on behalf of the related party	2,808	-	15,406	-
			Debtors	-	69,518	-	172,087
			Loans and advances	-	3	-	9,302
			Expenses Payable	-	(1,210)	-	(3,878)
			Expenses Receivable	-	-	-	40,826
			Advances to vendors	-	-	44,325	-
			Guarantees taken by the related party	-	188,981	-	1,660,866
8	Nexplicit Infotech India Private Limited	Subsidiary company	Project work expenses	-	-	(9,166)	-
			Expenses paid on behalf of the company by the related party	(21,614)	-	(8,572)	-
			Expenses paid on behalf of the related party	36,011	-	1,917	-
			Loans and advances	-	13,878	-	12,106

-

(Rs. '000)

3.5 RELATED PARTY DISCLOSURES

B. Summary of transactions with related parties

S.no	Name of the related party	Relationship	Nature of Transactions	2009 Transactions	2009 Balances	2008 Transactions	2008 Balances
9	Cambridge Solutions PTY LTD. Australia	Subsidiary company	Expenses paid on behalf of the related party	1,497	-	775	-
			Expenses Receivable	-	570	-	1,853
10	Xchanging Claim Services Ltd	Subsidiary of parent company	Revenue	934	-	-	-
			Debtors	-	934	-	-
11	Xchanging Systems and Service	Subsidiary of parent company	Revenue	1,261	-	-	-
			Debtors	-	1,216	-	-
12	Xchanging Global Insurance So	Subsidiary of parent company	Revenue	260	-	-	-
			Debtors	-	261	-	-
13	Xchanging Broking Services	Subsidiary of parent company	Revenue	561,708	-	317,058	-
			Expenses paid on behalf of the related party	75,092	-	28,246	-
			Debtors	-	60,223	-	-
			Expenses Receivable	-	4,914	-	-
14	Xchanging UK Plc.	Subsidiary of parent company	Revenue	14,138	-	-	-
			Expenses paid on behalf of the company by the related party	(14,031)	-	-	-
			Debtors	-	14,138	-	-
			Expenses Payable	-	(12,811)	-	-
			Guarantee taken by the related party	-	2,578,950	-	-
15	Xchanging Technolgy Services India Pvt. Ltd.	Subsidiary of parent company	Unsecured Loan	(160,000)	(160,000)	-	-
			Interest on Loans	(10,964)	-	-	-
			Interest accrued but not due	-	(9,093)	-	-

(Rs. '000)

3.6. Lease disclosures

i. Operating leases

In case of assets taken on lease:

The Company has operating leases for its office premises, guest houses and certain equipment. The lease arrangements for premises and guest houses have been entered up to a maximum of six years from the respective dates of inception. Some of these lease arrangements have price escalation clauses.

Rent and hire charges for such operating leases recognised in the Profit and Loss Account for the year ended December 31, 2009 amounts to Rs 109,613 (2008 -- Rs 98,772).

Future minimum lease payments under operating lease are as under:

	2009	**2008**
Payable not later than one year	87,802	100,989
Payable later than one year and not later than five years	40,510	116,159
Payable later than 5 years	-	1,285
Total	**128,312**	**218,433**

In case of assets given on lease

The Company has sub-leased out premises on operating lease. The lease is non-cancellable for tenure of four years and entails an escalation of lease rent on a periodical basis. Rent income for such operating leases recognised in the Profit and Loss Account for the year ended December 31, 2009 is Rs 18,375 (2008 -- Rs. 9,845).

	2009	**2008**
Future minimum lease payment		
Not later than one year	18,612	18,757
Later than one year and not later than five years	2,531	22,883
	21,143	**41,640**

ii. 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 installment over the lease term.

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

	2009	**2008**
Total minimum lease payments	1,418	2,048
Less: Interest	192	379
Present value of minimum lease payments	1,226	1,669

Future minimum lease payments under finance lease are as under:

	2009		**2008**	
	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	502	630	442
Payable later than one year and not later than five years	788	724	1,418	1,227
Total	**1,418**	**1,226**	**2,048**	**1,669**

(Rs. '000)

3.7 Earnings per share (EPS)

	2009	2008
Net profit/ (loss) for the year after tax	207,223	116,747
Weighted average number of equity shares in calculating basic EPS - (A)	111,367,620	111,356,011
Basic EPS (Rs.)	1.86	1.05
Weighted average number of potential equity shares under employee stock options during the year - (B)	5,367	4,888
Weighted average number of equity shares in calculating diluted EPS - (A+B)	111,372,987	111,360,899
Diluted EPS (Rs.)	1.86	1.05

3.8 Taxation

Current tax

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

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

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

MAT Credit Entitlement

Based on assessment of future taxable income and potential sunset of tax holiday period, the management is of the opinion that there is convincing evidence that the Company will pay normal income tax within the specified period during which MAT credit is available for set off. Accordingly, MAT Credit Entitlement asset (disclosed under Loans and Advances) of Rs.52,446 (2008: Nil) has been recognised during the year by way of a credit to profit and loss account. However, MAT Credit Entitlement asset will be reviewed at each balance sheet date for write-down, if any.

Transfer pricing

The Company has significant intra group transactions pertaining to revenue and expenses cross charge. The management is in the process of updating the transfer pricing study for such transactions entered into during the year ended December 31, 2009, and does not anticipate any adjustments with regard to the transactions involved.

3.9 Provisions

In accordance with Accounting Standard 29 'Provisions, Contingent Liabilities and Contingent Assets' the particulars of provisions as at December 31, 2009 are as follows:

Description	2008	Created during the year	Utilised/ Reversal during the year	2009
Onerous Lease contracts	70,161	15,711	24,000	61,873
Litigation	-	3,200	-	3,200
	70,161	**18,911**	**24,000**	**65,073**

Notes:

Provision for Onerous Lease contracts relates to losses recognised on contracts to the extent that unavoidable cost of meeting the obligations under the contract exceeds the economic benefits expected to be received under it, and the cash outflows are expected to occur over the eight years.

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

(Rs. '000)

3.10 EMPLOYEE STOCK OPTION PLANS

	ESOP I Plan 2004		ESOP II Plan 2004		ESOP I Plan 2005	
	No of shares	Weighted average exercise price	No of shares	Weighted average exercise price	No of shares	Weighted average exercise price
Vesting	75% of options after 12 months from the date of grant and balance after 24 months from the date of grant				One year from the date of grant	
Method of accounting	Intrinsic value method		Intrinsic value method		Intrinsic value method	
Method of settlement	Equity		Equity		Equity	
Exercise price	10	-	128.75	-	10	-
General Description of Plans	In 2003-04, the Compensation Committee had granted 477,268 options under the ESOP Plan 2004 to be exercised at a grant price of Rs 10. Further, during the year ended March 31, 2007 additional 15,017 shares were granted under the above scheme.		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	
December 31, 2009						
Options outstanding at the beginning of the year	45	10	1,200	128.75	5,000	10
Options granted during the year	-	-	-	-	-	-
Options forfeited during the year	45	10	-	-	-	-
Options exercised during the year	-	-	-	-	-	-
Options expired during the year	-	-	-	-	-	-
Options outstanding at the end of the year	-	-	1,200	128.75	5,000	10
Options exercisable at the end of the year	-	-	1,200	128.75	5,000	10
Weighted average remaining contractual life (in years)	-	-	1.86	-	2.4	-
December 31, 2008						
Options outstanding at the beginning of the year	45	10	3,900	128.75	5,000	10
Options granted during the year	-	-	-	-	-	-
Options forfeited during the year	-	-	2,700	128.75	-	-
Options exercised during the year	-	-	-	-	-	-
Options expired during the year	-	-	-	-	-	-
Options outstanding at the end of the year	45	10	1,200	128.75	5,000	10
Options exercisable at the end of the year	45	10	1,200	128.75	5,000	10
Weighted average remaining contractual life (in years)	-	-	2.86	-	3.4	-

	2009	2008
Net profit as reported	207,223	116,747
Net Income available for equity shareholders	207,223	116,747
Add: Stock based employee compensation expenses included in reported income	-3	-743
Less: Stock based employee compensation expenses determined under Fair value based method net of tax effects	6,369	31,350
Revised profit	200,851	84,654
Earnings Per Share		
Basic	1.80	0.76
Diluted	1.80	0.76

(Rs. '000)

3.10 EMPLOYEE STOCK OPTION PLANS - Contd.

ESOP II Plan 2005		ESOP I Plan 2006		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
40% of the options one year from the date of grant and balance 60% two years from the date of grant		One year 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	
Intrinsic value method		Intrinsic value method		Intrinsic value method	
Equity		Equity		Equity	
113.15-172		10		56.90-140.35	
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.		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.	
98,500	131.37			1,481,946	91.36
-	-			-	-
-	-			88,000	120.57
-	-			16,666	56.9
-	-			-	-
98,500	131.37			1,377,280	89.91
98,500	131.37			892,601	-
3.31				4.58	
98,500	131.37	36,000	10	2,680,946	97.22
-	-	-	-	-	-
-	-	-	-	1,199,000	104.43
-	-	24,000	10	-	-
-	-	12,000	10	-	-
98,500	131.37	-	-	1,481,946	91.36
98,500	131.37	-	-	495,298	-
4.31				3.06	

(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:

		2009	2008
(i)	a) Principal amount remaining unpaid as at December 31, 2009 b) Interest due thereon remaining unpaid on December 31, 2009 (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, 2009 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 Loan processing fees and deferred costs

Based on a review during the year of the upfront loan processing fees and deferred costs stated under Miscellaneous Expenditure, the Company has charged off the unamortised balances, under both the categories, to the Profit and Loss Account thereby reducing net profit for the year by Rs.23,180.

3.13 Scandent Inc USA receivable

As at December 31, 2009, the Company has net receivables (after eliminating payables) from Scandent Group Inc, USA, a wholly owned subsidiary of the Company, of Rs.1,945,437 (2008: Rs.972,449) [net of payables: Rs.218,669 (2008: Rs.392,035)]. Based on an evaluation, the Company has made a provision of Rs.766,420 (2008: Rs.766,420) against the net receivables in an earlier year. The Company, based on strategic funding plans, believes that the remaining dues are good and will be recovered in the foreseeable future.

3.14 Details of utilisation of proceeds raised through preferential issues

During the financial year ended March 31, 2006, the Company had made preferential allotment of 1,025,227 equity shares of Rs.10 each at a premium of Rs.210 per share and preferential allotment of 5.22% Convertible Bonds amounting to Rs.1,336,500 (2008: Rs.1,336,500) to Indopark Holdings Limited, a wholly owned subsidiary of Merrill Lynch & Co.

(Rs. '000)

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

	2009	2008
Capital expenditure	244	-
Bank balance	-	244
Total	**244**	**244**

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

		2009	2008
(i)	**Auditors remuneration** (included in Legal and professional)		
	As auditor		
	Statutory audit fee	5,500	8,640
	Tax accounts and tax audit fee	2,400	-
	Limited review of quarterly financial results	4,475	2,600
	Out of pocket expenses	302	908
	As advisor		
	Other services	-	8,450
	Out of pocket expenses	-	474

(ii)	**Managerial remuneration**
	The Company does not pay remuneration to the Executive Chairman, Executive Vice Chairman or Whole Time Directors. Pursuant to an 'Agreement for Reimbursement of Employee Costs" between the Company and Xchanging UK Limited, UK ('XUK'), a fellow subsidiary, XUK has deputed the Executive Director and Chief Financial Officer (CFO) to the Company and has agreed to disburse remuneration on behalf of the Company to the Executive Director and Chief Financial Officer (CFO). The costs recharged by XUK to the Company during the year as part of this arrangement amounting to Rs.4,522 (2008: Nil) has been disclosed under note 3.5. The Company has made an application on October 27, 2009, to the Central Government under the provisions of the Companies Act, 1956 for approval of the appointment of the Executive Director and CFO, which is awaited.

