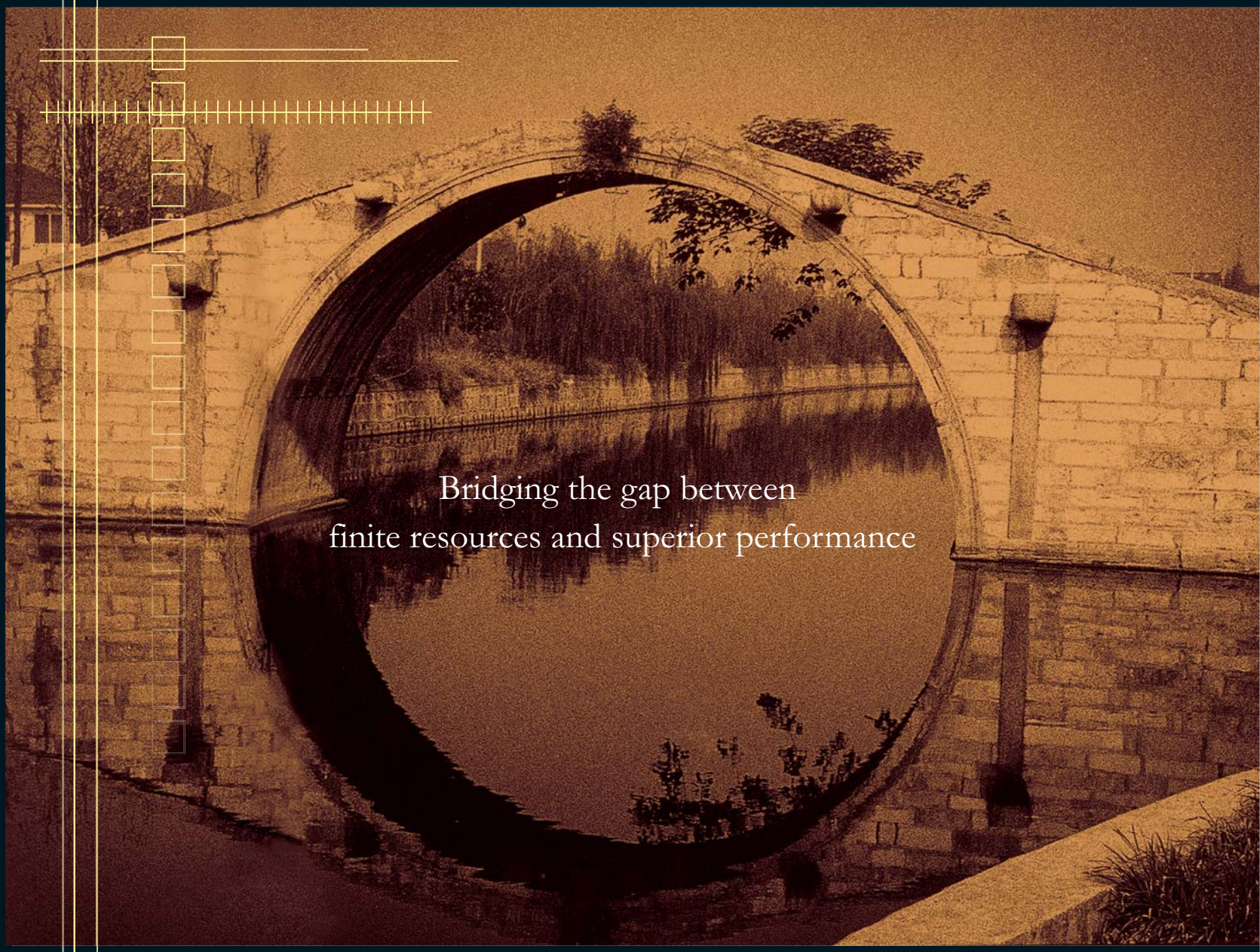
CAMBRIDGE
Strategic Global Outsourcing

Cambridge Solutions Limited 2005-2006 Annual Report



Bridging the gap between finite resources and superior performance

2005-2006 ANNUAL REPORT

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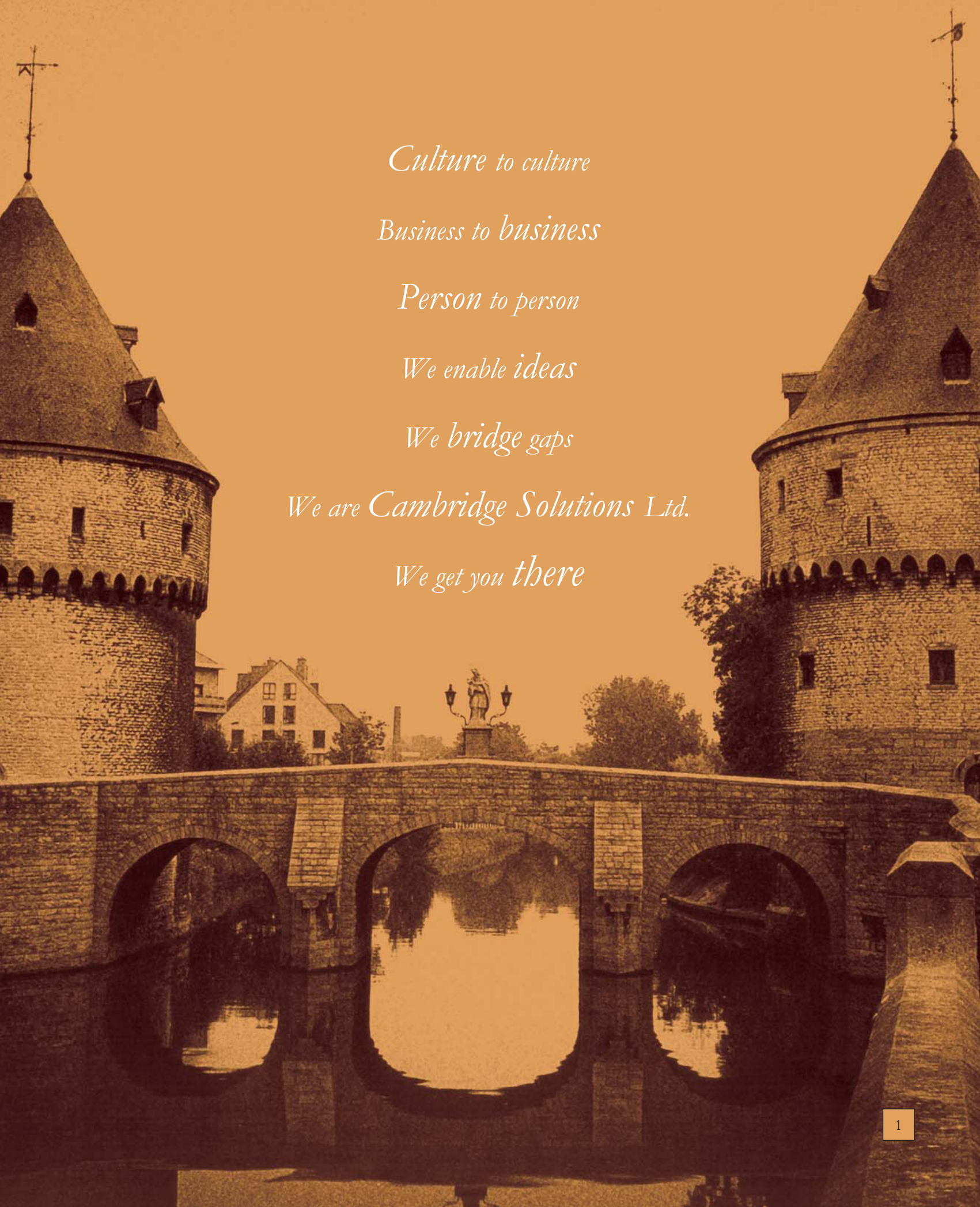


Culture to culture

Business to business

Person to person

We enable ideas

We bridge gaps

We are Cambridge Solutions Ltd.

We get you there

'Building Bridges'

The very phrase 'building bridges' conjures up images of unity and integration… of people living and working in harmony.

All over the world, for hundreds of years, bridges have offered solid testimony to the spirit of human ingenuity. These remarkable constructions personify our deep desire to connect with the rest of the world, against all odds.

Bridges have united countries, ended wars, fostered friendships, sparked romances, forged partnerships, made people gasp in wonder…

At Cambridge Solutions, we are inspired by the simplicity and power of bridges, as we forge our way to greater accomplishments.

Every business arrives at a point where it must bridge the gap between strategic imperatives and available resources. And it must lower operating costs while increasing efficiency and profitability.

At Cambridge Solutions, we have risen to that challenge.

"Bridging the gap between finite resources and superior performance."

Chairman's Address

Dear Shareholder,

Business leaders know there is a time and place when they must take a bold step to bridge the divide between what is and what might be. A time when they realize they won't be able to seize tomorrow's opportunities if they are still trying to solve yesterday's problems. A time when they understand that their only option is to move with courage and determination. Business leaders know where their companies need to be and Cambridge Solutions can help them get there.

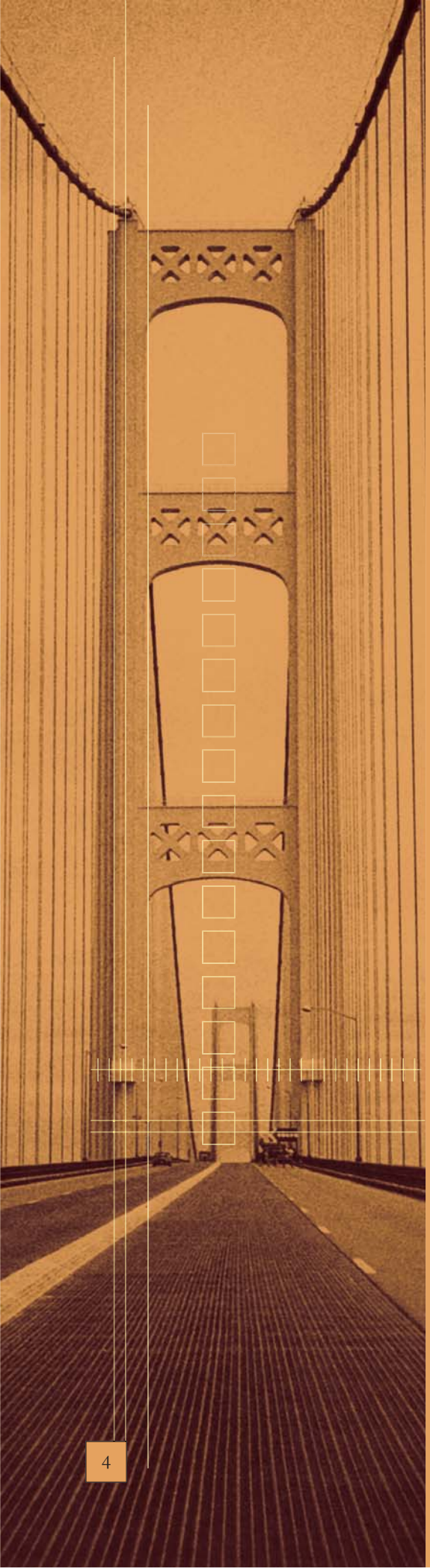
As an ally and partner, Cambridge Solutions provides strategic global outsourcing services that give our customers the freedom and confidence to look outside their own operations - to bridge the gap between their needs and goals to achieve the greatest business success.

For Cambridge Solutions and its customers, this has been another ground-breaking year. This past year has marked the culmination of a journey we began in September 2005, when we announced our plans to merge the BPO business, Cambridge Holdings LLC, with our IT business, Scandent Solutions Corporation Limited. The merger has created in effect the largest BPO-centric IT company listed on the Indian stock exchange. The new company, called Cambridge Solutions Ltd., is reflective of a new era in the global outsourcing industry worldwide. An era marked by the increasing integration of knowledge-based BPO and IT services.

We at Cambridge Solutions are well positioned to capitalize on this trend. The merger now gives us an expansive global footprint with a presence in over 80 locations across 9 countries and 4 continents. With Development Centres in the USA, India, Australia and Europe and staffed by more than 3,600 employees, we can offer our customers a truly integrated global service delivery model. Backed by a comprehensive, synergistic array of capabilities - high-end business process outsourcing services for insurance, financial services and healthcare firms; specialized claims management and world-class information technology services - Cambridge Solutions provides the right level of service for each customer engagement.

In addition to our core competencies, our innovative and strategic knowledge partnership with Standard Chartered's subsidiary, Scope International, for the banking and financial sector worldwide marked a significant milestone during this past year. Through this partnership we have leveraged our expertise in strategic global outsourcing with Scope International's mature offshore operations and expertise in financial services BPO to tap into the global banking and financial markets.

What was particularly gratifying as we grew our business during the year was that we were not geography or client dependent. We have witnessed growth not only in the USA which has been our stronghold, but also in the UK and Australia where we have had significant wins.



From a financial perspective, with the combined revenues of our IT and BPO businesses, we have recorded very healthy growth that places us among the leading BPO and IT companies in the industry. Some quick highlights:

- Our Revenues for FY 2005-06 were Rs.11807 million, while our Operating Income was Rs.990.9 million (8.39 % of revenue).
- After one time reorganization charges of Rs. 205.2 million, our Loss for the year was Rs.186.2 million.
- We reported a basic EPS of Rs.1.79 per share while our diluted EPS was Rs.1.78 per share.
- In addition, we added 156 clients during the year, demonstrating our core competency in sales.
- We also realized a significant increase in revenue on projects from existing clients, indicating our ability to deliver customer satisfaction.

The growth and success we have achieved during the year has also been reflected in our ability to attract some of the best talent across the globe, both at the Board and at the Operations level. We are also proud of having received numerous and important awards and nominations, particularly for the BPO business. We operate in a niche and complex BPO segment and are proud of our achievements. We were named one of the top three best performing BPO companies by Global Services media and neoIT, a leading offshore outsourcing advisory firm, and were recently ranked as the 28th leading outsourcing company in the world in the International Association of Outsourcing Professionals (IAOP)'s "2006 Global Outsourcing 100" list that appeared in a special advertising section in Fortune Magazine.

All of this demonstrates that we are well positioned for future growth, as we now focus on further strengthening our BPO and IT services to build greater productivity and efficiency for our customers.

I would like to thank you for your support during the past year as we concentrated our efforts on building the newly integrated business. If 2005-06 was the year of consolidation and service expansion, I believe 2006-07 will be the year when we cross over to the next stage of growth - a period when we will build on the strong foundation we have laid through fostering greater partnerships, and market specialization.

Thank you for the confidence you have placed in Cambridge Solutions.

Christopher Sinclair
Executive Chairman and Chief Executive Officer

Cambridge at a Glance

Founded

2001

India Headquarters

Bangalore

United States Headquarters

Greenwich, Connecticut

Employees

3600 +

Locations

Australia, France, Germany, India, Japan, Malaysia, Singapore, United Kingdom, United States

Management

Christopher Sinclair
Executive Chairman and Chief Executive Officer
Satyen Patel
Executive Vice Chairman
Pradeep Chaudhry
Senior VP & Financial Controller
Richard Gros
Executive Vice President, Global Human Resources
Dilip Keshu
Chief Strategy and Corporate Development Officer
Pawan Kumar
President, IT Services
Wesley O'Brien
President, North American Claims and Risk Management Services
Paul Serong
Chief Executive and Managing Director, Australian Claims and Risk Management Services
Nimish Soni
Managing Director, Cambridge Integrated Services India Private Ltd.

Mission

Cambridge Solutions Ltd. is fast becoming one of the leading Business Process Outsourcing (BPO) and broad-based Information Technology (IT) solutions companies in the world. Its mission is to add tangible value to the business of its clients in every engagement. It does this through innovative and efficient execution.

Markets

Cambridge Solutions' services are focused on healthcare, banking, insurance, financial services, claims, manufacturing, logistics, and government. Other markets covered include telecom, retail, CPG, legal services, energy, media and entertainment, education, and utilities.

Services

Strategic BPO services include process consulting; transaction processing including mortgage application and renewal; banking, finance and accounting back office support; insurance claims administration and processing; medical billing; inbound and outbound contact centers to support all these activities; and other transaction processes that require knowledge-based decision making.

Core IT services include business consulting, application maintenance/support through software development, application implementation services and comprehensive business process outsourcing.

Other services include process improvement, integration, customizations, end user services, training, documentation, quality assurance, testing and legacy application migrations.

Clients

Over 2000 clients (including Fortune 500 companies) across a variety of industries including financial services, banking, capital markets, insurance, government, manufacturing, distribution and logistics.

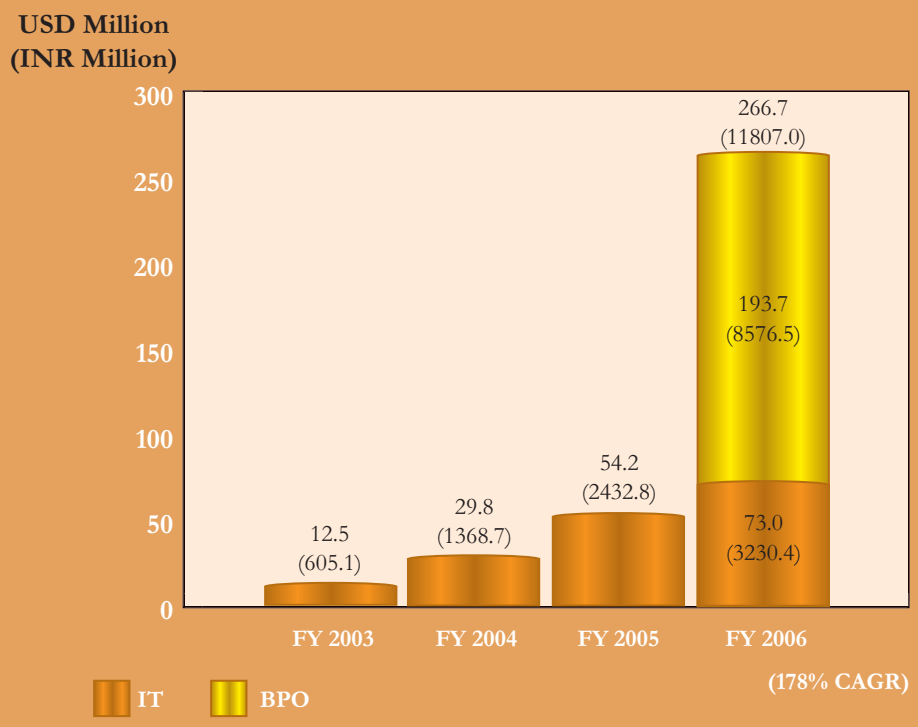
Certifications and Processes

LOMA (life insurance), ICA (health insurance), CII and III (insurance), AMBA (healthcare billing), AAPC (healthcare coding), PMP (project management). The firm has the following certifications: ISO 9001:2000, CMMI Level 5 (3 centers) and PCMM Level 3 organization.

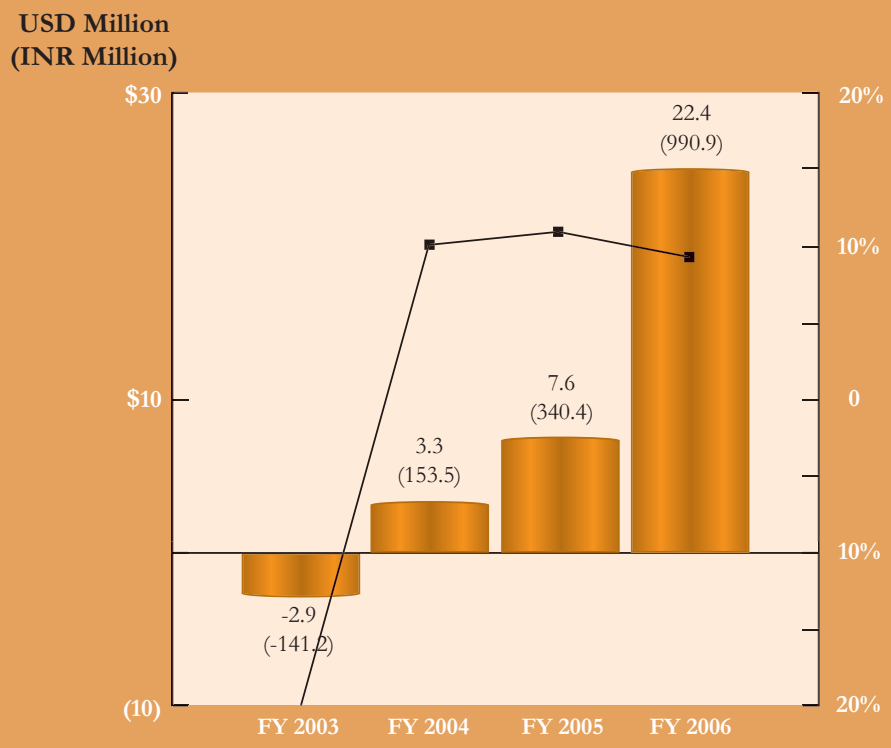
Brand and Positioning

As a leader in global business process outsourcing and IT solutions, Cambridge Solutions has developed an integrated brand and communications strategy designed to reach a wide range of audiences in all corners of the globe. Cambridge Solutions' brand promise is to take companies where they need to be, by bridging the gap between finite resources and superior performance.

Revenues

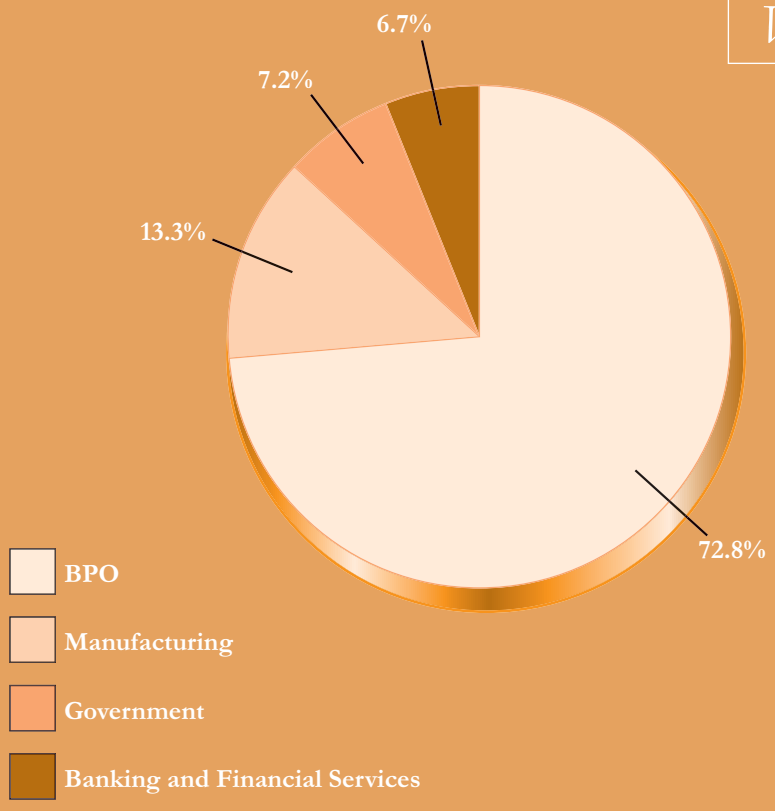


Operating Profit

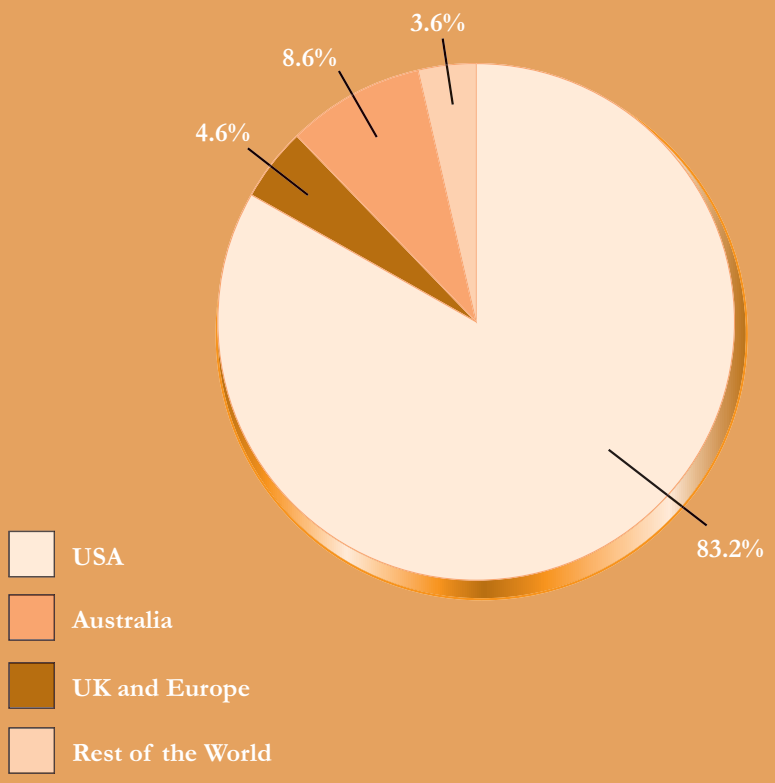


(excludes one time charges and extraordinary items in FY 2006)

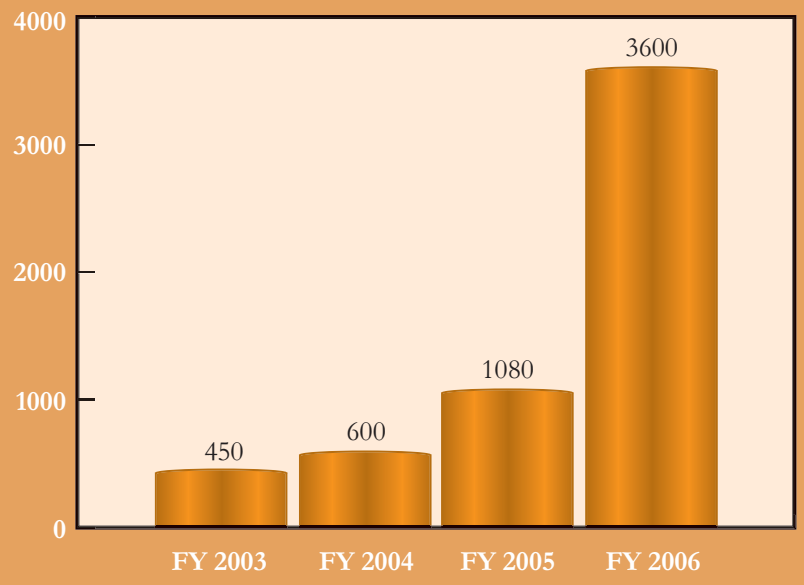
Vertical Revenue



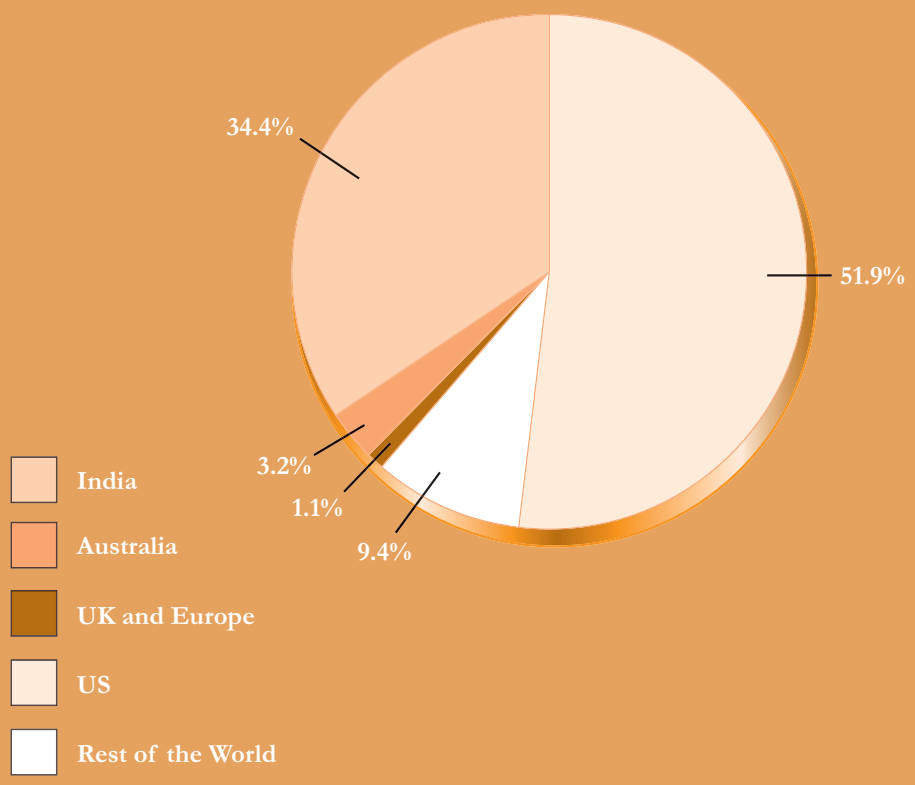
Geographic Revenue Split



Employees (End of Year)



Employee Distribution



Company Profile

Company Profile

In September 2005, the Board of Directors of the Indian listed Scandent Solutions Corporation Limited (Scandent Solutions) announced its decision to merge the company with Cambridge Services Holdings LLC, the BPO arm of the Scandent Group. The decision to merge was in response to the growing customer preference for a single vendor to provide synergistic IT and BPO services. The merged company was renamed Cambridge Solutions Ltd. to reflect the identities of both entities.

Cambridge Solutions Ltd. is today a totally integrated, global service delivery company that offers a complete array of IT and business process outsourcing services. With more than 3,600 employees located in over 80 locations across 4 continents, Cambridge Solutions is uniquely positioned to provide customers with a combination of onshore and offshore services to take outsourcing to a new level of efficiency and quality improvement.

Cambridge Solutions' unique business model helps companies build a bridge to their new realities, transcending the geographies of business operations to scale new heights in economical operations and high-level service. With Cambridge Solutions, companies are connected with the realities of a global supply chain enabled by technology and unhampered by national boundaries.

Services

In the fast evolving and high growth IT and BPO industry, Cambridge Solutions is distinguished by a niche combination of services delivered to a core set of industries.

IT Services

"Pull it all together. Sensibly. Differently." is the underlying ethos with which the IT strategic business unit of Cambridge Solutions addresses customer requirements. This implies putting together any combination of hardware, software, firmware and advice, and making sure that the assembly works to the customer's satisfaction and is, wherever possible, well differentiated.

Targeted at customers in the financial services, banking, government, manufacturing, distribution and logistics and emerging markets, Cambridge Solutions' IT business offerings include:

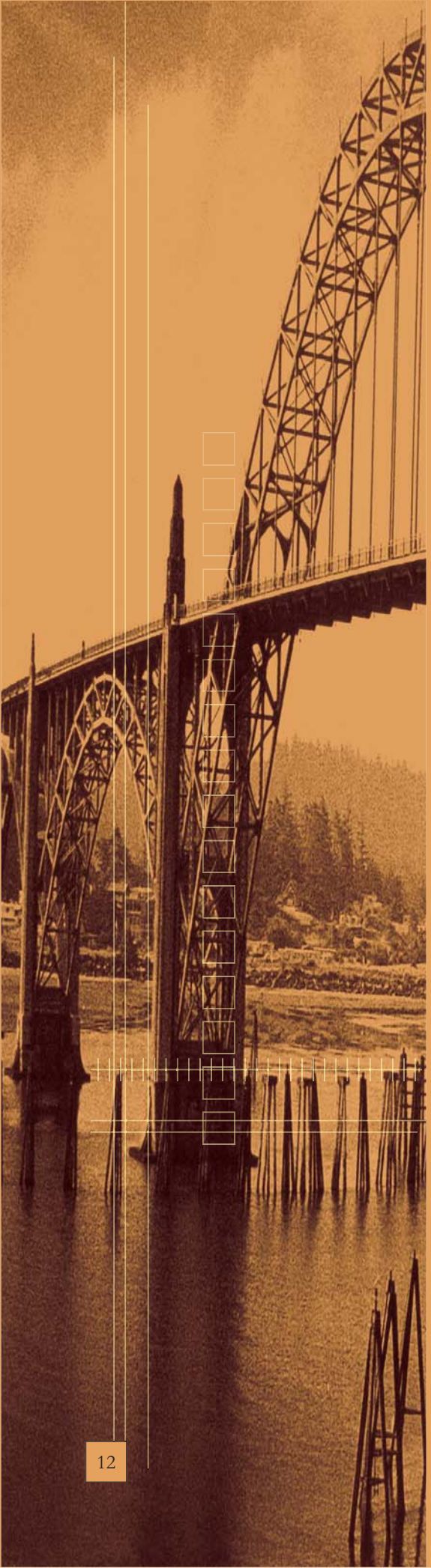
- Strategic Consulting
  High-level Roadmaps, Technology Strategy, Solutions Design
- Application Implementation
  Support for Best-of-Breed Packages and Off-the-Shelf Software Suites
- Software Engineering
  On and Off-Site Custom Solution Design and Development
- Support
  Service Level Agreements, On-Site and Offshore Maintenance of IT systems, Outsourced Development, Training and Education, Performance Support Systems

Cambridge Solutions has also invested in developing frameworks and platforms that don't just deliver greater value to customers, but give the company a differential edge in the industry. By investing in frameworks that can be reused in various customer projects, customers get the benefit of lower development fees. In other words, Cambridge Solutions' investment in these frameworks is amortized over many projects. These reusable assets help Cambridge Solutions capture domain-oriented best practices and unique methods to accomplish specific tasks. Cambridge Solutions also develops complete off-the-shelf products as opposed to product kits that require further assembly. These products are built meticulously and are engineered for industrial strength and highly differentiated functionality.

Some of these products include:

@Vantage, a leading framework for building enterprise Health and Human Services (HHS) Eligibility and Case Management systems. The @Vantage framework includes comprehensive pre-built functionality, as well as the tools to customize the software and add brand new features and functions. The core solution includes state-of-the-art implementation for eligibility determination and a comprehensive set of best-practice case management functions. Using this approach, @Vantage customers can create highly tailored implementations for any of their eligibility and case management programs. Programs already implemented or under implementation by customers include TANF, Food Stamps, Employment Services (Welfare to Work), Child Care, Emergency Assistance and Medicaid.

swiftCONNECT. More than 7000 banks and other financial institutions spread across 200 countries use SWIFT (Society for Worldwide Interbank Financial Telecommunication) for exchanging messages. Being the sole business partner as well as one of the service partners to SWIFT in the Indian subcontinent, Cambridge Solutions provides the entire range of SWIFT products and services to financial institutions in the region. Many of the core banking applications do not have a seamless interface with SWIFT interface terminals. It is this gap that Cambridge Solutions seeks to bridge and address with swiftCONNECT, Cambridge Solutions' own middleware. swiftCONNECT enables SWIFT members (banks or other financial institutions) to automate the generation of outgoing messages and processing of incoming messages.



BPO Services

Cambridge Solutions has one of the world's largest business process outsourcing networks in the United States, Australia, India and the United Kingdom. From managing transactional back office services to performing high-end services for the insurance and risk management, finance and accounting, banking, mortgage and healthcare industries, Cambridge Solutions meets a wide range of customer needs.

But Cambridge Solutions is more than just a BPO company. The next generation of BPO includes high end knowledge-based processes that require a level of specialized expertise to execute within traditional service industries as well as new business areas. This level of BPO requires an understanding of how the customer works. Cambridge Solutions is at the forefront of these industry developments, providing highly complex knowledge process outsourcing (KPO) services. Examples of knowledge process outsourcing include claims administration and financial transactions. Cambridge Solutions delivers this through its proprietary NextStep methodology, a collaborative business engagement methodology for delivering a comprehensive and robust BPO solution without disrupting the "business as usual" of a customer.

Claims and Risk Management Services

Cambridge Solutions has become a dominant force in the insurance and self-insured industries by offering a single outsourcing solution for comprehensive, cutting-edge claims and risk management services. Cambridge Solutions works with customers to minimize their claims and loss costs and to maximize bottom line performance. Cambridge Solutions' claim professionals are thoroughly trained in best practices, and are knowledgeable and experienced in managing all aspects of claims administration. Quality, consistency and bottom-line performance are the hallmarks of the full range of Cambridge Solutions' service capabilities which include:

- Workers' compensation
- General liability
- Auto liability
- Professional liability
- Product liability
- Property
- Personal lines
- Assumed/ceded reinsurance
- Special investigations
- Recoveries management
- Structured settlements

Cambridge Solutions is today one of the largest independently owned property and casualty insurance processing and claims outsourcing providers, the largest outsourcing provider of professional liability claims services and the second largest outsourcing provider of structured settlement services in Australia, UK and USA.

Partnerships and Alliances

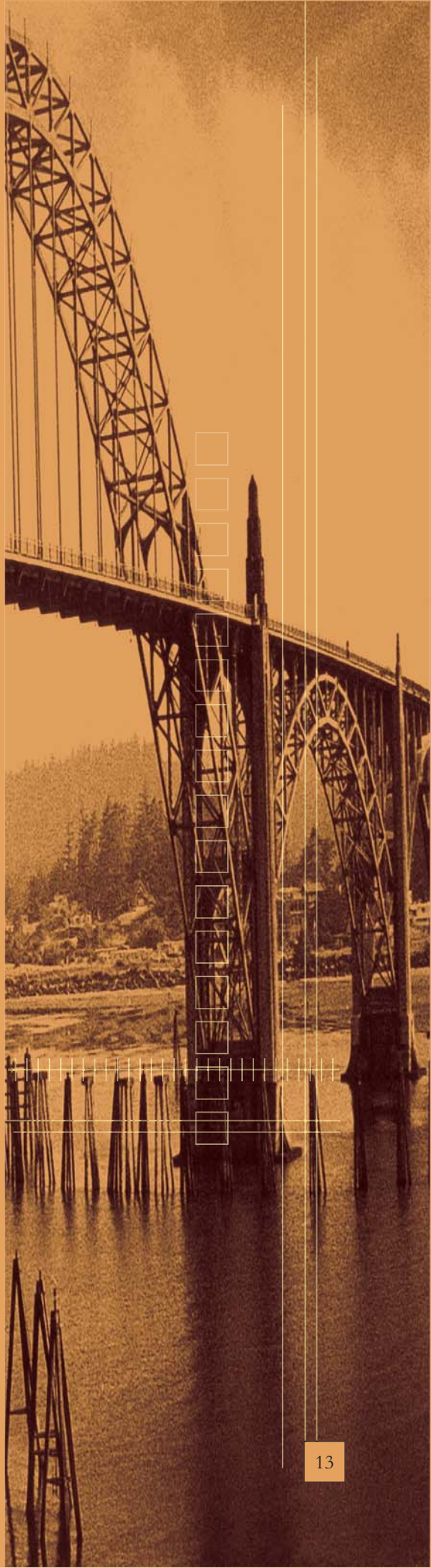
In the IT strategic business unit, Cambridge Solutions has developed partnerships and alliances with a number of leading companies to deliver fully on its value proposition: integrating disparate systems into one cogent whole. These companies include Oracle, SAP, Microsoft, IBM, SUN, HP, BWise, MatrixOne, and Panorama among others.

In its BPO strategic business unit, Cambridge Solutions has forged an innovative knowledge partnership with Scope International, a subsidiary of Standard Chartered Plc. This alliance combines Cambridge Solutions' expertise in strategic global outsourcing with Scope International's experience, know-how and credibility in providing back office banking services to leverage the growing opportunities in the financial services industry. As a result, banks enjoy the competitive advantages of BPO - such as lower costs of services, improved quality and greater efficiency - without the risks and expenses traditionally associated with outsourcing.