		2009	2008
(iii)	Earnings in foreign currency	**2,494,085**	**2,082,051**

(iv)	Expenditure in foreign currency	2009	2008
	Project work expenses	514,516	531,667
	Traveling	61,019	48,604
	Interest	6,174	9,287
	Communication	15,165	21,521
	Others	5,914	21,556
	Total	**602,788**	**632,635**

(v)	Value of imports calculated on CIF basis	2009	2008
	Capital goods	**141,206**	**40,570**

(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)

3.16 Capital Commitments

	2009	2008
Estimated amount of contracts remaining to be executed on capital account, net of advances	1,326	17,956

3.17 Prior year comparatives

The profit and loss account for the current year is for twelve months period whereas the profit and loss for the prior period was for nine months, and accordingly, the figures between the two periods are not strictly comparable. Previous period's figures have been regrouped/ reclassified wherever necessary to conform to the current year's presentation. Figures in the accounts and notes are all in rupees thousands except for certain figures in the notes on Schedules 1 and 4 and note 3.7 and 3.14 above.

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

Shivakumar Hegde
Partner
For and on behalf of
Price Waterhouse & Co.
Chartered Accountants

Place : Bangalore
Date : February 26, 2010

David Andrews
Executive Chairman &
Chief Executive Officer
Place : London, UK
Date : February 26, 2010

Richard Houghton
Executive Vice Chairman

Darren Fisher
Chief Financial Officer &
Executive Director

Vijayamahantesh Khannur
Company Secretary
Place : Bangalore
Date : February 26, 2010

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 2009		

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	1,113,820	Net Fixed Assets	265,393
Reserves & Surplus	1,591,988	Investments	2,029,703
Secured Loans	565,405	Deferred Tax Assets	-
Unsecured Loans	160,000	Net Current Assets	1,136,118
Deferred Tax Liabilities	-	Miscellaneous Expenditure	-
		Accumulated Losses	-

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

Turnover (including Other Incomes)	2,596,203	Total Expenditure	2,532,694
Profit/(Loss) Before Tax	63,509	Profit/(Loss) After Tax	207,225
Earning per Share in Rs.	1.86	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

David Andrews
Executive Chairman &
Chief Executive Officer

Richard Houghton
Executive Vice Chairman

Darren Fisher
Chief Financial Officer &
Executive Director

Place: London, UK
Date: February 26, 2010

Vijayamahantesh Khannur
Company Secretary

Place: Bangalore
Date: February 26, 2010

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

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

Relating to the subsidiary companies for the year ended December 31, 2009

1 Name of the Subsidiary Company	Scandent Group Inc, USA	Nexplicit Infotech, India Pvt. Ltd	Indigo Markets, Ltd. Bermuda	Scandent-Group Gm Bh, Germany	Cambridge Solutions Europe Ltd, UK	Cambridge Solutions Pvt. Ltd., Singapore	Indigo-Markets Singapore Pte Ltd, Singapore	Scandent Group Sdn, BHD, Malaysia	Cambridge Solutions, France, SARL
2 Financial Year of the subsidiary company	31st December 2009	31st December 2009	31st December 2009	31st December 2009	31st December 2009	31st December 2009	15th April 2009	31st December 2009	31st December 2009
3 No. of shares held in Subsidiary Company as on above date	8,073,267	10,000	12,000	25,565	2,664,278	2,300,000	2	250,000	500
4 % of holding (Equity)	100%	100%	100%	100%	100%	100%	100%	100%	100%
5 The net aggregate of Profit / (Losses) of the subsidiary companies so far as they concern the menbers of the company	-	-	-	-	-	-	-	-	-
a. Dealt with in the Account of the company for the year ended December 31, 2009	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b. Not Dealt with in the Account of the company for the year ended December 31, 2009	USD (4,216,258)	INR (1,452,184)	USD (529,330)	-	GBP (18,225)	SGD 755,417	SGD 732,693	RM 992,858	EURO (243,041)
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, 2009	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b. Not Dealt with in the Account of the company for the year ended December 31, 2009	USD (64,887,018)	INR 7,166,575	USD 519,770	EURO (489,422)	GBP (1,439,488)	SGD 2,296,000	SGD (732,694)	RM 1,294,104	EURO (340,332)

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

Relating to the subsidiary companies for the period ended December 31, 2009

1. Name of the Subsidiary Company	Cambridge Solutions Pty Ltd, Australia	Cambridge Galahar Settlements & Insurance Services	Cambridge Intergreted Services Group Inc.	ProcessMind Holdings Mauritius Limited	Cambridge Integreted Services Victoria Pty Ltd	Cambridge Integreted Services Australia Pty Ltd
2 Financial Year of the subsidiary company	31st December 2009	31st December 2009	31st December 2009	31st December 2009	31st December 2009	31st December 2009
3 No. of shares held in Subsidiary Company as on above date	10,000	1,000	1,000	1	5	-
4 % of holding (Equity)	100%	100%	100%	100%	100%	100%
5 The net aggregate of Profit / (Losses) of the subsidiary companies so far as they concern the members of the company	-	-	-	-	-	-
a. Dealt with in the Account of the company for the year ended December 31, 2009	Nil	Nil	Nil	Nil	Nil	Nil
b. Not Dealt with in the Account of the company for the year ended December 31, 2009	AUD 58,777	-	USD (79,923,758)	USD (2,908)	AUD 3,667,971	AUD (671,202)
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, 2009	Nil	Nil	Nil	Nil	Nil	Nil
b. Not Dealt with in the Account of the company for the year ended December 31, 2009	AUD 12,105	-	USD (23,864,916)	USD 3,433,912	AUD 10,777,032	AUD 5,437,506

Note:

1. Indigo Market Singapore Pte Ltd., Singapore liquidated on 15th April 2009

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

Sr. No.	Name of the Subsidiary Company	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Investment other than investment in subsidiary	Turn-over	Profit/ (Loss) before taxation	Provision for taxation	Profit/ (Loss) after taxation	Proposed dividend	Country
1.	Scandent Group Inc., USA	46.89	465.62	(2,323.93)	852.26	2,759.99	49.42	661.36	(197.70)	-	(197.70)	-	U.S.A
2.	Scandent Group GmbH, Germany	67.21	1.72	(32.89)	2.33	33.51	-	-	-	-	-	-	GERMANY
3.	Cambridge Solutions Europe Limited (Formerly Scandent Network Europe Limited., UK)	74.69	199.00	(108.88)	414.25	342.67	18.54	187.18	(1.36)	-	(1.36)	-	U.K.
4.	Cambridge Solutions Pte Limited, Singapore (Formerly Scandent Group Pte Limited., Singapore)	33.37	76.74	106.04	327.73	149.31	4 .36	569.65	33.67	8 .47	25.20	-	SINGAPORE
5.	Scandent Group Sdn, BHD, Malaysia	13.67	3.42	31.27	37.09	2.40	-	29.57	13.58	-	13.58	-	MALAYSIA
6.	Indigo Markets (Singapore) Pte Limited	33.37	-	0.00	0.00	-	-	-	25.26	-	25.26	-	SINGAPORE
7.	Indigo Markets Ltd,Bermuda	46.89	0.55	(0.44)	0.74	0.62	-	-	25.65	-	25.65	-	U.S.A
8.	BWH SARL, France	67.21	23.63	(38.03)	72.31	86.71	-	247.08	(15.84)	-	(15.84)	-	FRANCE
9.	Cambridge Integrated Services Australia Pty Limited	41.87	0.00	199.58	340.55	140.97	-	744.74	(28.10)	-	(28.10)	-	AUSTRALIA
10.	Cambridge Galaher Settlements & Insurance Services	46.89	0.05	-	0.05	-	-	-	-	-	-	-	U.S.A
11	Cambridge Integrated Services Victoria Pty Limited	41.87	0.00	604.85	1,135.34	530.49	-	1,325.02	232.29	78.71	153.59	-	AUSTRALIA
12.	Cambridge Integrated Services Group Inc.	46.89	0.00	(4,021.43)	3,884.05	4,139.91	234.43	5,799.99	(3,740.88)	5 .63	(3,746.51)	-	U.S.A
13.	ProcessMind Holdings Mauritius Limited	46.89	0.00	324.55	324.61	0.06	-	-	(0.14)	-	(0.14)	-	U.S.A
14.	Nexplicit Infotech India Private Limited	1.00	0.10	6.65	25.94	19.19	-	27.31	(1.34)	0 .11	(1.45)	-	INDIA
15.	Cambridge Solutions Pty Ltd, Australia	41.87	0.42	2.97	7.31	3.92	-	17.78	3.94	1 .48	2.46	-	AUSTRALIA

Note:

1. Indigo Market Singapore Pte Ltd., Singapore liquidated on 15th April 2009

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 (together the 'Group'), as at December 31, 2009, and the related Consolidated Profit and Loss Account and 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 and have been prepared by the management on the basis of separate financial statements and other financial information regarding the components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We have 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 certain subsidiaries, whose financial statements reflect total assets of Rs.388,729,316 as at December 31, 2009, and total revenue of Rs.1,094,977,400 for the year ended on that date as considered in the consolidated financial statements. These financial statements and other financial information have been audited by other auditors, whose reports have been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of these subsidiaries; it is solely based on the reports of the 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 pursuant to the Companies Accounting Standards Rules, 2006.

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

   (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at December 31, 2009;

   (ii) in the case of the Consolidated Profit and Loss Account, of the loss of the Group for the year ended on that date; and

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

For Price Waterhouse & Co.
Chartered Accountants

Shivakumar Hegde
Partner
Membership No.: 204627
Bangalore
February 26, 2010

CAMBRIDGE SOLUTIONS LIMITED

(Rs. '000)

	Schedule	2009	2008
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	1,113,820	1,113,654
Reserves and surplus	2	1,539,267	1,075,477
		2,653,087	2,189,131
Loan Funds			
Secured loans	3	648,117	2,566,203
Unsecured Loans	4	3,314,924	268,360
		3,963,041	2,834,563
Deferred Tax Liability (net)		32,573	8,127
		6,648,701	5,031,821
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross block (at cost)		9,241,538	9,250,361
Less: Depreciation		4,654,104	3,985,726
Net block		4,587,434	5,264,635
Capital work-in-progress		70,356	105,956
		4,657,790	5,370,591
Investments	6	48,133	109,081
Current Assets, Loans and Advances			
Sundry debtors	7	1,615,071	1,787,734
Cash and bank balances	8	508,051	334,719
Other current assets	9	150,307	151,221
Loans and advances	10	313,743	309,850
		2,587,172	2,583,524
Less: Current Liabilities and Provisions			
Liabilities	11	3,489,093	2,955,764
Provisions	12	1,985,533	1,278,907
		5,474,626	4,234,671
Net Current Assets		(2,887,454)	(1,651,147)
Miscellaneous Expenditure (to the extent not written off or adjusted)	13	-	94,975
		4,830,232	1,108,321
Profit and Loss Account			
		6,648,701	5,031,821
Notes on Accounts	19		

The schedule referred to above and the notes thereon form an integral part of the Consolidated Balance Sheet.
This is the Consolidated Balance Sheet referred to in our report of even date.

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

Shivakumar Hegde
Partner
For and on behalf of
Price Waterhouse & Co.
Chartered Accountants

Place : Bangalore
Date : February 26, 2010

David Andrews
Executive Chairman &
Chief Executive Officer
Place : London, UK
Date : February 26, 2010

Richard Houghton
Executive Vice Chairman

Darren Fisher
Chief Financial Officer &
Executive Director

Vijayamahantesh Khannur
Company Secretary
Place : Bangalore
Date : February 26, 2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2009

CAMBRIDGE SOLUTIONS LIMITED

(Rs. '000)

	Schedule	12 months ended December 31, 2009	9 months ended December 31, 2008
INCOME			
Services Revenue	14	11,599,657	8,761,876
Other income	15	111,293	60,672
		11,710,950	8,822,548
EXPENDITURE			
Employee costs	16	7,007,501	5,603,277
Other operating costs	17	4,002,126	3,246,548
		11,009,627	8,849,825
Profit / (loss) before depreciation, amortisation, prior period, finance cost and taxation		**701,323**	**(27,277)**
Depreciation and amortisation	5	398,442	421,626
Finance cost	18	388,788	270,029
(Loss) before prior period, exceptional items and taxation		(85,906)	(718,932)
Prior period adjustments (net) (refer note 3.3)		189,405	-
Exceptional items (refer note 3.2)		3,347,694	664,649
(Loss) before taxation		(3,623,005)	(1,383,581)
Provision for taxation :			
Current tax (net of reversal relating to earlier years and MAT credit entitlement)		67,435	101,008
Deferred tax charge		18,034	19,715
Fringe benefit tax		13,437	16,172
Total tax expense		**98,906**	**136,895**
Net (Loss)		**(3,721,911)**	**(1,520,476)**
Net Profit / (loss) brought forward from prior period / year		(1,108,321)	412,155
Net (Loss) carried to Balance Sheet		**(4,830,232)**	**(1,108,321)**
Weighted average number of equity shares used in computing earnings per share			
Basic		111,367,620	111,356,011
Diluted		111,372,987	111,356,011
Earnings/(loss) per share [Equity shares, par value of Rs.10 each (2008 -- Rs.10)]			
Basic		(33.42)	(13.65)
Diluted		(33.42)	(13.65)
Notes on Accounts	19		

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

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

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

Shivakumar Hegde
Partner
For and on behalf of
Price Waterhouse & Co.
Chartered Accountants

Place : Bangalore
Date : February 26, 2010

David Andrews
Executive Chairman & Chief Executive Officer
Place : London, UK
Date : February 26, 2010

Richard Houghton
Executive Vice Chairman

Darren Fisher
Chief Financial Officer & Executive Director

Vijayamahantesh Khannur
Company Secretary
Place : Bangalore
Date : February 26, 2010

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2009

CAMBRIDGE SOLUTIONS LIMITED

(Rs'000)

		12 months ended December 31, 2009	9 months ended December 31, 2008
A.	**Cash flow from operating activities**		
	Net profit / (Loss) before taxation	**(3,623,005)**	**(1,383,581)**
	Adjustments for:		
	Depreciation and amortisation	1,008,109	470,149
	Amortisation of miscellaneous expenditure (included in Finance costs)	98,331	41,045
	Amortisation of deferred contract cost	11,345	-
	(Profit) / Loss on sale of fixed assets	1,959	4,031
	Foreign exchange (gain)/loss (net) - unrealised	32,519	58,084
	Interest income	(8,067)	(55,818)
	Write back of liability	3,412	-
	Provision for onerous customer contracts	1,378,181	-
	Provision for onerous lease contracts	487,810	569,804
	Provision for Doubtful Debts	45,176	305,329
	Provision for Doubtful advance	629	-
	Provision for diminution in value of investment	97,293	-
	Sale of long-term investments	-	(100)
	Deferred employee compensation cost	(3)	(743)
	Interest expense	245,453	194,314
	Operating profit before working capital changes	(220,858)	202,514
	Movements in working capital :		
	Decrease / (Increase) in Inventory	-	2,312
	Decrease / (Increase) in sundry debtors and other current assets	125,126	518,452
	Decrease / (Increase) loans and advances	(95,269)	(18,285)
	Increase / (Decrease) in current liabilities and provisions	55,294	150,064
	Net cash used in operating activities	(135,707)	855,057
	Direct taxes paid, net of refunds	(167,271)	(17,044)
	Net cash used in operating activities (A)	**(302,978)**	**838,013**
B.	**Cash flows from investing activities**		
	Purchase of fixed assets and intangible assets	(299,964)	(427,616)
	Proceeds from sale of fixed assets	3,929	6,931
	Purchase of investments	(35,168)	-
	Sale of long-term investments	-	100
	Interest received	8,067	55,818
	Investment in fixed deposits with maturity > 3 months	-	(79)
	Proceeds from maturity of fixed deposits > 3 months	20,486	2,509
	Payment for acquisition of subsidiaries	-	(19,800)
	Net cash from / (used) in investing activities (B)	**(302,650)**	**(382,137)**

Consolidated Cash Flow Statement for the year ended December 31, 2009

(Rs'000)

	12 months ended December 31, 2009	9 months ended December 31, 2008
C. Cash flows from financing activities		
Proceeds from issue of share capital	948	240
Loan arrangement and processing fees	(13,241)	(37,590)
(Repayment)/ proceeds from cash/ export credit facilities - net	(41,551)	(71,898)
Proceeds from term loans	3,449,941	570,000
Repayment of term borrowings and finance lease obligation	(2,219,878)	(768,585)
Interest paid	(271,755)	(188,946)
Net cash used in financing activities (C)	**904,464**	**(496,779)**
Net decline in cash and cash equivalents (A + B + C)	**298,836**	**(40,903)**
Cash and cash equivalents at the beginning of the year	310,634	308,629
Effect of changes in exchange rates on cash and cash equivalents	(105,018)	42,908
Cash and cash equivalents at the end of the year	**504,452**	**310,634**
Components of cash and cash equivalents:		
Cash on hand	122	220
Balances with scheduled banks	37,741	65,650
Balances with other banks	470,188	268,849
	508,051	334,719
Less: Fixed deposits with maturity greater than 3 months	(3,599)	(24,085)
	504,452	**310,634**

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

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

Shivakumar Hegde
Partner
For and on behalf of
Price Waterhouse & Co.
Chartered Accountants

Place : Bangalore
Date : February 26, 2010

David Andrews
Executive Chairman &
Chief Executive Officer
Place : London, UK
Date : February 26, 2010

Richard Houghton
Executive Vice Chairman

Darren Fisher
Chief Financial Officer &
Executive Director

Vijayamahantesh Khannur
Company Secretary
Place : Bangalore
Date : February 26, 2010

CAMBRIDGE SOLUTIONS LIMITED

(Rs. '000)

	2009	2008
1. CAPITAL		
Authorised capital		
125,000,000 (2008 -- 125,000,000) Equity shares of Rs 10 each	1,250,000	1,250,000
Issued, subscribed and paid-up capital		
111,382,049 (2008 --111,365,383) Equity shares of Rs 10 each fully paid up	1,113,820	1,113,654

Notes:

(i) Of the above:

a) 74,757,507 (2008: 74,757,507) shares have been allotted at par to the shareholders/award holders of Cambridge Services Holdings LLC, USA pursuant to a merger scheme.

b) 16,666 (2008: 10,119) shares have been allotted at a premium of Rs 46.90 (2008: Rs 118.75) per share and Nil (2008: 681,268) have been allotted at par pursuant to options being exercised by employees under the Employee Stock Option Plans of the Company.

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

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

	2009	2008
2. RESERVE AND SURPLUS		
Capital reserve (refer note (ii) below)	36,117	36,117
Securities premium		
As at last balance sheet date	839,862	813,080
Add: Share premium on Employee Stock Options exercised during the year / period	782	26,782
Balance, end of the year / period	840,644	839,862
Stock compensation adjustment		
As at last balance sheet date	687	28,707
Less: Amount transferred to securities premium on exercise of options	-	(26,782)
Less: Reversal on forfeiture / lapse of stock options granted	(3)	(1,238)
Balance, end of the year / period	684	687
General reserve		
As at last balance sheet date	561,186	569,286
Less : Adjustments pursuant to a merger scheme	-	(8,100)
Balance, end of the year / period	561,186	561,186
Foreign currency translation reserve	100,636	(362,375)
	1,539,267	**1,075,477**

Notes:

	2009	2008
(i) Deferred employee stock compensation expense		
Balance, beginning of the year / period	-	495
Less: Stock compensation expense amortised during the year / period	-	(495)
Balance, end of the year / period	-	-

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

(Rs '000)

	2009	2008
3. SECURED LOANS		
From Banks		
Cash/Export Credit Facilities	249,697	469,558
Term loan (Repayable within one year Rs 188,750 (2008: Rs 814,500)	300,000	1,933,500
	549,697	**2,403,058**
From Others		
Loans for purchase of fixed assets	14,703	17,682
Finance lease obligation	83,717	145,463
	98,420	**163,145**
	648,117	**2,566,203**

Notes :

(i) On May 15, 2005, the Company entered into a letter of arrangement for a cash credit facility with Axis Bank for a tenor of one year, which has been subsequently renewed every year, including this year. The credit is secured by a first pari-passu charge on all the current assets of the Company, both present and future, except receivable from Scandent Group Inc., USA. As of December 31, 2009, the Company has availed a facility of Rs 21,283 (2008-- Nil).

(ii) On December 14, 2006, Yes Bank sanctioned a cash credit facility of Rs 100,000 to meet the working capital requirements of the Company. The loan is secured by way of first pari passu charge on the current assets and movable fixed assets of the Company and by unconditional and irrevocable corporate guarantee of Scandent Holding Mauritius Limited, the erstwhile holding company, which is in the process of being novated to Xchanging Mauritius Ltd., the immediate holding company. As at December 31, 2009, the Company has availed facility of Rs 12,475 (2008 -- Rs 48,559).

(iii) On January 16, 2007, State Bank of India sanctioned Export Packing Credit facility of Rs 220,000 in equivalent US Dollars to meet the working capital requirements of the Company. On November 30, 2008 the facility was renewed and limit was enhanced to Rs 255,000 with an equivalent Cash credit facility as a sub limit for a period of 12 months. The loan is secured by way of hypothecation of all the receivable, present and future on pari passu charge with EXIM Bank, Axis Bank, Bank of India and Yes Bank, and corporate guarantee of Scandent Holding Mauritius Limited, the erstwhile holding company, which is in the process of being novated to Xchanging Mauritius Ltd., the immediate holding company. As at December 31, 2009, the Company has fully availed the facility and the balance outstanding is Rs 215,939 (2008: Rs 227,198).

(iv) On July 14, 2008, Bank of India sanctioned a corporate loan of Rs 250,000. The loan is secured by way of first pari passu charge on the current assets, movable fixed assets of the Company, both present and future and a charge on all future and present intangible assets of the Company including goodwill and by unconditional and irrevocable corporate guarantee of Scandent Holding Mauritius Limited, the erstwhile holding company, which is in the process of being novated to Xchanging Mauritius Ltd., the immediate holding company. The loan is repayable in twenty five equal installments commencing from March 2009. The Company has availed the entire loan and balance outstanding as at December 31, 2009 is Rs 150,000 (2008 -- Rs.250,000).

(v) On July 27, 2009, Yes Bank sanctioned a term loan of Rs 150,000 for general corporate purposes. The loan is secured by way of first pari passu charge on the current assets and movable fixed assets of the Company and by corporate guarantee of Xchanging Mauritius Ltd. The Company has availed full loan and balance outstanding as at December 31, 2009 is Rs 150,000 (2008: Nil).

(vi) The Company has obtained vehicles under a financing arrangement. The loan is repayable over two to five years and are secured by assets taken against these loans. As at December 31, 2009, Rs 14,703 (2008 -- Rs 17,682) was outstanding against the financing arrangements.

(vii) The Group obtained computers, vehicle and office equipments on finance lease. These leases range for a period of two to five years and are secured by the assets acquired under these leases. Balance outstanding as at December 31, 2009 is Rs 83,717 (2008 -- Rs. 145,643)

(Rs '000)

	2009	2008
4. UNSECURED LOANS		
Loans from others	3,300,185	227,072
Receivable purchase facility	14,739	41,288
	3,314,924	**268,360**

Notes:

(i) On February 11, 2009, Xchanging UK Ltd. (XUK), a fellow subsidiary, sanctioned a loan facility of US$ 25 million to Cambridge Integrated Services Group Inc. USA (CISGI), wholly owned subsidiary, for working capital and general corporate purposes. The balance outstanding as on December 31, 2009 is Rs 1,147,205 (US $ 24.46 million) (2008: Nil).

(ii) On June 5, 2009, Xchanging Technologies Services India Private Ltd. (XTSI), fellow subsidiary, sanctioned a loan facility of Rs 200,000 to the Company for general corporate purposes. The balance outstanding as on December 31, 2009 is Rs 160,000 (2008: Nil).