Key Factors for Success

As Cambridge Solutions grows its business through its newly merged portfolio of IT and BPO services, it has all the key ingredients to capitalize on growing market opportunities. These include:

- Comprehensive solutions portfolio in key high growth verticals
- Strong track record and successful M&A strategy
- Superior financial performance and operating leverage
- Significant market opportunities
- High barriers to entry
- Diversified, blue-chip customer base
- Global reach with presence in key geographies
- A strong Board of Directors with International profile
- Experienced management team with deep domain expertise



Board of Directors

Top row *(left to right)* : Jan Verplancke, Satyen Patel, Kunal Kashyap
Middle row *(left to right)* : Dilip Keshu, David Greenberg
Bottom row *(left to right)* : Eugene Beard, Christopher Sinclair, Shobhan Thakore

Christopher Sinclair - Chairman

Christopher Sinclair, founder and Chairman of the Scandent Group and the Executive Chairman and Chief Executive Officer of Cambridge Solutions Ltd. Mr. Sinclair was instrumental in building PepsiCo's international franchise as Chairman and Chief Executive Officer of Pepsi-Cola Company, as well as PepsiCo Food and Beverage International. Through his various executive roles at PepsiCo, from 1984 to the mid 1990s, he orchestrated the global brand success, building significant shareholder value and increasing market share.

Following his tenure at PepsiCo, Mr. Sinclair was President and Chief Executive Officer of Quality Food, Inc. (NYSE), a U.S. west coast supermarket chain backed by Sam Zell's Equity Group. Through Mr. Sinclair's 18-month acquisition/growth strategy, Quality Food expanded rapidly and was successfully sold to Fred Meyer, Inc. More recently, Mr. Sinclair also led the financial restructuring of Caribiner International, Inc. (NYSE) as Chairman and CEO of this Warburg Pincus sponsored global business communications company. Mr. Sinclair currently serves as a board member of Mattel, Inc., Footlocker, Inc., and eMerge Interactive, Inc.

Eugene Beard - Director

As the current Chairman and CEO of Westport Asset Fund, and the retired Vice Chairman of Interpublic Group, Mr. Beard brings deep financial expertise to Cambridge Solutions Ltd.'s already impressive board. He is on the Board of Directors for Catalina Marketing Corporation and Mattel, Inc. Mr. Beard is also on the Board of Brown Brothers Harriman 59 Wall Street Funds and Bessember Trust 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.

David Greenberg - Director

As the current Chief Financial Officer and head of the Americas Operation Center for the Global Large Corporate Unit of Aon, the second largest insurance broker in the world, Mr. Greenberg's experience and industry relationships will be invaluable to Cambridge Solutions Ltd. He is also a general trustee of the Lincoln Academy of Illinois, to which he was appointed by the Governor of Illinois. Mr. Greenberg practised transactional law at Gardner Carton & Douglas and spent a year as Managing Director with C.B. Campbell & Associates, an Investment Banking boutique.

Kunal Kashyap - Director

Kunal Kashyap was ex-Managing Partner of Arthur Andersen and CFO (APAC) of Digital Corporation. Mr. Kashyap has more than 15 years of experience in building and managing large organizations. He is a member of the board for major Companies such as, GlaxoSmithKline, Metlife India, Duphar Interfran and Corporate Voice|Weber Shandwick. He has expertise in corporate finance and the Indian tax and legal system. Mr. Kashyap has been involved in key transactions for Metlife, Biocon, Alstom, Nicholas and GlaxoSmithKline.

Dilip Keshu - Director

Dilip Keshu is the Chief Strategy and Corporate Development Officer for Cambridge Solutions Ltd. Prior to this role, Mr. Keshu was the CEO of the IT division of Cambridge Solutions. Mr. Keshu has been an entrepreneur; former President of DACG Asia Pacific; Far East Vice President and Managing Director of Baan Asia Pacific, and Managing Director of Cincom Systems in Asia.

Satyen Patel - Executive Vice Chairman

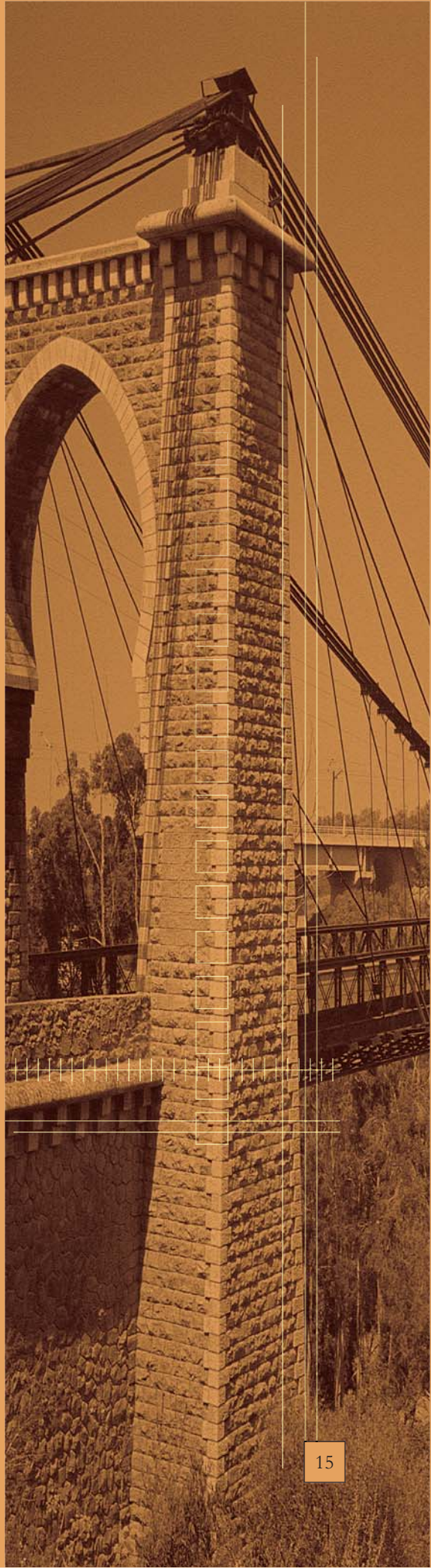
Satyen Patel is a founder and Vice Chairman of the Scandent Group and Executive Vice Chairman of Cambridge Solutions Ltd. Mr. Patel was the former Managing Director of Nike/South East Asia in Singapore, former Director International Business Development for Pepsi-Cola International in New York, Director Strategic Business Development for Grand Met/Pillsbury in Minneapolis and a former board member of 3i plc Asia Pacific.

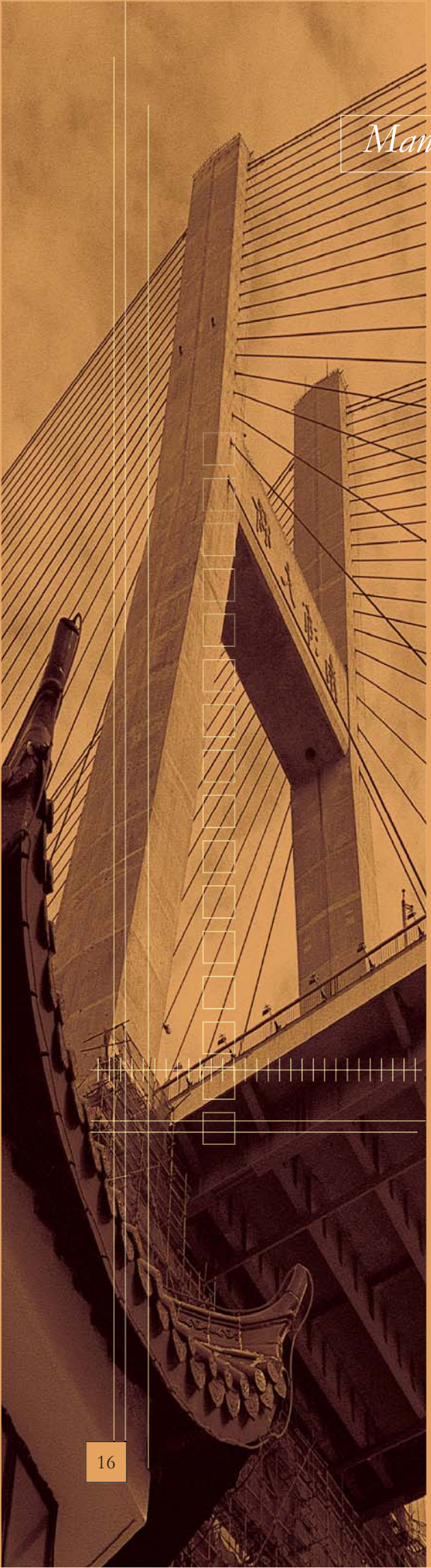
Shobhan Thakore - Director

Shobhan Thakore has advised in the establishment of several leading Indian companies on corporate law and related legislations and technology agreements for more than three decades. Mr. Thakore is currently a Senior Partner with AZB & Partners and has held positions at Bhaishanker Kanga & Girdharlal and Advocates & Solicitors. He is a solicitor, Supreme Court of England and Wales; solicitor, High Court, Bombay; advocate, India.

Jan Verplancke - Director

Jan Verplancke is the Chief Information Officer and Group Head of Technology & Operations at Standard Chartered Plc. Mr. Verplancke is responsible for all systems development, technology support and banking operations. He has been instrumental in driving productivity gain and innovations. Prior to joining Standard Chartered Plc, Mr. Verplancke was Chief Information Officer at Dell for the Europe, Middle East and Africa (EMEA) region, where he was responsible for the expansion of business in new markets and consolidation of back-office operations. Before joining Dell, he headed Systems for the Youth Category at Levis Strauss, U.S.A.





Management Team

Christopher Sinclair
Executive Chairman and Chief Executive Officer
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Satyen Patel
Executive Vice Chairman
Cambridge Solutions Ltd.

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Pradeep Chaudhry
Senior Vice President & Financial Controller
Cambridge Solutions Ltd.

Pradeep Chaudhry is the CFO of Cambridge Solutions Ltd. Mr. Chaudhry brings significant experience in the areas of planning, pricing, fund raising, mergers and acquisitions, legal, tax and regulatory issues. Prior to joining Cambridge Solutions, he was the CFO of Ind-Telesoft Private Limited and was also a part of the core team that set up and grew IBM's Global Services in India.

Richard Gros
Executive Vice President, Global Human Resources
Cambridge Solutions Ltd.

Richard Gros is the Executive Vice President of global human resources for Cambridge Solutions Ltd. After beginning his business career at Pfizer, Mr. Gros spent nearly twenty years at Pepsi-Co, where he held various positions including Vice President Human Resources Pepsi-Co Foods & Beverages International, Senior Vice President Human Resources Frito-Lay Company, and Chief Human Resources Officer Frito-Lay International. He also served as Chief Human Resources Officer at Caribiner International and United Rentals. In 2002, Mr. Gros founded and was President of Richard Gros & Associates, an executive search and human resources consulting firm. Mr. Gros's extensive experience in managing global workforce challenges is key to our strategic plan to be an employer of choice.

Dilip Keshu
Chief Strategy, Corporate Development Officer
Cambridge Solutions Ltd.

Dilip Keshu is the Chief Strategy and Corporate Development Officer for Cambridge Solutions Ltd. Prior to his current role, Mr. Keshu was the CEO of the IT division of Cambridge Solutions. Before this Mr. Keshu was the founder of a consulting firm whose North American operations were acquired by Cambridge Solutions. His prior roles included former President of DACG Asia Pacific; Far East Vice President and Managing Director of Baan Asia Pacific, and Managing Director of Cincom Systems in Asia.

Pawan Kumar
President, IT Services
Cambridge Solutions Ltd.

Pawan Kumar is the President of the IT services business unit of Cambridge Solutions Ltd. Mr. Kumar is a well known and respected leader in the IT services market. Prior to joining Cambridge Solutions, Mr. Kumar was Chairman and CEO of vMoksha Technologies Pvt. Ltd., a company he founded in 2001. He has spent nearly two decades at companies such as TCS, Fujitsu, IBM Global Services (President), among others. Recognized as an industry leader in IT services, he is an active member of Nasscom, CII, and ESC and a TIE charter member. He serves on the advisory board of the Indian Business Academy, Bangalore.

Wesley O'Brien
President, North American Claims and Risk Management Services
Cambridge Solutions Ltd.

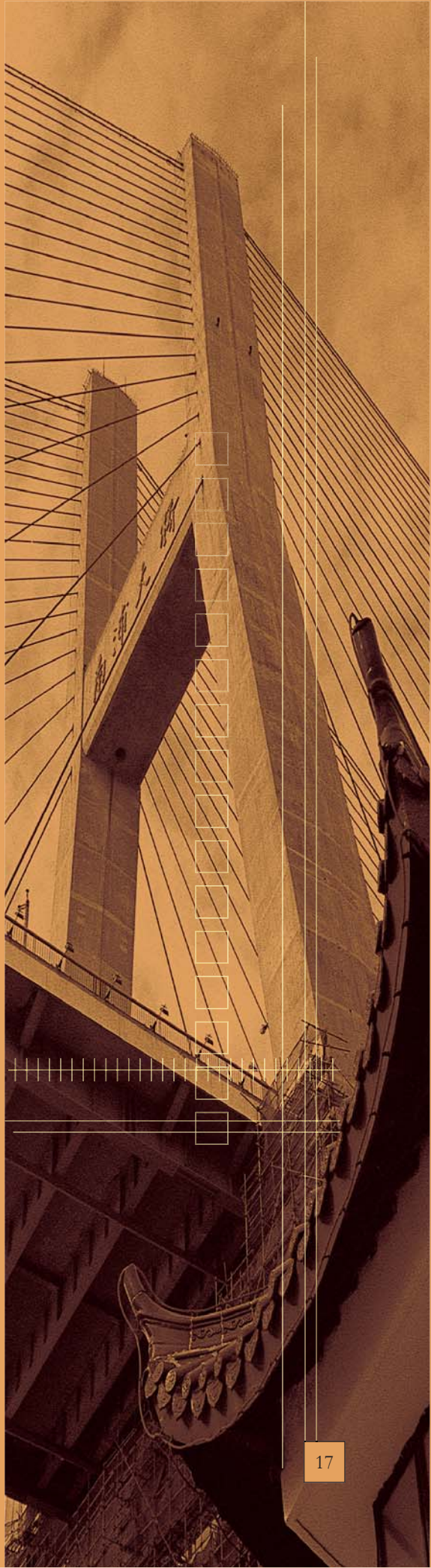
Wesley O'Brien is the President of the North American claims and risk management services business unit of Cambridge Solutions Ltd. Prior to joining Cambridge Solutions, Mr. O'Brien was President of CPR Consulting, specializing in identifying and cultivating operational excellence at companies including change management, operational due diligence, internal and external marketing communications and employee recognition. His background includes heading up the small business unit of MCI where he served in various executive capacities, including Vice President and General Manager. He also served as CEO of Trescom International Corporation, an international communications and long distance company, and CEO, President and COO of Precision Response Corporation, a US based customer service company with more than 15,000 service professionals in the US, India and Philippines.

Paul Serong
Chief Executive and Managing Director, Australian Claims and Risk Management Services
Cambridge Solutions Ltd.

Paul Serong is the Chief Executive and Managing Director of the Australian claims and risk management services business unit of Cambridge Solutions Ltd. Mr. Serong is responsible for managing the Victoria and New South Wales WorkCover Authority dedicated units. His prior business experience includes holding executive level positions at IBNA Ltd., Norwich Union Financial Services Group, Catholic Church Insurances Ltd., and Cigna Insurance, Australia.

Nimish Soni
Managing Director, Cambridge Integrated Services India Private Ltd.
Cambridge Solutions Ltd.

Nimish Soni is the Managing Director of the BPO services unit of Cambridge Solutions Ltd. Prior to joining Cambridge Solutions, Mr. Soni was the founder of ProcessMind which was acquired by Cambridge Solutions Ltd. He was instrumental in providing the vision and leadership in setting up India's first full service captive center for ADSI, a subsidiary of American Financial Group (NYSE:AFG). Previously, Mr. Soni worked with Cap Gemini, E&Y in the USA as a Senior Consultant where he assumed a variety of roles including IT strategy consultant, technology consultant and business process re-engineering consultant at Fortune 100 clients such as AT&T, ALCOA, P&G, AFG and McDonnell Douglas.



Global Offices

Australia
France
Germany
India
Japan
Malaysia
Singapore
United Kingdom
United States

Indicative List of Customers

Capital Markets

Cognotec
Dhaka Stock Exchange
NASDAQ Europe

Manufacturing and Logistics

ALIT
American Standard
BASF/Engelhard
Bax Global
Dassault
DHL/Exel
John Deere
Lenovo

Financial Services/Banking

Cagamas
Central Bank of Sri Lanka
Citibank
Cushman & Wakefield
ING Bank
Legg Mason
MasterCard
Southern Bank Berhad
State Bank of India
SWIFT
UOB

Government

Department of Family Services, Wyoming
Department of Human Services, Minnesota
Department of Transitional Assistance, Massachusetts
New South Wales WorkCover Authority, Australia
Singapore Government
State of Tennessee, USA
Victoria WorkCover Authority, Australia

Insurance

Aon Limited
Liberty Mutual
U. S. Epperson

Services

Bally Total Fitness
Centric Software
Corporate Express
Knight Ridder
Singapore Airlines

Management Committee

Board of Directors

Christopher Sinclair (Chairman)
Eugene Beard (Director)
David Greenberg (Director)
Kunal Kashyap (Director)
Dilip Keshu (Director)
Satyen Patel (Executive Vice Chairman)
Shobhan Thakore (Director)
Jan Verplancke (Director)

Company Secretary

V. Viswanathan

Statutory Auditors

S.R. Batliboi & Associates
Divyashree Chambers
'A' Wing, 2nd Floor
Langford Road
Bangalore - 560 025

Registered Office

"Coconut Grove"
No. 33, 1st 'A' Cross, 18th Main,
6th Block, Koramangala,
Bangalore - 560 095
Tel : 080 51105000,
Fax : 080 25527805
www.cambridgeworldwide.com

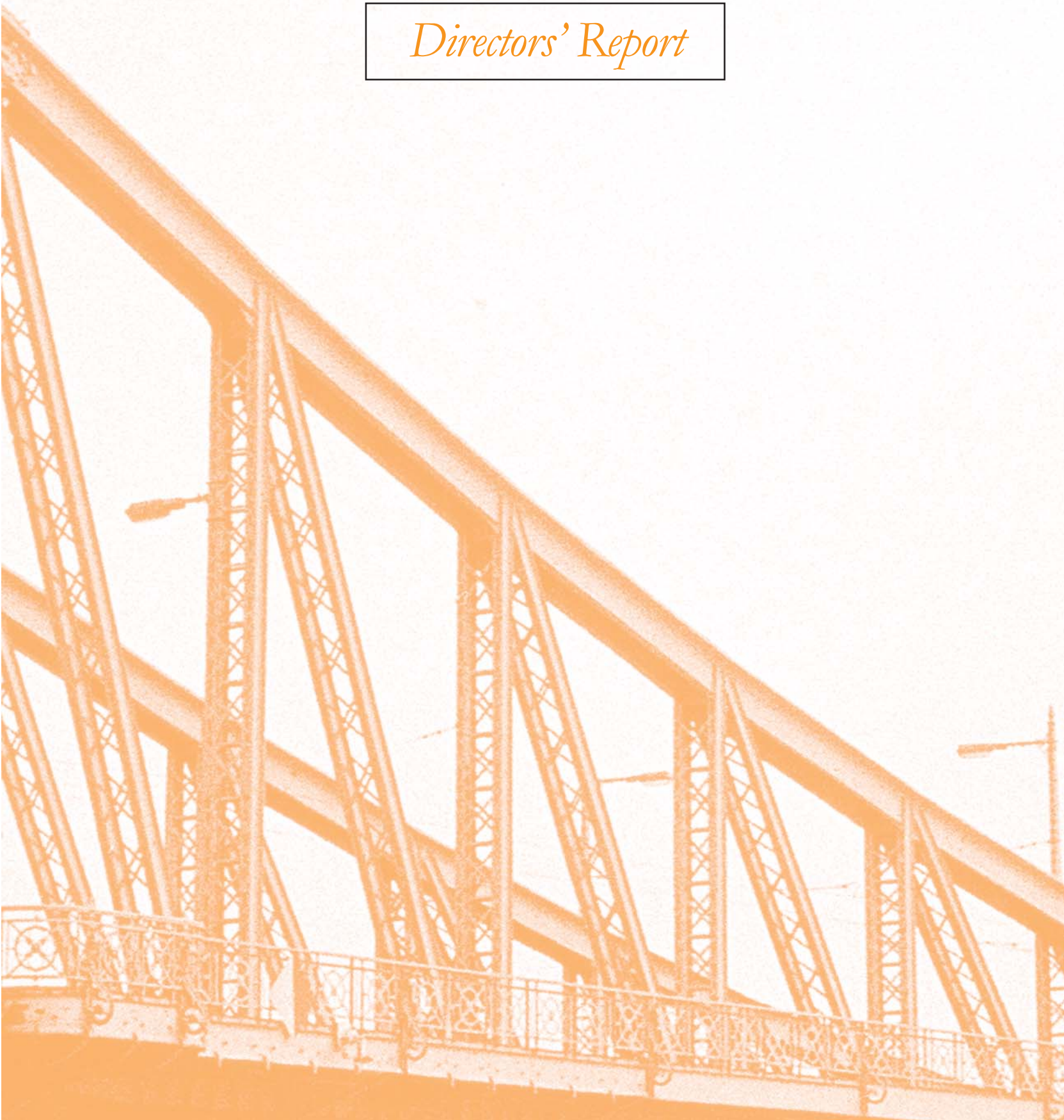
Bankers

UTI Bank Ltd.
Chinatrust Commerical Bank
Export Import Bank of India
HSBC Ltd.
State Bank of Mauritius Ltd.
Union Bank of India

Registrar and Transfer Agent

Karvy Computershare Pvt. Ltd.
No. 51/2, T.K.N. Complex, Vanivilas Road
Opp. National College, Basavanagudi
Bangalore - 560 004
Phone Number : 080 26621184/92/93
Fax Number : 080 26621169
Email : kannans@karvy.com
Website : www.karvy.com

Directors' Report



Dear Shareholders,
Your directors are pleased to present the Fifth Annual Report and the Audited Statement of Accounts of the Company for the financial year ended March 31, 2006.

Financial Results

The performance of the Company for the financial year ended March 31, 2006 is summarized below:

Particulars	March 31, 2006 (Rupees in Lacs)
Sales & Other Income	16,556
Operating Expenses	14,417
Profit before Interest Depreciation and Tax	2,139
Finance Costs	905
Depreciation & Amortisation	504
Profit before Tax	730
Income Tax (including deferred tax)	270
Profit after Tax	460

Results of operations

During the financial year 2005 – 06, the total revenue of the Company amounted to Rs.16,556 lacs as against Rs. 12,980 lacs in the previous year, showing a growth of 28%. The Company has earned a net profit of Rs. 460 lacs for the year ended March 31, 2006 as against Rs. 1,071 lacs in the previous year.

Dividend

Your Company is not proposing to declare any dividend this year.

Scheme of Amalgamation

Your Company concluded the Scheme of Amalgamation of Cambridge Services Holdings LLC (Transferor company), with your company (Transferee company) approved by Hon'ble Karnataka High Court vide their order dated March 13, 2006. The scheme is effective from June 20, 2006 and the salient features of the Scheme are as follows:

(a) The Scheme will be effective from the Appointed Date of April 1, 2005, in so far as the merger of the Transferor Company into the Transferee Company is concerned.

(b) The entire assets and liabilities of the Transferor Company will be taken over by the Transferee Company from the Appointed Date.

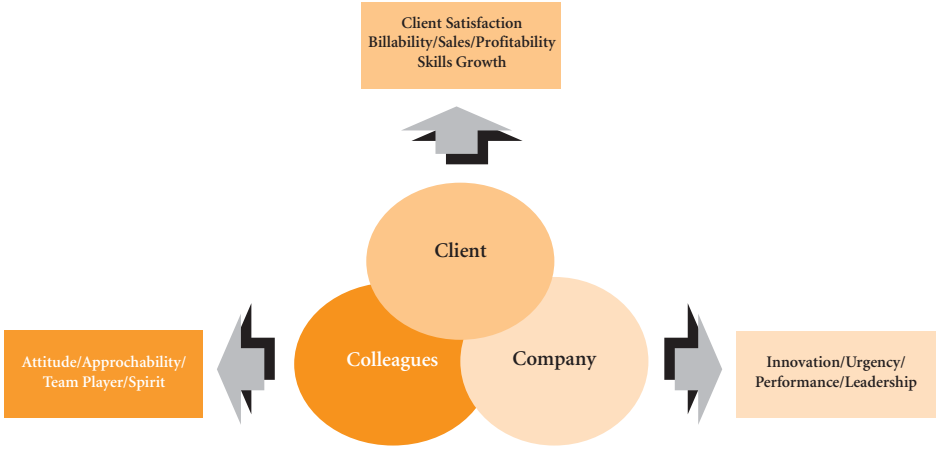
(c) The Transferee Company shall issue to all the members (common units, preferred units and restricted units) of the Transferor Company, 583 (Five Hundred Eighty Three) equity shares of the face value of Rs 10/- each, credited as fully paid-up in the capital of the Transferee Company, for every 1 (one) unit held by the said member of the Transferor Company whose name appears in the Register of Members on the Record Date. The equity shares when issued and allotted by the Transferee Company in terms of the Scheme shall rank for dividend, voting rights and in all other respects *pari passu* with the existing equity shares of the Transferee Company.

(d) All costs, charges, taxes including duties, levies and all other expenses, if any (save as expressly otherwise agreed), incurred in carrying out and implementing this Scheme and matters incidental thereto, shall also be borne by the party incurring such costs, charge, taxes, levies or other expenses.

Human Resources at Cambridge

With a human capital base of over 3,600 employees, Cambridge Solutions has experienced phenomenal growth since its inception. At Cambridge Solutions ,there is a strong emphasis on performance, innovation and customer centricity as your company strives to attract the best talent, retain high performers, encourage 'out of the box' solutions and offer differentiated solutions with impeccable quality to the client. The three C's encompass the essence of the HR philosophy at Cambridge Solutions and guide our actions.

Human Capital: Our forte



Your company has a diversified workforce in terms of nationality, cultures, educational qualification and technical competence. Our endeavor is to align our team to organizational goals as well as foster individual career aspirations and employee welfare.

Leadership: To inspire and enhance the leadership potential of our team, your company plans to implement 'Future Leaders'- an initiative to recognize and nurture inherent leadership potential and create a viable second line in command as part of our succession plans for key positions in the organization.

Performance Management: Your company has successfully implemented our homegrown web based tool for Performance Management. The data on performance levels is analyzed objectively and exhaustively so as to evolve Performance Improvement Plans (PIP) for the low performers and Retention/ Performance Bonus plan for high performers.

Career Management at Cambridge: Career Management is a part of Performance Appraisal wherein a clear career path is charted out for each employee, both short and long term goals and the same is tracked across appraisal periods and reviewed by the Career Manager. There is a dual career ladder in place, technical and managerial that serves to address the possible career aspirations of all employees.

Training and Development: Training and Development is recognized as a critical component in our process of continuous improvement and your company's goal to be a learning organization. This would include a series of programs covering both technical training and soft skills training such as leadership, interpersonal skills, consulting skills etc as applicable. Your company also plan to implement the concept of 'e-learning' on a large scale.

Employee Retention at Cambridge:

Your company's retention policy essentially follows the tenets of

1. Wealth Creation - the currency being cash and knowledge/experience
2. Opportunity - your company strives to offer everyone who is ready, a unique opportunity or two during the year.
3. Learning - your company strives to equip the person, given the opportunity, with appropriate education and skills training, formally or informally
4. Touch - your company strives to communicate with others and stay in touch as often as we can
5. Metrices - everyone shall be judged against opportunity with a fair set of metrices

In addition to this, attention is paid to maintaining a vibrant organization culture and challenging job content through job rotation and job enrichment and a healthy work-life balance through recreational activities and get togethers.

Change of Name:

Subsequent to Amalgamation of Cambridge Services Holding LLC with your Company, your Company has changed its name to Cambridge Solutions Limited and the same is with effect from June 19, 2006

Increase in Authorised Share Capital

Your Company's Authorised Share Capital has increased to Rs. 1,250,000,000/- comprising of 125,000,000 equity shares of Rs. 10/- each from Rs. 350,000,000/- comprising 35,000,000 equity shares of Rs. 10/- each pursuant to your approval at the Extraordinary General Meeting held on November 18, 2005.

Increase in Paid up Share Capital

Your company has issued 376,031 equity shares of Rs. 10/- each fully paid, 10,119 equity shares of Rs. 10/- each fully paid and 15,000 equity shares of Rs. 10/- each fully paid to the employees pursuant to Scandent Employee Stock Option Plan 2004, Scandent SSI IT Services Employee Stock Option Plan 2004 and Scandent Employee Stock Option Plan 2005 (Program I) respectively. Further, subsequent to the Preferential Issue of 1,025,227 equity shares to the Scandent Group Limited, the Promoters, the issued, subscribed and paid-up equity share capital of your Company has increased to Rs. 301,586,530/- comprising of 30,158,653 equity shares of the face value of Rs. 10 each fully paid-up from Rs 287,322,760/- comprising of 28,732,276 equity shares of the face value of Rs. 10/- each fully paid up.

Issue of Convertible Bonds

Your Company has issued Rs. 1,336,500,000 /- worth Convertible Bonds to Indopark Holdings Limited Mauritius on Preferential basis, which are convertible into equity shares of Rs. 10/- each at a premium of Rs. 207/- per share within 18 months from the date of issue of Convertible Bonds.

Subsidiary Companies

Your Company has 13 subsidiary companies namely, Scandent Group Inc, USA, Client Soft Inc., USA, Albion Inc., USA, e-Business Corp. Inc., USA, Indigo Markets Ltd., Bermuda, Scandent Group GmbH, Germany, Scandent Network Europe Ltd, UK, Indigo Markets Europe Limited, UK, Scandent Group Pte Ltd., Singapore, Indigo Markets Singapore Pte Ltd. Singapore, Scandent Group Sdn BHD, Malaysia, BWH SARL, France, MatrixOne India Limited, India.

Further, pursuant to amalgamation of Cambridge Services Holdings LLC with your Company, 8 more subsidiary companies are added namely Cambridge Presidium, Cambridge Galaher Settlements & Insurance Services, Cambridge Integrated Services Victoria PTY LTD, Cambridge Integrated Services Group Inc., ProcessMind Holdings Mauritius Limited , ProcessMind Services Inc., Cambridge Integrated Services India Pvt Ltd and Cambridge Integrated Services Australia Pty Ltd.

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 had applied to 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. Your Company believes that the consolidated accounts present a full and fair picture of the state of affairs and the financial condition as is done globally. The Government of India has granted exemption from complying with Section 212 for 20 companies and approval in respect of 1 subsidiary viz., Cambridge Integrated Services Australia Pty Limited, is awaited. 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

Scandent Solutions Corporation Limited Employee Stock Option Plan 2004:

Your Company had announced an Employee Stock Option Plan (ESOP), i.e., Scandent Solutions Corporation Limited Employee Stock Option Plan (ESOP), 2004 (hereinafter referred to as "ESOP 2004", in due compliance with SEBI (ESOS & ESPS) Guidelines, 1999 and any amendment thereto, which was approved by the shareholders by way of postal ballot.

Scandent Solutions Corporation Limited Employee Stock Option Plan 2005:

Your Company had announced an Employee Stock Option Plan (ESOP), i.e., Scandent Solutions Corporation Limited Employee Stock Option Plan (ESOP), 2005 (hereinafter referred to as "ESOP 2005"), in due compliance with SEBI (ESOS & ESPS) Guidelines, 1999 and any amendment thereto, which was approved by the shareholders by way of postal ballot.

Scandent SSI IT Services Employee Stock Option Plan 2004:

In pursuance of the Scheme of Arrangement for demerger of the IT Services Business of SSI Limited and the Company, your Company has introduced the Scandent SSI IT Services - Employee Stock Option Plan 2004, in due compliance with SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 and any amendment thereto, which was approved by the shareholders by way of postal ballot.

All the above schemes are administered by the Remuneration Committee, constituted as per SEBI Regulations. Pursuant to Clause 12.1 of SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines 1999, the details of options granted under the above schemes are given in Annexure 1.

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.

Directors

Mr. Dilip Keshu retires by rotation and being eligible offers himself for re-appointment.

Mr. David Greenberg and Mr. Eugene Beard were appointed as Additional Directors on the Board of Directors meeting held on October 28, 2005. Further, Mr. Jan Verplancke was appointed as an Additional Director on the Board at the Board Meeting held on June 21, 2006. The Board has received a notice from its members with regard to their appointment as the Directors of the Company and it is proposed to appoint them at the ensuing Annual General Meeting of the Company.

Mr. Ramesh Vangal and Mr. Sunil Kolangara vacated their office on January 13, 2006 and June 21, 2006 respectively and your directors wish to place on record their appreciation of their significant contribution for the growth of the Company during their tenure.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, the Directors, based on the representation received from the Operating Management, hereby confirm that:

1. in the preparation of the annual accounts, the accounting standards have been followed and that there are no material departures;
2. they have, in selection of accounting policies consulted the Statutory Auditors and have 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 as at March 31, 2006 and of the profit or loss of the Company for the year ended on that date;
3. they have taken proper and sufficient care, to their best of knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
4. they have prepared the annual accounts of the Company on a going concern basis;

Auditors

M/s. S. R. Batliboi & Co., Chartered Accountants, Statutory Auditors of the Company, retires at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if reappointed.

Particulars of employees

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 to 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.

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.

Corporate Governance Report:

The importance of Corporate Governance Report has always been recognized by your Company. Your Company is following the Corporate Governance like optimum combination of Executive and Non-Executive Directors, Independent Directors, throughout the year other than the few exceptions during part of the year and is ensuring full compliance with regard to constitution of Committees like Audit Committee, Investor Grievance Committee, etc .

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

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
Date: June 21, 2006
Place: Bangalore

Annexure 1

Scandent Solutions Corporation Limited Employee Stock Option Plan 2004

Description	Year ended March 31, 2006
(a) No of options granted	477,268 Options
(b) Exercise Price	Rs. 10/- per share
(c) Options Vested (Net of forfeited options)	442,058 Options
(d) Options Exercised	345,834 Options
(e) Total shares arising as a result of exercise of option.	345,834 Shares
(f) Options Forfeited	35,210 Options
(g) Variation of terms of options	Nil
(h) Money realized by exercise of options	Rs. 3,458,340/-
(i) Total Number of options in force	96,224 Options
(j)Employee-wise details of options granted to	
(i) Senior Managerial Personnel	Please refer Table 1
(ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	Nil
(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
(k) Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of option	4.27

Table 1

Sl. No	Employee	ESOP 2004 - No of Options
1	Pradeep Chaudhry	40,000
2	Pallab Bandyopadhyay	29,000

Table 2

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

	Year ended 31.03.2006 (In Rupees)	Year ended 31.03.2005 (In Rupees)
Net Income as reported	46,051,591	107,097,486
Net Income available for equity shareholders	46,051,591	107,097,486
Add: Stock based employee compensation expenses Included in reported income	26,308,804	24,476,445
Less : Stock based employee compensation expenses determined under Fair Value based method net of tax effects	(26,041,780)	(20,959,996)
Proforma Net Income	46,318,615	110,613,935
Reported Earnings per Share (including share capital pending allotment)		
Basic	0.44	4.34
Diluted	0.44	4.27
Proforma Earnings per share		
Basic	0.45	4.48
Diluted	0.44	4.41

Table 3

Assumptions used to calculate Fair Market Value in accordance with SEBI Guidelines on ESOP	
Dividend Yield	0.00%
Expected Life	3 - 4 years
Riskfree Interest Rate	4.88 - 4.91%
Volatility	0.00%
Market Price	0.00

Scandent Solutions Corporation Limited Employee Stock Option Plan 2005

Description		Year ended March 31, 2006
(a) No of options granted	Program I	179,263 Options
	Program II	384,473 Options
(b) Exercise Price	Program I	Rs. 10/- per share
	Program II	Rs. 172/- per share
(c) Options Vested	Program I	179,263 Options
	Program II	153,789 Options
(d) Options Exercised	Program I	Nil
	Program II	Nil
(e)Total shares arise as a result of exercise of option.	Program I	Nil
	Program II	Nil
(f) Options lapsed		Nil
(g) Variation of terms of options		Nil
(h) Money realized by exercise of options	Program I	Nil
	Program II	Nil
(i) Total Number of options in force	Program I	179,263 Options
	Program II	3 84,473 Options
(j) Employee-wise details of options granted to		
(i) Senior Managerial Personnel		Table 1
(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
(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
(k) Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of option		4.27

Table 1

Sl. No	Employee	ESOP 2005 - No of Options (Program I)
1	Dilip Keshu	96,906
2	Rob Merchant	45,000

Sl. No	Employee	ESOP 2005 - No of Options (Program II)
1	Dilip Keshu	190,000
2	Pallab Bandyopadhyay	15,000
3	Pradeep Chaudhry	35,000

Table 2

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

	Year ended March 31, 2006 (In Rupees)	Year ended March 31, 2005 (In Rupees)
Net Income as reported	46,051,591	107,097,486
Net Income available for equity shareholders	46,051,591	107,097,486
Add: Stock based employee compensation expenses Included in reported income	26,308,804	24,476,445
Less : Stock based employee compensation expenses determined under Fair Value based method net of tax effects	(26,041,780)	(20,959,996)
Proforma Net Income	46,318,615	110,613,935
Reported Earnings per Share (including share capital pending allotment)		
Basic	0.44	4.34
Diluted	0.44	4.27
Proforma Earnings per share		
Basic	0.45	4.48
Diluted	0.44	4.41

Table 3

Assumptions used to calculate Fair Market Value in accordance with SEBI Guidelines on ESOP

Particulars	Program I	Program II
Dividend Yield	0.00%	0.00%
Expected Life	3.50 years	3.50 years
Riskfree Interest Rate	6.53%	6.53%
Volatility	62.99%	62.99%
Market Price	Rs. 172/-	Rs. 172/-

Scandent SSI IT Services Employee Stock Option Plan 2004

Description	Year ended March 31, 2006
(a) No of options granted	70,892 Options
(b) Exercise Price	Rs. 128.75 /- per share
(c) Options Vested (Net of Forfeited options)	70,592 Options
(d) Options Exercised	10,119 Options
(e) Total shares arise as a result of exercise of option.	10,119 Shares
(f) Options Forfeited	300 Options
(g) Variation of terms of options	Nil
(h) Money realized by exercise of options	Rs. 1,302,821/-
(i) Total Number of options in force	60,473 Options
(j) Employee-wise details of options granted to	
(i) Senior Managerial Personnel	NA
(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
(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
(k) Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of option	4.27

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

	Year ended 31.03.2006 (In Rupees)	Year ended 31.03.2005 (In Rupees)
Net Income as reported	46,051,591	107,097,486
Net Income available for equity shareholders	46,051,591	107,097,486
Add: Stock based employee compensation expenses Included in reported income	26,308,804	24,476,445
Less : Stock based employee compensation expenses determined under Fair Value based method net of tax effects	(26,041,780)	(20,959,996)
Proforma Net Income	46,318,615	110,613,935
Reported Earnings per Share (including share capital pending allotment)		
Basic	0.44	4.34
Diluted	0.44	4.27
Proforma Earnings per share		
Basic	0.45	4.48
Diluted	0.44	4.41

Table 2

Assumptions used to calculate Fair Market Value in accordance with SEBI Guidelines on ESOP	
Dividend Yield	0.00%
Expected Life	3.35 years
Riskfree Interest Rate	6.80%
Volatility	0.00%
Market Price	0.00

For and on behalf of the Board of Directors,

Chairman
Date: June 21, 2006
Place: Bangalore

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

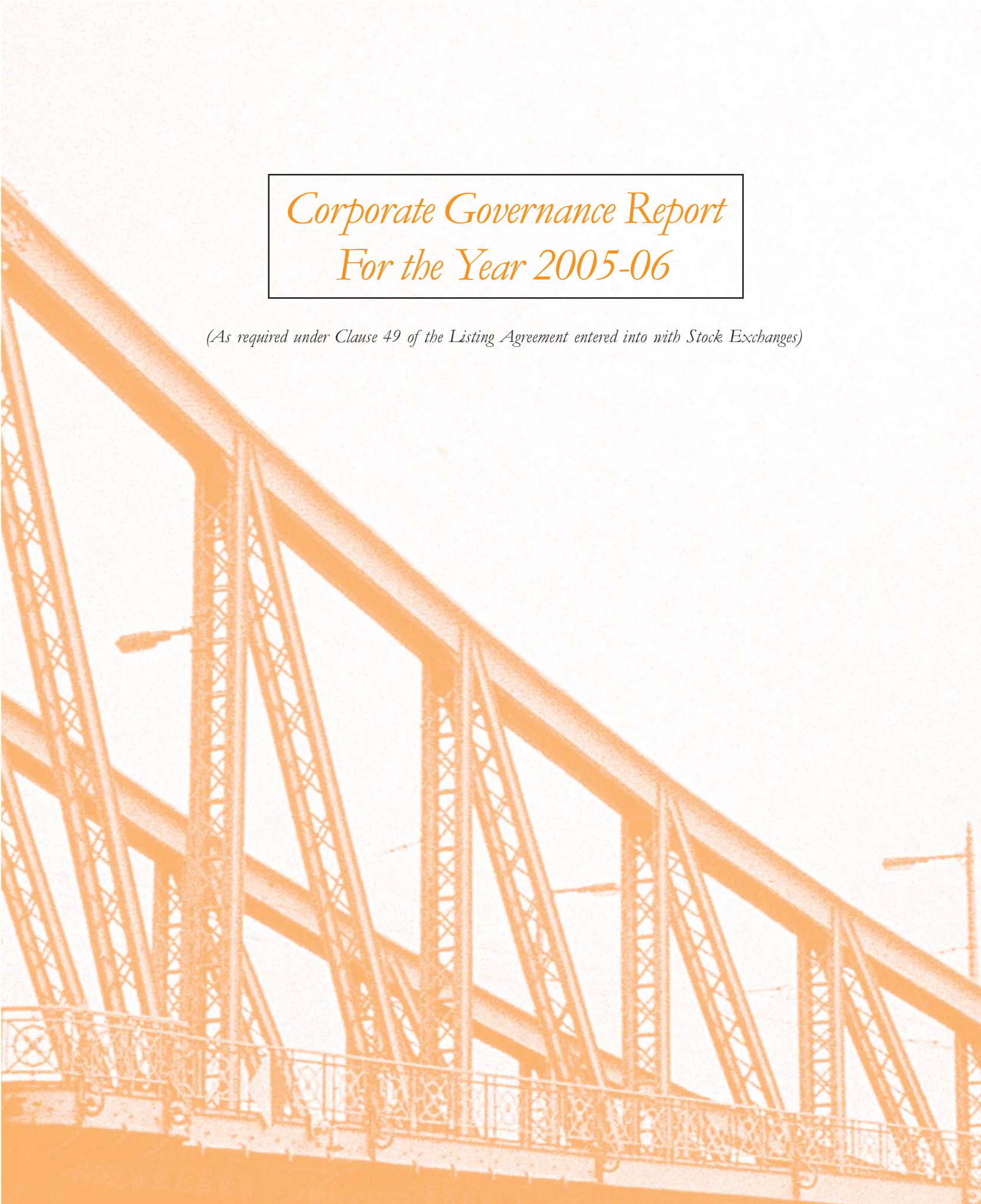
(All amounts in Indian Rupees)	2006	2005
(i) Total Foreign Exchange earned	1,034,717,547	940,323,425
(ii) Total Foreign Exchange used	971,981,765	892,836,203

For and on behalf of the Board of Directors,

Chairman
Date : June 21, 2006
Place: Bangalore

Corporate Governance Report For the Year 2005-06

(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 its processes. The Company believes that good corporate governance practices enable the management to direct and control the affairs of the Company in an efficient manner and to achieve the Company's 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 as contained in Clause 49 of the Listing Agreement.

2. Board of Directors:

a. Composition of Board of Directors:

The Board of Directors as on March 31, 2006 comprises of 8 Directors of which 5 are Non-Executive. The Chairman is Executive and the Board comprises 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 . The number of Non-Executive Directors is 5, which is more than 50% of the total number of Directors.

However, on September 05, 2005, the Chairman became executive as a part of scheme of amalgamation of Cambridge Services Holdings LLC., US with the Company. The Board Comprised of 7 directors of which only 3 were independent. Hence the Company was not in compliance with Clause 49 (I)(A)(ii) of the Listing Agreement. However on January 13, 2006, Mr. Ramesh Vangal, resigned from the directorship, due to which the total number of directors became 8, comprising four independent directors and thus ensuring compliance with the requirement. The Composition is as under:

Name of the Director	Position	Category
Christopher Sinclair	Executive Chairman & CEO	Executive Director
Satyen Patel	Executive Vice-Chairman	Executive Director
Dilip Keshu	Whole-Time Director	Executive Director
David Greenberg	Director	Non-Executive Director
Sunil Kolangara	Director	Non-Executive Independent Director
Shobhan Thakore	Director	Non-Executive Independent Director
Kunal Kashyap	Director	Non-Executive Independent Director
Eugene Beard	Director	Non-Executive Independent Director

b. Meeting and Attendance of each Director:

There were nine board meetings held during the year ended March 31, 2006. These were on April 7, 2005, May 24, 2005, July 28, 2005, September 5, 2005, October 19, 2005, October 28, 2005, December 30, 2005, January 30, 2006 and March 10, 2006.

The attendance record of the Directors at the Board Meetings held during the year ended March 31, 2006 and the details of other Directorships and Committee Chairmanships and Memberships held by the Directors of the Company are given below:

Name of the Director	Attendance Particulars	No of Directorships and Committee Membership/Chairmanship		
	Board Meetings	Other Directorships in public companies	*Committee Memberships	*Committee Chairmanships
Mr. Christopher Sinclair	1	–	–	–
Mr. Satyen Patel	8	1	–	–
Mr. Dilip Keshu	3	–	–	–
Mr. Sunil Kolangara	7	–	–	–
Mr. Shobhan Thakore	6	5	–	2
Mr. Kunal Kashyap (Appointed w.e.f May 23, 2005)	7	3	–	2
Mr. Eugene Beard (Appointed w.e.f October 28, 2005)	–	–	–	–
Mr. David Greenberg (Appointed w.e.f October 28, 2005)	–	–	–	–
Mr. Ramesh Vangal (Resigned on January 13, 2006)	2	–	–	–

* Only two committees, namely Audit Committee, Shareholders/Investors Grievance Committee have been considered.

3. Audit Committee:

i. The Audit Committee was constituted on November 10, 2004, in line with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

ii. The details of the Audit Committee Meeting are as follows:

There were 4 Audit Committee meetings held during the year ended on March 31, 2006. These were on May 24, 2005, July 28, 2005, October 26, 2005, and January 30, 2006.

iii. 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:

- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the credible information is disclosed
- Recommending the appointment and removal of Statutory Auditors and fixation of their Audit fees and fees for other services rendered.
- Review of Statutory Audit Firm and discussion with Statutory Auditors before the audit commences, the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- Review of performance of Statutory Auditors
- Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - Any change in accounting policies and practices
  - Disclosure of related party transactions
  - Matters to be included in the Directors Responsibility Statement to be included in the Directors' Report
  - Qualifications in the draft audit report, if any
  - Compliance with listing and other legal requirements relating to financial statements.
  - Going concern assumption
  - Compliance with accounting standards
  - Significant adjustments to financial statements arising out of audit findings
  - Major accounting entries involving estimates based on the exercise of judgment by the management
- Reviewing with the management, the quarterly financial statements before submission to the Board for approval
- Reviewing the adequacy of internal audit function and discussion with regard to any significant audit findings and follow-ups thereon.
- Review of the findings of any internal investigations by the internal auditors into matters, where there is a fraud or irregularity.
- Review of performance of Internal Auditors.
- Looking into the reasons for substantial defaults in the payment to the depositors, debentureholders, shareholders (incase of non-payment of declared dividends) and creditors.

iv. The Audit Committee has been constituted in accordance with Clause 49 (II)(A) of the Listing Agreement and the following are the details of the members of the Audit Committee:

Sl. No	Name of the Director	Category	No of Meetings during the Period	
			Held	Attended
1.	Christopher Sinclair (Member)	Executive Director	4	1
2.	Sunil Kolangara (Chairman)	Independent Director	4	4
3.	Shobhan Thakore(Member)	Independent Director	4	1
4.	Kunal Kashyap (Member)	Independent Director	4	4

v. The last Annual General Meeting of the Company was held on September 29, 2005 and the Chairman of the Audit Committee has not attended the Annual General Meeting due to his ill health.

4. Remuneration Committee:

i. The Company constituted a Remuneration Committee vide its Board of Directors meeting held on November 10, 2004 with majority of its members being Independent Directors.

ii. The broad terms and reference of the Committee are as follows:

a. To determine and recommend to the Board, the amount of remuneration payable to the Directors of the Board.

b. The recruitment and remuneration of senior officers just below the board level.

c. To administer the Company Stock Option Plans including the review of grant of options to eligible employees under various Stock Option Plans in due compliance with SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999.

d. Such other matters, as the Board may from time to time request the Remuneration Committee to examine and recommend/approve.

iii. The composition of the Remuneration Committee and details of meeting attended by the Directors are as follows:

Sl. No	Name of the Director	Category	No of Meetings during the Period	
			Held	Attended
1.	Christopher Sinclair	Executive Director	3	1
2.	Sunil Kolangara	Independent Director	3	3
3.	Shobhan Thakore	Independent Director	3	2
4.	Kunal Kashyap	Independent Director	3	2

iv. Remuneration of Directors:

None of the Directors are in receipt of any remuneration for the Financial Year 2005-06, other than Sitting Fees and Employee Stock Option.

Number of options issued to Directors during the year 2005 - 06.

Sl. No.	Name of Director	Category	Plan	Program	Number of Options	Grant Price
1.	Dilip Keshu	Executive Director	ESOP 2005	I	96,906	Rs. 10/-
				II	190,000	Rs. 172/-

5. Shareholders/Investors Grievance Committee:

i. The Investors Grievance Committee is constituted on November 10, 2004.

ii. The composition of the Investors Grievance Committee and details of meeting attended by the Directors are as follows:

Sl. No	Name of the Director	Category	No of Meetings during the Period	
			Held	Attended
1.	Dilip Keshu	Executive Director	3	2
2.	Sunil Kolangara	Independent Director	3	3
3.	Shobhan Thakore	Independent Director	3	1

iii. The Committee has been constituted towards the following:

a. Review the reports submitted by RTA.

b. To redress the shareholders' complaints.

c. Quarterly status of shareholders' complaints and the status of their disposal.

Sunil Kolangara, the Non-Executive Independent Director is heading the Committee.

iv. Mr. V. Viswanathan, the Company Secretary is the Compliance Officer. His contact details are as follows:

Address: No. 33, "Coconut Grove", 18th Main, 1st "A" Cross, 6th Block, Koramangala, Bangalore – 560 095.

Phone: 080 41105000

Fax : 080 25527805

Email : compliance@cambridge-asia.com

Details of Complaints received and redressed:

Opening Balance	Received during the year	Resolved during the year	Closing Balance
Nil	54	54	Nil

6. General Meeting:

6.1 Annual General Meeting

The details of date, time, location and Special Resolutions passed at Annual General Meeting (AGM) held during last 3 years are as under:

Date	Time	Venue	Special Resolutions Passed	Directors' Attendance at AGM
September 29, 2005	3 pm	Sathya Sai Samskruta Sadanam, No. 20, Hosur Road, Bangalore – 560 029, India.	a. Shifting of Company's Register of Members to the Company's Registrar and Transfer Agents, Karvy Computershare Private Limited. b. Alteration in the Articles of Association of the Company. c. Approval from shareholders towards delistng shares from ASE and MSE. d. Appointment of Mr. Dilip Keshu as the Managing Director/Whole time Director of the Company. e. Increase in limit for investment by FIIs in the shares of the company under Portfolio Management Scheme.	1. Christopher Sinclair 2. Satyen Patel 3. Dilip Keshu 4. Shoban Thakore 5. Kunal Kashyap
September 22, 2004	11 am	Regd. Office: No. 33, "Coconut Grove", 18th Main, 1st 'A' cross, 6th Block, Koramangala, Bangalore – 560 095	Nil	1. S. Jairaj
September 29, 2003	11am	Regd. Office: No. 33, "Coconut Grove", 18th Main, 1st 'A' cross, 6th Block, Koramangala, Bangalore – 560 095	Nil	1. Ramesh Vangal 2. Satyen Patel 3. S. Jairaj

6.2.A Extraordinary General Meeting

Two Extra-ordinary general meetings were conducted during the year 2005-06. These were on November 18, 2005 and Febuary 28, 2006.

6.2.B Court Convened Meeting

A Court Convened Meeting of shareholders was held on January 23, 2006 towards the approval of Scheme of Amalgamation of Cambridge Services Holding LLC with the company.

6.3 postal ballot

Consent of the shareholders was sought through Postal Ballot towards the approval of the following schemes and grant of options to the employees, etc. as defined in the scheme and its subsidiaries towards the same:

1. Scandent Solutions Corporation Limited Employee Stock Option Plan (ESOP), 2005 (hereinafter referred to as ESOP 2005)
2. Scandent SSI IT Services – Employee Stock Option Plan (ESOP), 2004 (hereinafter referred to as SSI IT Services ESOP 2004)
3. Scandent Solutions Corporation Limited Employee Stock Option Plan (ESOP), 2004. (hereinafter referred to as "ESOP 2004")

The resolutions were sent to shareholders for their approval through postal ballot which was returnable by May 20, 2005.

Voting Pattern:

The following are the details of voting pattern:

Resolution No. 1 (ESOP 2005 Scheme)

Particulars	No of postal ballot forms	No of shares
a. Total postal ballot forms received	706	16,876,724
b. Less: Invalid postal ballot forms (as per register)	34	6,925
c. Net valid postal ballot forms (as per register)	672	16,869,799
d. Postal ballot forms with assent for the resolution	600	16,861,620
e. Postal ballot forms with dissent for the resolution	72	8,179

Percentage of shareholders voted in favour of the resolution (d/c): 99.95%
Percentage of shareholders voted against the resolution (e/c): 0.05%

Resolution No 2: (ESOP 2005 Scheme – grant to subsidiaries)

Particulars	No of postal ballot forms	No of shares
a. Total postal ballot forms received	706	16,876,724
b. Less: Invalid postal ballot forms (as per register)	34	8,087
c. Net valid postal ballot forms (as per register)	672	16,868,637
d. Postal ballot forms with assent for the resolution	574	16,855,396
e. Postal ballot forms with dissent for the resolution	98	13,241

Percentage of shareholders voted in favour of the resolution (d/c): 99.92 %
Percentage of shareholders voted against the resolution (e/c): 0.08%

Resolution No 3: (SSI IT Services ESOP 2004)

Particulars	No of postal ballot forms	No of shares
a. Total postal ballot forms received	706	16,876,724
b. Less: Invalid postal ballot forms (as per register)	34	9,497
c. Net valid postal ballot forms (as per register)	672	16,867,227
d. Postal ballot forms with assent for the resolution	572	16,854,333
e. Postal ballot forms with dissent for the resolution	100	12,894

Percentage of shareholders voted in favour of the resolution (d/c): 99.92%
Percentage of shareholders voted against the resolution (e/c): 0.08%

Resolution No 4: (SSI IT Services ESOP 2004 – grant to subsidiaries)

Particulars	No of postal ballot forms	No of shares
a. Total postal ballot forms received	706	16,876,724
b. Less: Invalid postal ballot forms (as per register)	34	9,638
c. Net valid postal ballot forms (as per register)	672	16,867,086
d. Postal ballot forms with assent for the resolution	571	16,854,725
e. Postal ballot forms with dissent for the resolution	101	12,361

Percentage of shareholders voted in favour of the resolution (d/c): 99.93%
Percentage of shareholders voted against the resolution (e/c): 0.07%

Resolution No 5 (ESOP 2004)

Particulars	No of postal ballot forms	No of shares
a. Total postal ballot forms received	706	16,876,724
b. Less: Invalid postal ballot forms (as per register)	34	10,157
c. Net valid postal ballot forms (as per register)	672	16,866,567
d. Postal ballot forms with assent for the resolution	580	16,855,009
e. Postal ballot forms with dissent for the resolution	92	11,558

Percentage of shareholders voted in favour of the resolution (d/c): 99.93%
Percentage of shareholders voted against the resolution (e/c): 0.07%

Resolution No 6 (ESOP 2004 – grant to subsidiaries)

Particulars	No of postal ballot forms	No of shares
a. Total postal ballot forms received	706	16,876,724
b. Less: Invalid postal ballot forms (as per register)	34	9,857
c. Net valid postal ballot forms (as per register)	672	16,866,867
d. Postal ballot forms with assent for the resolution	568	16,854,306
e. Postal ballot forms with dissent for the resolution	104	12,561

Percentage of shareholders voted in favour of the resolution (d/c): 99.93%
Percentage of shareholders voted against the resolution (e/c): 0.07%

6.4 Mr. T. P. Shivaprasad was appointed as the Scrutinizer towards the postal ballot process. The results were declared by the Chairman on May 23, 2005 at 5 pm.

6.5 PROCEDURE FOR POSTAL BALLOT

The procedure prescribed under Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 has been followed for the postal ballot conducted for the special resolutions mentioned above.

7. Disclosures:

i. There are no materially significant related party transactions of the Company with key managerial personnel, which have potential conflict with the interest of the Company at large.

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 period from April 1, 2005 to March 31, 2006 : NIL

iii. The Company does not have a Whistle Blower policy.

8. 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 "Kannada Prabha", 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 Cambridge's website.

The following results were published as detailed below:

Financial Results (2005-06)	Date of Board Meeting	Date of Publication	Name of the Newspaper
Q4 results for the period ended March 31, 2006	June 21, 2006	June 23, 2006	"Financial Express" and "Kannada Prabha"
Q3 results for the period ended December 31, 2005	January 30, 2006	Febuary 1, 2006	"Financial Express" and "Kannada Prabha"
Q2 results for the period ended September 30, 2005	October 28, 2005	October 30, 2005	"Financial Express" and "Kannada Prabha"
Q1 results for the period ended June 30, 2005	July 28, 2005	July 30, 2005	"Financial Express" and "Kannada Prabha"

9. General Shareholder Information:

i. Annual General Meeting

Date and Day	September 20, 2006 and Wednesday
Time	11.00 AM

ii. Financial Year 2006-07

First quarterly results	July 2006
Second quarterly results	October 2006
Third quarterly results	January 2007
Annual results	May, 2007
Financial Year	March
Annual General Meeting	September

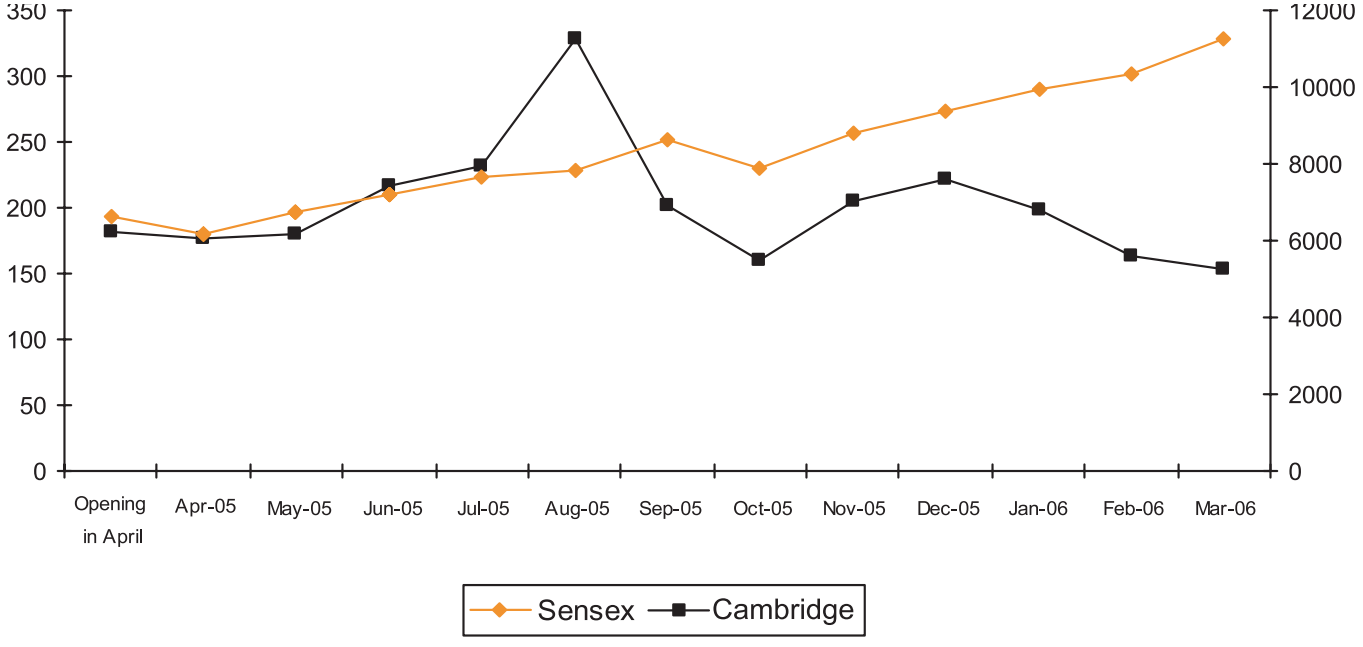
iii.	Date of Book Closure	September 13, 2006 to September 20, 2006 (Both days inclusive)
iv.	Dividend payment date	NIL
v.	Listing on Stock Exchanges	The National Stock Exchange of India Limited, Bombay Stock Exchange Limited, Madras Stock Exchange and Ahmedabad Stock Exchange Limited
vi.	Stock Code	The National Stock Exchange of India Limited : CAMBRIDGE Bombay Stock Exchange Limited : 532616
vii.	ISIN No.	INE692G01013

viii. Market Price data

Month2005-06	Quotation at National Stock Exchange		Quotation at Bombay Stock Exchange	
	High	Low	High	Low
April 2005	208.70	155.95	207.70	175.50
May 2005	187.90	170.1	189.50	170.60
June 2005	230.00	178.05	229.90	178.60
July 2005	264.45	215	264.90	211.10
August 2005	338.9	208	338.50	202.20
September 2005	357.70	194.55	365	194.10
October 2005	222.00	153	222.00	150.10
November 2005	213.8	155	213.95	157.50
December 2005	228.2	194.1	228.50	195.25
January 2006	221.9	192.65	222.00	192.50
February 2006	199.75	162	199.05	162.25
March 2006	172.60	151.1	172.00	152.00

ix. The Company has paid the listing fees to each of the above Stock Exchanges, where its securities are listed for the Financial Year 2006-07.

x. Performance of share price in comparison to BSE Sensex



xi. Registrars and Transfer Agent:

Karvy Comuputershare Private Limited,
No. 51/2, T.K.N. Complex, Vanivilas Road,
Opp. National College, Basavanagudi,
Bangalore – 560 004
Phone Number : 080 26621184/92/93
Fax Number : 080 26621169
Email : kannans@karvy.com
Website : www.karvy.com

xii. 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.

xiii. Distribution of shareholding:

Distribution Schedule as on March 31, 2006

Share holding of Nominal Value of Rs.10/-	Share Holders		Share Amount Nominal Value	
Category	No of Share Holders	% to Total No of Share Holders	In (Rs.)	% to Total
Upto 5000	32728	91.67%	33081750.00	10.99%
5001-10000	1410	3.95%	11297020.00	3.75%
10001-20000	811	2.27%	12113440.00	4.02%
20001-30000	292	0.82%	7023450.00	2.33%
30001-40000	108	0.30%	3751720.00	1.25%
40001-50000	109	0.31%	4970850.00	1.65%
50001-100000	130	0.36%	9404450.00	3.12%
100001 and above	115	0.32%	219491880.00	72.89%
Total	**35703**	100.00%	**301134560 .00**	100.00%

Categories of shareholding as on March 31, 2006

Category	No of Shares Held	Percentage of Shareholding
Promoters	13,178,571	43.76
Mutual Funds and UTI	2,499,228	8.30
Banks, Financial Institutions, Insurance Companies.	485,282	1.61
FIIs	993,870	3.30
Private Corporate Bodies	5,172,686	17.18
Indian Public	7,202,174	23.92
NRIs/OCBs	391,475	1.30
Others	190,170	0.63
Grand Total	30,113,456	100.00

xiv. 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. 27,249,851 Equity Shares aggregating to 90.49% of the total Equity Capital is held in dematerialized form as on March 31, 2006, of which 85.13% (25,636,060 Equity Shares) of total Equity Capital is held with NSDL and 5.36% (1,613,791 Equity Shares) of total Equity Capital with CDSL as on March 31, 2006. The Company's shares are regularly traded on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

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

There are no outstanding GDRs/ADRs/Warrants. The company has issued Rs. 1,336,500,000/- worth Convertable Bonds on March 14, 2006, which are convertable into equity shares of Rs. 10/- each with a premium of Rs. 207/- per share within a period of 18 months from the date of issue of Convertible Bonds.

xvi. 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.

xvii. Address for Correspondence:

Registrar and Transfer Agent:

Karvy Comuputershare Private Limited,
No. 51/2, T.K.N. Complex, Vanivilas Road,
Opp. National College, Basavanagudi,
Bangalore – 560 004
Phone Number : 080 26621184/92/93
Fax Number : 080 26621169

Investor Relation Centre:

Mr. Pradeep Chaudhry
Cambridge Solutions Limited
No 33, "Coconut Grove", 18th Main,
1st A Cross, 6th Block,
Koramangala,
Bangalore – 560 095

xviii. No. of Shareholders as on March 31, 2006: 35,703

xix. No. of shares traded during 2005-06:

BSE: 49,351,932 Shares
NSE: 96,553,283 Shares

xx. Compliance Certificate by 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.

Compliance Certificate

To the Members

Cambridge Solutions Ltd.
(Formerly known as Scandent Solutions Corporation Ltd.)
No.33, Coconut Grove,18th Main
1st 'A' Cross, 6th Block,
Koramangala, Bangalore-560095

Registration No. of the Company : 08/30072
Nominal Capital (Rs.) : 125,00,00,000/-

We have examined all relevant records of Cambridge Solutions Limited for the purpose of certifying compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement with National Stock Exchange of India Limited, Bombay Stock Exchange Limited, Madras Stock Exchange, and Ahmedabad Stock exchange Limited for the financial year ended 31.03.2006. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of certification.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedure and implementation thereof. This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our examination of the records produced, explanations and information furnished, we certify that the Company has complied with:

a) all the mandatory conditions of the said Clause 49 of the Listing Agreement.
b) the following non-mandatory requirements of the said clause 49: Item (2) of Annexure 1D – Remuneration Committee.

For Dwarakanath & Chari

P.S.M.CHARI
Partner

Membership No. 8088
Certificate of Practice No. 4503

Date: August 8, 2006
Place: Bangalore

CEO/CFO Certification

We, Christopher Sinclair, the Chief Executive Officer and Pradeep Chaudhry, the Chief Financial Officer of the Company, to the best of our knowledge and belief, certify to the board that:

a. We have reviewed financial statements and the cash flow statement for the year 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) There are no significant changes in internal control over financial reporting during the year.
   (ii) There are no significant changes in accounting policies during the year.
   (iii) There are no instances of significant fraud of which we have become aware or our involvement therein of the management or an employee having a significant role in the 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.

Christopher Sinclair
Chief Executive Officer

Pradeep Chaudhry
Chief Financial Officer

Place: Bangalore
Date: June 21, 2006

Financial Statements
Indian GAAP

Auditors' Report

To The Members of Cambridge Solutions Limited (Formerly Scandent Solutions Corporation Limited)

1. We have audited the attached Balance Sheet of Cambridge Solutions Limited (Formerly Scadent Solutions Corporation Limited) as at March 31, 2006 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. 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, we draw attention to:

   a. Note 15(iii) to the financial statements. The Company has a net receivables (after eliminating payable) from Scandent Group Inc, Scandent Network Europe Limited and Albion Inc, its wholly owned subsidiaries of Rs 976 million, Rs 277 million and Rs 327 million, respectively. Considering the business projections of the subsidiaries for subsequent years, the Company believes that these dues will be recovered/paid over a period of two to three years and, accordingly, is in the process of applying to the Reserve Bank of India for obtaining permission for extension of time for recovery/payment of dues.

   b. Note 2.2 to the financial statements relating to the accounting of merger of Cambridge Services Holdings LLC ('Cambridge LLC') with the Company pursuant to the Scheme of merger ('the Cambridge Merger Scheme') approved by the Hon'ble High Court. The merger has been accounted for in accordance with the pooling of interest method referred to Accounting Standard 14 – Accounting for Amalgamation ('AS 14'). Accordingly, the assets and liabilities recorded in the books of Cambridge LLC are recorded by the Company at its books values and excess of net assets over the par value of equity shares issued amounting to Rs 1,925 million is treated as Reserve arising on Amalgamation and in accordance with the scheme has been utilised to reduce the carrying value of investment in Cambridge Integrated Services Group Inc ('CISGI'), subsidiary of Cambridge LLC. In accordance with the generally accepted accounting principles, the carrying value of investment in CISGI and Reserve arising on Amalgamation should have been higher by Rs 1,925 million each as at March 31, 2006.

   c. Note 2.3 to the financial statements relating to the adjustment of expenses of Rs 104 million incurred in executing the Cambridge Merger Scheme have been adjusted against the Securities Premium account of the Company in accordance with the scheme of merger. In accordance with the generally accepted accounting principles, these expenses should have been charged to the profit and loss account for the year ended March 31, 2006.

Auditors' Report

4. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

5. Further to our comments in the Annexure referred to above, we report that:

   i. 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;

   ii. 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;

   iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

   iv. 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 Companies Act, 1956.

   v. On the basis of the written representations received from the directors, as on March 31, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

   vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

      a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2006;

      b) in the case of the profit and loss account, of the profit for the year ended on that date; and

      c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & ASSOCIATES
Chartered Accountants
Per Prashant Singhal
Partner
Membership No.: 93283

Place: Bangalore
Date: June 21, 2006

Annexure referred to in paragraph 4 of our report of even date
Re: Cambridge Solutions Limited (Formerly Scandent Solutions Corporation Limited)

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

   The Company has a regular programme of physical verification of fixed assets in a phased manner such that all categories of fixed assets are physically verified over a period of two years. Accordingly, during the year, fixed assets have been physically verified by the management and as informed, no material discrepancies were identified on such verification.

   There was no substantial disposal of fixed assets during the year.

2. Considering the nature of business of the Company, Clause 4 (ii) of the Companies (Auditor's Report) Order, 2003 (as amended) pertaining to physical verification of inventory and records maintained for inventory are not applicable to the Company.

3. The Company had taken loan from a company and a director covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs 8.93 million and the year-end balance of loans taken from such parties was Rs 0.06 million. The Company had granted loan to a company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs 101.56 million and the year-end balance of loans given to such parties was Rs 0.3 million.

   In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans taken / granted are not prima facie prejudicial to the interest of the Company.

   In respect of loans taken, repayment of the principal amount and interest is as stipulated. The loans granted and the interest thereupon is re-payable on demand. As informed, the Company has received the repayment of such loan or interest thereupon on demand, thus, there has been no default on the part of the parties to whom the money has been lent.

   There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets. During the course of our audit, no major weakness has been noticed in the internal controls in respect of this area *other than maintenance of time tracking system for billing of its services. Though the Company had implemented the time reporting system for billing of its services in the prior year it subsequently decided to replace the existing system with a new system to make it commensurate with the size of the Company and the nature of its business. Currently, the Company has initiated the process of implementing the new system.*

5. According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.

   The transactions entered into with parties with whom transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs are in the nature of cost reimbursements. Accordingly, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.

6. The Company has not accepted any deposits from the public.

7. The Company has an internal audit system commensurate with the size and nature of its business.

8. To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the company.

Annexure referred to in paragraph 4 of our report of even date
Re: Cambridge Solutions Limited (Formerly Scandent Solutions Corporation Limited)

9. The Company is regular in depositing with appropriate authorities undisputed statutory dues including, employees' state insurance investor education and protection fund, sales-tax, wealth-tax, service tax, custom duty, excise duty and cess. Undisputed including provident fund and income tax dues have been regularly deposited *though there have been slight delays in a few cases.*

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. .

According to the records of the Company, the dues outstanding of income-tax on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount [Rs in millions]	Period to which the amount relates	Forum where dispute is pending
Income Tax Act,1961	Transfer pricing adjustment – Reduction in carry forward of losses	126.33	AY 2003-04	Commissioner of Income-tax (Appeals)

Based on the records of the Company, there were no dues outstanding under any dispute with respect to sales tax, service tax, wealth tax, excise duty, custom, cess and other statuatory dues as at March 31, 2006.

10. The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in such financial year and in the financial year immediately preceding such financial year.

11. Based on our audit procedures and as per the information and explanations given by the management, the Company *has delayed in payment of interest to debenture holders, banks and bondholders. Interest on 11 per cent Debentures, amounting to Rs 7.57 million was paid to the debenture holders on the following date, though the due date as per the terms of issue of debenture was August 1, 2005.*

Amount	Date of payment
Rs 5.19 million	September 8, 2005
Rs 2.38 million	October 19, 2005

Further, the Company paid Rs 0.07 million and Rs 0.08 million towards delayed interest on October 19, 2005 and November 21, 2005, respectively.
Interest on 5.22 per cent convertible bonds, amounting to Rs 4.35 million was paid to the bondholders on April 10, 2006, though the due date as per the terms of issue of the bonds was March 14, 2006.
Further, the Company has delayed in repayment of interest to banks, as presented below:

Lender's Name	Interest Amount	Due date of payment of interest	Date of payment
UTI Bank Ltd	Rs 2.31 million	May 2, 2005	May 6, 2005/May 7, 2005
China Trust Commercial Bank	Rs 0.37 million	April 30, 2005	May 5, 2005
China Trust Commercial Bank	Rs 0.39 million	May 31, 2005	June 4, 2005

The Company has not defaulted in repayment of dues to a financial institution.

12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

Annexure referred to in paragraph 4 of our report of even date
Re: Cambridge Solutions Limited (Formerly Scandent Solutions Corporation Limited)

14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

15. According to the information and explanations given to us, during the year, the Company had given guarantee for loans taken by one of its foreign subsidiary companies from a bank, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company. As at March 31, 2006, the loan has been repaid by the subsidiary company.

16. Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

17. According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

18. The Company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. In our opinion the price at which shares have been issued is not prejudicial to the interest of the Company.

19. *During the year ended March 31, 2003, the Company had issued unsecured 11 per cent Debentures amounting to Rs 150 million, which are outstanding as at March 31, 2006. Further, during the year, the Company has issued unsecured 5.22 per cent Convertible Bonds amounting to Rs 1,336.50 million, which are outstanding as at March 31, 2006. The Company has not created any security in respect of debentures and bonds issued.*

20. The Company has not raised money by public issues.

21. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. BATLIBOI & ASSOCIATES
Chartered Accountants
Per Prashant Singhal
Partner
Membership No.: 93283

Place: Bangalore
Date:June 21, 2006

Balance Sheet as at March 31, 2006

(All amounts in Indian Rupees)	Notes	2006	2005
Sources of Funds			
Shareholders' Funds			
Share capital	6	301,134,560	287,322,760
Share capital pending allotment	7	747,575,070	-
Reserves and surplus	8	720,218,385	572,493,437
		1,768,928,015	859,816,197
Loan Funds			
Secured loans	9	900,713,918	566,650,352
Unsecured loans	10	1,489,997,774	183,932,634
		2,390,711,692	750,582,986
Total		**4,159,639,707**	**1,610,399,183**
Application of Funds			
Fixed Assets	11		
Gross block		247,902,495	216,753,594
Less: Accumulated depreciation		190,392,582	148,371,086
Net block		57,509,913	68,382,508
Capital work-in-progress (including capital advance of Rs 259,607 (2005—Rs 10,000,000))		696,600	10,000,000
		58,206,513	78,382,508
Intangible Assets, net	12	8,752,876	2,985,387
Investments	13	1,255,153,444	555,553,444
Deferred Tax Asset	14	30,831,200	31,967,938
Current Assets, Loans & Advances			
Sundry debtors	15	1,771,175,303	950,890,859
Cash and bank balances	16	1,340,516,557	87,071,159
Loans and advances	17	548,806,007	498,454,465
		3,660,497,867	1,536,416,483
Less: Current Liabilities & Provisions			
Current liabilities	18	825,458,596	605,356,905
Provisions	19	49,306,106	21,275,355
		874,764,702	626,632,260
Net Current Assets		2,785,733,165	909,784,223

Balance Sheet as at March 31, 2006

(All amounts in Indian Rupees)	Notes	2006	2005
Miscellaneous Expenditure (to the extent not written off or adjusted)	20	20,962,509	31,725,683
Total		**4,159,639,707**	**1,610,399,183**

The accompanying notes 1 to 36 form an integral part of this Balance Sheet.

As per our report of even date

For S. R. Batliboi & Associates
Chartered Accountants
per Prashant Singhal
Partner
Membership No. 93283
Place : Bangalore
Date : June 21, 2006

For and on behalf of the Board of Directors

Christopher Sinclair
Executive Chairman

Satyen Patel
Executive Vice Chairman

Pradeep Chaudhry
Chief Financial Officer

V Viswanathan
Company Secretary

Place : Bangalore
Date : June 21, 2006

Profit And Loss Account for the Year Ended March 31, 2006

(All amounts in Indian Rupees)	Notes	2006	2005
Income			
Revenues	21	1,648,480,067	1,280,191,781
Other income	22	7,119,439	17,769,366
		1,655,599,506	1,297,961,147
Expenditure			
Employee costs	23	504,274,447	344,389,963
Other operating costs	24	937,452,990	755,815,277
Profit Before Depreciation, Amortisation, Finance cost and Taxes		**213,872,069**	**197,755,907**
Depreciation	11	44,735,866	41,518,552
Amortisation	12	5,682,481	33,765,437
Finance costs	25	90,442,798	43,342,370
Profit for the year before tax		**73,010,924**	**79,129,548**
Provision for current tax	27	23,065,714	4,000,000
Deferred tax charge/(income)	14 & 27	1,136,738	(31,967,938)
Fringe benefit tax	27	2,756,881	_
Profit for the year		**46,051,591**	**107,097,486**
Net profit/(loss), at the beginning of the year		_	(199,107,954)
Capital reduction pursuant to the Scheme	3.1	_	196,855,010
Transfer from general reserve pursuant to the SSIIT Merger Scheme	3.4	_	2,252,944
Debit balance in profit and loss account transferred pursuant to the Cambridge Merger Scheme	2.4	(23,362,500)	_
		(23,362,500)	_
Net Profit available for appropriation		**22,689,091**	**107,097,486**
Appropriation towards Debenture Redemption Reserve	8	(22,689,091)	(107,097,486)
Profit & Loss account, end of the year		_	_
Weighted average number of equity shares used in computing earnings per share - including Share capital pending allotment	28		
Basic		103,971,674	24,685,813
Diluted		104,322,064	25,085,428
Earnings per share [Equity shares, par value Rs 10 each (2005 -- Rs 10)]			
Basic		0.44	4.34
Diluted		0.44	4.27

Profit And Loss Account for the Year Ended March 31, 2006

(All amounts in Indian Rupees)	Notes	2006	2005
Weighted average number of equity shares used in computing earnings per share - excluding Share capital pending allotment	28		
Basic		29,214,167	24,685,813
Diluted		29,564,557	25,085,428
Earnings per share [Equity shares, par value Rs 10 each (2005 -- Rs 10)]			
Basic		1.58	4.34
Diluted		1.56	4.27

The accompanying notes 1 to 36 form an integral part of the profit and loss account.