(iii) On June 25, 2009 XUK sanctioned a term loan facility of US $ 55 million to CISGI. The Company has provided a corporate guarantee of US $ 55 million to XUK for this loan facility. The balance outstanding as on December 31, 2009 is Rs 1,992,980 (US $ 42.5 million) (2008: Nil).

(iv) On January 8, 2008, Cambridge France entered into a receivable purchase agreement with Natixis Factor, France. As of December 31, 2009, the net amount outstanding under the agreement is Rs 14,739 (Euro 219,290) (2008 -- Rs 41,288 (Euro 605,215)).

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5. FIXED ASSETS

(Rs '000)

	Gross Block (at cost)					Depreciation					Net Block		
	2008	Additions/ adjustments during the year	Deletions / adjustments (refer notes below)	Translation adjustment	2009	2008	For the period	Impairment [refer note (iii)]	Deletions / adjustments	Translation adjustment	2009	2009	2008
Tangible													
Leasehold Improvements	318,017	47,593	17,379	5,879	354,110	133,497	44,336	19,777	25,990	855	172,475	181,635	184,520
Computers	623,241	79,222	91,665	237	611,035	537,876	77,952	12,855	90,770	(1,314)	536,599	74,436	85,365
Vehicles	38,755	7,839	7,255	-	39,339	19,524	10,174	-	4,615	-	25,083	14,256	19,231
Office Equipment	483,394	38,324	57,499	(5,768)	458,451	252,612	108,882	6,593	58,384	(4,368)	305,335	153,116	230,782
Furniture and fittings	497,317	22,993	43,973	(2,820)	473,517	434,077	19,952	47,052	31,586	(9,456)	460,039	13,478	63,240
Total	1,960,724	195,971	217,771	(2,472)	1,936,452	1,377,586	261,296	86,277	211,345	(14,283)	1,499,531	436,921	583,138
Capital work-in-progress												5,775	10,329
Intangible													
Goodwill arising on consolidation	4,028,165	-	-	-	4,028,165	27,190	-	-	-	-	27,190	4,000,975	4,000,975
Goodwill acquired	113,573	-	-	(3,349)	110,224	75,729	21,075	-	-	(3,072)	93,732	16,492	37,844
Computer software	3,131,796	115,413	1,667	(94,948)	3,150,594	2,504,933	112,680	523,392	2,207	(108,825)	3,029,973	120,621	626,863
License to use intellectual Property	16,103	-	-	-	16,103	288	3,390	-	-	-	3,678	12,425	15,815
Total	7,289,637	115,413	1,667	(98,297)	7,305,086	2,608,140	137,145	523,392	2,207	(111,897)	3,154,573	4,150,513	4,681,497
Capital work-in-progress												64,581	95,627
Grand Total	**9,250,361**	**311,384**	**219,438**	**(100,769)**	**9,241,538**	**3,985,726**	**398,441**	**609,669**	**213,552**	**(126,180)**	**4,654,104**	**4,587,434**	**5,264,635**
Total Capital work-in-progress												70,356	105,956
2008	8,052,828	752,776	179,445	624,202	9,250,361	3,147,492	421,626	48,523	168,482	536,567	3,985,726	5,264,635	-

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

	Gross block 2009	Gross block 2008	Net block 2009	Net block 2008
Computers	12,181	26,351	418	2,941
Vehicles	2,321	2,321	1,043	1,507
Office Equipments	189,499	206,905	65,958	123,273
	204,001	235,577	67,419	127,721

(ii) As at December 31, 2009, the Gross book value and net book value of Rs 79,053 (2008 -- Rs 78,263) and Rs 41,648 (2008-- Rs 59,631) respectively are being used by a sub-lessee. The Group has recorded depreciation charge of Rs 18,799 (2008 -- Rs 9,509) for these assets during the period ended December 31, 2009.

(iii) During the year, pursuant to approved restructuring plan and onerous leases, the Group has recorded an impairment of Rs 86,276 (2008 : Rs 48,523) also refer Schedule 19, note 3.2.

(iv) Depreciation during the year includes impairement of computer software for Rs 523,392.

(v) Goodwill arising on consolidation has been tested for impairment and does not require accounting of impairment loss as on December 31, 2009 (as the recoverable value is higher than the carrying value).

(Rs '000)

	2009	2008
6. INVESTMENTS (Unquoted, long term at cost, fully paid-up)		
Trade:		
4,938,297 (2008--3,606,023) Class A common stock of BIGeREALESTATE, Inc. USA fully paid	140,670	109,081
Less : Provision for diminution in value of investment	(92,537)	-
	48,133	**109,081**
7. SUNDRY DEBTORS (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	49,207	139,307
Considered doubtful	425,866	389,216
Other debts		
Considered good	1,582,613	1,648,427
Considered doubtful	42,537	28,266
	2,100,223	2,205,216
Less : Provision for doubtful debts	485,152	417,482
	1,615,071	**1,787,734**

Note:

(i) Sundry debtors included unbilled revenue amounting to Rs 39,777 (2008 : Rs 65,975) exceeding six months and Rs 695,966 (2008: Rs 660,992) under other debts, which are considered good

	2009	2008
8. CASH AND BANK BALANCE		
Cash on hand	122	220
Balances with scheduled banks:		
- Current accounts	34,142	41,565
- Fixed deposits	3,599	24,085
Balances with Other banks:		
- Current accounts	470,188	268,849
	508,051	**334,719**

Note:

(i) Fixed deposits include Rs 3,599 (2008 - Rs 2,438) retained as margin money for bank guarantee.

	2009	2008
9. OTHER CURRENT ASSETS (Unsecured, considered good)		
Other deposits	150,307	151,221
	150,307	**151,221**
10. LOANS AND ADVANCES (unsecured)		
Considered good		
Dues from related parties	7,118	-
Advances recoverable in cash or kind or for value to be received	240,971	291,291
Other receivables	7,229	11,652
MAT credit entitlement	52,446	-
Advance tax (net of provision)	5,979	6,907
	313,743	309,850
Considered doubtful		
Advances recoverable in cash or kind or for value to be received	41,436	42,690
Less: Provision for doubtful loans and advances	(41,436)	(42,690)
	-	-
	313,743	**309,850**

(Rs '000)

	2009	2008
11. LIABILITIES		
Sundry creditors	1,081,968	1,558,778
Dues to related parties		
-Expense Payable	133,639	-
-Interest accrued but not due	16,855	-
Book Overdraft	57,825	67,664
Interest accrued but not due	1,593	44,750
Advance from customers	285,629	352,693
Deferred revenue	1,742,393	739,549
Other liabilities	169,191	192,330
	3,489,093	**2,955,764**
12. PROVISIONS		
Taxation (net of advance tax)	91,151	107,609
Gratuity	25,920	26,266
Compensated absences	254,236	265,626
Onerous lease contracts	952,320	809,016
Restructuring	27,388	-
Onerous customer contracts	188,813	33,820
Litigation and others	445,705	36,570
	1,985,533	**1,278,907**
13. MISCELLANEOUS EXPENDITURE		
Deferred contract costs	-	11,345
Deferred upfront / processing fee for loans	-	83,630
	-	**94,975**

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(Rs '000)

	12 months ended December 31, 2009	9 months ended December 31, 2008
14. SERVICES REVENUE		
Revenue from Software services	2,569,990	2,408,161
Claims Service fee	7,947,498	5,674,941
Revenue from Information Technology enabled Services	1,082,169	678,774
	11,599,657	**8,761,876**
15. OTHER INCOME		
Liability no longer required written back	3,412	-
Interest Income	8,067	4,700
Provision for diminution in long term investment written back	-	100
Sub-lease rentals (including premises facility and maintenance income Rs. 44,999 (2008: 25521))	85,867	49,206
Miscellaneous income	13,947	6,666
	111,293	**60,672**
16. EMPLOYEE COSTS		
Salaries, allowances and bonus	6,085,044	4,783,274
Contribution to provident fund and other funds	425,964	354,998
Employee stock compensation expense	(3)	(743)
Staff welfare	463,397	401,579
Recruitment and relocation	33,099	64,169
	7,007,501	**5,603,277**
17. OTHER OPERATING COSTS		
Project work expenses	403,730	430,268
Claims work expenses	1,056,358	710,683
Travelling and conveyance	377,772	302,659
Rent and hire charges	686,785	591,889
Communication	333,534	237,546
Power and fuel	112,206	83,857
Insurance	101,060	83,649
Rates and taxes	66,567	57,278
Repairs and maintenance		
- Computer equipment	63,672	40,919
- Others	75,363	33,262
Legal and professional	289,100	195,000
Printing and stationery	73,001	89,410
Business promotion	45,878	62,095
Exchange loss/(gain), net	173,815	(106,318)
Loss on sale of fixed assets, (net)	1,959	4,031
Provision for bad and doubtful debts (net)	45,176	262,639
Provision for advances (net)	629	32,938
Miscellaneous	95,521	134,743
	4,002,126	**3,246,548**
18. FINANCE COST		
Loan arrangement and processing fees	98,331	41,045
Interest on loans	245,453	194,314
Bank charges	45,004	34,670
	388,788	**270,029**

19. NOTES ON ACCOUNTS (Rs. '000)

1. BACKGROUND

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

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

- SSI Limited (Information Technology division with operations in India, USA and several other countries).
- Scandent Group Limited, Mauritius (with operations in USA, Singapore, Germany, etc.).
- Cambridge Services Holdings LLC, USA (with operations in USA and Australia).
- Cambridge Integrated Services India Private Limited (with operations in India)
- Matrix One India Limited (with operations in India)

Pursuant to share purchase agreements between Xchanging (Mauritius) Limited (XML), a wholly owned subsidiary of Xchanging Plc, a listed company incorporated in UK, and the erstwhile principal shareholders of the Company, and consequent open offer to public, XML now owns 76.04% of the outstanding share capital of the Company. Though the open offer procedures were completed on April 9, 2009, XML obtained the power of operational control of the Company effective January 1, 2009.

Shareholding pattern as at the period end:

Name of the shareholder	2009	2008
Xchanging (Mauritius) Limited	76.04%	-
Scandent Holding Mauritius Limited	11.82%	50.09%
AON Minet Pension Scheme	3.77%	15.71%
Katra Finance Limited	2.70%	11.25%
Reliance Capital Trustee Company Limited	-	4.29%
Others	5.67%	18.66%
Total	**100%**	**100%**

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The consolidated financial statements of the Group have been prepared based on a line-by-line consolidation of the balance sheet, profit and loss account and cash flow statement of the Company and its subsidiaries as at and for the period ended December 31, 2009. All material inter-company transactions and balances between the entities included in the consolidated financial statements have been eliminated.

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

(Rs. '000)

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

B. Subsidiaries considered in the consolidated financial statements:

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

Notes:

(i) During the year, Indigo Market Singapore Pte Ltd, Singapore, a wholly owned subsidiary has been liquidated.

(ii) The Company has not made any investments in any associates or joint ventures during the year.

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

2.2 Use of estimates

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

2.3 Fixed assets and depreciation

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

(ii) Depreciation is provided on a straight line method (SLM) based on estimated useful life of fixed assets determined by management as follows:

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

(iii) Leasehold improvements are amortised over the period of lease or five years, whichever is lower. Assets acquired on finance lease are depreciated at the lower of lease term and estimated useful life as stated above. Assets individually costing up to Rs.5 are fully depreciated in the year of purchase.

(Rs. '000)

2.4 Intangible assets

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

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

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

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

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

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

2.5 Goodwill arising on consolidation

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

2.6 Borrowing costs

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

2.7 Lease accounting

Finance lease

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

Operating lease

Assets acquired on lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals on assets taken on operating lease are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term. Operating leases, which are renewed, after the primary lease period and have not been opted for transfer of ownership, are reclassified to finance lease prospectively.

2.8 Investments

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

2.9 Inventories

Inventories comprise licenses purchased by the 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.

(Rs. '000)

2.10 Impairment of assets

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

2.11 Revenue recognition

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

(i) Revenue from software services includes revenue from time and material and fixed price contracts. Revenue from time and material contracts are recognised as related services are performed. Revenue from fixed price contracts for delivering services is recognised under the proportionate-completion method wherein revenue is recognised based on services performed to date as a percentage of total services to be performed.

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

(iii) Revenue from Information Technology enabled Services (ITeS) is recognised as services are rendered, on the basis of an agreed amount in accordance with the agreement entered into by the Group.

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

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

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

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

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

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

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

2.12 Foreign currency transactions

(i) Initial recognition

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

(Rs. '000)

(ii) Conversion

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

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting the Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

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

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

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

(v) Foreign subsidiaries

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

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

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

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

2.13 Employee benefits

(a) Short term employee benefits:

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

(b) Defined-contribution plans:

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

(Rs. '000)

(c) Defined-benefit plan:

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

(d) Other long term employee benefits:

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

(e) Actuarial gains and losses:

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

(f) Deferred employee stock compensation costs

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

2.14 Taxes on Income

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

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

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

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

Minimum Alternative Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the Guidance Note on Accounting in

(Rs. '000)

respect of Minimum Alternative Tax issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and disclosed as MAT Credit Entitlement. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

2.15 Earnings per share

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

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

2.16 Provisions and Contingent Liabilities

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

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

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

2.17 Segment reporting

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

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

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

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

2.18 Exceptional items

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

2.19 Project work expenses and claims work expenses

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

(Rs. '000)

2.20 Cash and cash equivalents

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

2.21 Derivative instruments

As per The Institute of Chartered Accountants of India ('ICAI') Announcement, accounting for derivative contracts, derivative contract other than those covered under AS - 11, 'The effects of changes in the foreign exchange rates', are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the income statement. Net gains are ignored.

3.1 Contingent Liabilities:

	2009	**2008**
Bank Guarantees [Note (b)]	369,182	353,175
Income tax matters:		
Assessment year 2004-05 [Note (c)]	5,820	5,820
Assessment year 2005-06 [Note (d)]	119,316	119,316
Assessment year 2006-07 [Note (e)]	124,151	-

Notes:

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

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

(c) Relates to transfer pricing adjustment for arm's length price proposed by the assessing officer of Rs.95,280 (2008: Rs.95,280), which is disputed by the Group, and the matter is lying under appeal with the Commissioner of Income-tax (Appeals), Bangalore. An amount of Rs.2,802 (2008: Rs.2,802) has been paid under protest against the demand.

(d) Relates to transfer pricing adjustment for arm's length price proposed by the assessing officer of Rs.223,468 (2008: Rs.223,468), which is disputed by the Group, and the matter is lying under appeal with the Commissioner of Income-tax (Appeals), Bangalore. An amount of Rs.15,000 (2008: Rs.15,000) has been paid under protest against the demand.

(e) Relates to transfer pricing adjustment for arm's length price proposed by the assessing officer of Rs.228,032 (2008: Nil), which is disputed by the Group, and the matter is lying under appeal with the Income Tax Dispute Resolution Panel, Bangalore.

Contingent Liabilities does not include the following:

(i) The Group has export obligations under the Software Technology Parks of India (STPI) scheme. In accordance with such scheme, the Group procures capital goods without payment of duties, for which, agreements and bonds are executed by the Group in favour of the Government. In case the Group 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, 2009, the Group has availed duty benefits amounting to Rs.72,847 (2008: Rs.61,882). The Group expects to meet its commitment to earn requisite revenue in foreign currency as stipulated by the STPI regulations.

(ii) The Company has counter guaranteed the term loan facility of Rs.2,578,950 (2008: Nil) granted by Xchanging UK Limited, a fellow subsidiary of the Company, to Cambridge Integrated Services Group, Inc USA, a wholly owned subsidiary of the Company.

(Rs. '000)

3.2 Exceptional items

During the year, the Group has recorded significant exceptional items aggregating to Rs.3,347,694 (2008: Rs. 664,649) as detailed below:

	2009	2008
During the period ended December 31, 2008, the Group held leases for a significant amount of unutilised office space (primarily in the United States), which had become vacant due to decline in business. The management had plans to consolidate the property estate during 2009 and therefore were able to identify specific leases, which would not be reoccupied by the business and had hence become onerous. Pursuant to such plans, the Group has recorded a provision during the period ended December 31, 2008 towards onerous lease contracts and related assets impairment	-	618,327
The Board formally approved a restructuring plan for the United States (US) claims operations on March 27, 2009 and pursuant to such plan, significant restructuring costs have been incurred. Specifically, these costs represent onerous lease contracts, related assets impairment, employee severance and other costs directly relating to restructuring activities. Key aspects of the implementation programme include the major restructuring of the US BPO business, with the significant consolidation of existing sites into a few key locations, which has resulted in a number of vacant properties from which the Group has been unable to terminate its commitments. The onerous lease provision created represents the remaining costs, primarily rent, associated with these vacant properties.	1,017,561	-
The Group has carried out a detailed review of all exposures related to litigations against the Group especially in the US claims operations. On the basis of such review of various litigation related matters across the Group, an additional provision has been created during the year	332,303	46,322
During the year, the group has re-evaluated all significant customer contracts relating to the US claims business 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 during the year as provision for onerous contracts	192,232	-
Pursuant to acquisition of Cambridge Integrated Services Group Inc, USA ('CISGI' or the US claims business), the wholly owned subsidiary of the Company, from AON Corporation, USA ('AON'), the Company acquired the "California Insurance Guarantee Association (CIGA) Fremont" contract for rendering field claims services (FCS), bill review services and case management services. During the initial contract period, AON had recognised the revenue relating to FCS on a cash receipt basis, irrespective of the related servicing costs, as the payments under the contract were spread over six years. CISGI and the Group continued the same revenue recognition policy. The last instalment of payment for FCS was received during April 2008. During the year, the revenue previously recognised has been re-assessed in light of revised estimations of costs expected to be incurred to close all outstanding claims. As a result, the Group has concluded that the revenue relating to the said contract requires restatement based on a proportionate completion method. Accordingly, an adjustment to/ reinstatement of Deferred Revenue has been recognised in respect of the run-off contract	1,185,949	-
During the year, the Group has reviewed its strategy with respect to investment in BIGeREALESTATE Inc ('BigE'), a US based subsidiary of Cushman & Wakefield. Based on an independent valuation of the carrying value of the investment, the Group has assessed and concluded that the investment is impaired and accordingly a provision against the investment has been created	97,293	-
The Group evaluates the carrying value of intangible assets on a periodic basis. During the current year, based on such evaluation, the Group's core claims handling software assets, were found to be materially impaired. Accordingly, the Group has recorded an impairment provision of with respect to its intangible assets	522,356	-
	3,347,694	**664,649**

(Rs. '000)

3.3 Prior period adjustments

During the year, the Group has recorded significant prior period adjustments aggregating to Rs.189,404 (2008: Rs. Nil) as detailed below:

	2009	2008
The Group has recorded a prior period adjustment relating to provision for compensated absences, which represent impact of actuarial valuation on compensated absences (long service leave and sick leave) pertaining to employees of the Australia subsidiaries, Scandent Group Inc, USA and Cambridge Solutions Pte Limited, Singapore, all wholly owned subsidiaries of the Company	42,494	-
Reversal of excess provision relating to certain onerous lease contracts, which were provided for in the prior period without considering the exit options available within the lease contracts	(19,835)	-
As part of the detailed review of compliance with laws and regulations at the US operations, the Group identified a potential exposure with respect to applicability of sales and use tax relating to earlier years at a couple of States where the Group carried out its insurance related services, and based on a study carried out by an independent outside tax consultant the probable cash outflow has been accrued in the books	73,154	-
Reversal of excess revenue recorded in earlier years on account of error in sub-contractor submission of data for one of the streams of revenue at the US operations	30,854	-
Under accrual of certain quality audit fees in earlier years owing to dispute and reconciliation issues with consultants	25,801	-
Under provisioning of doubtful receivables relating to earlier periods	29,631	
Escrow reconciliation related adjustments relating to earlier periods	7,305	-
	189,405	**-**

3.4 Employee benefits

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.

Net employees benefit expense (recognised in employee cost):

	2009	2008
Current service cost	10,298	6,205
Interest cost on benefit obligation	2,351	1,612
Expected return on plan assets	(641)	(255)
Net actuarial (gain)/ loss recognised in the period	(6,575)	4,200
Net benefit expense	**5,433**	**11,762**

(Rs. '000)

Details of Provision for Gratuity (Balance Sheet):

	2009	2008
Defined benefit obligation	(34,933)	(30,714)
Fair value of plan assets	11,507	5,419
Plan asset / (liability)	**(23,426)**	**(25,295)**

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

	2009	2008
Opening defined benefit obligation	30,714	22,327
Interest cost	2,351	1,612
Current service cost	10,298	6,205
Benefits paid	(2,695)	(3,330)
Actuarial (gains)/ losses on obligation	(5,735)	3,901
Closing defined benefit obligation	34,933	30,715

The principal assumptions used in determining gratuity are shown below:

	(%)	
	2009	2008
Expected rate of return on plan assets	7.5	5.75
Discount rate	7.5	5.75 to 6
Increase in compensation cost	10	10
Employee turnover	20	20

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.

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

	2009	2008
Opening fair value of plan assets	5,419	2,907
Expected return	641	255
Contributions by employer	5,871	3,582
Benefits paid	(1,265)	(1,026)
Actuarial gains/ (losses)	841	(299)
Closing fair value of plan assets	11,507	5,419

The Company expects to contribute Rs.2,092 (2009: Rs. 2,300) to gratuity during the year 2010.

(Rs. '000)

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

	2009 (%)	2008 (%)
Investments with insurer	100	100

Amounts for the current and previous two periods are as follows:

	2009	2008	March 31, 2008	March 31, 2007
Defined benefit obligation	34,933	30,714	22,327	15,397
Plan assets	11,506	5,419	2,907	2,505
Surplus / (deficit)	(23,426)	(25,295)	(19,420)	(12,892)
Experience adjustments on plan liabilities	(5,735)	3,901	2,587	1,094
Experience adjustments on plan assets	841	299	193	-

3.5 Segment reporting

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

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

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

(Rs. '000)