As per our report of even date

For S. R. Batliboi & Associates
Chartered Accountants
per Prashant Singhal
Partner
Membership No. 93283
Place : Bangalore
Date : June 21, 2006

For and on behalf of the Board of Directors

Christopher Sinclair
Executive Chairman

Satyen Patel
Executive Vice Chairman

Pradeep Chaudhry
Chief Financial Officer

V Viswanathan
Company Secretary

Place : Bangalore
Date : June 21, 2006

Cash Flow Statement for the Year Ended March 31, 2006

(All amounts in Indian Rupees)	2006	2005
A. Cash flow from operating activities		
Net profit / (Loss) before taxation	**73,010,924**	**79,129,548**
Adjustments for:		
Depreciation	44,735,866	41,518,552
Amortisation	5,682,481	33,765,437
Amortisation of Miscellaneous expenditure (included in Finance costs)	13,848,774	7,647,075
(Profit) / Loss on sale of fixed assets	189,327	251,170
Foreign exchange (gain)/loss (net) - unrealised	(519,389)	25,595,682
Interest income	(5,180,625)	(6,001,999)
Write back of liability	(1,897,830)	(11,767,367)
Provision for Bad and Doubtful Debts	11,378,809	2,869,475
Deferred employee compensation cost	89,790,062	24,476,445
Interest expense	75,885,606	35,177,493
Operating profit before working capital changes	**306,924,005**	**232,661,511**
Movements in working capital :		
Decrease / (Increase) in sundry debtors	(833,139,264)	(566,768,744)
Decrease / (Increase) loans and advances	(47,344,255)	(461,345,280)
Increase / (Decrease) in current liabilities & provisions	122,074,834	331,401,755
Net cash (used) Surplus in operating activities (A)	**(451,484,680)**	**(464,050,758)**
Direct taxes paid (net of refunds)	(3,047,820)	-
Net cash used in operating activities (A)	**(454,532,500)**	**(464,050,758)**
B. Cash flows from investing activities		
Purchase of fixed assets	(35,200,920)	(28,533,560)
Purchase of Intangible assets	(979,490)	-
Proceeds from sale of fixed assets	2,957,983	817,473
Purchase of investments	-	(76,472,500)
Merger related expenses	(14,771,859)	-
Interest received	8,768,597	6,952,049
Net cash used in investing activities (B)	**(39,225,689)**	**(97,236,538)**

Cash Flow Statement for the Year Ended March 31, 2006

(All amounts in Indian Rupees)	2006	2005
C. Cash flows from financing activities		
Proceeds from issue of share capital	230,311,100	270,000,000
Share Issuance Expense	(44,619,690)	(5,820,000)
Loan arrangement and processing fees	(3,085,600)	(22,972,758)
Proceeds from short-term borrowings	30,971,898	130,672,339
Repayment of short-term borrowings	(33,875,342)	(194,780,743)
Proceeds from long-term borrowings	1,657,043,180	557,875,000
Repayment of Long-term borrowings and finance lease obligation	(23,037,762)	(52,930,162)
Interest paid	(66,504,197)	(39,775,788)
Net cash from financing activities (C)	**1,747,203,587**	**642,267,888**
Net increase in cash and cash equivalents (A + B + C)	**1,253,445,398**	**80,980,592**
Cash and cash equivalents at the beginning of the year	87,071,159	2,456,014
Cash and cash equivalents as at July 2, 2004 transferred pursuant to the Scheme [Refer Note 3.3]	-	3,634,553
Cash and cash equivalents at the end of the year (Refer Note 16)	**1,340,516,557**	**87,071,159**

Note:

(i) The de-merger of software development and information technology business of SSI Limited and its merger to and in the Company in the previous year is a non-cash transaction [also, refer Note 3].

(ii) The merger of Cambridge Services Holdings LLC into the Company is a non-cash transaction [refer Note 2]

As per our report of even date

For S. R. Batliboi & Associates
Chartered Accountants
per Prashant Singhal
Partner
Membership No. 93283
Place : Bangalore
Date : June 21, 2006

For and on behalf of the Board of Directors

Christopher Sinclair
Executive Chairman

Satyen Patel
Executive Vice Chairman

Pradeep Chaudhry
Chief Financial Officer

V Viswanathan
Company Secretary

Place : Bangalore
Date : June 21, 2006

1 Background

1.1 Incorporation and History

Cambridge Solutions Limited (formerly Scandent Solutions Corporation Limited), ('Scandent' or 'the Company'), was incorporated on February 1, 2002 and is a part of The Scandent Group. The Scandent Group is promoted by individual investors and venture capital investors and is engaged in rendering software development and related services and information technology enabled services. Scandent Group has operations principally in India, Singapore, United States of America ('USA'), United Kingdom ('UK'), Germany, France, Malaysia and Japan.

On August 1, 2002, Scandent Group Inc, USA ('Scandent USA') entered into an agreement to acquire the contract rights to provide software development and related services (both onsite in the USA and offshore from India) to a customer in the USA. The contract with the customer is committed for a period of 42 months from August 1, 2002 and has a commitment for a minimum level of business. Simultaneously, on August 1, 2002, the Company acquired the contract rights to provide the offshore portion of the software development and related services as referred in the above agreement with the customer ('acquired contract') from an existing Indian software Company for a consideration of Rs 250 million together with incidental direct costs of Rs 33 million. The consideration was discharged through down payment of Rs 50 million, Rs 50 million payable after a year together with 11 per cent interest, and 11 per cent debentures of Rs 150 million repayable on July 31, 2007. During the year ended March 31, 2003, based on an independent fair valuation, the difference between the fair value and the face value of the Debentures had been recorded as Deferred Interest and reflected under Miscellaneous Expenditure, and is amortized pro-rata over the period from August 1, 2002 upto the maturity of the 11 per cent Debentures. During the year ended March 31, 2005, the Company had adjusted the carrying value of the contract rights of the acquired contract amounting to Rs. 117 million, which was set off against general reserve in accordance with the scheme of arrangement of de-merger of the software and development and information technology business (Refer note 3.4).

The Company, on October 1, 2004 converted to a public limited company and changed its name from Scandent Network Private Limited to Scandent Solutions Corporation Limited. Subsequently on June 19, 2006, the company has changed its name to Cambridge Solutions Limited.

1.2 Agreement with SSI and consequential restructuring

On December 29, 2003, Scandent entered into a definitive agreement with SSI Limited ('SSI') for merger of the Information Technology division of SSI into Scandent. As a part of the arrangement and pursuant to Scandent Group strategy to consolidate its operations in India; Scandent USA, Scandent Network Europe Limited, UK ('Scandent UK'), Scandent Group Pte Limited, Singapore ('Scandent Singapore'), Scandent Group GmbH, Germany ('Scandent Germany') and Crescent Infosystems Private Limited ('Crescent'), were transferred as subsidiaries from Scandent Group Ltd, Mauritius ('Scandent Mauritius') to the Company effective March 31, 2004.

Accordingly, effective April 1, 2004, the Company revised its billing arrangements with its subsidiaries to take cognizance of the risks and rewards of the significant contracts vesting in India. Under the arrangement, Scandent remunerated its overseas entities with marketing fees of 5 per cent for revenues generated through them and cost plus 8 per cent for onsite effort on contracts undertaken by them. Consequentially, the customer rights pertaining to certain significant contracts in Scandent USA and Scandent UK valued at Rs 55 million (based on net book value) and Rs 41 million (based on independent fair value), respectively, have been transferred to the Company on April 1, 2004.

Effective August 1, 2005, the Company revised the mechanism of payment of marketing fees, with its overseas subsidiaries wherein the subsidiaries retain 5 per cent of revenue earned, from contracts assigned by them for marketing services rendered as against the Company remitting this amount from India.

2 Merger of Cambridge Services Holdings LLC

On December 17, 2005, the Company filed a Scheme of Amalgamation of Cambridge Services Holdings LLC ('Cambridge LLC') with itself ('the Cambridge Merger Scheme') with the Honourable High Court of Judicature at Karnataka. Cambridge LLC, a Delaware Corporation, is a Scandent Group company holding investments in Cambridge Integrated Services Group Inc ('CISGI') and Cambridge Integrated Services Victoria PTY Limited ('Cambridge Australia'). These entities are engaged in providing Business Application outsourcing services. Cambridge LLC was incorporated by Scandent Group during 2004 and subsequently on November 30, 2004 acquired CISGI and Cambridge Australia from Aon Corporation, USA for a purchase consideration of Rs 5,306 million. The purchase consideration was settled by Cambridge LLC in

form of Rs 1,312 million in cash and Rs 1,313 million issue of its preferred units. The balance consideration of Rs 2,681 million was paid by CISGI by taking a loan from a bank. Accordingly, Cambridge LLC recorded investments at Rs 2,625 million and CISGI recorded purchase goodwill of Rs 2,681 million.

On March 13, 2006, the Cambridge Merger Scheme was sanctioned by the Honourable High court of Karnataka approving the merger with the Appointed date of April 1, 2005, subject to:

- The Company obtaining the approval from the foreign Court where Cambridge LLC is situated, i.e. State of Delaware. The approval was subsequently received on April 13, 2006;
- Approval from Government of India for increasing the foreign shareholding and approval for getting foreign investment transfer. The approval of Foreign Investment Promotion Board was subsequently received on May 19, 2006; and
- Filing of the court order with Registrar of Companies ('RoC').

On April 27, 2006 the company has filed the court order with the RoC. Accordingly, it has given effect to the merger in the financial statements.

Under the Cambridge Merger Scheme, with effect from April 1, 2005 (i.e. the Appointed Date), the assets and liabilities of Cambridge LLC would vest with the Company in consideration of 69,960,000 equity shares of the Company issued at par. As on the Appointed Date, the assets and liabilities of Cambridge LLC are as follows:

Particulars	Amount (Rs million)
Investments (refer Note (i))	2,625
Total	2,625
Share capital	
Common Units (90,000 units)	1,312
Preferred Units (30,000 units)	1,313
Restricted units (8,229 common units with restricted rights) (refer Note (ii))	-
Total	2,625
69,960,000 equity shares of Rs 10 each	700
Reserve arising on Amalgamation	1,925

Note (i)

Investments represent 1000 common units of USD 0.01 each in CISGI for consideration of Rs 2,384 million and 5 ordinary shares of Australian $ 1 each in Cambridge Australia for consideration of Rs 241 million.

Note (ii)

Cambridge LLC has granted 8,229 Restricted Stock Units ('Awards') to certain key employees, independent contractors or its affiliates, pursuant to Cambridge Services Holding LLC management equity plan ('the Cambridge Equity Plan') (Refer Note 2.4, 8(iv) & 31(iv)).

Pursuant to the terms of the Cambridge merger scheme:

2.1 583 fully paid equity share of Rs 10 each of the Company are to be issued for every common unit, preferred unit and restricted unit held in Cambridge LLC. Accordingly, 69,960,000 equity shares are to be issued at par by the Company to the shareholders and 4,797,507 equity shares are to be issued at par to the Awards holders of Cambridge LLC. The Company is in the process of alloting these shares.

2.2 the merger has been accounted for in accordance with the pooling of interest method referred to Accounting Standard 14 – Accounting for Amalgamation ('AS 14'). Accordingly, the assets and liabilities recorded in the books of Cambridge LLC are recorded by Scandent at its book values and excess of net assets over the par value of equity shares issued amounting to Rs 1,925 million is treated as Reserve arising on Amalgamation, and in accordance with the Cambridge Merger Scheme, has been utilised to reduce the carrying value of investment in CISGI.

2.3 In accordance with the Scheme of merger, expenses of Rs 104 million incurred in executing the scheme have been adjusted against the securities premium account of Scandent [Refer Note 8].

2.4 583 fully paid equity share of Rs 10 each of the Company are to be issued for every Award held in Cambridge LLC. Cambridge LLC has issued 8,229 Awards to certain key employees and Affiliates and accordingly, 4,797,507 equity shares are to be issued at par by the Company to such Award holders. The Awards were granted by Cambridge LLC pursuant to the Cambridge Equity Plan and as per the Cambridge Merger Scheme, the shares to be issued by the Company in lieu of the Awards are to be deposited by the Award holders with an independent Escrow agent to be released on fulfillment of the conditions mentioned in the Plan.

Cambridge LLC management assessed the fair valuation of the Awards USD 3 million (Rs. 144 million) and till March 31, 2005, has recorded compensation expense of USD 0.53 million (Rs. 23 million). The remaining stock compensation adjustment of USD 2.77 million (Rs. 121 million) will be recorded by the Company over the remaining vesting period. During the year, the Company has recorded stock compensation expense of USD 1.45 million (Rs. 63 million).

3 Merger of the Information Technology division of SSI into Scandent during the year ended March 31, 2005

The Scheme of arrangement for de-merger ('the SSIIT merger scheme') of the software development and information technology business of SSI ('SSIIT') and its merger in the Company, was sanctioned by the Honourable High Court of Judicature at Karnataka and the Honourable High Court of Judicature at Madras and delivered to the Company on September 20, 2004 and September 22, 2004, respectively, which was then filed with the Registrar of Companies on September 23, 2004. Pursuant to the SSIIT merger scheme, the assets and liabilities of SSIIT were transferred to and vested in the Company with effect from July 2, 2004, the Appointed Date. The SSIIT merger scheme has, accordingly, been given effect to in these financial statements and pursuant to the terms of the Scheme:

3.1 the share capital of Scandent as at March 31, 2004 had been reduced from Rs 328 million to Rs 132 million and the capital reduction of Rs 196 million had been utilised to adjust the debit balance of equivalent amount in the Profit and loss Account of Scandent as at March 31, 2004. The reduction has been effected by cancelling Rs 5.9936 per equity share of the face value of Rs 10 each held by the shareholders and thereafter consolidating 2.4960 equity share of the face value of Rs 4.0064 each into one equity share of Rs 10 each.

3.2 one fully paid equity share of Rs 10 each of the Company is to be issued for every fully paid equity share of Rs 10 each held in SSI. Accordingly, 13,467,880 equity shares amounting to Rs 135 million were alloted to the shareholders of SSI on October 27, 2004.

3.3 The values of the assets and liabilities of SSIIT were initially accounted at the book values as appearing in the books of accounts of SSI (based on financial statements as on July 1, 2004, audited by a firm of Chartered Accountants and submitted by SSI) ('the Transfer Balance Sheet') resulting in excess of net assets over the shares to be issued to the shareholders of SSI ('Net assets'), amounting to Rs 1,206 million. The book value of assets and liabilities taken over are as follows:

Particulars	Amount (Rs million)
Fixed assets (including intangible assets), net	193
Investments, net	382
Current assets	
Sundry debtors	275
Cash and bank balance	3
Other current assets	23
Loans and advances	765
	1066
Current liabilities and provisions	125
Net current assets	941
Total assets	**1,516**
Secured loan	40
Unsecured loan	135
Total liabilities	**175**
Excess of assets over liabilities, represented by:	**1,341**
Share capital	135
General reserves	1,206

The Company has, however, recorded assets and liabilities of SSIIT at the values considered by it to be reflective of the underlying fair value. The adjustments, as discussed below, arising there from, based on a legal opinion, have been adjusted with the general reserve transferred from SSIIT:

Particulars	Amount (Rs million)
Provision for advances considered doubtful of recovery from subsidiary Companies	742
Provision for debtors considered doubtful of recovery from subsidiary Companies	209
Write down of Intangible assets (net) not considered to have any enduring benefit	105
Write down of fixed assets of SSIIT due to change in estimated useful lives Rs 23.42 million, and shortages arising on physical verification of fixed assets (Rs 6.92 million) undertaken by the management on the Appointed Date	30
Write back of provision for diminution in value of long-term investments, as not considered necessary by the management	(93)
Others	5
Total	**998**

3.4 Based on the SSIIT Merger Scheme, Scandent needs to adjust its intangible assets and debit balance of the profit and loss account with the General Reserve transferred from SSIIT. Accordingly, it has adjusted customer rights and other intangible assets of net book value Rs 197 million (net-off the write back of liability for professional charges of Rs 10 million, which was capitalised as a direct cost for acquisition of customer rights) and debit balance of Rs 2 million in the Profit and Loss account as at March 31, 2004 (debit balance in the Profit and Loss account after capital reduction as discussed in paragraph 3.1 above) with the General reserve transferred from SSIIT.

3.5 The Company, on June 3, 2004, had advanced Rs 135 million to SSI as inter-corporate loan. The loan was settled through the credit of Rs 135 million lying in the books of SSIIT towards SSI for funding the operations of SSIIT as on the date of merger. The Net Assets amounting to Rs 1,206 million as discussed in paragraph 3.3 above, are net of such amounts [also refer Note 6(i)].

4 Shareholding pattern

As at March 31, 2004, Scandent Mauritius held 92.36 per cent of equity of the Company. The percentage of holding of Scandent Mauritius had dropped to 42.30 per cent, as at March 31, 2005, post allotment of shares to SSI and its shareholders, as a result of merger of SSIIT into the Company. On December 28, 2005, the Company made a preferential allotment of 1,025,227 equity shares to Scandent Mauritius at a premium of Rs 210 per share resulting in increase in shareholding to 43.76 per cent.

Pursuant to the Cambridge Merger Scheme, the Company will allot 69,960,000 and 4,797,507 equity shares of Rs 10 each at par, respectively to the Shareholders and Award holders of Cambridge LLC and accordingly these have been disclosed as shares pending allotment. The following table details the number of shares and the percentage of shareholding of the Company pre and post merger with Cambridge LLC.

Name of the Shareholders	March 31, 2005	March 31, 2006	March 31, 2006*
Scandent Mauritius	12,153,344 (42.30%)	13,178,571 (43.76%)	13,178,571 (12.57%)
Scandent Mauritius Limited ('SML')	–	–	52,470,000 (50.03%)
AON Minet Pension Scheme	–	–	17,490,000 (16.68%)
UTI India Technology Venture Unit Scheme	1,052,717 (3.66%)	1,052,717 (3.50%)	1,052,717 (1.00%)
SSI	1,052,717 (3.66%)	1,052,717 (3.50%)	1,052,717 (1.00%)
Others	14,473,498 (50.38%)	14,829,451 (49.24%)	19,626,958 (18.72%)
Total	**28,732,276 (100%)**	**30,113,456 (100%)**	**104,870,963 (100%)**

* Post merger including share capital pending allotment.

Further, on March 14, 2006, the Company has made a preferential allotment of Rs 1,337 million 5.22 per cent Convertible Bonds ('Bonds') to Indopark Holdings Limited, a wholly owned subsidiary of Merrill Lynch & Co., mandatorily convertible at the end of eighteen months from the date of issue or earlier, at the option of the debenture holder, in issue of equity shares of the Company at a conversion price of Rs 217 per share i.e. at a premium of Rs 207 per equity share. The Bonds are currently reflected as unsecured loans in the financial statements, as the conversion option has not been exercised by the Bond holders. (Refer Note 10(ii)).

5 Significant Accounting Policies

5.1 Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. 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. These financial statements are prepared on a stand alone basis.

5.2 Fixed assets and depreciation

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

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

Based on the useful life estimated by the management, depreciation is provided under the straight line method at the rates mentioned below. For assets taken on lease, refer Note 5.4 below.

Assets	Rate (per cent)
Computers	33.33
Vehicles	20.00 – 50.00
Office equipment	20.00
Furniture and fixtures	20.00

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

Leasehold improvements are depreciated over the primary lease period or useful life, whichever is lower, on a straight-line basis. Assets individually costing less than Rs 5,000 are fully depreciated in the year of acquisition.

5.3 Intangible Assets

Intangible assets comprise of computer software held for use in business/administrative purposes. Computer software is amortized over an estimated useful life of two years.

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

5.4 Leases

i. Finance Leases

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term on a straight-line basis.

ii. Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and loss account on a straight-line basis over the lease term.

5.5 Revenue recognition

Revenue from software development services includes revenue from time and material and fixed price contracts. Revenue from time and material contracts are recognized as related services are performed. Revenue from software development on fixed price contracts is recognized as per proportionate-completion method.

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

Commission income for identifying and coordinating customer for sale of licenses or service contracts are recognized on acceptance, at the contracted rates.

5.6 Project work expenses

Project work expenses represents amounts charged by subsidiaries on cost plus basis for the software development and related services for the contracts undertaken by the Company, amounts charged by sub-contractors and cost of hardware and software incurred for execution of projects.

5.7 Marketing expenses

Marketing expenses represents amounts charged by subsidiaries for marketing services for contracts and are charged based on 5 per cent of revenues earned on contracts entered into through the subsidiaries upto July 31, 2006. Subsequently, these costs are set off with revenues, in accordance with the amendment with the terms of the contract. [Refer Note 1.2].

5.8 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 expenses in the year in which they arise.

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

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

5.9 Investments

Investments that are readily realizable 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.

5.10 Retirement benefits

The Company contributes the employer's share of the Provident Fund and the Employees' Pension Scheme with the Regional Provident Fund Commissioner and charges all such amounts to the Profit and loss account on an accrual basis.

Liability towards gratuity and leave encashment benefits is provided based on an actuarial valuation performed as at the balance sheet date and is unfunded as at March 31, 2006.

5.11 Income taxes

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 the Indian Income tax Act.

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 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. If the company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

5.12 Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

5.13 Earning per share

Basic earnings per share are calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting 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 earning per share, the net profit 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.

5.14 Segment reporting

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

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

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

5.15 Miscellaneous expenditure

Miscellaneous expenditure comprises of Deferred interest on 11 per cent Debentures and cost of arranging long term loan. Interest on 11 per cent Debentures is amortised pro-rata over the period from August 1, 2002 to the maturity of the 11 per cent Debentures, i.e. July 31, 2007. Cost of arranging long-term loans is amortized, over the period of the loan, commencing from the date of the first draw-down of the related loan, on weighted average basis.

5.16 Deferred employee stock compensation costs

Deferred employee stock compensation costs for stock options are recognised on the basis of generally accepted accounting principles and in accordance with the guidelines of Securities and Exchange Board of India, and, are measured as the excess of the fair value of the Company's stock on the stock options grant date over the amount an employee must pay to acquire the stock and recognised in a graded manner on the basis of weighted period of services over the vesting period of equity shares. 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.

6 Share capital

	2006	2005
Authorised capital		
125,000,000 (2005 -- 35,000,000) Equity shares of Rs 10 each	1,250,000,000	350,000,000
Issued, subscribed and paid-up capital		
30,113,456 (2005 -- 28,732,276) Equity shares of Rs 10 each fully paid up	301,134,560	287,322,760

(i) The Company, in the previous year, had allotted 1,052,717 (post reduction of equity shares pursuant to the SSIIT Scheme) equity shares of Rs 10 each at a premium of Rs 118.24 per share to each of the two parties i.e. UTI India Technology Venture Unit Scheme and SSI on June 12, 2004 and September 12, 2004, respectively. The share issue expenses for issuance of 1,052,717 equity shares to UTI India Technology Venture Unit Scheme have been adjusted with the premium received on the allotment.

(ii) Pursuant to the SSIIT Merger Scheme, the Company had allotted 13,467,880 equity shares in the previous year to the shareholders of SSI as on the record date October 27, 2004. Also refer Note 3.2. and 4

(iii) Pursuant to the SSIIT Merger Scheme, the issued, subscribed and paid-up capital of the Company was reduced by Rs 196 million in the previous year. [Refer Note 3.1]

(iv) On December 28, 2005, the Company made a preferential allotment of 1,025,227 equity shares to Scandent Mauritius at a premium of Rs 210 per share. [Refer Note 4]

(v) During the year, the Company allotted 355,953 equity shares pursuant to options being exercised by employees under the Employee Stock Option Plans of the Company. Of these 10,119 equity shares of Rs 10 each have been allotted at a premium of Rs 118.75 per share and balance of 345,834 equity shares have been allotted at the face value of Rs 10 and, the stock compensation adjustment of Rs 21 million with respect to 345,834 equity shares has been transferred to Securities premium account.

7 Share capital pending allotment

	2006	2005
Share capital pending allotment	**747,575,070**	–

(i) Pursuant to the Cambridge Merger Scheme, the Company will allot 69,960,000 equity shares and 4,797,507 equity shares of Rs 10 each at par up to the shareholders and Awards holders of Cambridge LLC respectively [Refer Note 2.1]. On such allotment, SML will become the Holding Company with an equity shareholding of 50.03 per cent represented by 52,470,000 equity shares. As the Cambridge Merger Scheme has been approved by the respective Courts, the Company is still in the process of issuing equity shares to SML, and hence this amount is reflected as Share Capital pending allotment [Refer Note 2 and 4].

ii) Pursuant to the Cambridge Merger Scheme, 4,797,507 equity shares to be allotted to Awards holders will be deposited by the holders with an independent Escrow agent who shall hold the same in an escrow account. The escrow agent will hold and deliver these shares to the holders on fulfillment of conditions mentioned in the Cambridge Equity plan. [Refer Note 2.4]

8 Reserves and surplus

	2006	2005
Capital reserve	5,700,900	5,700,900
Debenture Redemption Reserve [Refer Note (ii & iii) below]		
Balance, beginning of the year	107,097,486	–
Additions during the year	22,689,091	107,097,486
Balance, end of the year	129,786,577	107,097,486
Securities premium		
Balance, beginning of the year [Refer Note 6(i) above]	425,586,964	182,461,304
Add: Received during the year [Refer Note 6(iv) & 6(v) above]	216,499,301	248,945,660
Add: Share premium on Employee Stock Options exercised during the year [Refer Note 6(v)]	20,750,040	–
Less: Expenses incurred towards Cambridge Merger Scheme [Refer Note 2.3]	(103,985,831)	_
Less: Convertible Bond issue expense [Refer Note 10 (ii) below]	(52,655,104)	(5,820,000)
Balance, end of the year	506,195,370	425,586,964
General Reserve [Refer Note 3]		
Balance, beginning of the year	9,631,642	–
Excess of net assets recorded by Scandent on the basis of book values of assets and liabilities as appearing in the books of SSI over the shares issued to the shareholders of SSI pursuant to the Scheme.	-	1,206,173,777
Less : Adjustments made to the book values of SSI [Refer Note 3.3]	-	(997,650,937)
Less : Adjustments made to the intangible assets of Scandent [Refer Note 3.4]	-	(196,638,254)
	9,631,642	11,884,586
Less : Transferred to Profit & loss account [Refer Note 3.4]	-	(2,252,944)
Balance, end of the year	9,631,642	9,631,642
Stock compensation adjustment [Refer Note 31]		
Balance, beginning of the year	27,973,080	–
Additions during the year	29,040,605	28,636,080
Additions during the year pursuant to Cambridge Merger Scheme [Refer Note 2.4 above]	144,619,169	_
Less: Amount transferred to securities premium on exercise of options [Refer Note 6(v)]	(20,750,040)	_
Less: Amount transferred to share capital pending allotment [Refer Note 7(ii) above]	(47,975,070)	_
Reversal on forfeiture of stock options granted	(1,449,600)	(663,000)
	131,458,144	**27,973,080**
Less: Deferred employee stock compensation expense [Refer Note (i) below]	(62,554,248)	(3,496,635)
Balance, end of the year	68,903,896	24,476,445
Reserve arising on amalgamation [Refer Note 2.2]	1,925,400,000	
Less: Reduction in the carrying value of investment pursuant to Cambridge Merger Scheme (Refer Note 2.2 and 13(iv))	(1,925,400,000)	
	720,218,385	572,493,437
(i) Deferred employee stock compensation expense [Refer Note 31]		
Stock compensation expense outstanding at the beginning of the year	3,496,635	28,636,080
Addition during the year	29,040,606	–
Additions during the year pursuant to Cambridge Merger Scheme (Refer Note 2.4 above)	144,619,169	_
Stock compensation cost amortised in the books of account of Cambridge LLC and transferred to the Company pursuant to the Cambridge Merger Scheme	(23,362,500)	_
Stock Compensation expense amortised during the year	(89,790,062)	(24,476,445)
Forfeitures	(1,449,600)	(663,000)
Closing balance of deferred employee stock compensation expense	62,554,248	3,496,635

(ii) As discussed in Note 1.1 and Note 10(i), on August 1, 2002, the Company had issued 11 per cent Debentures amounting to Rs 150 million repayable at par at the end of 5 years from the date of issuance. During the year, the Company has appropriated Rs 22.6 million towards Debenture Redemption Reserve.

(iii) As discussed in Note 10(ii), the Company has issued Rs 1,336.50 million 5.22 per cent Convertible Bonds to be redeemed by issue of equity shares at the end of 18 month period. In accordance with the clarification of Department of Company affairs vide circular no, 6/3/2001- CL.V, the Company has not created Debenture Redemption Reserve.

(iv) Pursuant to Cambridge Merger Scheme, stock compensation adjustment of Rs 121.26 million towards Awards granted by Cambridge LLC under the Cambridge Equity Plan has been transferred to the Company, [Refer Note 2.4] to be amortised over the remaining vesting period. Accordingly, during the year, the Company has recorded stock compensation expense of Rs 63.48 million.

9 Secured loans

	2006	2005
From Banks:		
Cash Credit facility	30,971,898	-
Working Capital Facility	218,440,000	149,375,000
External Commercial Borrowings	78,067,500	76,552,930
Term loan from Banks	562,128,683	332,509,570
	889,608,081	558,437,500
From Others:		
Loans for purchase of fixed assets	10,518,676	6,579,175
Finance lease obligation	587,161	1,633,677
	11,105,837	8,212,852
	900,713,918	566,650,352

(i) On May 15, 2005, the Company entered into a letter of arrangement for a cash credit facility with UTI Bank for a tenor of one year. As per the terms of the arrangement, UTI bank will provide cash credit upto Rs 35 million to meet the working capital requirement of the Company at an interest rate of the prevailing UTI prime lending rate minus 3 percent. The credit is secured by a first pari - pasu charge on all the current assets of the Company both present and future except receivable from Scandent USA, first pari-pasu charge on the movable fixed assets of the Company, both present and future and personal guarantee of two Directors, corporate guarantee of Scandent UK and Scandent Mauritius. As of March 31, 2006, the Company has availed loan of Rs 31 million. Subsequent to year end, the Company is in the process of obtaining renewal of this facility.

(ii) On November 17, 2004, the Company entered into a working capital facility for Rs 40 million with China Trust Commercial Bank ('CTB'), which has been, subsequently renewed on January 27, 2006. As per the terms of the agreement, the Bank has sanctioned this facility for 12 months with tenor of each demand not exceeding 180 days from the date of drawdown at an interest rate linked to benchmark prime lending rate subject to a minimum of 11 per cent. The facility is secured by exclusive charge by way of hypothecation of all the receivables of the Company, both present and future arising from its operation in the United States of America through Scandent USA, unconditional personal guarantee of one of the Directors and corporate guarantee of Scandent USA. As at March 31, 2006, the Company has utilized the entire facility of Rs 40 million. (March 31, 2005 -- Rs 40 million). The loan has been repaid on April 22, 2006 and the facility been withdrawn in June 2006.

(iii) On March 24, 2005, the Company entered into a Working Capital Dollar loan agreement with EXIM Bank. As per the terms of the agreement, EXIM bank has sanctioned USD 4 million to meet the Company's working capital requirements at interest rate of LIBOR (6 months) plus 300 basis points. The facility is to be repaid by the Company in bullet repayment at the end of two years from the date of draw down. The facility is secured by first pari-pasu charge on current assets of the Company including receivables, present and future (excluding receivables from Scandent Group Inc., USA), collateral security by way of first pari pasu charge on all movable fixed assets of the Company, except those specifically charged, irrevocable and unconditional personal guarantee of two Directors and irrecoverable corporate guarantee of Scandent USA, Scandent UK, Scandent Singapore, Albion Inc., USA, Scandent Mauritius, Scandent Holdings Mauritius Limited, Mauritius. As at March 31, 2006 the Company has availed the entire facility of Rs 178 million (USD 4 million) [March 31, 2005 -- Rs 109 million (USD 2.5 million)].

(iv) On December 15, 2004, the Company entered into a term loan (in the nature of External Commercial Borrowings of USD 2.75 million) agreement with CTB to finance investment in Scandent USA, at an interest rate of six months LIBOR plus 175 basis points. The loan is repayable at the end of 36 months in a single bullet installment. The loan is secured by exclusive charge by way of hypothecation of all the receivables of the Company both present and future arising from its operations in USA, personal guarantee of one of the Director, corporate guarantee of Scandent USA and exclusive charge of the movable fixed assets of the Company procured from the part of loan proceeds. On March 23, 2006, additional corporate guarantee of Scandent Holdings Mauritius Limited has also been provided. As of March 31, 2006, the Company has availed Rs 78 million (USD 1.75 million) [March 31, 2005 --Rs 77 million (USD 1.75 million)].

(v) On May 20, 2004, the Company entered into a term loan agreement with UTI Bank Limited ('UTI Bank'). As per the terms of the agreement, UTI Bank has sanctioned a term loan facility of Rs 85 million to the Company to meet its operating and capital expenditure at an interest rate of 10.75 per cent per annum. The loan is repayable in 16 equal monthly instalments of Rs 5 million each commencing from January 2006. The loan is secured by first charge of hypothecation of moveable assets, both present and future, escrow of receivables from UK and collateral security by way of unconditional personal guarantee of two Directors and corporate guarantee of Scandent UK and Scandent Mauritius. Further, the Company is required to maintain a liquidity reserve equivalent to three months of principal loan instalments as a fixed deposit with the UTI Bank, at the Bank's standard interest rate for the residual period of the loan. The liquidity reserve is to be created out of the cash flows within one year from May 20, 2004. As of March 31, 2006, the Company had fully drawn down the term loan and has repaid three instalments. Subsequently, the loan has been repaid in April 2006.

(vi) On December 31, 2004, UTI Bank has sanctioned loan facility of Rs 247.5 million to meet its normal operation & capital expenditure requirements, at an interest rate of 9 per cent per annum. The loan is repayable in five equal half yearly instalment of Rs 49.5 million each commencing from February 2007. The loan is secured by first pari pasu charge on all current assets and movable fixed assets of the Company, both present and future, except receivable of Scandent USA, and collateral security by way of unconditional personal guarantee of two Directors and corporate guarantee of Scandent UK and Scandent Mauritius. Further, the Company is required to maintain liquidity reserve equivalent to one instalment as a fixed deposit with the Bank. As at March 31, 2006, the Company had fully availed loan of Rs 247.5 million (March 31, 2005 -- Rs 247.5 million) and the amount repayable within one year as of March 31, 2006 is Rs 49.5 million (March 31, 2005 -- Rs Nil). Subsequently, on May 3, 2006, the guarantee given by one of the directors has been released by the bank and the company is in the process of re-negotiating the terms of repayment and waiver for maintaining liquidity reserve.

(vii) On March 23, 2006, YES Bank Ltd had sanctioned a loan of Rs 280 million to repay some of the existing loans of the Company at an interest rate of Yes Bank's prime lending rate minus 3 per cent per annum. The loan is secured by way of first pari pasu charge on the current assets and movable fixed assets of the Company and by unconditional and irrevocable corporate guarantee of Scandent Mauritius and Scandent Holding Mauritius Limited, Mauritius. The loan shall be repaid in twelve equal quarterly instalments without moratorium from June 2006. As at March 31, 2006, the Company has utilised Rs 246 million of this facility and the amount repayable within one year from March 31, 2006 is Rs 82 million (March 31, 2005 -- Rs Nil). The Company as at March 31, 2006 has Debt / EBITDA ratio in excess of 3, Debt service coverage ratio of less than 1.5 though as per the terms of the agreement it is required to maintain Debt / EBITDA ratio less than 3 and Debt service coverage ratio in excess of 1.5. This non -compliance is an event of default under the loan agreement, though the Company has not received any notice for recall of the loan for such default

(viii) The Company obtained vehicles, computers and office equipment on finance lease. These leases range for a period of two to three years and are secured by the assets acquired under these leases. An amount of Rs 0.59 million (March 31, 2005 -- Rs 1.45 million), is repayable within one year from March 31, 2006.

(ix) The Company has obtained vehicles and computers under a financing arrangement. The loan is repayable over one to three years and are secured by assets taken against these loans. An amount of Rs 4 million (March 31, 2005 -- Rs 3 million) is payable within one year from March 31, 2006.

10 Unsecured loans

	2006	2005
1,500,000, 11 per cent Debentures of Rs 100 each	150,000,000	150,000,000
5.22 per cent Convertible Bonds	1,336,500,000	–
Interest accrued and due	3,440,481	–
Loans from Directors	57,293	3,932,634
Short Term Overdraft	–	25,000,000
Loans from Others	–	5,000,000
	1,489,997,774	183,932,634

(i) On August 1, 2002, the Company issued 1,500,000, 11 per cent debentures pursuant to the agreement entered into for acquisition of rights to a contract to render software services for a specified term to a particular customer. The debentures are repayable at par at the end of five years from the date of issuance [Refer Note 1.1]. Interest on the debentures is payable at annual rests. The interest due on August 1, 2005 was paid by the Company on September 8, 2005 and October 19, 2005 and the interest on delayed payments were made in the months of October 2005 and November 2005. Subsequently, in April 2006, the Company has prepaid debentures of Rs 60 million.

(ii) On March 14, 2006 the Company issued convertible bonds of Rs 1,337 million to Indopark Holdings Limited carrying a coupon rate of 5.22 per cent per annum, net of income tax deducted at source, payable in advance. The bonds are convertible into fully paid equity shares not later than 18 months from the date of allotment at a conversion price of Rs 217 per equity share (i.e. a premium of Rs 207), such price being derived as per SEBI guidelines. Interest for twelve months beginning from March 14, 2006 of Rs 3.4 million was due on March 14, 2006 itself, however has been paid on April 10, 2006. Arrangement fees of Rs 53 million for these bonds including legal charges which has been set off with the share premium account in accordance with Section 78 of the Companies Act, 1956.

(iii) Short term overdraft represents unsecured overdraft facility availed from UTI Bank at an interest rate of 5.6 per cent and has been repaid during the current year.

(iv) Loans from Others was from a Company in which Director is interested and was interest free. The loan has been repaid during the current year.

(v) Loans from Directors are interest free and were to be repaid on or before March 31, 2006. The same has not been repaid as at March 31, 2006.