3.5 SEGMENT REPORTING - Cont.

Particulars	IT		BPO		Unallocated		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenues										
External sales	2,569,990	2,408,161	9,029,667	6,353,715	-	-	-	-	11,599,657	8,761,876
Inter-segment transfers	49,897	78,735	-	-	-	-	(49,897)	(78,735)	-	-
Total revenues	**2,619,887**	**2,486,896**	**9,029,667**	**6,353,715**	**-**	**-**	**(49,897)**	**(78,735)**	**11,599,657**	**8,761,876**
Other Income										
Interest and Other income	-	-	-	-	111,293	60,672	-	-	111,293	60,672
Total Other Income	**-**	**-**	**-**	**-**	**111,293**	**60,672**	**-**	**-**	**111,293**	**60,672**
Costs										
Segment costs	2,697,304	2,461,937	8,710,764	6,809,514	-	-	-	-	11,408,068	9,271,451
Inter-segment transfers	-	-	49,049	43,162	-	-	(49,049)	(43,162)	-	-
Total costs	**2,697,304**	**2,461,937**	**8,759,813**	**6,852,676**	**-**	**-**	**(49,049)**	**(43,162)**	**11,408,068**	**9,271,451**
Segment result	(77,417)	24,959	269,854	(498,961)	111,293	60,672	(848)	(35,573)	302,882	(448,903)
Prior period items	23,692	-	165,713	-	-	-	-	-	189,405	-
Exceptional items	133,460	116,483	3,214,234	548,166	-	-	-	-	3,347,694	664,649
Segment result before tax and interest	(234,569)	(91,524)	(3,110,093)	(1,047,127)	111,293	60,672	(848)	(35,573)	(3,234,217)	(1,113,552)
Finance costs	-	-	-	-	(388,788)	(270,029)	-	-	(388,788)	(270,029)
Tax expense	-	-	-	-	(98,906)	(136,895)	-	-	(98,906)	(136,895)
Net profit									**3,721,911**	**(1,520,476)**
Other information										
Segment assets	2,609,459	2,720,692	4,625,927	5,237,861	-	-	-	-	7,235,386	7,958,553
Inter segment assets	-	252,007	256,431	-	-	-	(256,431)	(252,007)	-	-
Unallocated assets	-	-	-	-	57,708	199,618	-	-	57,708	199,618
Total assets	**2,609,459**	**2,972,699**	**4,882,358**	**5,237,861**	**57,708**	**199,618**	**(256,431)**	**(252,007)**	**7,293,094**	**8,158,171**
Segment liabilities	726,853	838,892	4,638,195	3,243,419	-	-	-	-	5,365,048	4,082,311
Inter segment liabilities	256,431	-	-	252,007	-	-	(256,431)	(252,007)	-	-
Unallocated liabilities	-	-	-	-	4,105,192	2,995,050	-	-	4,105,192	2,995,050
Total liabilities	**983,284**	**838,892**	**4,638,195**	**3,495,426**	**4,105,192**	**2,995,050**	**(256,431)**	**(252,007)**	**9,470,240**	**7,077,361**
Capital expenditure	21,238	25,190	74,551	372,559	-	-	-	-	95,789	397,749
Depreciation and amortisation	57,055	154,931	341,387	315,218	-	-	-	-	398,442	470,149
Impairment provision	-	-	609,668	-	-	-	-	-	609,668	-
Provision for Bad and doubtful debts and advances	11,009	112,850	34,796	192,479	-	-	-	-	45,805	305,329
Provision for onerous leases	15,711	70,161	472,099	499,643	-	-	-	-	487,810	569,804
Provision for onerous customer contracts	-	-	1,378,181	-	-	-	-	-	1,378,181	-

(Rs. '000)

Geographical segments

Revenue	**2009**	**2008**
Australia	1,935,670	1,309,699
Europe	1,361,492	957,960
USA	7,543,257	5,856,702
Rest of World	759,238	563,813
	11,599,657	**8,688,175**

Assets	**2009**	**2008**
Australia	663,850	486,861
Europe	119,257	118,667
USA	2,060,103	2,915,608
Rest of world	265,378	330,000
Unallocated	4,184,507	4,307,033
	7,293,095	**8,158,170**

Liabilities	**2009**	**2008**
Australia	385,731	428,945
Europe	47,500	44,265
USA	4,105,690	2,759,353
Rest of world	700,303	767,407
Unallocated	4,231,016	3,077,390
	9,470,240	**7,077,361**

3.6 Related party disclosures

A. Names of related parties and description of relationship

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

(Rs. '000)

Ref.	Description of relationship	Names of related parties
(b)	**Parties under common control with whom transactions have taken place during the year:**	
	Fellow subsidiaries	Xchanging Systems and Service Inc., USA.
		Ferguson Snell & Associates Ltd, UK.
		Ins-sure Services Limited, UK.
		Xchanging Advisory Services Limited, UK.
		Xchanging Asia Pacific Sdn Bhd, Malaysia
		Xchanging Broking Services Limited, UK.
		Xchanging Claim Services Limited, UK.
		Xchanging Global Insurance Systems Ltd., UK.
		Xchanging Inc, USA
		Xchanging Procurement Services Pty Ltd., Australia
		Xchanging Pty Limited, Australia
		Xchanging Technology Services India Private Limited, India
		Xchanging Transaction Bank Gmbh, Germany.
		Xchanging UK Limited, UK.
(c)	**Key management personnel:**	
	Executive Chairman and CEO	David Andrews (*) (appointed on January 12, 2009)
	Executive Vice Chairman	Richard Houghton (*)(appointed on January 12, 2009)
	Executive Director and Chief Financial Officer	Darren Fisher (appointed on July 31, 2009)
	Executive Director and Chief Production Officer	Thomas Runge (*)(appointed on October 22, 2009)

(*) No transactions during the year.

Notes:

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

(ii) Cambridge Integrated Services Group, Inc USA, the wholly owned subsidiary of the Company, has entered into a contract with Compagnie Pour Assistance Technique ET Investissements S.A. (CATISA), which is related to one of the shareholders of the Company. The contract is an independent time and material contract for rendering of business development and consultancy services, and based on services rendered up to December 31, 2009, the amount of Rs.366,375 (2008: Nil) received from CATISA has been recognised as income. The additional Rs.117,225 (2008: Nil) received during the year has been accounted for as Deferred Revenue.

(Rs. '000)

3.6 RELATED PARTY DISCLOSURE - Cont.

B. Summary of transactions with related parties

Sl. No.	Name of the related party	Relationship	Nature of Transactions	2009 Transactions	2009 Balances	2008 Transactions	2008 Balances
1	Ferguson Snell & Associates Ltd, UK.	Fellow subsidiary	Expenses paid on behalf of the related party	50	-	-	-
			Expenses Receivable	-	49	-	-
2	Ins-sure Services Limited, UK.	Fellow subsidiary	Revenue from Software services	1,336	-	-	-
3	Xchanging Advisory Services Limited, UK.	Fellow subsidiary	Expenses paid on behalf of the company by the related party	(2,138)	-	-	-
			Expenses Payable	-	(2,091)	-	-
4	Xchanging Asia Pacific Sdn Bhd, Malaysia	Fellow subsidiary	Expenses paid on behalf of the related party	3,696	-	-	-
			Expenses paid on behalf of the company by the related party	(98)	-	-	-
			Expenses Payable	-	(97)	-	-
			Expenses Receivable	-	3,668	-	-
5	Xchanging Broking Services Limited, UK.	Fellow subsidiary	Expenses paid on behalf of the related party	75,092	-	28,246	-
			Revenue from Information Technology Services	561,708	-	317,058	-
			Debtors	-	60,223	-	-
			Expenses Receivable	-	4,914	-	-
6	Xchanging Claim Services Limited, UK.	Fellow subsidiary	Expenses paid on behalf of the related party	9	-	-	-
			Revenue from Information Technology Services	934	-	-	-
			Debtors	-	934	-	-
7	Xchanging Global Insurance Systems Ltd., UK.	Fellow subsidiary	Expenses paid on behalf of the company by the related party	(1,222)	-	-	-
			Revenue from Software services	171,194	-	57,069	-
			Debtors	-	15,797	-	10,855
			Unbilled Revenue	-	12,572	-	-
			Expenses Payable	-	(159)	-	-
8	Xchanging Inc, USA	Fellow subsidiary	Expenses paid on behalf of the company by the related party	(42,843)	-	-	-
			Expenses Payable	-	(5,107)	-	-
9	Xchanging Procurement Services Pty Ltd., Australia	Fellow subsidiary	Expenses paid on behalf of the related party	64	-	-	-
			Expenses paid on behalf of the company by the related party	(1,011)	-	-	-
			Expenses Receivable	-	21	-	-
10	Xchanging Pty Limited, Australia	Fellow subsidiary	Expenses paid on behalf of the company by the related party	(9,522)	-	-	-
			Expenses Payable	-	(9,522)	-	-
11	Xchanging Systems and Service Inc., USA.	Fellow subsidiary	Salary cost paid on behalf of the company by the related party	(164,263)	-	-	-
			Debtors	-	1,216	-	-
			Expenses Payable	-	(99,858)	-	-
12	Xchanging Technology Services India Private Limited, India.	Fellow subsidiary	Interest exp	(10,964)	-	-	-
			Unsecured Loan	-	(160,000)	-	-
			Interest accrued but not due	-	(9,093)	-	-
13	Xchanging Transaction Bank Gmbh, Germany.	Fellow subsidiary	Expenses paid on behalf of the company by the related party	(1,153)	-	-	-
			Expenses Payable	-	(432)	-	-
14	Xchanging UK Limited, UK	Fellow subsidiary	Expenses paid on behalf of the company by the related party	(19,854)	-	-	-
			Revenue from Information Technology Services	14,138	-	-	-
			Guarantee taken by the related party	-	2,578,950	-	-
			Interest exp	(91,575)	-	-	-
			Debtors	-	14,138	-	-
			Unsecured Loan	-	(3,139,941)	-	-
			Expenses Payable	-	(16,373)	-	-
			Interest accrued but not due	-	(7,762)	-	-

(Rs. '000)

3.7 Lease disclosures

(A) Operating leases

(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 ten years from their respective dates of inception. Some of these lease agreements have price escalation clauses.

	2009	2008
Rent and Hire Charges recognised in Profit and Loss Account	435,430	568,204
Minimum lease payments included under Rent and Hire Charges above	435,430	568,204

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

	2009	2008
Not later than one year	672,108	704,999
Later than one year but not later than five years	1,116,652	1,642,384
Later than five years	51,258	179,196
	1,840,018	**2,526,579**

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

The Group has sub-leased premises on operating lease. The lease is non-cancellable for tenure of four years and entails an escalation of lease rent on a periodic basis.

	2009	2008
Rent income recognised in Profit and Loss Account	40,983	9,845

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

	2009	2008
Future minimum lease payment		
Not later than one year	18,612	18,757
Later than one year and not later than five years	2,531	22,883
Later than five years	-	-
	21,143	**41,640**

(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:

	2009	2008
Total minimum lease payments*	90,137	160,390
Less: Interest	6,444	14,926
Present value of minimum lease payments*	**83,693**	**145,464**

* net of security deposit paid for computer systems.

(Rs. '000)

Future minimum lease payments under finance lease are as under:

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

	2008	
	Minimum lease payments	Present value of minimum lease payments
Payable not later than one year	72,970	64,200
Payable later than one year and not later than five years	87,420	81,264
Payable later than five years	-	-
Total	**160,390**	**145,464**

3.8 Earnings per share (EPS)

	2009	**2008**
Net profit/ (loss) for the year after tax	(3,721,911)	(1,520,476)
Weighted average number of equity shares in calculating basic EPS - (A)	111,367,620	111,356,011
Basic EPS (Rs.)	(33.42)	(13.65)
Weighted average number of potential equity shares under employee stock options during the year - (B)	5,367	4,888
Weighted average number of equity shares in calculating diluted EPS - (A+B)	111,372,987	111,369,899
Diluted EPS (Rs.)	(33.42)*	(13.65)*

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

3.9 Taxation

Current tax

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

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

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

(Rs. '000)

MAT Credit Entitlement

Based on assessment of future taxable income and potential sunset of tax holiday period, the management is of the opinion that there is convincing evidence that the Group will pay normal income tax within the specified period during which MAT credit is available for set off. Accordingly, MAT Credit Entitlement asset (disclosed under Loans and Advances) of Rs.52,446 (2008: Nil) has been recognised during the year by way of a credit to profit and loss account. However, MAT Credit Entitlement asset will be reviewed at each balance sheet date for write-down, if any.

Deferred tax

The net Deferred Tax Asset/ (Liability) as at December 31, 2009 amounting to Rs.32,573 (2008: Rs.8,127) has been arrived as follows:

	2009	2008
Deferred Tax Assets arising from:		
Expenses charged in the financial statements but allowable as deductions in future years under Income Tax	65,908	59,976
	65,908	59,976
Deferred Tax (Liabilities) arising from:		
Income recognised in the financial statements but taxable in future years under Income Tax	(98,481)	(68,103)
Net Deferred Tax Asset/ (Liability) as at the year end	(32,573)	(8,127)
Deferred Tax Credit/ (Charge) for the year	18,034	19,715

Transfer pricing

The Group has significant intra group transactions pertaining to revenue and expenses cross charge. The management is in the process of updating the transfer pricing study for such transactions entered into during the year ended December 31, 2009, and does not anticipate any adjustments with regard to the transactions involved.