11. Fixed Assets

	Gross Block				
	As at April 1, 2005	Additions	addition pursuant to the Scheme [Refer Note (ii)]	Deletions / adjustments [Refer Note (ii)]	As at March 31, 2006
Leasehold Improvements	64,849,717	733,465	-	-	65,583,182
Computers	94,286,111	22,847,653	-	240,000	116,893,764
Vehicles	11,711,358	10,699,981	-	5,621,680	16,789,659
Office Equipment	30,829,066	878,617	-	-	31,707,683
Furniture and fixtures	15,077,342	1,850,865	-	-	16,928,207
Total	216,753,594	37,010,581	-	5,861,680	247,902,495
Prior year	54,638,416	20,171,421	160,868,664	18,924,907	216,753,594

(i) Computers, office equipment and vehicles include assets taken under finance lease. The gross book value and net book value of such assets have been disclosed in table below.

	Gross block		Net block	
	As at March 31, 2 006	As at March 31, 2005	As at March 31, 2006	As at March 31, 2005
Computers	4,505,966	4,505,966	-	1,434,759
Vehicles	-	1,681,957	-	647,665
Office Equipments	808,300	808,300	403,486	565,146
	5,314,266	6,996,223	403,486	2,647,570

(ii) Pursuant to the SSIIT merger scheme, fixed assets with gross book value and net book value of Rs 161 million and Rs 88 million respectively, were transferred to the Company. On July 2, 2004, the Company had performed a physical verification of assets acquired from SSIIT and noted that assets of gross value and net book value of Rs 15 million and Rs 7 million, respectively were not existing. Accordingly, these amounts have been disclosed in the prior year adjustments column in schedule above. [Refer Note 3.3]

(iii) As at March 31, 2006, assets taken on loan basis amount to Rs 9 million (2005- Rs 9 million), including assets amounting to Rs 8 million received by SSI IT on a loan basis from its customers

12. Intangible assets

	Gross Block				
	As at April 1, 2005	Additions	Addition pursuant to the Scheme [Refer Note (i)]	Adjustments [Refer Note (i&ii)]	As at March 31, 2006
Computer Software	3,165,891	11,449,970	–	–	14,615,861
Total	3,165,891	11,449,970	–	–	14,615,861
Prior year	285,090,271	99,270,100	125,950,074	507,144,554	3,165,891

(i) Pursuant to the SSIIT Merger Scheme , the Company acquired software with gross book value and net book value of Rs 126 million and Rs 105 million, respectively. The management believed that there was no enduring benefits from the software transferred, accordingly, had adjusted the amount to the General reserve. [Refer Note 3.3].

(ii) On April 1, 2004, the Company acquired customer rights from its subsidiaries, i.e. Scandent USA and Scandent UK amounting to Rs 55 million and Rs 41 million, respectively. The net book value of the entire customer rights of Rs 201million, as on July 1, 2004 has been adjusted with General reserve in accordance with the terms of SSIIT Merger Scheme.

			Depreciation			Net Block	
As at April 1, 2005	Additions Pursuant to the Scheme [Refer Note (ii)]	Additions	For the year	Deletions / adjustments [Refer Note (ii)]	As at March 31, 2006	As at March 31, 2006	As at March 31, 2005
32,843,604	-	-	20,235,432	-	53,079,036	12,504,146	32,006,113
86,522,201	-	-	8,567,125	-	95,089,326	21,804,438	7,763,910
3,352,797	-	-	4,940,133	2,714,370	5,578,560	11,211,099	8,358,561
18,347,287	-	-	7,699,891	-	26,047,178	5,660,505	12,481,779
7,305,197	-	-	3,293,285	-	10,598,482	6,329,725	7,772,145
148,371,086	-	-	44,735,866	2,714,370	190,392,582	57,509,913	68,382,508
21,308,041	73,055,665	23,423,171	41,518,552	10,934,343	148,371,086	68,382,508	–

		Amortisation			Net Block	
As at April 1, 2005	Additions pursuant to the scheme [Refer Note (i)]	For the Year	Adjustments [Refer Note (i) &(ii)]	As at March 31, 2006	As at March 31, 2006	As at March 31, 2005
180,504	–	5,682,481	–	5,862,985	8,752,876	2,985,387
180,504	–	5,682,481	–	5,862,985	8,752,876	2,985,387
141,339,651	20,662,442	33,765,437	195,587,026	180,504	2,985,387	–

(iii) During the year, the Company has capitalised exchange difference of Rs NIL (March 31, 2005 — Rs 4 million) arising on conversion of foreign currency payable for acquisition of intangible assets.

(iv) Amortisation has been charged only for the period April 1, 2004 to July 1, 2004, as subsequently, pursuant to the SSIIT merger Scheme, the intangible assets have been adjusted with the General reserve. [Refer Note 3.4].

13 Investments (Unquoted, at cost, fully paid-up)

		2006	2005
Non-trade (Long term):			
215,000 (March 31, 2005 -- 215,000) Equity Shares of Rs 10 each in Globsyn Technologies Ltd		8,600,000	8,600,000
Less : Diminution in value of investment		(8,600,000)	(8,600,000)
In Subsidiary Companies (Long term):			
Euro 25,600 (2005 - Euro 25,600) share capital in Scandent Group GmbH, Germany ('Scandent Germany')		452,100	452,100
2,300,000 (2005 - 2,300,000) Ordinary shares of Singapore Dollar 1 each in Scandent Group Pte Limited, Singapore ('Scandent Singapore')		678,150	678,150
1 (2005 - 1) Ordinary share of GBP 1 each in Scandent Network Europe Limited, United Kingdom ('Scandent UK')		1,356,297	1,356,297
2,760,000 (2005 - 1,010,000) Common stock of USD 0.001 each in Scandent Group Inc., USA ('Scandent USA')		78,106,953	2,034,453
Advance paid towards purchase of Shares in Scandent USA		-	76,072,500
200,000 (2005 - 200,000) Shares of no par value in Scantalent Inc (formerly ClientSoft Inc, USA) ('Clientsoft') [Refer Note (i), (ii) & (iii) below]		7,779,150	7,779,150
8,073,267 (2005 - 8,073,267) Shares of USD 1 each in Albion Inc, USA ('Albion') [Refer Note (i), (ii) and (iii) below]		810,629,786	810,629,786
12,000 (2005 - 12,000) Common shares of USD 1 each in Indigo Market Ltd. Bermuda. ('IM Bermuda') [Refer Note (i), (ii) & (iii) below]		109,620,316	109,620,316
49,990 (2005 - 49,990) Equity shares of Rs 10 each in Matrix One India Ltd ('Matrix one')		400,001	400,001
5 (2005 - Nil) Ordinary shares of Australian Dollar 1 each in Cambridge Integrated Services Victoria PTY Limited ('Cambridge Australia') [Refer Note (iv) below]		240,625,000	–
1,000 (2005 - Nil) common units of USD 0.01 each in Cambridge Integrated Services Group Inc, USA ('CISGI') [Refer Note(iv) below]	2,384,375,000		
Less: Adjustment to the value of investment in CISGI pursuant to the Cambridge merger scheme (Refer Note (iv) below)	(1,925,400,000)	458,975,000	–
		1,708,622,753	1,009,022,753
Provision for diminution in value of investment in subsidiaries [Refer note (ii) & (iii) below]		453,469,309	453,469,309
		1,255,153,444	555,553,444

(i) Pursuant to the SSIIT Merger Scheme, the investments in Clientsoft, Albion Inc and IM Bermuda have been transferred to the Company. However, the Company is in the process of registering the shares of IM Bermuda in its name.

(ii) In the prior year, pursuant to the SSIIT Merger Scheme, provision for diminution in the value of investments amounting to Rs 546 million had been transferred to the Company. Of this amount Rs 93 million had been written back, as not considered necessary by the management [also, Refer Note 3.3]. Thus the net provision for diminutions of Rs 453 million relates to ClientSoft of Rs 8 million and Albion of Rs 445 million.

(iii) The Company has investments in the share capital of Scandent Germany, Scandent UK, Scandent USA, Clientsoft, Albion, IM Bermuda, and Matrix One, where the accumulated losses exceeded their respective share capital as at March 31, 2006. The management

is in the process of undertaking restructuring exercise which includes consolidation of entities in the same region. Further, the management is confident of generating greater business, and improving profitability by utilising offshore work force and by bringing in cost efficiencies. Accordingly, management considers such diminution to be temporary in nature and has not provided for diminution in the value of investments.

(iv) Pursuant to the Cambridge Merger Scheme, investment in Cambridge Australia and CISGI have been transferred to the Company. Cambridge LLC had acquired these investments for a consideration of USD121 million (or Rs 5,306 million) of which USD61 million (or Rs 2,681 million) was paid by CISGI by taking a loan from a bank. Accordingly, investments have been recorded in the books of Cambridge LLC at USD60 million (or Rs 2,625 million) and consequently, recorded by the Company at the same value [Refer Note 2]. Further, in accordance with the terms of the Cambridge Merger Scheme, excess of net asset transferred to the Company over the par value of equity shares issued amounting to Rs 1,925 million has been utilised to reduce the carrying value of investments in CISGI [Refer Note 2.2]. As at March 31, 2006 the Company is in the process of registering the shares of these companies in its name. As at March 31,2006, the net assets of CISGI and Cambridge Australia amounted to Rs 1,473 million and Rs 127 million, respectively.

14 Deferred Tax Asset

	Deferred tax asset / (Liability) as at April 1, 2005	Current year credit / (charge)	Deferred tax asset/ (liability) as at March 31, 2006
Depreciation	27,153,086	(1,323,328)	25,829,758
Employee retirement benefits	4,814,852	186,590	5,001,442
	31,967,938	(1,136,738)	30,831,200
Previous year	-	31,967,938	31,967,938

15 Sundry debtors

	2006	2005
Debts outstanding for a period exceeding six months		
Considered good	1,070,700,392	276,335,797
Considered doubtful	222,670,841	211,292,032
Other debts		
Considered good	700,474,911	674,555,062
	1,993,846,144	1,162,182,891
Less : Provision for doubtful debts	222,670,841	211,292,032
	1,771,175,303	950,890,859
Dues from companies under the same management		
Albion	441,091,450	278,319,424
Indigo Markets Europe Ltd ('IM Europe')	33,274,570	44,547,952
Indigo Markets Singapore Pte Ltd ('IM Singapore')	41,260,322	44,805,256
Scandent Germany	10,656,966	12,817,882
Scandent Singapore	–	5,810,899
Scandent UK	373,900,887	229,840,750
Scandent USA	1,032,121,765	499,778,581
IM Bermuda	787,363	–
	1,933,093,323	1,1 15,920,744
Less: Provision for Doubtful debts	214,031,845	211,292,032
	1,719,061,478	904,628,712

(i) During the year, the Company has provided for doubtful debts amounting to Rs 11 million. In the previous year, the Company provided for doubtful debts amounting to Rs 211 million and adjusted Rs 208 million with general reserve transferred from SSIIT, [Refer Note 3.3].

(ii) The above balance includes revenues unbilled to the end customer, amounting to Rs 49 million (2005 -- Rs 47 million).

(iii) The Company has net receivable (after eliminating payables) from Scandent USA, Scandent UK and Albion Inc, its wholly owned subsidiaries of Rs 976 million, Rs 277 million and Rs 327 million, respectively. Considering the business projections of the subsidiaries for subsequent years, the Company believes that the dues will be recovered / paid over a period of two to three years and, accordingly, is in the process of applying to the Reserve Bank of India for obtaining permission for extension of time for recovery of dues.

16 Cash and bank balances

	2006	2005
Cash on hand	92,489	42,490
Balances with scheduled banks:		
— Current accounts	628,665,035	17,824,502
— Fixed deposit account	711,754,572	69,204,167
Balances with other banks	4,461	–
	1,340,516,557	87,071,159

(i) Fixed deposits include Rs 1 million (2005 - Rs 0.35 million) kept as margin money for the guarantee extended by a bank in favour of the Assistant Commissioner of Customs to procure capital assets without payment of duty and Rs 11 million (2005 - Rs 9 million) maintained as liquidity reserve as per the terms of the loan agreement with UTI bank (refer Note 9(v) & (vi)).

(ii) Current account balance and fixed deposit balance includes Rs 624 million and Rs 670 million, respectively received by preferential allotment of 5.22 per cent Convertible Bonds. As per the terms of the bond agreement, at least Rs 899 million is to be utilised towards repayment of existing indebtedness of the Company and its subsidiaries and the balance shall be utilised for working capital requirement and capital expenditure.

17 Loans and advances (Unsecured)

	2006	2005
Considered good		
Dues from related parties		
Loans and advances	441,197,821	428,232,292
Interest receivable	-	5,988,410
Expenses receivable	32,596,694	20,839,513
	473,794,515	455,060,215
Advances recoverable in cash or kind or for value to be received	25,885,852	8,766,561
Deposits	41,968,793	33,817,116
Advance tax, net	7,156,847	810,573
	548,806,007	498,454,465
Considered doubtful		
Dues from related parties		
Loans and advances	741,375,287	741,375,287
Less: Provision for doubtful loans & advances	(741,375,287)	(741,375,287)
	–	–
	548,806,007	498,454,465

(i) Loans due from related parties as at March 31, 2006 include Rs 175 million repayable within a period of three years ending on June 12, 2007.

(ii) During the year, the Company has provided for doubtful loans & advances amounting to Rs Nil. In the previous year, the Company provided for doubtful loans and advances amounting to Rs 741 million and adjusted it with the general reserve transferred from SSIIT [Refer Note 3.3]

	Maximum amount due at anytime during the year	Balance as at March 31, 2006
Dues from companies under the same management:		
Albion Inc.	680,864,280	680,864,280
Clientsoft	91,929,200	91,924,302
IM Europe	6,572	6,572
Matrix One	9,017,209	6,620,506
Cambridge Integrated Services India Private Limited (formerly Process Mind Services Private Limited)	101,566,574	299,048
Scandent Singapore	13,529,083	13,529,083
Scandent UK	51,509,981	51,509,981
Scandent USA	328,708,001	328,708,002
		1,173,461,774
Less: Provision for Doubtful loans and advances		741,375,287
		432,086,487
Dues from other related parties		
Atindia Management Services Private Limited	4,639,993	4,639,993
Seabulk Software India Pvt Ltd	33,716,063	33,716,063
Dues from a Director/Scandent Mauritius	3,351,972	3,351,972

	Maximum amount due at anytime during the year	Balance as at March 31, 2005
Dues from companies under the same management:		
Albion Inc.	649,615,287	649,615,287
Clientsoft	91,921,055	91,921,055
IM Europe	6,659	6,659
Matrix One	4,315,304	362,194
Cambridge Integrated Services India Private Limited (formerly Process Mind Services Private Limited)	125,340,359	101,566,574
Scandent Singapore	11,614,995	11,614,995
Scandent UK	45,280,296	45,280,296
Scandent USA	257,646,200	257,646,200
		1,158,013,260
Less: Provision for Doubtful loans and advances		741,375,287
		416,637,973
Dues from a Director	66,186	66,186
Dues from other related parties		
Atindia Management Services Private Limited	4,639,993	4,639,993
Seabulk Software India Private Limited	33,716,063	33,716,063

18 Current liabilities

	2006	2005
Sundry creditors	167,295,715	72,753,911
Dues to related parties		
- Advances received	-	43,970,001
- Expenses payable	554,843,354	450,629,092
Interest accrued but not due		
- on 11 per cent debentures	18,255,808	13,036,927
- on loans	4,133,449	3,411,402
Advance from customers	44,131,743	12,147,978
Book Overdraft	2,774,177	-
Other liabilities	34,024,350	9,407,594
	825,458,596	605,356,905

(i) As at March 31, 2006, there were no amounts owed to small scale industrial undertakings as defined under clause (j) section 3 of the Industries (Development and Regulations) Act, 1951.

(ii) Sundry Creditors include provision for expenses representing estimated cost of stamp duty payable on transfer of assets of Cambridge LLC and allotment of shares to Shareholders and Awards holders of Cambridge LLC and has been adjusted with the share premium account pursuant to the Cambridge Merger Scheme.

	Balance as at March 31, 2006	Balance as at March 31, 2005
Dues to related parties		
IM Europe	472,530	1,480,306
IM Bermuda	4,546,729	48,866,494
IM Singapore	1,050,283	3,307,367
Scandent Germany	17,250,397	23,125,044
Scandent Singapore	3,963,210	2,280,855
Scandent UK	147,699,195	143,691,567
Scandent USA	379,861,010	271,847,460
	554,843,354	494,599,093

19 Provisions

	2006	2005
Provision for taxation	29,822,595	4,000,000
Provision for gratuity	12,109,834	9,722,432
Provision for leave encashment	7,373,677	7,552,923
	49,306,106	21,275,355

(i) In the previous year, pursuant to the SSIIT Merger Scheme, provisions for gratuity and leave encashment were transferred from SSIIT amounting to Rs 5 million and Rs 6 million, respectively. Also Refer Note 3.3.

(ii) Movement during the year

Description	Opening Balance	Charge during the year	Used during the year	Closing Balance
Provision for Gratuity	9,722,432	3,412,628	1,025,226	12,109,834
Provision for Leave Encashment	7,552,923	5,012,115	5,191,361	7,373,677
Total	17,275,355	8,424,743	6,216,587	19,483,511

20 Miscellaneous Expenditure

	2006	2005
Deferred interest on 11 per cent debentures [Refer note 1.1]	11,480,000	16,400,000
Less: Amortised during the year [Refer Note 25]	4,920,000	4,920,000
	6,560,000	**11,480,000**
Deferred upfront/processing fee for loans	20,245,683	–
Add : Upfront/processing fee incurred during the year	3,085,600	22,972,758
Less: Amortised during the year [Refer Note 25]	8,928,774	2,727,075
	14,402,509	**20,245,683**
	20,962,509	31,725,683

21 Revenues

	2006	2005
Revenue from software development and related services		
- Time and material contracts	1,366,142,633	1,089,324,080
- Fixed price contracts	230,539,686	140,176,231
- Annual maintenance contracts	35,221,091	35,623,786
- Commission	14,918,676	15,067,684
- Licence Sale	1,657,981	-
	1,648,480,067	**1,280,191,781**

22 Other income

	2006	2005
Write back of liability	1,897,830	11,767,367
Interest Income (Gross of Tax deducted at source of Rs 1,126,416 (2005 -- Rs 10,000))	5,180,625	6,001,999
Miscellaneous Income	40,984	-
	7,119,439	**17,769,366**

23 Employee costs

	2006	2005
Salaries, allowances and bonus	369,298,045	280,824,123
Contribution to provident fund	19,838,643	15,606,857
Gratuity and leave encashment	8,424,743	6,013,397
Employee stock compensation expense [Refer Note 31]	89,790,062	24,476,445
Staff welfare	9,962,588	8,541,922
Recruitment and relocation	6,960,366	8,927,219
	504,274,447	**344,389,963**

24 Other operating costs

	2006	2005
Project work expense		
subsidiaries	657,334,491	517,625,124
non-subsidiaries	49,434,133	13,150,254
Marketing expenses	25,191,059	50,133,016
Travel	60,777,651	66,946,340
Rent	41,197,477	35,969,824
Communication	23,881,075	18,884,299
Power and fuel	15,465,397	11,888,679
Insurance	1,389,957	723,976
Rates and taxes	7,548,760	1,525,583
Repairs and maintenance		
Computer equipment	3,188,868	2,043,785
Others	4,656,536	6,723,719
Legal & professional	28,688,131	17,851,464
Printing & stationery	3,229,979	2,704,947
Business promotion	1,235,475	1,056,630
Exchange loss /(gain), net	(3,063,299)	847,315
Directors' Sitting Fees	310,000	-
(Profit) /loss on sale of fixed assets	189,327	251,170
Provision for bad and doubtful debts	11,378,809	2,869,475
Miscellaneous	5,419,164	4,619,677
	937,452,990	755,815,277

Travel cost of prior year includes prior period expenses of Rs 6 million incurred by a subsidiary on behalf of the Company during the year ended March 31, 2004

25 Finance costs

	2006	2005
Interest on 11 per cent debentures	16,652,699	16,500,000
Interest on 5.22% Convertible Bonds	4,350,085	-
Amortization of deferred interest on 11% debentures [Refer Note 20]	4,920,000	4,920,000
Amortization of loan arrangement and processing fees [Refer Note 20]	8,928,774	2,727,075
Interest - others	54,882,822	18,677,493
Bank charges	708,418	517,802
	90,442,798	43,342,370

26 Related Party Disclosures

S No.	Name of the related party	Relationship	Nature of transaction
(i)	Cambridge Integrated Services India Private Limited	Subsidiary company with effect from May 10, 2006 (earlier Fellow Subsidiary Company)	Reimbursement for use of office facilities and other office services such as maintenance, communication expenses, etc. (net balance) Unsecured loan given/Payments for reimbursements Payments recieved against loan and advances Interest income Interest receivable Loans & advances
(ii)	Valuebridge Services Private Limited	Company in which a Director of the Company is interested (till January 13, 2006)	Payments received against loan Expenses paid on behalf of the related party
(iii)	Atindia Management Services Private Limited	Company in which a Director of the Company is interested (till January 13, 2006)	Payments received against loan Loans & advances
(iv)	Matrixone India Private Limited	Subsidiary company	Charge for common cost incurred Expenses paid on behalf of the Company Expenses receivable
(v)	Scandent Group Inc.	Subsidiary company	Project work expenses and Marketing Expenses Expenses incurred on behalf of the Company Expenses paid on behalf of the related party Intangible assets purchased Unsecured loan given Revenue from software development and related services Provision for doubtful debts Debtors Loans & advances Expenses receivable Expenses payable Advance paid for purchase of shares Guarantees given

April 1, 2005 to March 31, 2006	Receivable/(payable) As at March 31, 2006	April 1, 2004 to March 31, 2005	Receivable/(payable) As at March 31, 2005
(5,983,746)	–	(14,792,735)	–
–	–	67,142,381	–
(98,611,157)	–	(25,374,597)	–
4,221,773	–	5,857,940	–
–	–	–	5,988,410
–	299,048	–	95,578,164
–	–	(3,308,499)	–
–	–	163,160	–
–	–	(1,200,000)	–
–	4,639,993	–	4,639,993
18,968,736	–	11,506,984	–
(39,285)	–	–	–
–	6,620,506	–	362,194
(552,579,468)	–	(384,835,935)	–
(300,313)	–	(9,270,953)	–
1,467,479	–	–	–
–	–	(52,012,838)	–
43,692,200	–	262,067,200	–
850,569,165	–	656,182,639	–
(1,682,512)	(4,551,987)	(2,869,475)	(2,869,475)
–	1,032,121,765	–	499,778,581
–	318,832,622	–	249,375,000
–	9,875,380	–	8,271,200
–	(379,861,010)	–	(271,847,460)
–	–	–	76,072,500
–	296,507,500	–	225,937,500

S No.	Name of the related party	Relationship	Nature of transaction
(vi)	Scandent Network Europe Limited	Subsidiary company	Expenses paid on behalf of the related party Intangible assets purchased Revenue from software development and related services Project work expenses and Marketing Expenses Expenses paid on behalf of the Company Unsecured loan given Debtors Provision for doubtful debts Expenses receivable Loans & advances Expenses Payable Guarantees given
(vii)	Scandent Group Pte Limited	Subsidiary company	Expenses paid on behalf of the related party Expenses paid on behalf of the Company by the related party Revenue from software development and related services Project work expenses and Marketing Expenses Advance Received Debtors Loans & Advances Expenses receivable Expenses Payable Guarantees given
(viii)	Intiqua International Inc.	Subsidiary company (till December 31, 2004)	Revenue from software development and related services Project work expenses and Marketing Expenses
(ix)	Scandent Group GmbH	Subsidiary company	Revenue from software development and related services Project work expenses and Marketing Expenses Debtors Expenses Payable

April 1, 2005 to March 31, 2006	Receivable/(payable) As at March 31, 2006	April 1, 2004 to March 31, 2005	Receivable/(payable) As at March 31, 2005
355,235	–	7,410,390	–
–	–	(39,225,170)	–
298,464,816	–	267,418,372	–
(106,736,576)	–	(138,129,785)	–
(2,250,556)	–	–	–
–	–	45,860,000	–
–	373,900,887	–	229,840,750
(1,057,302)	(1,057,302)	–	–
–	706,191	–	423,411
–	50,803,790	–	44,856,885
–	(147,699,195)	–	(143,691,567)
–	525,954,981	–	441,875,000
2,076,846	–	1,829,265	–
(599,175)	–	(808,749)	–
11,243,992	–	1,978,408	–
(137,856)	–	(98,910)	–
–	(861,466)	–	–
–	–	–	5,810,899
–	1,679,306	–	–
–	11,849,777	–	11,614,995
–	(3,101,744)	–	(2,280,855)
–	178,440,000	–	109,375,000
-	-	18,220,725	-
-	-	(12,267,115)	-
11,342,807	-	13,457,010	-
(17,159,198)	-	(22,947,614)	-
-	10,656,966	-	12,817,882
-	(17,250,397)	-	(23,125,044)

S No.	Name of the related party	Relationship	Nature of transaction
(x)	Albion Inc.	Subsidiary company	Revenue from software development and related services Provision for doubtful debts and doubtful advances Expenses paid on behalf of the related party Unsecured loan given Debtors Provision for doubtful debts Expenses Receivable Loans & advances Provision for doubtful loans and advances Guarantees given
(xi)	Scantalent Inc (formerly Clientsoft Inc.)	Subsidiary company	Loans & advances Expenses paid on behalf of the related party Expenses receivable Provision for doubtful loans & advances Guarantees given
(xii)	IndigoMarkets Limited. Bermuda	Subsidiary company	Revenue from software development and related services Project work expenses and Marketing Expenses Expenses Payable Debtors Advances received
(xiii)	IndigoMarkets Singapore Pte Limited	Subsidiary company	Revenue from software development and related services Project work expenses and Marketing Expenses Debtors Provision for doubtful debts Expenses Payable Guarantees given
(xiv)	IndigoMarkets Europe Limited	Subsidiary company	Revenue from software development and related services Project work expenses and Marketing Expenses Debtors Provision for doubtful debts Expenses Receivable Expenses Payable
(xv)	Scandent Group Limited, Mauritius	Company in which a Director of the Company is also a Director	Expenses paid on behalf of the related party Expenses Receivable Guarantees given

April 1, 2005 to March 31, 2006	Receivable/(payable) As at March 31, 2006	April 1, 2004 to March 31, 2005	Receivable/(payable) As at March 31, 2005
158,196,378	-	178,425,532	-
-	-	795,260,060	-
14,211	-	-	-
30,982,000	-	-	-
-	441,091,450	-	278,319,424
-	(145,644,773)	(145,644,773)	(145,644,773)
-	21,993	-	-
-	680,842,287	-	649,615,287
-	(649,615,287)	(649,615,287)	(649,615,287)
-	178,440,000	-	109,375,000
-	91,760,000	-	91,760,000
-	-	160,961	-
-	164,302	-	161,055
-	(91,760,000)	(91,760,000)	(91,760,000)
-	524,040,581	-	194,375,000
15,352,125	-	10,160,661	-
(4,428,661)	-	(4,610,956)	-
-	(4,546,729)	-	(4,896,493)
-	787,363	-	-
-	-	-	(43,970,001)
1,033,281	-	10,673,055	-
(1,004,274)	-	(3,355,308)	-
-	41,260,322	-	44,805,256
-	(38,334,343)	(38,334,343)	(38,334,343)
-	(1,050,283)	-	(3,307,367)
-	178,440,000	-	109,375,000
2,708,230	-	20,804,705	-
(479,787)	-	(1,512,517)	-
-	33,274,570	-	44,547,952
-	(24,443,440)	(24,443,440)	(24,443,440)
-	6,572	-	6,659
-	(472,530)	-	(1,480,306)
3,351,972	-	-	-
-	3,351,972	-	-
-	524,040,581	-	194,375,000

S No.	Name of the related party	Relationship	Nature of transaction
(xvi)	Seabulk Software India Private Limited	Company in which a Director of the Company is interested (till January 13, 2006)	Unsecured loans given Loans & advances
(xvii)	Ramesh Vangal	Director (till January 13, 2006)	Unsecured loans taken Expenses paid on behalf Unsecured loans repaid Unsecured loans Guarantees given
(xviii)	Satyen Patel	Director	Guarantees given
(xix)	Katra Holdings Private Limited	Company in which a Director of the Company is also a Director (till January 13, 2006)	Unsecured loans taken Unsecured loans repaid Unsecured loans
(xx)	J & A Consulting Private Limited	Company in which relative of a Director is a Director / Shareholder (till September 30, 2004)	Professional services received
(xxi)	Scandent Holdings Mauritius Limited	Ultimate holding company	Guarantees given

Notes

(i) The accumulated compensation cost as of March 31, 2006 includes Rs. 4 million (2005 -- Rs 2 million) incurred towards employee compensation cost for options granted to the employees of its subsidiaries. The corresponding compensation cost amortised during the year is Rs 24 million (2005 -- Rs 11 million). Further, the company has incurred Rs. 63 million (2005 -- Rs. Nil) towards the Cambridge equity plan (refere note 2.4 and 31(iv)). The company has not charged these costs to its subsidiaries.

April 1, 2005 to March 31, 2006	Receivable/(payable) As at March 31, 2006	April 1, 2004 to March 31, 2005	Receivable/(payable) As at March 31, 2005
-	-	15,000,000	-
-	33,716,063	-	33,716,063
-	-	(500,000)	-
375,341	-	-	-
3,500,000	-	-	-
-	(57,293)	-	(3,932,635)
-	644,022,481	-	558,437,500
-	525,954,981	-	441,875,000
-	-	(5,000,000)	-
5,000,000	-	-	-
-	-	-	(5,000,000)
-	-	(1,043,840)	-
-	671,525,600	-	356,875,000

27 Provision for tax

The Company operates three units, two in Chennai and one at Bangalore. The Bangalore unit is registered with the Software Technology Parks of India, Bangalore and is eligible to claim tax holiday for 10 years (upto the financial year 2008-09) under section 10A of the Income-tax Act, 1961 ('IT Act'). In Chennai, the Company has two units, one set up by it during 2002, which is not eligible to claim benefit under section 10A of the IT Act, and the second facility transferred to the Company as a result of its merger with SSIIT. The Company is in the process of obtaining the income tax records from SSI, with respect to the SSIIT unit, and has, accordingly, not considered it to be eligible for any tax benefits for determination of current tax charge.

The current tax charge reflects the tax liability determined based on the estimated taxable income for the year ended March 31, 2006.

28 Earnings per share

	2006	2005
Weighted average number of equity shares in calculating basic Earnings per share ('EPS') including Share Capital pending allotment - (A)	103,971,674	24,685,813
Weighted average number of potential equity shares under option during the year - (B)	350,390	399,615
Weighted average number of equity shares in calculating diluted EPS - (A+B)	104,322,064	25,085,428

i. Pursuant to the Cambridge merger scheme, the Company needs to allot 74,757,507 equity shares to the shareholders of Cambridge LLC. Though these shares are pending allotment, for the purpose of computing the weighted average number of shares, the appointed date i.e. April 1, 2005 has been considered to be the date of issue of such shares.

ii. Pursuant to the SSIIT Merger Scheme, the Company has allotted 13,467,880 equity shares to the shareholders of SSI on October 27, 2004. For the purpose of computing the weighted average number of shares, the appointed date i.e. July 2, 2004 is considered to be the date of issue of such shares.

	2006	2005
Weighted average number of equity shares in calculating basic Earnings per share ('EPS') excluding Share Capital pending allotment - (A)	29,214,167	24,685,813
Weighted average number of potential equity shares under option during the year - (B)	350,390	399,615
Weighted average number of equity shares in calculating diluted EPS - (A+B)	29,564,557	25,085,428

29 Contingent liabilities and commitments

i. The Company has export obligations under the Software Technology Park (STP) 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 fulfill the export obligation, it shall be liable to pay, on demand; an amount equal to such duties saved including interest and liquidated damages. As at March 31, 2006, the Company has availed duty benefits amounting to Rs 49.9 million (2005 -- Rs 46.4 million), including the benefit availed by SSIIT amounting to Rs 41.4 million (2005 -- Rs 41.4 million). The Company expects to meet its commitment to earn the requisite revenue in foreign currency as stipulated by the STP regulations.

ii. As at March 31, 2006, Albion Inc, Scandent USA and Scandent UK, the subsidiary companies of Scandent have negative net assets amounting to Rs 1083 million, Rs 290 million and Rs 148 million, respectively. Whilst the respective subsidiaries are confident of generating funds from their operations for the year ending March 31, 2007, the Company has committed to fund the shortfall, if any.

iii. On March 31, 2006, the Company received an assessment order for the Assessment year 2003-04 which included transfer pricing adjustment for arm's length price of Rs 126.33 million. The Company has filed an appeal with the Commissioner of Income tax (Appeals) and is confident succeeding in reversal of such adjustment and does not expect any liability on this account.

30. Segment reporting

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

Business Segment	2006	2005
Manufacturing	724,665,880	502,650,721
Government	158,196,323	178,425,558
BFSI	765,617,864	599,115,502
	1,648,480,067	1,280,191,781

Secondary segmental reporting is performed on the basis of the geographical location of customers. The management views the North Americas, Europe and Rest of the world as distinct geographical segments.
Following table details the distribution of the Company's revenues by geographical markets.

Geographic location	2006	2005
North America	1,162,471,686	874,899,066
Europe	357,510,828	352,566,785
Rest of the World	128,497,553	52,725,930
	1,648,480,067	1,280,191,781

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

31 Employee Stock Option Plan

(i) During the year ended March 31, 2004, the Board of Directors approved the Employee Stock Option Plan ('ESOP Plan 2004') for the grant of stock options to the employees of the Company, employees of its subsidiary companies and employees of Scandent Group. A compensation committee has been constituted to administer the plan and to determine the exercise price.

During the year 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. The options will vest with the employees in the following manner

- 75% of the options after twelve months from the grant date; and
- the remaining options after twenty-four months from the grant date.

The fair value of the equity shares has been determined by the management on the date of the grant for ESOP 2004 based on a valuation by an independent appraiser. As per the terms of the ESOP Plan 2004, the exercise price equals the face value of the equity shares of Scandent, and accordingly the difference between the fair value and the exercise price has been recorded as compensation cost.

(ii) Pursuant to the SSIIT Merger Scheme, the Company needs to issue and allot to every holder of options under Employees Stock Option Scheme 1999, Employees Stock Option Scheme 2000 and Employees Equity Option Plan 2001, being an employee of SSIIT, one option for one equity share of Scandent against every option for one equity share of SSI held by him on the record date, aggregating to options for not more than 87,617 equity shares, except that the holder of an option to receive Global Depository Shares ('GDS') of SSI shall be entitled to one option for one equity share of Scandent for every option for 10 GDSs of SSI held by him.

Accordingly, on November 10, 2004, the Board of Directors of Scandent have approved SSIIT Services – Employees Stock Option Plan, 2004 ('ESOP II Plan 2004') for grant of options to the holder of options in SSI as on July 2, 2004, the Appointed Date. The Company has granted 70,892 options under the ESOP II Plan 2004 on November 10, 2004 to be exercised at a price of Rs 128.24, which approximates to the fair value of the options. The validity period of the Scheme shall be for a period of 24 months from the date of vesting. Based on the confirmation received from SSI, as at September 30, 2004, the options have been fully vested under the original stock option schemes. During the year, 300 options have been forfeited and 10,119 options have been exercised.

Considering that the exercise price equals the fair value of the equity shares of Scandent, no compensation cost has been recorded by the Company.

Following table details the movement of options for the two plans mentioned above (i.e. ESOP Plan 2004 and ESOP II Plan 2004)

Particulars	2006	2005
Options outstanding at the beginning of the year	537,110	477,268
Options granted during the year *	–	70,892
Options forfeited during the year	24,460	11,050
Options exercised during the year	355,953	–
Options expired during the year	–	–
Options outstanding at the end of the year	156,697	537,110
Options exercisable at the end of the year	156,697	420,556

* Represents 70,892 vested options of ESOP II Plan 2004.

(iii) During the year, the Board of Directors approved the Employee Stock Option Plan ('ESOP Plan 2005') for the grant of stock options to the employees of the Company and the employees of its subsidiary companies. A compensation committee has been constituted to administer the plan and to determine the exercise price.

Under the ESOP Plan 2005, on May 27, 2005, 179,263 options have been issued under Program I at a grant price of Rs 10 and 384,473 options under Program II at grant price of Rs 172. The vesting period for Program I shall be one year from the date of grant and in a staggered manner for Program II, spread over two years as follows:-

- 40% of the options one year from the date of grant
- 60% of the options two years from the date of grant

The difference between the fair value and the exercise price under Program I is considered as deferred compensation cost and amortised over the vesting period. During the year, the Company has recorded compensation cost of Rs 24,200,505. The exercise price for the options granted under program II are at the fair value of the equity shares of Scandent as at the date of issue, no compensation cost has been recorded by the Company.

As at March 31, 2006, no options have been forfeited, exercised or vested.

Following table details the movement of options for ESOP Plan 2005:

Particulars	2006	
	No of shares	Weighted average exercise price (Rs)
Options outstanding at the beginning of the year	-	-
Options granted during the year	563,736	120.48
Options forfeited during the year	-	-
Options exercised during the year	-	-
Options expired during the year	-	-
Options outstanding at the end of the year	563,736	120.48
Options exercisable at the end of the year	-	-
Weighted average remaining contractual life (in Years)	2.67	118.71
Weighted average fair value of options granted	-	82.28

The estimated weighted average fair value of options granted in May 2005 is Rs 118.71 per share.
This was calculated by applying the Black-Scholes option pricing model with the following inputs

Particulars	2006
Average risk-free interest rate	6.53 %
Expected volatility of share price	0.63
Expected life of options granted (in years)	3.5
Expected dividend yield	Nil

The Company's shares have been listed on the stock exchanges on March 9, 2005 and it does not provide adequate historical data for the calculation of historical volatility. Therefore, daily volatility of stock prices on the National Stock Exchange on India Limited, of a peer group company, over a period prior to the date of each grant, corresponding to the expected life of the options and the volatility calculated on the available historical information of the Company's share with adequate weights assigned to both.

Following are the details of exercise price and the options for ESOP Plan 2005:

ESOP Plan 2005	Exercise price (in Rs)	Number of options outstanding	Weighted average remaining life of options (inYears)	Weighted average exercise price (inRs)
Program I	10	179,263	2.67	10
Program II	172	384,473	2.67	172

Had the Company recorded compensation cost computed on the basis of fair valuation method instead of intrinsic value method, employee compensation cost would have been higher by Rs 22.6 million and the profit after tax would have been lower by the same amount, consequently, the revised earnings per share would have been as follows:

Earnings per share	Including Share Capital Pending Allotment (in Rs)	Excluding Share Capital Pending Allotment (in Rs)
Basic	0.23	0.80
Diluted	0.23	0.79

(iv) As refered to in Note 2, Cambridge LLC had introduced a Management Equity Plan for certain key employees, independent contractors and its Affiliates through the grant of Restricted Units of common membership interests of Cambridge LLC. Under this plan, 8,299 Awards were awarded, to be vested as per the terms of the Plan.

Of the total Awards, 4,778 Non-performance units were issued effective December 1, 2004 and 3,451 Performance units were issued effective January 1, 2005. Non-performance units vest in equal installments of 25 per cent on each of the first four anniversaries of the date of grant (December 1, 2004) subject to continued employment and the occurrence of a liquidity event. The date of grant for performance units is January 1, 2005 and vest on January 1, 2006, 2007, 2008 and 2009.