3.10 Provisions

In accordance with Accounting Standard 29 'Provisions, Contingent Liabilities and Contingent Assets' the particulars of provisions as at December 31, 2009 are as follows:

Description	2008	Created during the year	Utilised/ Reversal during the year	Translation Adjustment	2009
Onerous Lease contracts	809,016	487,810	(313,449)	(31,058)	952,319
Onerous Customer contracts	33,820	192,232	(27,887)	(9,351)	188,814
Restructuring	-	409,218	(379,369)	(2,462)	27,387
Litigations and others	36,570	426,363	(224,710)	(3,522)	234,701
	879,406	**1,515,623**	**(945,415)**	**(46,393)**	**1,403,221**

Notes:

Provision for Onerous Lease contracts relates to losses recognised on contracts to the extent that unavoidable cost of meeting the obligations under the contract exceeds the economic benefits expected to be received under it, and the cash outflows are expected to occur over the eight years.

Provision for Customer contracts relates to losses recognised on contracts to the extent that unavoidable cost of meeting the obligations under the contract exceeds the economic benefits expected to be received under it. Due to the very nature of such costs, it is not possible to estimate the timing/ uncertainties relating to their outflows.

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

Provision for Litigations relates to various litigation matters 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)

3.11 EMPLOYEE STOCK OPTION PLANS

	ESOP I Plan 2004		ESOP II Plan 2004		ESOP I Plan 2005	
	No of shares	Weighted average exercise price	No of shares	Weighted average exercise price	No of shares	Weighted average exercise price
Vesting	75% of options after 12 months from the date of grant and balance after 24 months from the date of grant				One year from the date of grant	
Method of accounting	Intrinsic value method		Intrinsic value method		Intrinsic value method	
Method of settlement	Equity		Equity		Equity	
Exercise price	10	-	128.75	-	10	-
General Description of Plans	In 2003-04, the Compensation Committee had granted 477,268 options under the ESOP Plan 2004 to be exercised at a grant price of Rs 10. Further, during the year ended March 31, 2007 additional 15,017 shares were granted under the above scheme.		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	
December 31, 2009						
Options outstanding at the beginning of the year	45	10	1,200	128.75	5,000	10
Options granted during the year	-	-	-	-	-	-
Options forfeited during the year	45	10	-	-	-	-
Options exercised during the year	-	-	-	-	-	-
Options expired during the year	-	-	-	-	-	-
Options outstanding at the end of the year	-	-	1,200	128.75	5,000	10
Options exercisable at the end of the year	-	-	1,200	128.75	5,000	10
Weighted average remaining contractual life (in years)	-	-	1.86	-	2.4	-
December 31, 2008						
Options outstanding at the beginning of the year	45	10	3,900	128.75	5,000	10
Options granted during the year	-	-	-	-	-	-
Options forfeited during the year	-	-	2,700	128.75	-	-
Options exercised during the year	-	-	-	-	-	-
Options expired during the year	-	-	-	-	-	-
Options outstanding at the end of the year	45	10	1,200	128.75	5,000	10
Options exercisable at the end of the year	45	10	1,200	128.75	5,000	10
Weighted average remaining contractual life (in years)	-	-	2.86	-	3.4	-

	2009	2008
Net Loss as reported	-3,721,911	-1,520,476
Net loss available for equity shareholders	-3,721,911	-1,520,476
Add: Stock based employee compensation expenses included in reported income	-2.7	-743
Less: Stock based employee compensation expenses determined under Fair value based method net of tax effects	6,369	31,350
Revised loss	-3,728,282	-1,552,569
Earnings Per Share		
Basic	(33.48)	(13.94)
Diluted	(33.48)	(13.94)

(Rs. '000)

3.11 EMPLOYEE STOCK OPTION PLANS - Contd.

ESOP II Plan 2005		ESOP I Plan 2006		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
40% of the options one year from the date of grant and balance 60% two years from the date of grant		One year 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	
Intrinsic value method		Intrinsic value method		Intrinsic value method	
Equity		Equity		Equity	
113.15-172		10		56.90-140.35	
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.		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.	
98,500	131.37			1,481,946	91.36
-	-			-	-
-	-			88,000	120.57
-	-			16,666	56.9
-	-			-	-
98,500	131.37			1,377,280	89.91
98,500	131.37			892,601	-
3.31				4.58	
98,500	131.37	36,000	10	2,680,946	97.22
-	-	-	-	-	-
-	-	-	-	1,199,000	104
-	-	24,000	10	-	-
-	-	12,000	10	-	-
98,500	131.37	-	-	1,481,946	91
98,500	131.37	-	-	495,298	-
4.31				3.06	

(Rs. '000)

3.12 Revision in bonus revenue estimation

During the year, the Group has revised the revenue recognition estimation methodology used to establish accruals for variable bonuses earned by two subsidiaries in Australia in execution of their workers' compensation insurance related contracts where they act as scheme agent to the State Governments of New South Wales and Victoria. Due to the change in the estimation method, the consolidated revenues are stated higher by Rs 42,154 with corresponding impact on the loss for the year.

3.13 BIGeREALESTATE

On January 18, 2007, the Group entered into a stock and warrant purchase agreement with BIGeREALESTATE, Inc. ('BigE'), a USA based subsidiary of Cushman & Wakefield, Inc. for purchase of shares and warrants of BigE. As at December 31, 2009, the Group has made investment of Rs.140,670 (2008: Rs.109,013) to acquire 4,938,297 (2008: 3,606,023) Class A common stock of BigE constituting 20.44% shareholding. The Company is also entitled to 10,670,000 warrants at a price of US$ 1 to be exercised as per the terms of the aforesaid agreement. Though the holding is in excess of 20%, in substance, the Company is unable to influence the financial and operating policies of the investee company to any meaningful extent and accordingly, BigE is not treated as an associate in these consolidated financial statements, but accounted for as a 'long term investment' under Accounting Standard 13 "Accounting for Investments".

3.14 Going concern

The accounts of the Group have been prepared on the basis of a 'going concern', inspite of accumulated losses at the year-end exceeding the shareholders funds, based on a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. In particular, the Group has received working capital facility and term loan funding from fellow subsidiaries aggregating to Rs.3,951,200 (2008: Nil) during the year, which is not yet fully drawn. Further, the committed funding has been enhanced by an additional Rs.515,790 (2008: Nil) subsequent to the year end.

3.15 Integral and non-integral operations

As at December 31, 2009, the management has considered all subsidiaries as non-integral foreign operations, except for the following which have been considered as integral foreign operations:

i. Cambridge UK;
ii. Scandent Germany;
iii. Indigo Markets, Bermuda and its subsidiaries.

Until June 30, 2008, Scandent Group Inc., USA (SG Inc) was considered as an integral foreign operation as it had significant dependence on CSL for its operations. Pursuant to a restructuring undertaken by the Group, Nexplicit US, a non-integral subsidiary, merged with SG Inc with effect from April 1, 2008 resulting in lower operational dependence by SG Inc on CSL and a higher proportion of independent operations. Consequently, effective July 1, 2008, the management has considered SG Inc as non-integral foreign operations. The change in classification to non-integral foreign operations has resulted in foreign currency translation reserve as at December 31, 2009 of Rs.64,419 (2008 : 103,039) and losses for the year ended December 31, 2009 to be lower by Rs.31,232 (2008: Rs.115,000).

3.16 Escrow accounts

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

(Rs. '000)

the Group, they are disclosed at net in the financial statements. The net credit balance included under Other Liabilities is arrived as follows:

	2009	2008
Liability towards refund of escrow funds	(1,806,617)	(2,370,519)
Escrow funds	1,766,448	2,346,821
Excess of liability over funds included under (Other Liabilities)	(40,169)	(23,698)

3.17 Litigation settlement

CISGI is one of the defendants in a class action suit pending in Louisiana State Court alleging that a group of preferred provider organisations (PPOs) and third party administrators (TPAs) improperly agreed to discounted rates on workers compensation claims without notice to the doctors and hospitals that provided the services, even though the doctors had contractually agreed to provide lower rates in exchange for access to patients participating in the PPO network. The case has been finally settled with Louisiana workers with CIGSI's share at Rs.211,005 (2008: Nil). As part of the settlement arrangement, CISGI has, during the year, remitted Rs.211,005 (2008: Nil) into an escrow account. As the liability has been completely settled, the balances have been disclosed net in the financial statements.

3.18 Details of utilisation of proceeds raised through preferential issues

During the financial year ended March 31, 2006, the Company had made preferential allotment of 1,025,227 equity shares of Rs.10 each at a premium of Rs.210 per share and preferential allotment of 5.22% Convertible Bonds amounting to Rs.1,336,500 (2008: Rs.1,336,500) to Indopark Holdings Limited, a wholly owned subsidiary of Merrill Lynch & Co.

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

	2009	2008
Capital expenditure	244	-
Bank balance	-	244
Total	**244**	**244**

3.19 Prior year comparatives

The profit and loss account for the current year is for twelve months period whereas the profit and loss for the prior period was for nine months, and accordingly, the figures between the two periods are not strictly comparable. Previous period's figures have been regrouped/ reclassified wherever necessary to conform to the current year's presentation. Figures in the accounts and notes are all in rupees thousands except for certain figures in the notes on Schedules 1 and 4 and notes 3.8, 3.13 and 3.18 above.

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

Shivakumar Hegde
Partner
For and on behalf of
Price Waterhouse & Co.
Chartered Accountants

Place : Bangalore
Date : February 26, 2010

David Andrews
Executive Chairman &
Chief Executive Officer
Place : London, UK
Date : February 26, 2010

Richard Houghton
Executive Vice Chairman

Darren Fisher
Chief Financial Officer &
Executive Director

Vijayamahantesh Khannur
Company Secretary
Place : Bangalore
Date : February 26, 2010

NOTICE

Notice is hereby given that the Ninth Annual General Meeting ("AGM") of the Members of **CAMBRIDGE SOLUTIONS LIMITED (Formerly known as Scandent Solutions Corporation Limited)** ("Cambridge" or "the Company") will be held on **Monday April 26, 2010 at 11.00 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, 2009 and the Profit and Loss Account for the year ended on that date together with the reports of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Eugene Beard who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint M/s Price Waterhouse & Co, Chartered Accountants as Statutory Auditors of the Company, who shall hold the office from the conclusion of this meeting until the conclusion of the next AGM on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors.

SPECIAL BUSINESS:

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

   RESOLVED THAT Mr. Darren Fisher, 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.

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

   RESOLVED THAT Mr. Kamal Gupta 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. Thomas Runge 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 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. Darren Fisher as whole time director designated as Executive Director and Chief Financial Officer of the Company for a period of 3 years with effect from July 31, 2009 on the following broad terms & conditions:

   1. **Tenure:**

      The appointment of Mr. Darren Fisher as Whole Time Director designated as Executive Director and Chief Financial Officer of the Company shall be for a period of 3 years, effective from July 31, 2009.

   2. **Duties:**

      Mr. Darren Fisher 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. Darren Fisher 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. Darren Fisher 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.

8. 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. Thomas Runge as whole time director designated as Executive Director and Chief Production Officer of the Company for a period of 3 years with effect from October 22, 2009 on the following broad terms & conditions:

   1. **Tenure:**

      The appointment of Mr. Thomas Runge as Whole Time Director designated as Executive Director and Chief Production Officer of the Company shall be for a period of 3 years, effective from October 22, 2009.

   2. **Duties:**

      Mr. Thomas Runge 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. Thomas Runge 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. Thomas Runge 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.

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

   RESOLVED THAT pursuant to Section 31 and all other applicable provisions if any, of the Companies Act 1956, the Articles of Association of the Company be altered by substituting the following new Article in the place of existing Article 148 thereof:

   Article 148

   Common Seal, its custody and use

   The Board of Directors shall provide a Common Seal for the purpose of the Company and shall have power from time to time to destroy the same and substitute a new Seal in lieu thereof, and the Board of Directors shall provide for the safe custody of the Seal for the time being, and the Seal shall not be used except by or under the authority of a resolution of the Board of Directors or a Committee of Directors authorized by it in that behalf and every deed or other instrument to which the Seal of the Company is required to be affixed shall, be affixed in the presence of at least one Director or the Secretary or such other person as the Board / Committee may appoint for the purpose; and that one Director or the Secretary or other person aforesaid shall sign every instrument to which the Seal of the Company is so affixed in their presence.

   RESOLVED FURTHER THAT the existing Article 149 be deleted.

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

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

    RESOLVED THAT pursuant to Section 31 and all other applicable provisions if any, of the Companies Act 1956, the Articles of Association of the Company be altered by substituting the following new Article in the place of existing Article 88 thereof:

Article 88

Managing Director / Whole Time Director

a) The Board may appoint, from time to time, one or more of their members to be the Managing Director or Joint Managing Director or Whole Time Director or Deputy Managing Director of the Company on such terms and on such remuneration (whether by way of salary or commission or partly in one and partly in another) as they may think fit, and the Directors so appointed shall, excluding the Chairman and the Vice Chairman, be subject to retirement by rotation and be taken into account in determining the rotation of retirement of directors, but their appointment shall be subject to termination ipso facto if they cease due to any reason to be a director or if the Company in general meeting resolves that the tenure of the office of the managing director or joint managing director or whole time director or deputy managing director be terminated.

b) Subject to the provisions of the Act, the Directors may from time to time entrust and confer upon Managing Director for the time being such of the powers exercisable upon such terms and conditions and with such restrictions as they may think fit either collaterally with or to the exclusion of and in substitution for all or any of their own powers and from time to time revoke, withdraw, alter or vary all or any of such powers.

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

By Order of the Board

Place: Bangalore
Date: February 26, 2010

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 April 20, 2010 to April 26, 2010 (both days inclusive).
8. Members whose shareholding is in the electronic mode are requested to direct change of address notifications.
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 (080-30540000 Extn:1064) or through email (Vijayamahantesh.khannur@asia.xchanging.com). The transportation will be provided from the centralized location in the City to the venue of the Annual General Meeting.
11. Members are requested to address all correspondence to the Registrar and Share Transfer Agents – Karvy Comuputershare Private Limited, Plot No.17-24, Vittal Rao Nagar Madhapur Hyderabad - 500 081, India.
12. The Auditors Certificate certifying that the Company's Stock Option Plans viz., Cambridge ESOP 2006, Scandent ESOP 2005 and Scandent SSI IT Services ESOP 2004 are being implemented in accordance with the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, and any amendment thereto, is available for inspection of the members at the AGM.

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

Item No. 4, 5 & 6 :

The Board of Directors in its meeting held on July 31, 2009 appointed Mr. Darren Fisher and Mr. Kamal Gupta as Additional Directors and in its meeting held on October 22, 2009 appointed Mr. Thomas Runge 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. 1500/- has been received by the Company from a member signifying his intention to propose the appointment of Mr. Darren Fisher, Mr. Kamal Gupta and Mr. Thomas Runge as Directors of the Company.

The Resolutions under item No. 4, 5 & 6 are recommended as an Ordinary Resolutions. None of the Directors other than Mr. Darren Fisher, Mr. Kamal Gupta and Mr. Thomas Runge are interested or concerned in the Resolutions under items 4, 5 & 6 respectively.

ADDITIONAL INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

Name of the Director	**Darren Fisher**	**Kamal Gupta**	**Thomas Runge**
Date of Birth	May 16, 1966	February 12, 1946	December 25, 1971
Date of appointment	July 31, 2009	July 31, 2009	October 22, 2009
Qualification	CPA, Also completed executive education programmes at the Cranfield School of Management and Harvard Business School	FCA, ACWAI, Ph.D	Master in Macro Economics
Relation with Promoters/ Directors	Promoter Director	None	Promoter Director
Expertise in Functional area	Darren is a Certified Practicing Accountant and holds Bachelor of Business degree at Ballarat University in Australia and also completed executive education programmes at the Cranfield School of Management and Harvard Business School. In his 22 years of experience in finance profession, Darren has worked in finance roles in the Business Processing Outsourcing industry for the past eight years, commencing with Xchanging in November 2001. During this time Darren has been the Finance Director of a number of the Xchanging Group's businesses. Darren was appointed as the Xchanging Group Financial Controller in April 2006 and managed Group Finances transformation in preparation for the Group's listing on the London Stock Exchange in April 2007.	Kamal is Fellow member of the Institute of Chartered Accountants of India and a member of the Institute of Cost and Works Accountants of India. He also holds a doctorate in Financial Management. He was the Technical Director of the Institute of Chartered Accountants of India for eighteen years where he handled all technical activities of the Institute including Accounting and Auditing Standards, expert opinions, research and consultancy. He also served as Technical Advisor to the Indian members of the International Accounting Standards Committee (now IASB) and the International Auditing Practices Committee (now IAASB).	Thomas started his career at Deutsche Bank AG in Frankfurt. He joined Salomon Brothers afterwards, where he held various positions in operations and IT management. Thomas managed the integration of Salomon Brothers into Citigroup for operations and IT in Germany and other parts of Europe. Thomas Runge continued to work as the Head of Citibank's German securities operations before he joined European Transaction bank (a Deutsche Bank subsidiary) as Chief Operating Officer (COO). Thomas managed the integration of this entity into Xchanging as well as major customer migration projects. After running the German processing centres and being a managing director of the XTB board, Thomas has been appointed as Global Production Director and member of the Xchanging Management Board.

Directorships in other Public Companies	NIL		1. RSWM Ltd, 2. Maral Overseas Ltd, 3. HEG Ltd, 4. Malana Power Ltd, 5. AD Hydro Power Ltd, 6. PNB Gilts Ltd		NIL	
	Chairmanship	Membership	Chairmanship	Membership	Chairmanship	Membership
Audit Committee	NIL	NIL	1. Maral Overseas Ltd 2. PNB Gilts Ltd 3. RSWM Ltd	1. AD Hydropower Ltd 2. HEG Ltd 3. Malana Power Company Ltd	NIL NIL	NIL NIL
Shareholders' Grievances Committee	NIL	NIL	1. Maral Overseas Ltd 2. RSWM Ltd	1. HEG Ltd		
Membership/ Chairmanship in Committees of Cambridge Solutions Limited	NIL	Shareholders' Grievances Committee	NIL	Audit Committee	NIL	NIL
Number of shares held in Cambridge Solutions Limited	NIL		NIL		NIL	
Percentage of shareholding	NA		NIL		NA	

Item No. 7 & 8

The Board of Directors at its meeting held on July 31, 2009 appointed Mr. Darren Fisher, Chief Financial Officer as Whole time Director to be designated as Executive Director and Chief Financial Officer and the Board in its meeting held on October 22, 2009 appointed Mr. Thomas Runge as Whole time Director to be designated as Executive Director and Chief Production Officer 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. Darren Fisher and Mr. Thomas Runge respectively, for a period of three years and their appointment is subject to the approval of the shareholders. The said appointments would be without any remuneration until otherwise determined by the Board. The above may also be treated as an abstract of the terms of the Agreement between the Company and Mr. Darren Fisher and Mr. Thomas Runge respectively pursuant to Section 302 of Companies Act, 1956. The Directors recommend the resolution under item No. 7 & 8 for the approval by the shareholders as Special Resolutions. None of the Directors of the Company, except Mr. Darren Fisher and Mr. Thomas Runge, being interested in the respective resolutions relating to their respective appointments, are interested in the said resolutions.

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

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

Name of the Director	**Eugene Beard**	
Date of Birth	March 17, 1935	
Date of appointment	October 28, 2005	
Qualification	Honorary degree of Doctor of Ethics in Business leadership from Duquesne University	
Relation with Promoters/ Directors	None	
Expertise in Functional area	As the current Chairman and CEO of Westport Asset Fund, and the retired Vice Chairman of Inter public Group, Mr. Beard brings deep financial expertise to Cambridge Solutions Ltd.'s already impressive board. He is on the Board of Directors for One To One Interactive, Huntsworth PLC and Marc USA. Mr. Beard is Director and Vice Chairman of Bessemer Trusts Old Westbury Funds. He has been featured in *Global Finance's CFO Superstars, Investors Relations, Treasury Magazine, Forbes, Corporate Finance, Institutional Investor and Business Week*.	
Directorships in other Public Companies	NIL	
	Chairmanship	**Membership**
Audit Committee	NIL	NIL
Shareholders' Grievances Committee	NIL	NIL
Membership / Chairmanship in Committees of Cambridge Solutions Limited	NIL	Audit Committee Shareholders Grievances' Committee
Number of shares held in Cambridge Solutions Limited	NIL	
Percentage of shareholding	NA	

Item No. 9

Presently, Article 149 of the Articles of Association stipulates that the Common Seal of the Company shall be affixed on any document in the presence of at least one Director and of the Secretary or such other person authorized by the Board. Consequently it has been difficult to execute the document under Common Seal of the Company considering the availability of Directors in India to attest affixation of Common Seal. Further, Article 148 and 149 of the Articles of Association of the Company contain overlapping provisions; the same is required to be consolidated into a single Article 148 and thus deleting Article 149.

Accordingly, it is proposed to modify existing Articles as set out in the resolution in this item of the Notice. The new and altered Article is self-explanatory. A copy of the existing Articles of Association of the Company, together with the proposed amendments will be available for inspection by the members at the Registered Office of the Company during business hours up to the date of this Annual General Meeting. The Directors recommend the resolution under item No. 9 for the approval by the shareholders as Special Resolution. None of the Directors are interested in the above Resolution.

Item No. 10

Presently, Article 88 of the Articles of Association states that the Managing Directors and whole time directors of the Company shall not be liable to retire by rotation and shall not be taken into account in determining the rotation of retirement of directors. It is now proposed to provide for retirement of managing directors and whole time directors, other than the Chairman and Vice Chairman, by rotation and to take into account in determining the rotation of retirement of directors. Accordingly, it is proposed to modify existing Articles as set out in the resolution in this item of the Notice. The new and altered Article is self-explanatory. A copy of the existing Articles of Association of the Company, together with the proposed amendments will be available for inspection by the members at the Registered Office of the Company during business hours up to the date of this Annual General Meeting. The Directors recommend the resolution under item No. 10 for the approval by the shareholders as Special Resolution. None of the Directors are interested in the above Resolution.

By Order of the Board

Place : Bangalore
Date : February 26, 2010

Vijayamahantesh V. Khannur
Company Secretary

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CAMBRIDGE SOLUTIONS LIMITED

(Formerly Known as Scandent Solutions Corporation Limited)

Registered Office

SJR I-Park, Plot 13, 14, 15., EPIP Industrial Area, Phase I, Whitefield, Bangalore 560066.

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 **Ninth Annual General Meeting** of the Company to be held on **Monday, April 26, 2010 at 11.00 A.M** at SJR I-Park, Plot 13, 14, 15, EPIP Industrial Area, Phase I Whitefield, Bangalore - 560 066, India and at any adjournment thereof.

Signed this.......................................day of .... 2010.

Affix Revenue Stamp

SIGNATURE

Note:

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

CAMBRIDGE SOLUTIONS LIMITED

(Formerly Known as Scandent Solutions Corporation Limited)

Registered Office

SJR I-Park, Plot 13, 14, 15., EPIP Industrial Area, Phase I, Whitefield, Bangalore 560066.

ATTENDANCE SLIP

Ninth Annual General Meeting -____________________

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

No. of shares held ☐☐☐☐☐☐☐☐☐☐☐☐

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

I hereby record my presence at the Ninth 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 Monday at 11.00 A.M on April 26, 2010.

....

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 560066
Tel : + 9180 30540000
Fax : + 9180 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 +9180 30540000 Extn: 1064
Fax +9180 41157394
E-mail: compliance@cambridge-asia.com

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

BSE (Bombay Stock Exchange)
NSE (National Stock Exchange)
The Company has made application for delisting from Madras Stock Exchange and Ahmedabad Stock Exchange and delisting confirmation is awaited.

Safe Harbor Statement

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

BOOK - POST
Under Certificate of Posting

If Undelivered, please return to :

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