Pursuant to the Cambridge Merger Scheme, 583 fully paid equity share of Rs 10 each of the Company are to be issued for every Award held in Cambridge LLC. Such shares to be issued by the Company in lieu of the Awards to be deposited by the Award holders with an independent Escrow agent to be released on fulfillment of the conditions mentioned in the Plan

The fair value of the equity shares has been determined by the management on the date of the grant for such Awards to be USD 3.30 million (Rs 144 million). The exercise price for such Awards is Nil and accordingly, the fair value of such Awards has been recorded as compensation cost. Till March 31, 2005, the compensation expense of USD 0.53 million (Rs 23.36 million) had been recorded by Cambridge LLC. The remaining stock compensation adjustment of USD 2.77 million (Rs 121 million) will be recorded by the Company over the remaining vesting period. During the year, the Company has recorded stock compensation expense of Rs 63 million.

32 Leases

i. *Operating leases*

Office and guest house premises are obtained under operating lease. The lease term for these premises is for 11 months to 3 years with an option to terminate by notice of 3 to 6 months and the lessee is entitled to renew the lease period for a specified period of time. The lease agreements entail an escalation of lease rent of 15 per cent on renewal.

Rent expense for such operating leases recognized in the Profit and loss Account for the year is Rs 41,197,477 (2005 -- Rs 35,969,824).

ii. *Finance leases*

The Company has entered into an arrangement for lease of vehicles, office equipment and computer equipment.

The lease arrangement for vehicles and office equipment is for a period of 3 years. Under the terms of the lease, the Company is required to pay a fixed monthly installment over the lease term. In respect of vehicles, on pre-closure of the lease, the Company is liable to compensate the lessor for the losses computed under the terms of the lease arrangement.

The lease arrangement for computer equipment is for a period of over 26 months. Under the terms of the lease, the Company has paid as at March 31, 2006, a deposit of Rs 7,482 (2005 -- Rs 409,757) (included under Deposits in Note 15) as collateral security which will be adjusted against the last 2 installments of lease rentals.

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

	2006	2005
Total minimum lease payments*	600,400	1,774,667
Less: Interest	13,239	140,990
Present value of minimum lease payments*	587,161	1,633,677

* Net of security deposit paid for computers

Future minimum lease payments under finance lease are as under:

	2006	
	Minimum lease payments	Present value of minimumlease payments
Payable not later than one year	600,400	587,161
Payable later than one year and not later than five years	–	–
Payable later than 5 years	–	–
Total	600,400	587,161

	2005	
	Minimum lease payments	Present value of minimumlease payments
Payable not later than one year	1,585,068	1,457,317
Payable later than one year and not later than five years	189,600	176,360
Payable later than 5 years	-	-
Total	1,774,668	1,633,677

33 Details of utilisation of proceeds raised through preferential issues

During the year, the Company has 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 Rs 1,336.50 million 5.22 per cent Convertible Bonds to Indopark Holdings Limited, a wholly owned subsidiary of Merrill Lynch & Co.

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

Particulars	2006	2005
Financial advisory fee	42,118,525	–
Utilised for working capital	225,504,026	–
Fixed deposits	670,000,000	–
Bank Balance	624,427,389	–
	1,562,049,940	–

34 Foreign currency exposure

As at March 31, 2006, the Company has foreign currency exposure to the extent of the following:

Particulars	USD	GBP	EURO	SGD
Secured loan	(5,750,000)	–	–	–
Sundry debtors	30,791,769	4,841,042	390,141	20,727
Cash and Bank	14,599	–	425	–
Loans and advances	8,090,858	662,082	–	491,166
Current liabilities	(95,56,734)	(21,11,330)	(308,919)	(288,570)
	23,590,492	3,391,794	81,647	223,323

The Company has not hedged the foreign currency exposure as at March 31, 2006.

35 Supplementary Statutory Information

(i) Payment to Auditors (included in Legal & Professional Costs under note 24)

	2006	2005
Statutory Audit Fee	2,300,000	2,000,000
Tax Audit Fee	200,000	200,000
Limited review of quarterly financial results	1,500,000	1,300,000
Out of pocket expenses	338,250	46,500
	4,338,250	3,546,500

(ii) Managerial remuneration

The Company does not pay remuneration to Executive Chairman, Executive Vice Chairman or Whole Time Directors. The Company, in the previous year appointed a non resident as Managing Director and had applied to the Central Government in accordance with the requirements of the Companies Act, 1956. However, during the year, redesignated the individual as a whole time director with effect from September 5, 2005 and Central Government approval has been obtained in this regard. The Executive Chairman, Executive Vice Chairman and the Whole time Director, draw salary from foreign subsidiaries.

Further during the year, the Company has granted stock options to whole time director under the ESOP Plan 2005 program I & II and has recorded compensation cost in respect of these options. Based on the legal opinion, for the purposes of determining remuneration limits as per Schedule XIII to the Companies Act 1956, Company does not consider the compensation cost recorded forming part of Managerial remuneration.

		2006	2005
(iii)	Earnings in foreign currency (Accrual Basis)		
	Sale of software services	1,621,975,254	1,267,571,152
(iv)	Expenditure in foreign currency (Accrual Basis)		
	Project work expenses	679,706,798	517,957,453
	Marketing expenses	25,191,059	50,133,016
	Travelling	28,765,844	36,134,864
	Interest	17,061,374	_
	Communication	7,724,949	_
	Others	4,418,054	549,791
		762,868,078	604,775,124

(i) Legal expense incurred in connection with the issuance of 5.22 per cent Convertible Bonds amounting to Rs 8,035,413 have been adjusted against balance in securities premium account.

(v)	Value of imports calculated on CIF basis		
	Customer rights purchased from subsidiaries	-	91,238,008
	Capital goods	23,279,375	3,878,587
		23,279,375	95,116,595

(vi) The Company is engaged in the business of development of computer software. The production and sale of such software is not capable of being expressed in any generic unit. Hence, other information pursuant to the provisions of the paragraph 3, 4C and 4D of part II, Schedule VI to the Companies Act 1956 are not applicable to the Company.

36. Prior year comparatives

The financial statements for the previous year include the operations of SSIIT with effect from July 2, 2004 the Appointed Date. Accordingly, the current period results are not comparable with those of the prior year. The financial statements for the year ended March 31, 2005 have been reclassified where necessary to conform to current year's presentation.

As per report of even date

For S. R. Batliboi & Associates
Chartered Accountants
per Prashant Singhal
Partner
Membership No. 93283
Place : Bangalore
Date : June 21, 2006

For and on behalf of the Board of Directors

Christopher Sinclair
Executive Chairman

Satyen Patel
Executive Vice Chairman

Pradeep Chaudhry
Chief Financial Officer

V Viswanathan
Company Secretary

Place : Bangalore
Date : June 21, 2006

Statement Pursuant to Section 212 (1) (e) of the Companies Act, 1956 Relating to the Subsidiary Companies for the Year Ended March 31, 2006

1	Name of the Subsidiary Company	Scandent Group Inc, USA	Scantalent Inc, USA	Albion Inc, USA	e-Business Corp. Inc, USA	Indigo Markets Ltd, Bermuda
2	Financial Year of the Subsidiary Company	31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006
3	No. of Shares held in Subsidiary Company as on the above date	1,010,000	200,000	8,073,267	2,000	12,000
4	% of holding (Equity)	100%	100%	100%	100%	100%
5	The net aggregate of Profit / (Losses) of the subsidiary companies so far as they concern the members of the Company	–	–	–	–	–
	a. Dealt with in the Account of the Company for the year ended March 31,2006	Nil	Nil	Nil	Nil	Nil
	b. Not dealt with in the Account of the Company for the year ended March 31,2006	USD (845,269)	USD 178,230	USD (148,006)	USD 499,471	USD 104,177
6	The net aggregate of Profit / (Losses) of the subsidiary companies for the previous financial years since it became a subsidiary company so far as they concern the members of the company	–	–	–	–	–
	a. Dealt with in the Account of the Company for the year ended March 31,2006	Nil	Nil	Nil	Nil	Nil
	b. Not dealt with in the Account of the Company for the year ended March 31,2006	USD(10,322,361)	USD (786,406)	USD(41,713,374)	USD1,079	USD 1,313,113

1	Name of the Subsidiary Company	Cambridge Presidium Holdings Inc.	Cambridge Galaher Settlements &Insurance Services	Cambridge Integrated Services Group Inc.	Cambridge Integrated Services India Pvt Ltd
2	Financial Year of the Subsidiary Company	31st March 2006	31st March 2006	31st March 2006	31st March 2006
3	No. of Shares held in Subsidiary Company as on the above date	1,000	1,000	1,000	6,464,069
4	% of holding (Equity)	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 March 31,2006	Nil	Nil	Nil	Nil
	b. Not dealt with in the Account of the Company for the year ended March 31,2006	Nil	Nil	USD (4,679,705)	INR (22,587,642)
6	The net aggregate of Profit (Losses) of the subsidiary companies for the previous financial years since it became a subsidiary company so far as they concern the members of the company	–	–	–	–
	a. Dealt with in the Account of the Company for the year ended March 31,2006	Nil	Nil	Nil	Nil
	b. Not dealt with in the Account of the Company for the year ended March 31,2006	Nil	Nil	USD 10,344,045	INR (95,406,357)

Scandent Group GmbH, Germany	Scandent Network Europe Ltd., UK	Indigo Markets Europe Limited, UK	Scandent Group Pte Ltd., Singapore	Indigo Markets Singapore Pte Ltd., Singapore	ScadentGroup Sdn, BHD, Malaysia	BWH SARL France	MatrixOne India, Limited
31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006	31st March 2006
25,565	1	1,000	2,300,000	2	250,000	500	50,000
100%	100%	100%	100%	100%	100%	100%	100%
–	–	–	–	–	–	–	–
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Euro (50,477)	GBP (154,500)	GBP (32,801)	SGD 740,183	SGD (15,053)	RM 11,521	EURO (28,006)	INR 2,283,155
–	–	–	–	–	–	–	–
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Euro (415,642)	GBP (1,731,149)	GBP (511,441)	SGD(909,088)	SGD(846,758)	RM 207,887	EURO(292,042)	INR (3,319,387)

ProcessMind Holdings Mauritius Limited ,	ProcessMind Services Inc.,	Cambridge Integrated Services Victoria Pty Ltd.	Cambridge Integrated Services Australia Pty Ltd.
31st March 2006	31st March 2006	31st March 2006	31st March 2006
1	10,000	5	5
100%	100%	100%	100%
–	–	–	–
Nil	Nil	Nil	Nil
USD (12,459)	USD (314,460)	AUD 1,446,163	AUD 1,611,399
–	–	–	–
Nil	Nil	Nil	Nil
USD (19,238)	USD (1,840,065)	AUD 3,605,412	Nil

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. U72200KA2002PTC030072	State Code 8
Balance Sheet Date	31-Mar-06

II. Capital raised during the year (Amount in Rs. thousands)

Public Issue	–
Rights Issue	–
Bonus Issue	–
Private Placement	10,252

III. Position of mobilisation and deployment of funds (Amount in Rs. thousands)

Total Liabilities	4,159,640
Total Assets	4,159,640
Sources of Funds	
Paid up Capital (Including share capital pending allotment)	1,048,710
Reserves and surplus	720,218
Secured Loans	900,714
Unsecured Loans	1,489,998
Application of Funds	
Net Fixed Assets	66,959
Investments	1,255,153
Net Current Assets	2,816,565
Miscellaneous Expenditure	20,963
Accumulated Losses	–

IV. Performance of the company during the year (Amount in Rs. thousands)

Turnover	1,655,600
Total Expenditure	1,582,589
Profit Before Tax	73,011
Profit after Tax	46,052
Earnings Per Share (in Rs) (Basic)	0.44
Earnings Per Share (in Rs) (Diluted)	0.44
Dividend %	–

V. Generic names of three Principal Products/Services

of the company (as per monetary terms)
Item code no. (ITC Code No.)

Product Description	The Company is engaged in rendering software development and related services

For and on behalf of the Board of Directors

Christopher Sinclair
Executive Chairman

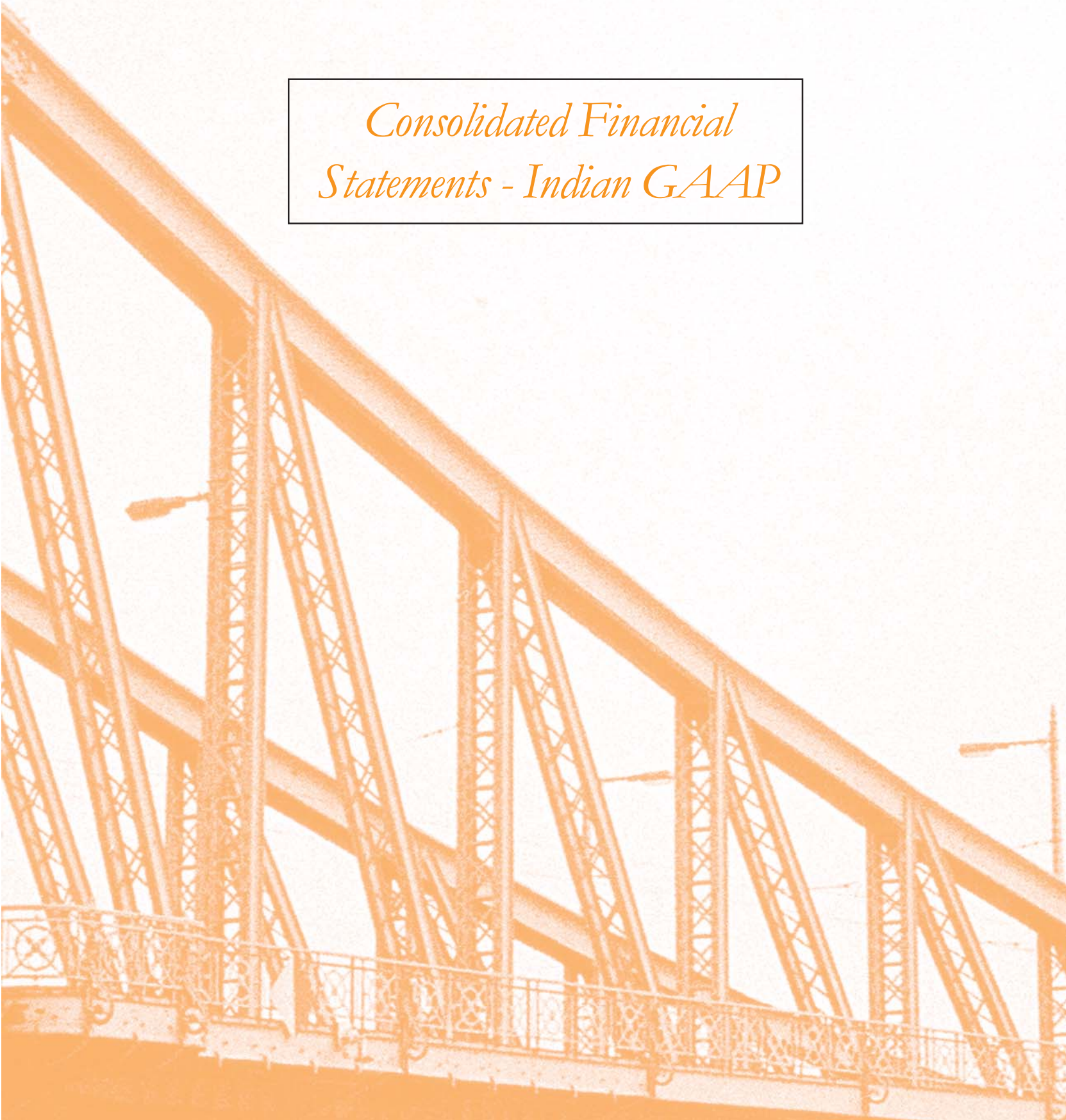
Satyen Patel
Executive Vice Chairman

Pradeep Chaudhry
Chief Financial Officer

V Viswanathan
Company Secretary

Place: Bangalore
Date: June 21, 2006

Consolidated Financial Statements - Indian GAAP



Auditor's Report

To the Board of Directors of Cambridge Solutions Limited (formerly Scandent Solutions Corporation Limited)

1. We have audited the attached consolidated balance sheet of Cambridge Solutions Limited (formerly Scandent Solutions Corporation Limited) ("the Company") and its subsidiaries (collectively called "Group"), as at March 31, 2006, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Group's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. (i) We did not audit the financial statements of certain subsidiaries, included herein with total assets, as at March 31, 2006 of Rs 197 million and revenue, net profit, cash flow for the year then ended of Rs 440 million, Rs 40 million and Rs 2 million, respectively, audited by other auditors, whose reports we have relied upon.

   (ii) We have relied upon the audit of Ernst & Young Singapore, Ernst & Young Malaysia and Ernst & Young Australia for certain subsidiaries included herein with total assets, as at March 31,2006 of Rs 186 million and revenue, net profit, cash flow for the year then ended of Rs 1,279 million, Rs 119 million and Rs 406 million, respectively.

   (iii) We have relied upon the audit of financial statements prepared as per the requirements of Generally Accepted Accounting Principles in the United States ('US GAAP') conducted by Ernst & Young LLP, United States, for one of the subsidiary companies included herein with total assets, as at March 31,2006 of Rs 2,766 million and revenue, net loss, cash flow for the year then ended of Rs 7,510 million, Rs 280 million and Rs 859 million, respectively, and these have not been audited by us. We have undertaken the audit of conversion of such financial statements from US GAAP to the Generally Accepted Accounting Principles in India.

4. We report that the consolidated financial statements have been prepared by the Group's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, issued by the Institute of Chartered Accountants of India.

5. Without qualifying our opinion, we draw attention to:

   a. Note 2.2 to the financial statements relating to the accounting of merger of Cambridge Services Holdings LLC ('Cambridge LLC') with the Company pursuant to the Scheme of merger ('the Cambridge Merger Scheme') approved by the Hon'ble High Court. The merger has been accounted for in accordance with the pooling of interest method referred to Accounting Standard 14 – Accounting for Amalgamation ('AS 14'). Accordingly, the assets and liabilities recorded in the books of Cambridge LLC are recorded by the Company at its books values and excess of net assets over the par value of equity shares issued amounting to Rs 1,925 million is treated as Reserve arising on Amalgamation and in accordance with the scheme has been utilised to reduce the carrying value of investment in Cambridge Integrated Services Group Inc ('CISGI'), subsidiary of Cambridge LLC. In accordance with the generally accepted accounting principles, the carrying value of investment in CISGI and Reserve arising on Amalgamation should have been higher by Rs 1,925 million each as at March 31, 2006. Consequently in the consolidated financial statements, the Goodwill arising on consolidation is lower by Rs. 1,925 million.

   b. Note 2.4 to the financial statements relating to the adjustment of expenses of Rs 104 million incurred in executing the Cambridge Merger Scheme have been adjusted against the Securities Premium account of the Company in accordance with the scheme of merger. In accordance with the generally accepted accounting principles, these expenses should have been charged to the profit and loss account for the year ended March 31, 2006.

   c. Note 6 to the financial statements. The Group, during the year ended March 31, 2006 has recognised revenue, amounting to Rs 328 million from a fixed price contract and its amendments, with one of its customers based on ratio of actual costs incurred to the budgeted costs of the project. As at March 31, 2006, debtors and unbilled revenue pertaining to the said contract and its amendments amount to Rs 34 million and Rs 519 million, respectively. As per the terms of the contract with the Customer, the unbilled revenues are expected to be billed between July 2006 and March 31, 2007. Though the Group does not have a confirmation from the customer with respect to the stage of completion of the contract, the management is confident of realising these amounts.

6. 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, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2006;
   (b) in the case of the consolidated profit and loss account, of the loss for the year ended on the date; and
   (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & ASSOCIATES
Chartered Accountants
Per Prashant Singhal
Partner
Membership No.: 93283
Bangalore
Date: June 21, 2006

Consolidated Balance Sheet as at March 31, 2006

(All amounts in Indian Rupees)	Notes	2006	2005
Sources of funds			
Shareholders' Funds			
Share capital	8	301,134,560	287,322,760
Share capital pending allotment	9	747,575,070	_
Reserves and surplus	10	709,984,418	657,275,435
		1,758,694,048	944,598,195
Loan Funds			
Secured loans	11	3,202,066,095	750,828,711
Unsecured loans	12	2,029,362,875	303,063,409
		5,231,428,970	1,053,892,120
Total		**6,990,123,018**	**1,998,490,315**
Application of funds			
Fixed Assets	13		
Gross block		1,607,473,437	290,540,752
Less: Accumulated depreciation		1,246,377,390	215,317,445
Net block		361,096,047	75,223,307
Capital work-in-progress		7,499,857	_
		368,595,904	75,223,307
Intangible Assets	14	4,708,283,197	1,325,176,019
Investments	15	–	–
Deferred Tax Asset	16	30,831,200	31,967,938
Current Assets, Loans & Advances			
Inventories	17	2,643,990	2,359,088
Sundry debtors	18	2,808,946,357	736,404,007
Cash and bank balances	19	2,682,152,907	142,956,560
Loans and advances	20	735,195,133	200,562,939
		6,228,938,387	1,082,282,594

Consolidated Balance Sheet as at March 31, 2006

(All amounts in Indian Rupees)	Notes	2006	2005
Less: Current Liabilities & Provisions			
Current liabilities	21	3,720,043,216	496,751,715
Provisions	22	870,958,100	51,133,511
		4,591,001,316	547,885,226
Net Current Assets		1,637,937,071	534,397,368
Miscellaneous Expenditure (to the extent not written off or adjusted)	23	87,029,919	31,725,683
Profit and Loss Account		157,445,727	
Total		**6,990,123,018**	**1,998,490,315**

The accompanying notes 1 to 38 form an integral part of this consolidated balance sheet.

As per our report of even date

For S. R. Batliboi & Associates
Chartered Accountants
per Prashant Singhal
Partner
Membership No. 93283
Place : Bangalore
Date : June 21, 2006

For and on behalf of the Board of Directors

Christopher Sinclair
Executive Chairman

Satyen Patel
Executive Vice Chairman

Pradeep Chaudhry
Chief Financial Officer
Place : Bangalore
Date : June 21, 2006

V Viswanathan
Company Secretary

Consolidated Profit & Loss Account for the Year Ended March 31, 2006

(All amounts in Indian Rupees)	Notes	2006	2005
Income			
Revenues	24	11,806,978,458	2,432,809,203
Other income	25	314,275,265	35,881,449
		12,121,253,723	**2,468,690,652**
Expenditure			
Employee costs	26	7,328,996,341	1,489,614,689
Other operating costs	27	3,801,395,346	638,664,861
		11,130,391,687	**2,128,279,550**
Profit before interest, tax, depreciation, amortisation and reorganisation cost		**990,862,036**	**340,411,102**
Depreciation	13	164,941,736	45,981,446
Amortisation	14	304,311,689	82,315,451
Finance costs	28	415,608,944	55,146,864
Profit before tax and reorganisation cost		**105,999,667**	**156,967,341**
Reorganisation costs	3	205,226,509	
Profit/ (loss) for the year before tax		**(99,226,842)**	**156,967,341**
Provision for current tax	30	83,079,032	7,032,436
Deferred tax charge / (income)	16 & 30	1,136,738	(31,967,938)
Fringe benefit tax		2,756,881	–
Profit/ (loss) for the year after tax		**(186,199,493)**	**181,902,843**
Net profit/(loss), at the beginning of the year		74,805,357	(199,107,954)
Capital reduction pursuant to the Scheme	4.1		196,855,010
Transfer from general reserve pursuant to the Scheme	4.4		2,252,944
Debit balance in profit and loss account transferred pursuant to the Cambridge Merger Scheme	2.5	(23,362,500)	
		51,442,857	–
Net profit/ (loss) available for appropriation		(134,756,636)	181,902,843
Appropriation towards Debenture Redemption Reserve	10	(22,689,091)	(107,097,486)
Net profit/ (loss), end of the year		**(157,445,727)**	**74,805,357**
Weighted average number of equity shares used in computing earnings per share - including Share Capital pending allotment	31		
Basic		103,971,674	24,685,813
Diluted		103,971,674	25,085,428
Earnings / (loss) per share [Equity shares, par value Rs 10 each] (2005 — Rs 10)			
Basic		(1.79)	7.37
Diluted		(1.79)	7.25

Consolidated Profit & Loss Account for the Year Ended March 31, 2006

(All amounts in Indian Rupees)	Notes	2006	2005
Weighted average number of equity shares used in computing earnings per share - excluding Share Capital pending allotment	31		
Basic		29,214,167	24,685,813
Diluted		29,214,167	25,085,428
Earnings / (loss) per share [Equity shares, par value Rs 10 each] (2005 — Rs 10)			
Basic		(6.37)	7.37
Diluted		(6.37)	7.25

The accompanying notes 1 to 38 form an integral part of this consolidated Profit and Loss account.

As per our report of even date

For S. R. Batliboi & Associates
Chartered Accountants
per Prashant Singhal
Partner
Membership No. 93283
Place : Bangalore
Date : June 21, 2006

For and on behalf of the Board of Directors

Christopher Sinclair
Executive Chairman

Satyen Patel
Executive Vice Chairman

Pradeep Chaudhry
Chief Financial Officer

V Viswanathan
Company Secretary

Place : Bangalore
Date : June 21, 2006

Consolidated Cash Flow Statement for the Year Ended March 31, 2006

(All amounts in Indian Rupees)	March 2006	March 2005
A. Cash flow from operating activities		
Net profit / (Loss) before taxation	**(99,226,842)**	**156,967,341**
Adjustments for:		
Depreciation	164,941,736	45,981,446
Amortisation	304,311,689	82,315,451
Amortisation of Miscellaneous expenditure (included in Finance costs)	34,341,944	7,647,075
(Profit) / Loss on sale of fixed assets	7,673,760	844,485
Profit on sale of investments	–	(1,050,729)
Foreign exchange gain/(loss) (net) - unrealised	(519,389)	1,446,230
Interest income	(189,909,327)	(6,450,068)
Write back of liability	(38,234,108)	(26,509,459)
Provision for Doubtful Debts	(8,922,508)	6,278,889
Deferred employee compensation cost	95,748,199	24,476,445
Interest expense	337,353,396	45,012,969
Operating profit before working capital changes	**607,558,550**	**336,960,075**
Movements in working capital :		
Decrease / (Increase) in Inventory	(248,903)	–
Decrease / (Increase) in sundry debtors	(154,814,991)	(216,475,670)
Decrease / (Increase) loans and advances	114,495,862	133,510,484
Increase / (Decrease) in current liabilities & provisions	(167,903,991)	(601,337,265)
Net cash used in operating activities	399,050,527	(347,342,376)
Direct taxes paid (net of refunds)	(8,509,363)	–
Net cash used in operating activities (A)	**390,541,164**	**(347,342,376)**
B. Cash flows from investing activities		
Purchase of fixed assets and intangible assets	(322,492,827)	(57,157,019)
Proceeds from sale of fixed assets	3,798,212	1,048,909
Purchase of investments	(63,522,637)	(9,068,130)
Sale of Investments	–	7,096,076
Merger Expenses	(14,771,859)	–
Interest received	193,473,066	7,399,991
Cash and cash equivalents in the subsidiaries financial statements as on the date of acquistion (Note (ii))	1,184,765,980	49,074,723
Cash and cash equivalents in the subsidiary on the date of disposal	–	(685,975)
Net cash from investing activities (B)	**981,249,935**	**(2,291,425)**

Consolidated Cash Flow Statement for the Year Ended March 31, 2006

(All amounts in Indian Rupees)	2006	2005
C. Cash flows from financing activities		
Proceeds from issue of share capital	230,311,101	270,000,000
Share Issuance Expense	(44,619,685)	(5,820,000)
Loan arrangement & Processing fees	(5,600,940)	(22,972,758)
Proceeds from short-term borrowings	50,435,904	142,378,598
Repayment of short-term borrowings	(381,126,999)	(358,579,007)
Proceeds from long-term borrowings	1,755,973,548	640,921,213
Repayment of long-term borrowings and finance lease obligation	(90,597,766)	(173,880,401)
Interest paid	(296,743,538)	(49,704,401)
Net cash from financing activities (C)	**1,218,031,625**	**442,343,244**
Net increase in cash and cash equivalents (A + B + C)	2,589,822,724	92,709,443
Foreign currency translation reserve	(50,626,377)	9,976,641
Cash and cash equivalents at the beginning of the year (Refer Note 19)	142,956,560	36,635,923
Cash and cash equivalents as at July 2, 2004 transferred pursuant to Scheme	–	3,634,553
Cash and cash equivalents at the end of the year (Refer Note 19)	**2,682,152,907**	**142,956,560**

Note:

(i) The de-merger of software development and information technology business of SSI Limited and its merger to and in the Company in the previous year is a non-cash transaction [also, refer Note 4].

(ii) The merger of Cambridge Services Holdings LLC into the Company is a non-cash transaction [refer Note 2].

As per our report of even date

For S. R. Batliboi & Associates
Chartered Accountants
per Prashant Singhal
Partner
Membership No. 93283
Place : Bangalore
Date : June 21, 2006

For and on behalf of the Board of Directors

Christopher Sinclair
Executive Chairman

Satyen Patel
Executive Vice Chairman

Pradeep Chaudhry
Chief Financial Officer

V Viswanathan
Company Secretary

Place : Bangalore
Date : June 21, 2006

Notes to the Consolidated Financial Statements for the Year Ended March 31, 2006

1 Background

1.1 Incorporation and History

Cambridge Solutions Limited (formerly Scandent Solutions Corporation Limited), ('Scandent' or 'the Company'), was incorporated on February 1, 2002 and is a part of The Scandent Group. The Scandent Group is promoted by individual investors and venture capital investors and is engaged in rendering software development and related services and information technology enabled services. Scandent Group has operations principally in India, Singapore, United States of America ('USA'), United Kingdom ('UK'), Germany, France, Malaysia and Japan.

On August 1, 2002, Scandent Group Inc, USA ('Scandent USA') entered into an agreement to acquire the contract rights to provide software development and related services (both onsite in the USA and offshore from India) to a customer in the USA. The contract with the customer is committed for a period of 42 months from August 1, 2002 and has a commitment for a minimum level of business. Simultaneously, on August 1, 2002, the Company acquired the contract rights to provide the offshore portion of the software development and related services as referred in the above agreement with the customer ('acquired contract') from an existing Indian software Company for a consideration of Rs 250 million together with incidental direct costs of Rs 33 million. The consideration was discharged through down payment of Rs 50 million, Rs 50 million payable after a year together with 11 per cent interest, and 11 per cent debentures of Rs 150 million repayable on July 31, 2007. During the year ended March 31, 2003, based on an independent fair valuation, the difference between the fair value and the face value of the Debentures had been recorded as Deferred Interest and reflected under Miscellaneous Expenditure, and is amortised pro-rata over the period from August 1, 2002 upto the maturity of the 11 per cent Debentures. During the year ended March 31, 2005, the Company had adjusted the carrying value of the contract rights of the acquired contract amounting to Rs. 117 million, which was set off against general reserve in accordance with the scheme of arrangement of de-merger of the software and development and information technology business (Refer note 4.4).

The Company, on October 1, 2004 converted to a public limited company and changed its name from Scandent Network Private Limited to Scandent Solutions Corporation Limited. Subsequently, on June 19, 2006, the Company has changed its name to Cambridge Solutions Limited. Scandent, together with its subsidiaries hereinafter is collectively reffered to as 'the Group'.

1.2 Agreement with SSI and consequential restructuring

On December 29, 2003, Scandent entered into a definitive agreement with SSI Limited ('SSI') for merger of the Information Technology division of SSI into Scandent. As a part of the arrangement and pursuant to Scandent Group strategy to consolidate its operations in India; Scandent USA, Scandent Network Europe Limited, UK ('Scandent UK'), Scandent Group Pte Limited, Singapore ('Scandent Singapore'), Scandent Group GmbH, Germany ('Scandent Germany') and Crescent Infosystems Private Limited ('Crescent'), were transferred as subsidiaries from Scandent Group Ltd, Mauritius ('Scandent Mauritius') to the Company effective March 31, 2004.

Accordingly, effective April 1, 2004, the Company revised its billing arrangements with its subsidiaries to take cognizance of the risks and rewards of the significant contracts vesting in India. Under the arrangement, Scandent remunerated its overseas entities with marketing fees of 5 per cent for revenues generated through them and cost plus 8 per cent for onsite effort on contracts undertaken by them. Consequentially, the customer rights pertaining to certain significant contracts in Scandent USA and Scandent UK valued at Rs 55 million (based on net book value) and Rs 41 million (based on independent fair value), respectively, have been transferred to the Company on April 1, 2004.

Effective July 31, 2005, the Company revised the mechanism of payment of marketing fees, with its overseas subsidiaries wherein the subsidiaries retain 5 per cent of revenue earned, from contracts assigned by them for marketing services rendered as against the Company remitting this amount from India.

2 Merger of Cambridge Services Holdings LLC

On December 17, 2005, the Company filed a Scheme of Amalgamation of Cambridge Services Holdings LLC ('Cambridge LLC') with itself ('the Cambridge Merger Scheme') with the Honourable High Court of Judicature at Karnataka. Cambridge LLC, a Delaware Corporation, is a Scandent Group company holding investments in Cambridge Integrated Services Group Inc ('CISGI') and Cambridge Integrated Services

Victoria PTY Limited ('Cambridge Australia'). These entities are engaged in providing Business Application outsourcing services. Cambridge LLC was incorporated by Scandent Group during 2004 and subsequently on November 30, 2004 acquired CISGI and Cambridge Australia from Aon Corporation, USA ('AON') for a purchase consideration of Rs 5,306 million ('Aquisition'). The purchase consideration was settled by Cambridge LLC in form of Rs 1,312 million in cash and Rs 1,313 million issue of its preferred units. The balance consideration of Rs 2,681 million was paid by CISGI by taking a loan from a bank. Accordingly, Cambridge LLC recorded investments at Rs 2,625 million and CISGI recorded purchase goodwill of Rs 2,681 million. As part of an earn-out package based on the amount of business referred to CISGI and its affiliates, by AON and its affiliates, over three to four years of acquisition, AON may receive potential deferred consideration of upto an additional 15% of the equity shares in Cambridge LLC. As of March 31, 2006, no deferred consideration was earned.

On March 13, 2006, the Cambridge Merger Scheme was sanctioned by the Honourable High court of Karnataka approving the merger with the Appointed date of April 1, 2005, subject to:

- the Company obtaining the approval from the foreign Court where Cambridge LLC is situated, i.e. State of Delaware. The approval was subsequently received on April 13, 2006;
- approval from Government of India for increasing the foreign shareholding and approval for getting foreign investment transfer. The approval of Foreign Investment Promotion Board was subsequently received on May 19, 2006; and
- filing of the court order with Registrar of Companies ('RoC'). On April 27, 2006, the Company has filed the Court order with the RoC.

Accordingly, the Company has given effect to the merger in the financial statements

Under the Cambridge Merger Scheme, with effect from April 1, 2005 (ie the Appointed Date), the assets and liabilities of Cambridge LLC would vest with the Company in consideration of 69,960,000 equity shares of the Company issued at par. As on the Appointed Date, the assets and liabilities of Cambridge LLC are as follows:

Particulars	Amount (Rs million)
Investments (refer Note (i))	2,625
Total	2,625
Share capital	
Common Units (90,000 units)	1,312
Preferred Units (30,000 units)	1,313
Restricted units (8,229 common units with restricted rights) (refer Note (ii))	–
Total	2,625
69,960,000 equity shares of Rs 10 each	700
Reserve arising on Amalgamation	1,925

Note (i) Investments represent 1000 common units of US $ 0.01 each in CISGI for consideration of Rs 2,384 million and 5 ordinary shares of Australian $ 1 each in Cambridge Australia for consideration of Rs 241 million.

Note (ii) Cambridge LLC has granted 8,229 Restricted Stock Units ('Awards') to certain key employees, independent contractors or its affiliates, pursuant to Cambridge Services Holding LLC management equity plan ('the Cambridge Equity Plan') (Refer Note 2.5, 10(iv) & 34(iv)).

Pursuant to the terms of the Cambridge merger scheme:

2.1 583 fully paid equity share of Rs 10 each of the Company are to be issued for every common unit, preferred unit and restricted unit held in Cambridge LLC. Accordingly, 69,960,000 equity shares are to be issued at par by the Company to the shareholders and 4,797,507 equity shares are to be issued at par to the Awards holders of Cambridge LLC. The Company is in the process of alloting these shares.

2.2 the merger has been accounted for in accordance with the pooling of interest method referred to Accounting Standard 14 – Accounting for Amalgamation ('AS 14'). Accordingly, the assets and liabilities recorded in the books of Cambridge LLC are recorded by Scandent at its books values and excess of net assets over the par value of equity shares issued amounting to Rs 1,925 million is treated as Reserve arising on Amalgamation, and in accordance with the Cambridge Merger Scheme, has been utilised to reduce the carrying value of investment in CISGI in the standalone books of account of the Company.

2.3 for the purpose of the consolidated financial statements of the Company, the Purchase Goodwill in the books of CISGI, amounting to 2,681 million has been deemed to be written down to the extent of the Reserve arising on Amalgamation of 1,925 million and the remaining Purchase Goodwill of Rs 756 million, is amortised over ten years from the Appointed date.

2.4 expenses of Rs 104 million incurred in executing the scheme have been adjusted against the securities premium account of Scandent [Refer Note 10].

2.5 583 fully paid equity share of Rs 10 each of the Company are to be issued for every Award held in Cambridge LLC. Cambridge LLC has issued 8,229 Awards to certain key employees and Affiliates and accordingly, 4,797,507 equity shares are to be issued at par by the Company to such Award holders. The Awards were granted by Cambridge LLC pursuant to the Cambridge Equity Plan and as per the Cambridge Merger Scheme, the shares to be issued by the Company in lieu of the Awards are to be deposited by the Award holders with an independent Escrow agent to be released on fulfillment of the conditions mentioned in the Plan.

Cambridge LLC management assessed the fair valuation of the Awards USD 3 million (Rs 144 million) and till March 31, 2005, has recorded compensation expense of USD 0.53 million (Rs 23 million). The remaining stock compensation adjustment of USD 2.77 million (Rs 121 million) will be recorded by the Company over the remaining vesting period. During the year, the Company has recorded stock compensation expense of USD 1.45 million (Rs 63 million).

3 Reorganisation Cost

Subsequent to the Acquisition, Cambridge LLC initiated a plan of restructuring its business, exit or consolidate its facilities and involuntary termination or relocation of certain of its employees. This resulted in following re-organization costs during the current year, which the management believes to be a one time cost.

Reorganization Cost	Amount (Rs Million)
Reorganisation study by independent consultant	21
Consolidation of existing facilities	42
Severance pay on involuntary termination	142
Total	205

4 Merger of the Information Technology division of SSI into Scandent during the year ended March 31, 2005

The Scheme of arrangement for de-merger ('the SSIIT merger scheme') of the software development and information technology business of SSI ('SSIIT') and its merger in the Company, was sanctioned by the Honourable High Court of Judicature at Karnataka and the Honourable High Court of Judicature at Madras and delivered to the Company on September 20, 2004 and September 22, 2004, respectively, which was then filed with the Registrar of Companies on September 23, 2004. Pursuant to the SSIIT merger scheme, the assets and liabilities of SSIIT were transferred to and vested in the Company with effect from July 2, 2004, the Appointed Date. The SSIIT merger scheme has, accordingly, been given effect to in these financial statements and pursuant to the terms of the Scheme:

4.1 the share capital of Scandent as at March 31, 2004 had been reduced from Rs 328 million to Rs 132 million and the capital reduction of Rs 196 million had been utilised to adjust the debit balance of equivalent amount in the Profit and loss Account of Scandent as at March 31, 2004. The reduction has been effected by cancelling Rs 5.9936 per equity share of the face value of Rs 10 each held by the shareholders and thereafter consolidating 2.4960 equity share of the face value of Rs 4.0064 each into one equity share of Rs 10 each.

4.2 one fully paid equity share of Rs 10 each of the Company is to be issued for every fully paid equity share of Rs 10 each held in SSI. Accordingly, 13,467,880 equity shares amounting to Rs 135 million were allotted to the shareholders of SSI on October 27, 2004.

4.3 The values of the assets and liabilities of SSIIT were initially accounted at the book values as appearing in the books of accounts of SSI (based on financial statements as on July 1, 2004, audited by a firm of Chartered Accountants and submitted by SSI) ('the Transfer Balance Sheet') resulting in excess of net assets over the shares to be issued to the shareholders of SSI ('Net assets'), amounting to Rs 1,206 million. The book value of assets and liabilities taken over are as follows:

Particulars	Amount (Rs million)
Fixed assets (including intangible assets), net	193
Investments, net	382
Current assets	
Sundry debtors	275
Cash and bank balance	3
Other current assets	23
Loans and advances	765
	1066
Current liabilities and provisions	125
Net current assets	941
Total assets	1,516
Secured loan	40
Unsecured loan	135
Total liabilities	175
Excess of assets over liabilities, represented by:	**1,341**
Share capital	135
General reserves	1,206

The Company has, however, recorded assets and liabilities of SSIIT at the values considered by it to be reflective of the underlying fair value. The adjustments, as discussed below, arising there from, based on a legal opinion, have been adjusted with the general reserve transferred from SSIIT:

Particulars	Amount (Rs million)
Provision for advances considered doubtful of recovery from subsidiary Companies	742
Provision for debtors considered doubtful of recovery from subsidiary Companies	209
Write down of Intangible assets (net) not considered to have any enduring benefit	105
Write down of fixed assets of SSIIT due to change in estimated useful lives Rs 23.42 million, and shortages arising on physical verification of fixed assets (Rs 6.92 million) undertaken by the management on the Appointed Date	30
Write back of provision for diminution in value of long-term investments, as not considered necessary by the management	(93)
Others	5
Total	998

4.4 Based on the SSIIT Merger Scheme, Scandent needs to adjust its intangible assets and debit balance of the profit and loss account with the General Reserve transferred from SSIIT. Accordingly, it has adjusted customer rights and other intangible assets of net book value Rs 197 million (net-off the write back of liability for professional charges of Rs 10 million, which was capitalised as a direct cost for acquisition of customer rights) and debit balance of Rs 2 million in the Profit and Loss account as at March 31, 2004 (debit balance in the Profit and Loss account after capital reduction as discussed in Note 4.1 above) with the General reserve transferred from SSIIT.

4.5 The Company, on June 3, 2004, had advanced Rs 135 million to SSI as inter-corporate loan. The loan was settled through the credit of Rs 135 million lying in the books of SSIIT towards SSI for funding the operations of SSIIT as on the date of merger. The Net Assets amounting to Rs 1,206 million as discussed in Note 4.3 above, are net of such amounts [also refer Note 8(i)].

5 Share Holding Pattern

As at March 31, 2004, Scandent Mauritius held 92.36 per cent of equity of the Company. The percentage of holding of Scandent Mauritius had dropped to 42.30 per cent, as at March 31, 2005, post allotment of shares to SSI and its shareholders, as a result of merger of SSIIT into the Company. On December 28, 2005, the Company made a preferential allotment of 1,025,227 equity shares to Scandent Mauritius at a premium of Rs 210 per share resulting in increase in shareholding to 43.76 per cent.

Pursuant to the Cambridge Merger Scheme, the Company will allot 69,960,000 and 4,797,507 equity shares of Rs 10 each at par, respectively to the Shareholders and Award holders of Cambridge LLC and accordingly these have been disclosed as shares pending allotment. The following table details the number of shares and the percentage of shareholding of the Company pre and post merger with Cambridge LLC.

Name of the Shareholders	March 31, 2005	March 31, 2006	March 31, 2006*
Scandent Mauritius	12,153,344 (42.30%)	13,178,571 (43.76%)	13,178,571 (12.57%)
Scandent Mauritius Limited ('SML')	–	–	52,470,000 (50.03%)
AON Minet Pension Scheme	–	–	17,490,000 (16.68%)
UTI India Technology Venture Unit Scheme	1,052,717 (3.66%)	1052,717 (3.50%)	1,052,717 (1.00%)
SSI	1,052,717 (3.66%)	1,052,717 (3.50%)	1,052,717 (1.00%)
Others	14,473,498 (50.38%)	14,829,451 (49.24%)	19,626,958 (18.72%)
Total	28,732,276 (100%)	30,113,456 (100%)	104,870,963 (100%)

* Post merger including share capital pending allotment.

Further, on March 14, 2006, the Company has made a preferential allotment of Rs 1,337 million 5.22 per cent Convertible Bonds ('Bonds') to Indopark Holdings Limited, a wholly owned subsidiary of Merrill Lynch & Co., mandatorily convertible at the end of eighteen months from the date of issue or earlier, at the option of the debenture holder, in issue of equity shares of the Company at a conversion price of Rs 217 per share i.e. at a premium of Rs 207 per equity share. The Bonds are currently reflected as unsecured loans in the financial statements, as the conversion option has not been exercised by the Bond holders. (Refer Note 12(ii)).

6 Unbilled Revenue

The Group, during the year ended March 31, 2006 has recognised revenue, amounting to Rs 328 million from a fixed price contract and its amendments, with one of its customers based on ratio of actual costs incurred to the budgeted costs of the project. As at March 31, 2006, debtors and unbilled revenue pertaining to the said contract and its amendments amount to Rs 34 million and Rs 519 million, respectively. As per the terms of the contract with the Customer, the unbilled revenues are expected to be billed between July 2006 and March 31, 2007. Though the Group does not have a confirmation from the customer with respect to the stage of completion of the contract, the management is confident of realising these amounts.

7 Significant Accounting Policies

7.1 Basis of preparation

A The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Group.

As these financial statements are not statutory financial statements, they are presented in the general format specified in Schedule VI to the Companies Act, 1956 ('the Act') and hence do not reflect all the disclosure requirements of the Act.

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 flows of Scandent and its subsidiary companies as at March 31, 2006. All material inter-company transactions and balances between the entities included in the consolidated financial statements have been eliminated. The excess of the cost to the Company of its investments in subsidiaries, over its proportionate share in equity of the investee Company as at the date of acquisition is recognised in the financial statements as Goodwill and disclosed under Intangibles. In case the cost of investment in subsidiary Companies is less than the proportionate share in equity of the investee company as on the date of investment, the difference is treated as capital reserve and shown under Reserves and Surplus.

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. Differences in accounting policies have been disclosed separately.

B Following table indicates the date of acquisition/merger and the equity shareholding as at March 31, 2006 of the subsidiary companies:

Name of the Subsidiary	Date of acquisition	Share holding
Acquisitions during 2004		
Scandent Group Inc., USA	March 31, 2004	100%
Scandent Network Europe Limited, UK ('SG UK')	March 31, 2004	100%
Scandent Group Pte Limited, Singapore	March 31, 2004	100%
Scandent Group Sdn Bhd. Malaysia.	March 31, 2004	100%
MatrixOne India Limited, India	March 31, 2004	99.9%
Scandent Group GmbH, Germany	March 31, 2004	100%
Acquisitions/Mergers during 2005		
Albion Inc, USA.	July 2, 2004	100%
Scantalent Inc (formerly ClientSoft Inc), USA.	July 2, 2004	100%
Indigo Markets Limited, Bermuda ('IML')	July 2, 2004	100%
Indigo Markets Pte Limited, Singapore (Subsidiary of IML)	July 2, 2004	100%
Indigo Markets Europe Limited, UK(Subsidiary of IML)	July 2, 2004	100%
Acquisitions/Merger during 2006		
Cambridge Integrated Services Group Inc., USA ('CISGI')	April 1,2005	100%
Presidium Holdings, Inc., USA (Subsidiary of CISGI)	April 1,2005	100%
Cambridge Galaher Settlements & Insurance Services., USA (Subsidiary of CISGI)	April 1,2005	100%
Cambridge Integrated Services Victoria Pty Limited, Australia	April 1,2005	100%
BWH Sarl, France (Subsidiary of SG UK)	April 1,2005	100%
ProcessMind Holding Mauritius Limited, Mauritius.('Process Mind')	May 10,2005	100%
ProcessMind Services Inc., USA (Subsidiary of CISGI)	May 10,2005	100%
Cambridge Integrated Services India Private Limited., India (Subsidiary of Process Mind)	May 10,2005	100%
E-business Corp Inc, USA (Subsidiary of Scantalent)	July 1, 2005	100%

The Company has not made any investments in any associates/ joint ventures.

(i) Pursuant to the Cambridge Merger Scheme becoming effective from the Appointed Date (Refer Note 2), CISGI and Cambridge Australia (Collectively reffered to as 'Cambirdge Subsidiaries') became wholly owned subsidiaries of the Company. Cambridge Subsidiaries function as third-party administrators and providers of claim and claim-related services and provide comprehensive risk management services to clients through seventy offices in the USA and one office in Australia.

The financial statements of Cambridge Subsidiaries have been consolidated with the financial statements of the Company for the year ended March 31, 2006. Pursuant to the Cambridge Merger Scheme, fair value adjustments amounting to Rs 1924 million (US $ 43 million) have been adjusted against the Net Assets of Cambridge Subsidiaries as at the Appointed Date. Consequently, Goodwill arising on consolidation of Cambridge Subsidiaries has been determined as follows:

(Rs. Million)

	CISGI	Cambridge Australia	Total
Investment Value	459	241	700
Net Assets as at the Appointed Date	(1,473)	127	(1,346)
Goodwill	1,932	114	2,046

Further, the purchase consideration of Rs 2,681 million (US $ 61million) paid by CISGI (Refer Note 2) for acquisition by Cambridge LLC of CISGI and Cambridge Australia was recorded by CISGI as Purchase Goodwill. Pursuant to the Cambridge Merger Scheme, this Goodwill is deemed to have been written down by Rs 1,925 million, being the Reserve arising on Amalgamation (Refer Note 2.3), resulting in Net Purchase Goodwill of Rs 756 million. As per the Cambridge Merger Scheme, the net Purchase Goodwill is being amortised over ten years from the financial year ended March 31, 2006.

(ii) On April 1, 2005, the Company acquired BWH Sarl, a company incorporated in United States of America resulting in an additional goodwill of Rs 15 million arising on its consolidation.

(iii) On May 10, 2005, CISGI acquired shares of ProcessMind Holding Mauritius Limited, (ProcessMind) a Mauritius Corporation, from Scandent Holdings Mauritius Limited, in exchange for a Subordinated Promissory Note in the amount of US $5 million (Refer Note 12 (v)). ProcessMind is a strategic global outsourcing business which has expertise in the process consulting and domain specific back office services and has two wholly owned subsidiaries ProcessMind Services Inc., USA and Cambridge Integrated Services India Private Limited, India (collectively referred as 'ProcessMind Group').

The financial statements of ProcessMind Group have been consolidated with the financial statements of the Company for the period from May 1, 2005 (for convenience purposes) till March 31, 2006 resulting in Goodwill arising on consolidation of Rs 268 million.

(iv) On July 1, 2005, the Company acquired E-business Corp Inc, a company incorporated in United States of America resulting in an additional goodwill of Rs 30 million arising on its consolidation.

7.2 Fixed assets and depreciation

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

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

(iii) Depreciation is provided using the straight line method as per the following useful life of the assets estimated by the management. For assets taken on lease, refer Note 7.4 below.

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

(iv) Leasehold improvements are depreciated over the primary lease period or useful life, whichever is lower, on a straight-line basis. Assets individually costing less than Rs 5,000 are fully depreciated in the year of acquisition.

(v) In case of CISGI, constituting 69 percent of fixed assets (gross), depreciation is provided using the straight line method as per the following useful life of the assets estimated by the management:

	Years
Computers	2-4
Vehicles	3-5
Office equipment	3-5
Furniture and fixture	5-7

Leasehold improvements are depreciated over the primary lease period or useful life, whichever is lower, on a straight-line basis. Assets individually costing less than USD 1,000 are fully depreciated in the year of acquisition

7.3 Intangible Assets

Intangible assets comprise of Goodwill arising on consolidation (refer note 7.1), Goodwill arising on acquisition, computer software held for use in business, customer rights and computer software license rights and software development costs.

(i) Goodwill arising on consolidation is not amortised in accordance with Accounting Standard 21 on Consolidated Financial statements.

(ii) 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 scheme [Refer Note 2.3].

(iii) Computer software is amortised over an estimated useful life of two years. In case of CISGI, constituting 83 percent, Computer software is amortised over an estimated useful life of two to twelve years. A software is being amortised for a period of 12 years on the basis of a valuation report by an independent appraiser.

(iv) Customer rights are amortised over an estimated useful life of forty two to forty eight months.

(v) Software License Rights purchased are amortised over an estimated useful life of four years.

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

7.4 Leases

Where the Company is the lessee

(i) Finance Leases

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term on a straight-line basis.

(ii) Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and loss account on a straight-line basis over the lease term.

Where the Company is the lessor

(i) Operating Leases

Lease income by sub-lease of office premises is recognised in the Profit and Loss Account on a straight-line basis over the lease term.

7.5 Revenue recognition

(i) Revenue from software development 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 software development on fixed price contracts is recognised as per proportionate-completion method.

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

Revenue from sale of software licenses is recognised when the significant risks and rewards of ownership of the license have passed to the buyer, which coincides with the delivery of the software licenses.

ii) Revenue from claim services fee 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 recognized 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 Company to its clients and are included in revenues.

The Company records bonuses earned under contractual arrangements when the amounts are determined to be probable and estimable.

7.6 Project work expenses and Claims work expenses

Project work expenses and claims work expenses represent amounts charged by sub-contractors and cost of hardware and software incurred for execution of projects.

7.7 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 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 expenses in the year in which they arise.

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

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

(iv) 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, 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 no-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.

As at March 31, 2006, the management has considered all subsidiaries as integral foreign operations except for the following which have been considered as non integral foreign operations:

i. Albion Inc., USA

ii. Scantalent Inc., USA

iii. Scandent Group Sdn Bhd., Malaysia

iv. Scandent Group Pte Ltd., Singapore

v. CISGI., USA

vi. Cambridge Integrated Services Victoria Pty Limited, Australia.

vii. Cambrigdge Integrated Services India Private Ltd.

viii. Process Mind Inc.

ix. Process Mind Holdings Mauritius Ltd.

7.8 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.

7.9 Inventories

Inventories comprise licenses purchased by the Company for sale 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.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and to make the sale.

7.10 Retirement benefits

In India, the Group contributes the employer's share of the Provident Fund and the Employees' Pension Scheme with the Regional Provident Fund Commissioner and charges all such amounts to the Profit and loss account on an accrual basis.

In respect of overseas Group companies, contributions made towards retirement/employee benefits, in accordance with the relevant applicable laws, are charged to the Profit and Loss Account.

Liability towards gratuity and leave encashment benefits is provided based on an actuarial valuation performed as at the balance sheet date and is unfunded as at March 31, 2006.

In case of CISGI and Cambridge Australia, constituting 71 percent of total leave liability, leave encashment is provided on full liability basis.

7.11 Income taxes

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 the Indian Income tax Act.

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 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. If the company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

7.12 Earning / (loss) per share

Basic earnings/ (loss) per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting 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 earning 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.

7.13 Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provision for onerous contracts, where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, is recorded at lower of the cost of fulfilling the onerous contract and any compensation or penalties arising from failure to fulfil it. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

7.14 Segment Reporting

Identification of segments:

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

Allocation of common costs:

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

Unallocated items:

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

7.15 Miscellaneous expenditure

Miscellaneous expenditure comprises of deferred interest on 11 per cent Debentures and cost of arranging long term loan. Interest on 11 per cent Debentures is amortised pro-rata over the period from August 1, 2002 to the maturity of the 11 per cent Debentures, i.e. July 31, 2007. Cost of arranging other long-term loans are amortised, over the period of the loan, commencing from the date of the first draw-down of the related loan, on weighted average basis.

7.16 Deferred employee stock compensation costs

Deferred employee stock compensation costs for stock options are recognised on the basis of generally accepted accounting principles and in accordance with the guidelines of Securities and Exchange Board of India, and, are measured as the excess of the fair value of the Company's stock on the stock options grant date over the amount an employee must pay to acquire the stock and recognised in a graded manner on the basis of weighted period of services over the vesting period of equity shares. 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.

7.17 Deferred and unearned revenue

Deferred and unearned revenues represent the estimated unearned portion of fees derived from certain fixed-rate claim service agreements. Deferred revenues are recognized 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 recognized on a pro-rata basis over the terms of the underlying service contracts, which are generally one year. Expenses related to the acquisition of these contracts are expensed as incurred.

8 Share capital

	2006	2005
Authorised capital		
125,000,000 (2005 -- 35,000,000) Equity shares of Rs 10 each	1,250,000,000	350,000,000
Issued, subscribed and paid-up capital		
30,113,456 (2005--28,732,276) Equity shares of Rs 10 each fully paid up	301,134,560	287,322,760

(i) The Company, in the previous year, had allotted 1,052,717 (post reduction of equity shares pursuant to the SSIIT Scheme) equity shares of Rs 10 each at a premium of Rs 118.24 per share to each of the two parties i.e. UTI India Technology Venture Unit Scheme and SSI on June 12, 2004 and September 12, 2004, respectively. The share issue expenses for issuance of 1,052,717 equity shares to UTI India Technology Venture Unit Scheme have been adjusted with the premium received on the allotment.

(ii) Pursuant to the SSIIT Merger Scheme, the Company had allotted 13,467,880 equity shares in the previous year to the shareholders of SSI as on the record date October 27, 2004. Also refer Note 4.2. and 5

(iii) Pursuant to the SSIIT Merger Scheme, the issued, subscribed and paid-up capital of the Company was reduced by Rs 196 million in the previous year. [Refer Note 4.1]

(iv) On December 28, 2005, the Company made a preferential allotment of 1,025,227 equity shares to Scandent Mauritius at a premium of Rs 210 per share. [Refer Note 5]

(v) During the year, the Company allotted 355,953 equity shares pursuant to options being exercised by employees under the Employee Stock Option Plans of the Company. Of these 10,119 equity shares of Rs 10 each have been allotted at a premium of Rs 118.75 per share and balance of 345,834 equity shares have been allotted at the face value of Rs 10 and, the stock compensation adjustment of Rs 21 million with respect to 345,834 equity shares has been transferred to Securities premium account.

9 Share capital pending allotment

	2006	2005
Share capital pending allotment	747,575,070	_

(i) Pursuant to the Cambridge Merger Scheme, the Company will allot 69,960,000 equity shares and 4,797,507 equity shares of Rs 10 each at par to the shareholders and Awards holders of Cambridge LLC respectively [Refer Note 2.1]. On such allotment, SML will become the Holding Company with an equity shareholding of 50.03 per cent represented by 52,470,000 equity shares. As the Cambridge Merger Scheme has been approved by the respective Courts, the Company is still in the process of issuing equity shares to SML, and hence this amount is reflected as Share Capital pending allotment [Refer Note 2 and 5].

(ii) Pursuant to the Cambridge Merger Scheme, 4,797,507 equity shares to be allotted to Awards holders will be deposited by the holders with an independent Escrow agent who shall hold the same in an escrow account. The escrow agent will hold and deliver these shares to the holders on fulfillment of conditions mentioned in the Cambridge Equity plan. [Refer Note 2.5]

10 Reserves and surplus

	2006	2005
Capital reserve [Refer Note (v) below]	36,116,669	5,700,900
Debenture Redemption Reserve [Refer Note (ii & iii) below]	_	_
Balance, beginning of the year	107,097,486	_
Additions during the year	22,689,091	107,097,486
Balance, end of the year	129,786,577	107,097,486
Securities premium		
Balance, beginning of the year [Refer Note 8(i) above]	425,586,964	182,461,304
Add: Received during the year [Refer Note 8(iv) & 8(v) above]	216,499,301	248,945,660
Add: Share premium on Employee Stock Options exercised during the year [Refer Note 8(v) above and 34]	20,750,040	_
Less: Expenses incurred towards Cambridge Merger Scheme [Refer Note 2.4]	(103,985,831)	_
Less: Convertible Bond issue expense [Refer Note 12 (ii) below]	(52,655,104)	(5,820,000)
Balance, end of the year	506,195,370	425,586,964
General Reserve [Refer Note 4]		
Balance, beginning of the year	9,631,642	–
Excess of net assets recorded by Scandent on the basis of book values of assets and liabilities as appearing in the books of SSI over the shares issued to the shareholders of SSI pursuant to the Scheme.	–	1,206,173,777
Less : Adjustments made to the book values of SSI [Refer Note 4.3]	–	(997,650,937)
Less : Adjustments made to the intangible assets of Scandent [Refer Note 4.4]	–	(196,638,254)
	9,631,642	11,884,586
Less : Transferred to Profit & loss account [Refer Note 4.4]	_	(2,252,944)
Balance, end of the year	9,631,642	9,631,642

Stock compensation adjustment [Refer Note 34]		
Balance, beginning of the year	27,973,080	–
Additions during the year	29,040,605	28,636,080
Additions during the year pursuant to Cambridge Merger Scheme [Refer Note 2.5 above]	144,619,169	–
Less: Amount transferred to securities premium on exercise of options [Refer Note 34]	(20,750,040)	–
Less: Amount transferred to share capital pending allotment [Refer Note 9(ii) above]	(47,975,070)	–
Reversal on forfeiture of stock options granted	(1,449,600)	(663,000)
	131,458,144	27,973,080
Less: Deferred employee stock compensation expense [Refer Note (i) below]	(62,554,248)	(3,496,635)
Balance, end of the year	68,903,896	24,476,445
Foreign Currency Translation Reserve [Refer Note 7.7]	(40,649,736)	9,976,641
Reserve arising on amalgamation [Refer Note 2.2]	1,925,400,000	–
Less: Reduction in the carrying value of investment pursuant to Cambridge Merger Scheme (Refer Note 2.2 and 7.1)	(1,925,400,000)	–
Profit & Loss account		74,805,357
	709,984,418	657,275,435

(i)	Deferred employee stock compensation expense [Refer Note 34]		
	Stock compensation expense outstanding at the beginning of the year	3,496,635	28,636,080
	Addition during the year	29,040,606	–
	Additions during the year pursuant to Cambridge Merger Scheme (Refer Note 2.5)	144,619,169	–
	Stock compensation cost amortised in the books of account of Cambridge LLC and transferred to the Company pursuant to the Cambridge Merger Scheme	(23,362,500)	–
	Stock Compensation expense amortised during the year	(89,790,062)	(24,476,445)
	Forfeitures	(1,449,600)	(663,000)
	Closing balance of deferred employee stock compensation expense	**62,554,248**	**3,496,635**

(ii) As discussed in Note 1.1 and Note 12 (i), on August 1, 2002, the Company had issued 11 per cent Debentures amounting to Rs 150 million repayable at par at the end of 5 years from the date of issuance. During the year, the Company has appropriated Rs 22.6 million towards Debenture Redemption Reserve.

(iii) As discussed in Note 12 (ii), the Company has issued Rs 1,337 million 5.22 per cent Convertable Bonds to be redeemed by issue of equity shares at the end of 18 month period. In accordance with the clarification of Department of Company affairs vide circular no, 6/3/2001-CL.V, the Company has not created Debenture Redemption Reserve.

(iv) Pursuant to the Cambridge Merger Scheme, stock compensation adjustment of Rs 121 million towards Awards granted by Cambridge LLC under the Cambridge Equity Plan has been transferred to the Company, [Refer Note 2.5] to be amortised over the remaining vesting period. Accordingly, during the year, the Company has recorded stock compensation expense of Rs 63.48 million.

(v) During the year, the Company has recorded capital reserve of Rs. 30 million, which represents waiver of liability by the ultimate holding company.

11 Secured loans

	2006	2005
From Banks		
Cash Credit facility	30,971,898	-
Working Capital Facility	218,440,000	329,071,244
External Commercial Borrowings	78,067,500	76,552,930
Term loan from Banks	2,837,241,548	332,509,570
Receivable purchase facility	21,312,470	1,848,464
Interest Accrued and due on working capital facility	-	2,379,213
	3,186,033,416	742,361,421
From Others		
Loans for purchase of fixed assets	14,890,077	6,579,175
Finance lease obligation	1,142,602	1,888,115
	16,032,679	8,467,290
	3,202,066,094	750,828,711

(i) On May 15, 2005, the Company entered into a letter of arrangement for a cash credit facility with UTI Bank Limited ('UTI Bank')for a tenor of one year. As per the terms of the arrangement, UTI bank will provide cash credit upto Rs 35 million to meet the working capital requirement of the Company at an interest rate of the prevailing UTI prime lending rate minus 3 percent. The facility is secured by a first pari - pasu charge on all the current assets of the Company both present and future except receivable from Scandent USA, first pari-pasu charge on the movable fixed assets of the Company, both present and future and personal guarantee of two Directors, corporate guarantee of Scandent UK and Scandent Mauritius. As of March 31, 2006, the Company has availed loan of Rs 31 million. Subsequent to year end, the Company is in the process of obtaining renewal of this facility.

(ii) On November 17, 2004, the Company entered into a working capital facility for Rs 40 million with China Trust Commercial Bank ('CTB'), which has been, subsequently renewed on January 27, 2006. As per the terms of the agreement, the Bank has sanctioned this facility for 12 months with tenor of each demand not exceeding 180 days from the date of drawdown at an interest rate linked to benchmark prime lending rate subject to a minimum of 11 per cent. The facility is secured by exclusive charge by way of hypothecation of all the receivables of the Company, both present and future arising from its operation in the United States of America through Scandent USA, unconditional personal guarantee of one of the Directors and corporate guarantee of Scandent USA. As at March 31, 2006, the Company has utilized the entire facility of Rs 40 million. (2005 -- Rs 40 million). The loan has been repaid in April 22, 2006 and the facility been withdrawn in June 2006.

(iii) On March 24, 2005, the Company entered into a Working Capital Dollar loan agreement with EXIM Bank. As per the terms of the agreement, EXIM bank has sanctioned USD 4 million to meet the Company's working capital requirements at interest rate of LIBOR (6 months) plus 300 basis points. The facility is to be repaid by the Company in bullet repayment at the end of two years from the date of draw down. The facility is secured by first pari-pasu charge on current assets of the Company including receivables, present and future (excluding receivables from Scandent Group Inc., USA), collateral security by way of first pari pasu charge on all movable fixed assets of the Company, except those specifically charged, irrevocable and unconditional personal guarantee of two Directors and irrecoverable corporate guarantee of Scandent USA, Scandent UK, Scandent Singapore, Albion Inc., USA, Scandent Mauritius, Scandent Holdings Mauritius Limited, Mauritius. As at March 31, 2006 the Company has availed the entire facility of Rs 178 million (USD 4 million) [2005 -- Rs 109 million (USD 2.5 million)].

(iv) On July 25, 2003, Scandent UK entered into an agreement with HSBC Bank Plc for availing bank overdraft facility. As per the terms of the agreement, Scandent UK can avail overdraft facility upto USD 500,000 at an interest rate of 1.5 percent over the bank's relevant currency base rate as varied time to time. This overdraft facility is secured by guarantee of one of the shareholders of the Scandent Holdings Mauritius Limited. As at March 31, 2005, Scandent UK has availed overdraft facility of USD 407,343 (Rs 17.82 million), which was repaid in May 2005.

(v) On March 10, 2004, Albion Inc. ('Albion') entered into a working capital facility with the State Bank of Mauritius, Mauritius. This facility is secured by a 1st rank charge for USD 5.5 million on receivable of Albion Inc, corporate gaurantee of Scandent Group Limited, Mauritius for USD 5.5 million and personal gaurantee of one of the directors. The facility is at the interest rate of three months LIBOR plus 200 basis points. The balance outstanding as at March 31, 2005, of USD 3.7 million (Rs 161.89 million) was repaid during the current year.

(vi) On December 15, 2004, the Company entered into a term loan (in the nature of External Commercial Borrowings of USD 2.75 million) agreement with CTB to finance investment in Scandent USA, at an interest rate of six months LIBOR plus 175 basis points. The loan is repayable at the end of 36 months in a single bullet installment. The loan is secured by exclusive charge by way of hypothecation of all the receivables of the Company both present and future arising from its operations in USA, personal guarantee of one of the Director, corporate guarantee of Scandent USA and exclusive charge of the movable fixed assets of the Company procured from the part of loan proceeds. On March 23, 2006, additional corporate guarantee of Scandent Holdings Mauritius Limited has also been provided. As of March 31, 2006, the Company has availed Rs 78 million (USD 1.75 million) [2005 --Rs 77 million (USD 1.75 million)].

(vii) On May 20, 2004, the Company entered into a term loan agreement with UTI Bank Limited. As per the terms of the agreement, UTI Bank has sanctioned a term loan facility of Rs 85 million to the Company to meet its operating and capital expenditure at an interest rate of 10.75 per cent per annum. The loan is repayable in 16 equal monthly instalments of Rs 5 million each commencing from January 2006. The loan is secured by first charge of hypothecation of moveable assets, both present and future, escrow of receivables from UK and collateral security by way of unconditional personal guarantee of two Directors and corporate guarantee of Scandent UK and Scandent Mauritius. Further, the Company is required to maintain a liquidity reserve equivalent to three months of principal loan instalments as a fixed deposit with the UTI Bank, at the Bank's standard interest rate for the residual period of the loan. The liquidity reserve is to be created out of the cash flows within one year from May 20, 2004. As of March 31, 2006, the Company had fully drawn down the term loan and has repaid three instalments. Subsequently, the loan has been repaid in April 2006.

(viii) On December 31, 2004, UTI Bank has sanctioned loan facility of Rs 247.5 million to meet its normal operation & capital expenditure requirements, at an interest rate of 9 per cent per annum. The loan is repayable in five equal half yearly instalment of Rs 49.5 million each commencing from February 2007. The loan is secured by first pari pasu charge on all current assets and movable fixed assets of the Company, both present and future, except receivable of Scandent USA, and collateral security by way of unconditional personal guarantee of two Directors and corporate guarantee of Scandent UK and Scandent Mauritius. Further, the Company is required to maintain liquidity reserve equivalent to one instalment as a fixed deposit with the Bank. As at March 31, 2006, the Company had fully availed loan of Rs 247.5 million (2005 -- Rs 247.5 million) and the amount repayable within one year as of March 31, 2006 is Rs 49.5 million (2005 -- Rs Nil). Subsequently, on May 3, 2006, the guarantee given by one of the directors has been released by the bank and the Company is in the process of renegotiating the terms of repayment and waiver for maintaining liquidity reserve.

(ix) On March 23, 2006, YES Bank Ltd had sanctioned a loan of Rs 280 million to repay some of the existing loans of the Company at an interest rate of Yes Bank's prime lending rate minus 3 per cent per annum. The loan is secured by way of first pari pasu charge on the current assets and movable fixed assets of the Company and by unconditional and irrevocable corporate guarantee of Scandent Mauritius and Scandent Holding Mauritius Limited, Mauritius. The loan shall be repaid in twelve equal quarterly instalments without moratorium from June 2006. As at March 31, 2006, the Company has utilised Rs 246 million of this facility and the amount repayable within one year from March 31, 2006 is Rs 82 million (2005 -- Rs Nil). The Company as at March 31, 2006 has Debt / EBITDA ratio in excess of 3, Debt service coverage ratio of less than 1.5 though as per the terms of the agreement it is required to maintain Debt / EBITDA ratio less than 3 and Debt service coverage ratio in excess of 1.5. This non-compliance is an event of default under the loan agreement, though the Company has not received any notice for recall of the loan for such default

(x) On December 1, 2004, CISGI entered into a $60 million Credit Agreement with Standard Chartered Bank ('SCB'). As per the terms of the agreement, the loan is secured by virtually all of CISGI's assets and carries an interest rate of LIBOR plus 400 bps. The loan is repayable in 10 installments of USD 3 million each and 8 installments of USD 3.75 million each commencing from August 31, 2005. CISGI has paid the first three installments following due during the year ended March 31, 2006 as per the above repayment schedule, hence, the balance loan outstanding as at March 31, 2006 was USD51 million (Rs 2,275.11 million). As at March 31, 2006, CISGI was not in compliance with the EBITDA covenant and, accordingly, SCB has the right to call the entire outstanding of USD51 million. CISGI has repaid US D18 million subsequently, on May 31, 2006 and has obtained waiver from SCB for this default.

(xi) On 18th July 2003, Scandent Group Pte Limited entered into a receivable purchase agreement with DBS Bank Limited, Singapore. Under the agreement, Scandent Group Pte Limited sells selected trade receivables to the bank with a right of recourse. The facility is available at the rate of 0.70% of the invoice value plus a discounting charge of 1.5 percent per annum above the banks prevailing prime lending rate and is secured by personal guarantees from the directors of Scandent Group Pte Limited, a corporate guarantee from Scandent Group Limited, Mauritius and a fixed and floating charge on all the assets and undertakings of Scandent Group Pte Limited. As of March 31, 2005, the net amount outstanding under the agreement is Singapore $ 69,692 (Rs 1.84 million). The facility has not been used as at March 31,2006.

(xii) On 21st January 2005, BWH SARL, France entered into a receivable purchase agreement with Factocic, France. Under the agreement, the BWH SARL will sell selected trade receivables to the Factocic without a right of recourse to BWH SARL . The facility is available at the rate of 1per cent of the invoice value plus a discounting charge of 3 per cent per annum above the EURIBOR and is secured by personal guarantees from the directors of BWH SARL. As of March 31, 2006, the net amount outstanding under the agreement is Euro 393,219 (INR 21,312,470).

(xiii) The Company has obtained vehicles, computers and office equipment on finance lease. These leases range for a period of two to three years and are secured by the assets acquired under these leases. An amount of Rs 0.59 million (2005 -- Rs 1.45 million), is repayable within one year from March 31, 2006.

(xiv) The Company has obtained vehicles and computers under a financing arrangement. The loan is repayable over one to three years and are secured by assets taken against these loans. An amount of Rs 4 million (2005 -- Rs 3 million) is payable within one year from March 31, 2006.

12 Unsecured loans

	2006	2005
1,500,000, 11 per cent Debentures of Rs 100 each	150,000,000	150,000,000
5.22 per cent Convertible Bonds	1,336,500,000	_
Interest accrued and due	3,440,481	_
Loans from Directors	57,293	3,932,634
Short Term Overdraft	_	25,000,000
Loan from Group Companies	271,145,647	124,130,775
Loans from Others	268,219,454	_
	2,029,362,875	303,063,409

(i) On August 1, 2002, the Company issued 1,500,000, 11 per cent debentures pursuant to the agreement entered into for acquisition of rights to a contract to render software services for a specified term to a particular customer. The debentures are repayable at par at the end of five years from the date of issuance [Refer Note 1.1]. Interest on the debentures is payable at annual rests. The interest due on August 1, 2005 was paid by the Company on September 8, 2005 and October 19, 2005 and the interest on delayed payments were made in the months of October 2005 and November 2005. Subsequently, in April 2006, the Company has prepaid debentures of Rs 60 million.

(ii) On March 14, 2006 the Company issued convertible bonds of Rs 1,337 million to Indopark Holdings Limited carrying a coupon rate of 5.22 per cent per annum, net of income tax deducted at source, payable in advance. The bonds are convertible into fully paid equity shares not later than 18 months from the date of allotment at a conversion price of Rs 217 per equity share (i.e. a premium of Rs 207), such price being derived as per SEBI guidelines. Interest for twelve months beginning from March 14, 2006 of Rs 3.4 million was due on March 14, 2006 itself, however has been paid on April 10, 2006. Arrangement fees of Rs 53 million for these bonds including legal charges which has been set off with the share premium account in accordance with Section 78 of the Companies Act, 1956.

(iii) Loans from Directors are interest free and were to be repaid on or before March 31, 2006. The same has not been repaid as at March 31, 2006.

(iv) Short term overdraft represents unsecured overdraft facility availed from UTI Bank at an interest rate of 5.6 per cent and has been repaid during the current year.

(v) Loan from Group Companies include loan from Scandent Group Rs 48.10 million and Promissory note of Rs 223.05 million. On May 10, 2005, CISGI signed a USD 5 million Promissory Note with Scandent Group as consideration for acquisition of the entire interest in ProcessMind Group. The note is unsecured and carries an interest rate of LIBOR plus 400 bps. Principal is payable in a single payment on the date on which the SCB Credit Agreement and AON Credit is repaid in full on May 10, 2009. As of March 31, 2006, the entire amount of USD 5 million (Rs 223 million) is outstanding.

(vi) Loan from Other include loan from AON Services Group Inc, USA (AON). As part of Acquisition Agreement entered into by Cambridge LLC, for acquisition of CISGI and Cambridge Australia, AON Services Group Inc, USA (AON) provided CISGI a subordinated unsecured loan facility for USD 6 million (AON Credit). On April 22, 2005, CISGI drew USD 6 million from the facility. The loan is unsecured and carries an interest rate of LIBOR plus 500 bps. Repayment is to occur after the earlier of a) the maturity of the SCB Credit Agreement, but not later than five years after the closing date of the Acquisition Agreement, or b) the date of repayment in full of the debt under SCB Credit Agreement. As of March 31, 2006, the entire amount of USD 6 million (Rs 268 million) is outstanding.

13 Fixed Assets

	Gross Block					
	As at April 1, 2005	Additions Pursuant to the SSIT Merger Scheme [Refer Note (ii)]	Additions Pursuant to the acquisition of Subsidiaries [Refer Note 7.1]	Additions	Deletions / adjustments [Refer Note (ii)]	As at March 31, 2006
Leasehold Improvements	66,880,237	—	234,792,223	33,703,921	71,588,958	263,787,423
Computers	150,290,929	—	448,413,245	97,003,165	22,376,791	673,330,548
Vehicles	12,445,373	—	4,739,509	12,650,125	6,355,695	23,479,312
Office Equipment	37,284,592	—	199,748,483	20,842,693	48,882,745	208,993,023
Furniture and fixtures	23,639,621	—	448,078,373	56,726,198	90,561,061	437,883,131
Total	290,540,752	—	1,335,771,833	220,926,102	239,765,250	1,607,473,437
Prior Year	54,638,416	160,868,664	72,920,039	23,724,310	21,610,677	290,540,752

(i) Computers, office equipment and vehicles include assets taken under finance lease. The gross book value and net book value of such assets have been disclosed in table below.

	Gross block As at March 31, 2006	Gross block As at March 31, 2005	Net block As at March 31, 2006	Net block As at March 31, 2005
Computers	5,477,388	5,195,069	345,357	1,782,099
Vehicles	-	1,681,957	-	647,665
Office Equipments	808,300	1,482,629	403,486	947,267
	6,285,688	8,359,655	748,843	3,377,031

(ii) Pursuant to the SSIIT Merger Scheme, fixed assets with gross book value and net book value of Rs 161 million and Rs 88 million respectively, were transferred to the Company. On July 2, 2004, the Company had performed a physical verification of assets acquired from SSIIT and noted that assets of gross value and net book value of Rs 15 million and Rs 7 million, respectively were not existing. Accordingly, these amounts have been disclosed in the adjustments column in schedule above. [Refer Note 4.3].

(iii) As at March 31, 2006, assets taken on loan basis amount to Rs 9 million (2005 - Rs 9 million), including assets amounting to Rs 8 million received by SSIIT on a loan basis from its customers .

14 Intangible Assets

	As at April, 2005	Additions pursuant to the SSIIT Merger Scheme [ReferNote (i)]	Additions pursuant to the Acquisition of Subsidiaries [ReferNote 7.1]	Additions	Adjustments [ReferNote (i&ii)]	As at March 31, 2006
Goodwill	1,193,155,932	—	2,359,598,724	—	—	3,552,754,656
Goodwill Acquired	63,321,184	—	2,693,487,715	—	1,925,400,000	831,408,899
Computer Software	401,625,794	—	2,038,610,968	80,323,567	1,114,345	2,519,445,984
Total	1,658,102,910	—	7,091,697,407	80,323,567	1,926,514,345	6,903,609,539
Capital Work in progress						
Prior Year	376,328,278	130,391,297	1,629,866,450	28,661,439	507,144,554	1,658,102,910

Notes to the Consolidated Financial Statements for the Year Ended March 31, 2006

Depreciation							Net Block		
As at April 1, 2005	Additions Pursuant to the SSIIT Merger scheme [Refer Note (ii)]	Additions Pursuant to the acquisition of Subsidiaries [Refer Note 7.1]	Additions	For the year	Translation adjustment	Deletions / adjustments [Refer Note (ii)]	As at March 31, 2006	As at March 31, 2006	As at March 31, 2005
34,893,430	—	136,582,436	—	51,133,485	190,344	57,087,774	165,711,921	98,075,502	31,986,807
138,664,181	—	387,741,470	—	68,586,440	391,825	17,309,689	578,074,225	95,256,323	11,626,748
3,536,334	—	447,896	—	6,563,466	19,788	2,937,835	7,629,649	15,849,663	8,909,039
22,655,778	—	179,303,422	—	20,308,559	177,587	44,831,280	177,614,066	31,378,957	14,628,814
15,567,722	—	334,280,144	—	18,349,786	355,959	51,206,082	317,347,529	120,535,602	8,071,899
215,317,445	—	1,038,355,368	—	164,941,736	1,135,503	173,372,660	1,246,377,390	361,096,047	75,223,307
21,308,041	73,055,665	64,276,466	23,423,168	45,981,446		12,727,341	215,317,445	75,223,307	—

As at April 1, 2005	Subsidiaries [ReferNote (i)]	Additions pursuant to the acquisition of Subsidiaries [ReferNote (i)]	For the Year	Translation Adjustment	Adjustments [ReferNote (i & ii)]	As at March 31, 2006	As at March 31, 2006	As at March 31, 2005
—	—	—	—	—	—	—	3,552,754,656	1,193,155,932
6,009,843	—	—	91,163,803	—	—	97,173,646	734,235,253	57,311,341
336,917,048	—	1,584,553,111	213,147,886	1,398,979	2,984,336	2,133,032,688	386,413,296	64,708,746
342,926,891	—	1,584,553,111	304,311,689	1,398,979	2,984,336	2,230,206,334	4,673,403,205	1,315,176,019
							34,879,992	10,000,000
							4,708,283,197	1,325,176,019
141,339,651	20,662,442	294,196,373	82,315,451		195,587,026	342,926,891	1,315,176,019	—

(i) Pursuant to the SSIIT Merger Scheme , the Company acquired software with gross book value and net book value of Rs 126 million and Rs 105 million, respectively. The management believes that there is no enduring benefits from the software transferred, accordingly, has adjusted the amount to the General reserve. [Refer Note 4.3].

(ii) On April 1, 2004, the Company acquired customer rights from its subsidiaries, i.e. Scandent USA and Scandent UK amounting to Rs 55 million and Rs 41 million respectively. The net book value of the entire customer rights of Rs 20 million as on July 1, 2004 has been adjusted with General reserve in accordance with the terms of SSIIT merger Scheme.

(iii) The Company has capitalised Rs Nil (2005 -- Rs 4.44 million) which represents exchange difference arising on conversion of foreign currency payable for acquisition of intangible assets.

(iv) Additions persuant to acquisition, under goodwill aquired, represents purchase goodwill recorded in the books of CISGI as on the date of application. This amount includes Rs 13 million of foreign currency translation adjustment as at the balance sheet date. The amount of goodwill has been adjusted with the revserve arising on amalgamation of Rs 1,925 million persuant to the Cambridge Merger scheme. Also, refer note 2.

(v) The Group has entered into an agreement with a vendor to use the software and documentation to create, maintain and operate a Business Application and Outsourcing service. Pursuant to this agreement, the group had capitalised the right to use such software licence for USD 5.1 million. These licence were being amortised over a period of 4 years, however, as at March 31, 2006. the Company has impaired the carrying value of the licence of USD 0.6 million as it may not be recoverable. This amount has been included in the amortisation charge for the year.

(vi) Albion and Clientsoft, were wholly owned subsidiaries of SSI, and pursuant to the SSIIT merger Scheme, these entities became a wholly owned subsidiary of Scandent, with effect from July 2, 2004. Pursuant to change of ownership of these entities to Scandent, the management considered certain changes in accounting estimates and changes in accounting policies, on the financial statements of the respective subsidiaries as at July 2,2004. The effect of these changes, amounting to Rs 14.21 million, has been adjusted with the goodwill arising on the consolidation in the previous year.

15 Investments (Unquoted, at cost, fully paid-up)

	2006	2005
Non-trade (Long term):		
215,000 Equity Shares of Rs 10 each in Globsyn Technologies Ltd	8,600,000	8,600,000
Less : Provision for diminution in value of investment	(8,600,000)	(8,600,000)
	-	-

During the year ended 2003, the Company had fully provided for dimunition in investments Globsyn Technologies Limited

16 Deferred tax asset [also, refer Note 30]

	Deferred tax asset/(liability) as at April 1, 2005	Current period credit/(charge)	Deferred tax asset asset/(liability) as at March 31, 2006
Depreciation	27,153,086	(1,323,328)	25,829,758
Employee retirement benefits	4,814,852	186,590	5,001,442
	31,967,938	(1,136,738)	30,831,200
Previous year	-	31,967,938	31,967,938

17 Inventories

	2006	2005
Software licenses	2,643,990	2,359,088
	2,643,990	2,359,088

18 Sundry debtors (Unsecured)

	2006	2005
Debts outstanding for a period exceeding six months		
Considered good	657,336,363	91,858,962
Considered doubtful	254,224,814	19,866,092
Other debts		
Considered good	2,151,609,994	644,545,045
Considered doubtful	6,762,879	1,530,697
	3,069,934,050	757,800,796
Less : Provision for doubtful debts	260,987,693	21,396,789
	2,808,946,357	736,404,007

(i) Provision for bad and doubtful debts include Rs 451 million (2005 -- Rs 17 million) representing provision for doubtful debts in the financial statements of the subsidiaries as on the date of acquisition

(ii) The above balance includes revenues unbilled to the end customer, amounting to Rs 1,158 million (2005 -- Rs 319 million)

19 Cash and bank balances

	2006	2005
Cash on hand	1,104,753	159,488
Balances with scheduled banks:	–	
Current accounts	644,960,757	18,056,386
Fixed deposit account	713,890,325	69,204,167
Balances with Other banks:	–	
Current accounts	3,581,852,207	55,001,623
Fixed deposit account	2,900,605	534,896
	4,944,708,647	142,956,560
Less: Client funds held in escrow	(2,262,555,740)	
	2,682,152,907	142,956,560

(i) Fixed deposits includes Rs 1.05 million (2005 -- Rs 0.35 million) kept as margin money for the guarantee extended by a Scheduled Bank in favour of the Assistant Commissioner of Customs to procure capital assets without payment of duty and Rs 11 million (2005 -- 9 million) maintained as liquidity reserve as per the terms of the loan agreement with UTI Bank [Refer Note 11 (vii) and 11 (viii)].

(ii) Cash and bank balances are net of client funds (i.e. fiduciary cash held in escrow) that are managed by the company. the company has the legal rights to use these funds as appropriate to administer claims on behalf of the client.

(iii) Currrent Account Balance and Fixed Deposit balance includes Rs 624 million and Rs 670 million, respectively received from preferential allotment of 5.22 per cent Convertible Bonds. As per the terms of the bond agreement, at least Rs 899 million is to be utilised towards repayment of existing indebtedness of the Company and its subsidiaries and the balance shall be utilised for working capital and capital expenses.

20 Loans and advances (Unsecured)

	2006	2005
Considered good		
Dues from related parties		
Loans and advances	88,228,052	99,418,273
Interest receivable	–	5,988,410
Expenses receivable	5,956,334	11,274,222
	94,184,386	116,680,905
Advances recoverable in cash or kind or for value to be received	490,505,112	42,684,308
Other receivables	26,385,311	–
Other deposits	108,980,387	40,162,261
Advance tax	15,139,937	1,035,465
	735,195,133	200,562,939
Dues from related parties:		
Atindia Management Services Private Limited ('Atindia')	4,639,993	4,639,993
Cambridge Integrated Services India Private Limited	–	55,007,069
Seabulk Software India Pvt Ltd	33,716,063	33,716,063
Scandent Holding Mauritius Limited, Mauritius	39,937,560	6,055,148
Scandent Group Limited, Mauritius	15,890,771	–
	94,184,387	99,418,273

21 Current liabilities

Sundry creditors	1,842,592,822	331,370,824
Book Overdraft	455,211,664	–
Dues to related parties		
Purchase consideration payable	–	26,337,500
Expenses payable	3,668,560	783,843
Interest accrued but not due		
on 11 per cent debentures	18,255,808	13,036,927
on loans	41,673,745	3,411,402
Advance from customers	52,619,801	72,671,231
Deferred revenue	1,226,482,728	
Other liabilities	79,538,088	49,139,988
	3,720,043,216	496,751,715

22 Provisions

	2006	2005
Provision for taxation	125,195,359	8,326,697
Provision for gratuity	12,233,414	9,722,432
Provision for leave encashment	131,677,349	33,084,382
Provision for estimated losses	53,843,333	–
Provision for onerous contracts	548,008,645	–
	870,958,100	51,133,511

(i) In the previous year, pursuant to the SSIIT Merger Scheme, provisions for gratuity and leave encashment were transferred from SSIIT amounting to Rs 5 million and Rs 6 million, respectively. Also Refer Note 4.3.

(ii) Movement during the year

Description	Opening Balance	Addition persuant to acquisitions	Charge during the year	Used during the year	Closing Balance
Provision for estimated losses	–	–	53,843,333	–	53,843,333
Provision for onerous contracts	–	788,547,907	17,844,000	258,383,262	548,008,645
Provision for Gratuity	9,722,432	231,460	4,694,734	2,415,212	12,233,414
Provision for Leave Encashment	33,084,382	53,652,523	122,613,366	77,672,922	131,677,349
Total	42,806,814	842,431,890	198,995,433	338,471,396	745,762,741

23 Miscellaneous expenditure

	2006	2005
Deferred interest on 11 per cent debentures [Refer Note 1.1]	11,480,000	16,400,000
Less: Amortised during the year [Refer Note 28]	4,920,000	4,920,000
	6,560,000	11,480,000
Deferred upfront / processing fee for loans	20,245,683	22,972,758
Add : Upfront/processing fee incurred during the year	5,600,940	–
Add : persuant to acquisitions of subsidiaries	84,045,240	–
Less: Amortised during the year [Refer Note 28]	29,421,944	2,727,075
	80,469,919	20,245,683
	87,029,919	31,725,683

24 Revenues

	2006	2005
Revenues from software development and related services		
- Time and material contracts	2,125,208,345	1,362,738,525
- Fixed price contracts	981,371,701	968,174,588
- Annual maintenance contracts	81,439,223	82,411,435
- License Sale	42,419,449	19,484,655
Claims Service fee	8,576,539,740	_
	11,806,978,458	2,432,809,203

25 Other income

	2006	2005
Write back of liability	38,234,108	26,509,459
Interest Income	189,909,327	6,450,068
Miscellaneous Income	86,131,830	2,921,922
	314,275,265	35,881,449

26 Employee costs

	2006	2005
Salaries, allowances and bonus	6,456,465,885	1,347,353,423
Contribution to provident fund and other funds	173,155,258	37,433,895
Gratuity and leave encashment charge	127,308,100	30,359,073
Employee stock compensation expense [Refer Note 34]	95,748,199	24,476,445
Staff welfare	428,316,322	35,999,016
Recruitment and relocation	48,002,577	13,992,837
	7,328,996,341	1,489,614,689

27 Other operating costs

	2006	2005
Travel	401,491,900	148,253,606
Rent	591,126,629	89,621,924
Communication	342,593,605	46,398,023
Power and fuel	63,079,067	13,174,958
Insurance	112,576,683	33,808,121
Rates and taxes	127,951,870	3,210,796
Project work expenses	569,015,079	174,029,606
Claims Work Expenses	827,449,266	_
Repairs and maintenance		
- Computer equipment	64,517,806	15,337,686
- Others	107,373,880	8,817,533
Legal & professional	267,551,411	57,002,152
Printing & stationery	110,789,901	8,558,076
Business promotion	135,113,768	16,380,579
Exchange loss/(gain), net	2,209,849	7,493,635
Loss/(Profit) on sale of fixed assets, (net)	7,673,760	844,485
Bad debts / provision for bad & doubtful debts (net)	(8,922,508)	6,278,889
Provision for estimated losses	53,843,333	_
Miscellaneous expenses	25,960,047	9,454,792
	3,801,395,346	638,664 ,861

28 Finance costs

	2006	2005
Interest on 11 per cent debentures	16,652,699	16,500,000
Interest on 5.22% Convertible Bonds	4,350,085	_
Amortization of deferred interest on 11% debentures [Refer Note 23]	4,920,000	4,920,000
Amortization of loan arrangement and processing fees [Refer Note 23]	29,421,944	2,727,075
Interest - others	316,350,612	28,512,969
Bank charges	43,913,604	2,486,820
	415,608,944	55,146,864

29 Related Party Disclosures

S No.	Name of the related party	Relationship	Nature of transaction
i	Scandent Group Limited, Mauritius	Group company	Expenses incurred on behalf of the related party Loans & advances Expenses receivable Unsecured Loan Expenses Payable Guarantees given
ii	Scandent Holding Mauritius Limited, Mauritius	Ultimate Holding Company	Expenses incurred on behalf of the related party Interest Expenses Purchase of Investment Unsecured Loan(waived) Expenses Receivable Purchase consideration Payable Loans & advances Interest payable Unsecured Loan Guarantees given
iii	Atindia Management Services Private Limited	Company in which director of a company is also a director	Payments received against loan Loans & advances
iv	Seabulk Software India Private Limited	Company in which director of a company is also a director	Unsecured Loan given Loans & advances
v	Katra Holdings Private Limited	Company in which director of a company is also a director	Unsecured loans paid Unsecured loans taken Unsecured loan

April 1, 2005 to March 31, 2006	Receivable/(payable) As at March 31, 2006	April 1, 2004 to March 31, 2005	Receivable/(payable) As at March 31, 2005
14,301,321	-	(2,284,226)	-
-	9,934,436	-	-
-	5,956,334	-	4,510,954
-	-	-	(53,652,507)
-	(3,668,560)	-	-
-	524,040,581	-	194,375,000
(603,973)	-	145,813,333	-
14,746,172	-	-	-
-	-	(26,171,950)	-
(154,571,604)	-	-	-
-	-	-	6,763,268
-	-	-	(26,337,500)
-	39,937,560	-	6,055,148
-	(14,855,130)	-	-
154,571,604	(271,145,647)	-	(51,793,487)
-	671,525,600	-	356,875,000
-	-	(1,200,000)	-
-	4,639,993	-	4,639,993
-	-	15,000,000	-
-	33,716,063	-	33,716,063
5,000,000	-	-	-
-	-	(5,000,000)	-
-	-	-	(5,000,000)

Notes to the Consolidated Financial Statements for the Year Ended March 31, 2006

S No.	Name of the related party	Relationship	Nature of transaction
vi	Cambridge Integrated Services India Private Limited (formerly Processmind Services Private Limited)	Company in which director of a company is also a director	Reimbursement for use of office facilities and other office services such as maintenance, communication expenses, etc. (net balance) Project work expenses Unsecured loan given / Payments for reimbursements Payments received against loan and advances Interest income Interest receivable Expenses payable Loans & Advances
vii	Processmind Services Inc., USA	Company in which director of a company is also a director	Expenses incurred on behalf of the related party Amounts to be paid towards debtor dues Payments received Unsecured Loan
viii	Valuebridge Services Private Limited	Company in which a Director of the Company is interested (till January 13, 2006)	Payments received against loan Expenses paid on behalf of the related party
ix	J & A Consulting Private Limited	Company in which relative of a Director is a Director / Shareholder (till September 30, 2004)	Professional services received
x	Ramesh Vangal	Director (till January 13, 2006)	Expenses paid on behalf of the related party Unsecured loan repaid* Unsecured loan taken Unsecured loan Guarantees given
xi	Dilip Keshu	Director	Salary
xii	Satyen Patel	Executive Vice Chairman & Director	Salary Guarantees given
xiii	Christopher Sinclair	Executive Chairman & Director	Salary

* Including Rs 2 million repaid for loan appearing in subsidiary acquired during the year.

Note

1 Effective May 10, 2005, Cambridge Integrated Services India Private Limited (formerly Processmind Services Private Limited) and Processmind Inc., USA have become subsidiaries of the Company.

2 The Company has issued stock options to Dilip Keshu for which compensation cost has been recorded during the year ended March 31, 2006.

April 1, 2005 to March 31, 2006	Receivable/(payable) As at March 31, 2006	April 1, 2004 to March 31, 2006	Receivable/(payable) As at March 31, 2005
-	-	(19,402,626)	-
-	-	3,911,430	-
-	-	67,142,381	-
-	-	(25,374,597)	-
-	-	5,857,940	-
-	-	-	5,988,410
-	-	-	(783,843)
-	-	-	55,007,069
-	-	7,953,404	-
-	-	(4,267,296)	-
-	-	(4,540,272)	-
-	-	-	(13,684,781)
-	-	(3,308,499)	-
-	-	163,160	-
-	-	(1,043,840)	-
375,341	-	-	-
5,500,126	-	-	-
-	-	(500,000)	-
-	(57,293)	-	(3,932,635)
-	644,022,481	-	560,277,500
17,023,489	-	4,400,000	-
16,441,847	-	-	-
-	525,954,981	-	443,715,000
13,837,499	-	-	-

30 Provision for tax

(i) Current tax charge reflects provision for income tax based on the taxable income of the Group based on the 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 Group, if any, have also been considered.

Indigo Markets, Bermuda is eligible to claim tax holiday as per the local tax laws applicable. Further, Scandent in India operates three units, two in Chennai and one at Bangalore. The Bangalore unit is registered with the Software Technology Parks of India, Bangalore and is eligible to claim tax holiday for 10 years (upto the financial year 2008-09) under section 10A of the Income-tax Act, 1961 ('IT Act'). In Chennai, the Company has two units, one set up by it during 2002, which is not eligible to claim benefit under section 10A of the IT Act, and the second facility transferred to the Company as a result of its merger with SSIT. The Company is in the process of obtaining the income tax records from SSI, with respect to the SSIIT unit, and has, accordingly, not considered it to be eligible for any tax benefits for determination of current tax charge.

(ii) The Group as at March 31, 2006 has significant brought forward losses and has not recognised deferred tax asset on such brought forward losses as per its accounting policy. However, considering the virtual certainty to earn future taxable profits, deferred tax asset has been recognised on the timing differences of Scandent Solutions Corporation Limited, India.

(iii) The Group has significant intra group transactions pertaining to revenue and expenses cross charges, between the Company, Scandent USA and Scandent UK. The management is in the process of updating the transfer pricing study for such transactions entered into during the year ended March 31, 2006. The management does not anticipate any adjustments with regard to the transactions involved.

31 Earning/(loss) per share

	2006	2005
Weighted average number of equity shares in calculating basic Earnings per share ('EPS') including Share Capital pending allotment - (A)	103,971,674	24,685,813
Weighted average number of potential equity shares under option during the year - (B)	_	399,615
Weighted average number of equity shares in calculating diluted EPS - (A+B)	103,971,674	25,085,428

(i) Pursuant to the Cambridge merger scheme, the Company needs to allot 74,757,507 equity shares to the shareholders of Cambridge LLC. Though these shares are pending allotment, for the purpose of computing the weighted average number of shares, the appointed date i.e. April 1, 2005 has been considered to be the date of issue of such shares.

(ii) Pursuant to the SSIIT Merger Scheme, the Company has allotted 13,467,880 equity shares to the shareholders of SSI on October 27, 2004. For the purpose of computing the weighted average number of shares, the appointed date i.e. July 2, 2004 is considered to be the date of issue of such shares.

	2006	2005
Weighted average number of equity shares in calculating basic Earnings per share ('EPS') excluding Share Capital pending allotment - (A)	29,214,167	24,685,813
Weighted average number of potential equity shares under option during the year - (B)	_	399,615
Weighted average number of equity shares in calculating diluted EPS - (A+B)	29,214,167	25,085,428

32 Contingent liabilities and commitments

(i) The Company has export obligations under the Software Technology Park (STP) 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 shall be liable to pay, on demand; an amount equal to such duties saved including interest and liquidated damages. As at March 31, 2006, the Company has availed duty benefits amounting to Rs 50 million (2005 -- Rs 46 million), including the benefit availed by SSIIT amounting to Rs 41 million (2005 -- Rs 41 million). The Company expects to meet its commitment to earn the requisite revenue in foreign currency as stipulated by the STP regulations.

(ii) On March 31, 2006, the Company received an assessment order for the Assessment year 2003-04 which included transfer pricing adjustment for arm's length price of Rs 126 million. The Company has filed an appeal with the Commissioner of Income tax (Appeals) and is confident succeeding in reversal of such adjustment and does not expect any liability on this account.

(iii) CISGI is also subject to claims, lawsuits and proceedings that arise in the ordinary course of business. CISGI has purchased errors and omissions ("E&O") insurance and other appropriate insurance to provide protection against losses that arise in such matters. Although the ultimate outcome of these matters cannot be ascertained, and liabilities in indeterminate amounts may be imposed on CISGI on the basis of present information, availability of insurance coverage, and legal advice received, it is the opinion of management that the disposition or ultimate determination of such claims and lawsuits will not have a material adverse effect on the consolidated financial position of the Company. However, it is possible that future consolidated results of operations or cash flows for any particular quarterly or annual period could be materially affected by unfavorable resolution of these matters. For the year ended March 31, 2006, there are no material accruals for matters of this nature.

(iv) The Company's US subsidiary has two letters of credit (LOC).

The first LOC, in the amount of US$ 1 million, is in favor of the ACE insurance companies as referenced on the LOC and is to secure the Cambridge surety bond program. It expires on December 1, 2006. This LOC is automatically renewed for one year unless the Bank notifies the Company in writing 60 days before each anniversary date.

The second LOC, in the amount of US 3.2 million, is in favor of the AIG insurance companies as referenced on the LOC and is to secure the Company's self-funded and self-administered Workers Compensation policy. It expires on December 1, 2006. This LOC is automatically renewed for one year unless the Bank notifies the Company in writing 30 days before each anniversary date.

In addition, the Company's Australia subsidiary also has two LOC's.

The first LOC, in the amount of US$ 1.4 million, is to provide for the cost of the performance bond covering services provided to New South Wales Workers Compensation Nominal Insurer. It expires on December 12, 2011.

The second LOC, in the amount of US$ 2.9 million, is to cover rent and other facility costs for office space located in Sydney, New South Wales and Melbourne, Victoria. This amount has various expiration and reduction dates beginning in March 2008.

All LOCs are fully collateralized by compensating balances.

(v) Claims against the company not acknowledged as debts Rs 285,630 (2005--NIL).

33 Segment reporting

The primary reporting of the Group has been performed on the basis of business segments. The Company is organised into two business segments, Back Office Processing (BPO) and Information Technology (IT) segments. The IT segments, further has three sub business segments, Banking, Financial services and Insurance ('BFSI'); Manufacturing and Government. Segments have been identified and reported based on the activity of the customer, the risks and returns, the organisation structure and the internal financial reporting systems.

Particulars	IT	BPO	Unallocated	Eliminations	Total
Revenues					
External sales	3,230,438,718	8,576,539,740	-	-	11,806,978,458
Inter-segment transfers	21,739,875	-	-	(21,739,875)	-
Total revenues	3,252,178,593	8,576,539,740	-	(21,739,875)	11,806,978,458
Costs					
Segment costs (incuding reorganisation cost of Rs. 205,226,509)	(2,958,409,200)	(8,377,208,996)	-	-	(11,335,618,195)
Inter-segment transfers	-	(21,739,875)	-	21,739,875	-
Total costs	(2,958,409,200)	(8,398,948,871)	-	21,739,875	(11,335,618,195)
Segment result	293,769,393	177,590,870	-	-	471,360,263
Other income	-	-	124,365,938	-	124,365,938
Interest income	-	-	189,909,327	-	189,909,327
Depreciation & amortisation	-	-	(469,253,425)	-	(469,253,425)
Finance costs	-	-	(415,608,944)	-	(415,608,944)
Income taxes - current & deferred	-	-	(86,972,651)	-	(86,972,651)
Net profit					(186,199,492)
Other information					
Segment assets	4,381,801,204	7,041,877,403	-	-	11,423,678,608
Inter segment assets	25,748,003	-	-	(25,748,003)	-
Total assets	4,407,549,207	7,041,877,403	-	(25,748,003)	11,423,678,608
Segment liabilities	3,249,931,599	6,572,498,687	-	-	9,822,430,286
Inter segment liabilities	-	25,748,003	-	(25,748,003)	-
Total liabilities	3,249,931,599	6,598,246,690	-	(25,748,003)	9,822,430,286
Capital expenditure	54,861,805	246,387,864	-	-	301,249,669

Following table details the distribution of the Company's revenues by sub-business segments for IT division

Business sub-segments	2006	2005
BPO	8,576,539,740	-
IT		
Manufacturing	1,577,601,160	1,186,661,679
Government	858,286,255	572,197,692
BFSI	794,551,303	673,949,832
Total	11,806,978,458	2,432,809,203

Currently, for the sub-business segments, the internal financial reporting systems identify only the revenues earned in various segments and, accordingly, the management believes it is not practicable to furnish the information on the segment results, total carrying amount of segment assets, total amount of segment liabilities, total cost incurred to acquire the segment tangible and intangible assets, total amount of segment depreciation and amortisation and total amount of segment non cash expenses

Secondary segmental reporting is performed on the basis of the geographical location of customers. The management views the North Americas, Europe, Australia and Rest of the world as distinct geographical segments.

Geographical segment	2006	2005
Australia	1,021,135,083	-
Europe	541,704,460	381,948,048
North America	9,818,697,876	1,748,787,749
Rest of World	425,441,039	302,073,406
Total	11,806,978,458	2,432,809,203

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

34 Employee Stock Option Plan

(i) During the year ended March 31, 2004, the Board of Directors approved the Employee Stock Option Plan ('ESOP Plan 2004') for the grant of stock options to the employees of the Company, employees of its subsidiary companies and employees of Scandent Group. A compensation committee has been constituted to administer the plan and to determine the exercise price.

During the year 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. The options will vest with the employees in the following manner

- 75% of the options after twelve months from the grant date; and

- the remaining options after twenty-four months from the grant date.

The fair value of the equity shares has been determined by the management on the date of the grant for ESOP 2004 based on a valuation by an independent appraiser. As per the terms of the ESOP Plan 2004, the exercise price equals the face value of the equity shares of Scandent, and accordingly the difference between the fair value and the exercise price has been recorded as compensation cost.

(ii) Pursuant to the SSIIT Merger Scheme, the Company needs to issue and allot to every holder of options under Employees Stock Option Scheme 1999, Employees Stock Option Scheme 2000 and Employees Equity Option Plan 2001, being an employee of SSIIT, one option for one equity share of Scandent against every option for one equity share of SSI held by him on the record date, aggregating to options for not more than 87,617 equity shares, except that the holder of an option to receive Global Depository Shares ('GDS') of SSI shall be entitled to one option for one equity share of Scandent for every option for 10 GDSs of SSI held by him.

Accordingly, on November 10, 2004, the Board of Directors of Scandent have approved SSIIT Services – Employees Stock Option Plan, 2004 ('ESOP II Plan 2004') for grant of options to the holder of options in SSI as on July 2, 2004, the Appointed Date. The Company has granted 70,892 options under the ESOP II Plan 2004 on November 10, 2004 to be exercised at a price of Rs 128.24, which approximates to the fair value of the options. The validity period of the Scheme shall be for a period 24 months from the date of vesting. Based on the confirmation received from SSI, as at September 30, 2004, the options have been fully vested under the original stock option schemes. During the year, 300 options have been forfeited and 10,119 options have been exercised.

Considering that the exercise price equals the fair value of the equity shares of Scandent, no compensation cost has been recorded by the Company.

Following table details the movement of options for the two plans mentioned above (i.e ESOP Plan 2004 and ESOP II Plan 2004)

Particulars	2006	2005
Options outstanding at the beginning of the year	537,110	477,268
Options granted during the year *	-	70,892
Options forfeited during the year	24,460	11,050
Options exercised during the year	355,953	-
Options expired during the year	-	-
Options outstanding at the end of the year	156,697	537,110
Options exercisable at the end of the year	156,697	420,556

* Represents 70,892 vested options of ESOP II Plan 2004.

(iii) During the year, the Board of Directors approved the Employee Stock Option Plan ('ESOP Plan 2005') for the grant of stock options to the employees of the Company and the employees of its subsidiary companies. A compensation committee has been constituted to administer the plan and to determine the exercise price.

Under the ESOP Plan 2005, on May 27, 2005, 179,263 options have been issued under Program I at a grant price of Rs 10 and 384,473 options under Program II at grant price of Rs 172. The vesting period for Program one shall be one year from the date of grant and in a staggered manner for Program II, spread over two years as follows:-

- 40% of the options one year from the date of grant
- 60% of the options two years from the date of grant

The difference between the fair value and the exercise price under Program I is considered as deferred compensation cost and amortised over the vesting period. During the year, the Company has recorded compensation cost of Rs 24,200,505. The exercise price for the options granted under program II are at the fair value of the equity shares of Scandent as at the date of issue, no compensation cost has been recorded by the Company.

As at March 31, 2006, no options have been forfeited, exercised or vested.

Following table details the movement of options for ESOP Plan 2005:

Particulars	2006	
	No of shares	Weighted average exercise price (Rs)
Options outstanding at the beginning of the year	-	-
Options granted during the year	563,736	120.48
Options forfeited during the year	-	-
Options exercised during the year	-	-
Options expired during the year	-	-
Options outstanding at the end of the year	563,736	120.48
Options exercisable at the end of the year	-	-
Weighted average remaining contractual life (in Years)	2.67	118.71
Weighted average fair value of options granted	-	82.28

The estimated weighted average fair value of options granted in May 2005 is Rs 118.71 per share. This was calculated by applying the Black-Scholes option pricing model with the following inputs:

Particulars	2006
Average risk-free interest rate	6.53 %
Expected volatility of share price	0.63
Expected life of options granted (in years)	3.50
Expected dividend yield	Nil

The Company's shares have been listed on the stock exchange on March 9, 2005 and it does not provide adequate historical data for the calculation of historical volatility. Therefore, daily volatility of stock prices on National Stock Exchange of India, of a peer group company, over a period prior to the date of each grant, corresponding to the expected life of the options and the volatility calculated on the available historical information of the Company's share with adequate weights assigned to both.

Following are the details of exercise price and the options for ESOP Plan 2005:

ESOP Plan 2005	Exercise price (in Rs)	Number of options outstanding	Weighted average remaining life of options (inYears)	Weighted average exercise price (in Rs)
Program I	10	179,263	2.67	10
Program II	172	384,473	2.67	172

Had the Company recorded compensation cost computed on the basis of fair valuation method instead of intrinsic value method, employee compensation cost would have been higher by Rs 22.6 million and the profit after tax would have been lower by the same amount, consequently, the revised earnings per share would have been as follows:

Earning/(loss) per share	Including Share Capital Pending Allotment (in Rs)	Excluding Share Capital Pending Allotment (in Rs)
Basic and Diluted	(2.00)	(7.15)

(iv) As referred to in Note 2, Cambridge LLC had introduced a Management Equity Plan for certain key employees, independent contractors and its Affiliates through the grant of Restricted Units of common membership interests of Cambridge LLC. Under this plan, 8,299 Awards were awarded, to be vested as per the terms of the Plan.

Of the total Awards, 4,778 Non-performance units were issued effective December 1, 2004 and 3,451 Performance units were issued effective January 1, 2005. Non-performance units vest in equal installments of 25 per cent on each of the first four anniversaries of the date of grant (December 1, 2004) subject to continued employment and the occurrence of a liquidity event. The date of grant for performance units is January 1, 2005 and vest on January 1, 2006, 2007, 2008 and 2009.

Pursuant to the Cambridge Merger Scheme, 583 fully paid equity share of Rs 10 each of the Company are to be issued for every Award held in Cambridge LLC. Such shares to be issued by the Company in lieu of the Awards to be deposited by the Award holders with an independent Escrow agent to be released on fulfillment of the conditions mentioned in the Plan.

The fair value of the equity shares has been determined by the management on the date of the grant of such Awards to be USD 3.30 million (Rs 144 million). The exercise price for such Awards is Nil and accordingly, the fair value of such Awards has been recorded as compensation cost. Till March 31, 2005, the compensation expense of USD 0.53 million (Rs 23.36 million) had been recorded by Cambridge LLC. The remaining stock compensation adjustment of USD 2.77 million (Rs 121 million) will be recorded by the Company over the remaining vesting period. During the year, the Company has recorded stock compensation expense of Rs 63 million.

(v) Employee stock plan of Cambridge Integrated Services India Private Limited ('Cambridge India')

The Employee Stock Option Plan (ESOP) for the grant of stock options to the eligible employees of Cambridge India. Under this plan, exercise price per share shall be the fair value of the options at the time of grant. These options would vest as follows:-

The options vest with the employees in the following manner:

i) For specified 15 employees in the plan – initial 25% of the options to vest after 9 months form the date of the grant and balance 75% to vest every year at 25% from the date of the initial vesting.

ii) For all other employees – the vesting period is of four years and each 25% of the options would vest in one, two, three and four years from the date of the grant.

In the wake of the acquisition of Process Mind Holdings Mauritius Limited by CISGI, the management has decided to close the existing ESOP scheme by allotting shares to the eligible employees covered by the existing scheme and the shares so allotted would be subsequently transferred to ProcessMind. As per the ESOP closure scheme, all the unvested shares will be vested immediately and would be exercised within a stipulated time frame as determined by the compensation committee.

	2006	2005
Options outstanding at the beginning of the year	165,965	219,255
Options granted during the year	Nil	86,905
Options forfeited during the year	80,796	96,825
Options vested during the year	85,169	67,294
Options exercised during the year	85,169	43,370
Options granted but not eligible for exercise at year end	Nil	165,965

35 Leases

In case of assets taken on lease

(i) Operating leases

Office and guest house premises are obtained under operating lease.

The lease term for certain premises, is for 11 months to 3 years with an option to terminate by notice of 3 to 6 months and the lessee is entitled to renew the lease period for a specified period of time. The lease agreements entail an escalation of lease rent of 15 per cent on renewal.

With respect to premises taken on lease by CISGI, the lease term is generally for a period of 10 years and are not cancellable. These leases are subject to an escalation clause of upto 3 per cent.

Rent expense for such operating leases recognised in the Profit and loss Account for the year is Rs 591,126,629 (2005 — Rs 89,621,924).

The amount payable on account of the non-cancellable operating leases are as follows:

	2006	2005
Not later than one year	499,590,807	-
Later than one year but not later than five years	1,223,599,020	-
Later than five years	337,217,472	-
	2,060,407,299	**-**

(ii) Finance leases

The Company has entered into an arrangement for lease of vehicles, office equipment and computer equipment.

The lease arrangement for vehicles and office equipment is for a period of 3 years. Under the terms of the lease, the Company is required to pay fixed monthly instalments over the lease term. In respect of vehicles, on pre-closure of the lease, the Company is liable to compensate the lessor for the losses computed under the terms of the lease arrangement.

The lease arrangement for computer equipment is for a period of over 12 - 36 months. Under the terms of the lease, the Company has paid as at March 31, 2006, a deposit of Rs 7,482 (2005 — Rs 409,757) (included under Deposits in Note 20) as collateral security which will be adjusted against the last 2 instalments of lease rentals.

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

	2006	2005
Total minimum lease payments*	1,201,195	2,048,478
Less: Interest	58,593	160,363
Present value of minimum lease payments*	1,142,602	1,888,115

* Net of security deposit paid for computers

Future minimum lease payments under finance lease are as under:

	2006	
	Minimum lease payments	Present value of minimumlease payments
Payable not later than one year	1,017,278	973,055
Payable later than one year and not later than five years	183,917	169,547
Payable later than 5 years	–	–
Total	1,201,195	1,142,602

	2005	
	Minimum lease payments	Present value of minimumlease payments
Payable not later than one year	1,777,587	1,635,771
Payable later than one year and not later than five years	207,891	252,344
Payable later than 5 years	-	-
Total	2,048,478	1,888,115

In case of assets given on lease

(iii) Operating leases

The Company has leased out premises on operating lease. The lease term is for 1 – 14 years and are non-cancellable. There is escalation clause of upto 3 per cent in the lease agreement. There are no restrictions imposed by lease arrangements.

Rent income for such operating leases recognised in the Profit and loss Account for the year is Rs 7 million (2005 — NIL).

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

	2006	2005
Future minimum lease payments		
Not later than one year	26,404,366	-
Later than one year and not later than five years	101,982,921	-
Later than five years	28,905,050	-
	157,292,337	-

36 Details of utilisation of proceeds raised through preferential issues

During the year, the Company has 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 Rs 1,336.50 million 5.22 per cent Convertible Bonds to Indopark Holdings Limited, a wholly owned subsidiary of Merrill Lynch & Co.

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

Particulars	2006	2005
Financial advisory fee	42,118,525	-
Utilised for working capital	225,504,026	-
Fixed deposits	670,000,000	-
Bank Balance	624,427,389	-
	1,562,049,940	**-**

37 Foreign currency exposure

As at March 31, 2006, the Company has foreign currency exposure to the extent of the following:

	USD	GBP	EURO	Singapore Dollars	Malaysian Ringitt	Japanese Yen
Secured loan	(5,750,000)					
Sundry debtors	31,332,128	4,967,696	390,141	20,727		25,710,582
Cash and bank balances	61,197	42,408	425			18,044,417
Loans and advances	8,928,119	663,186	652,408	671,243		5,213,801
Current liabilities	(13,247,955)	(2,223,269)	(321,668)	(288,570)	(409,777)	(14,224,136)
	21,323,489	3,450,021	721,306	403,400	(409,777)	34,744,664

The Company has not hedged the foreign currency exposure as at March 31, 2006.

38 Prior year comparatives

Prior year figures are not comparable with that of the current year as the current year figures include the impact of additions of subsidiaries during the year as referred to in Note 7.1 above and the previous year figures include the operations of SSIIT with effect from July 2, 2004. The financial statements for the year ended March 31, 2005 have been reclassified where necessary to conform to current year's presentation.

As per our report of even date

For S. R. Batliboi & Associates
Chartered Accountants
per Prashant Singhal
Partner
Membership No. 93283
Place : Bangalore
Date : June 21, 2006

For and on behalf of the Board of Directors

Christopher Sinclair
Executive Chairman

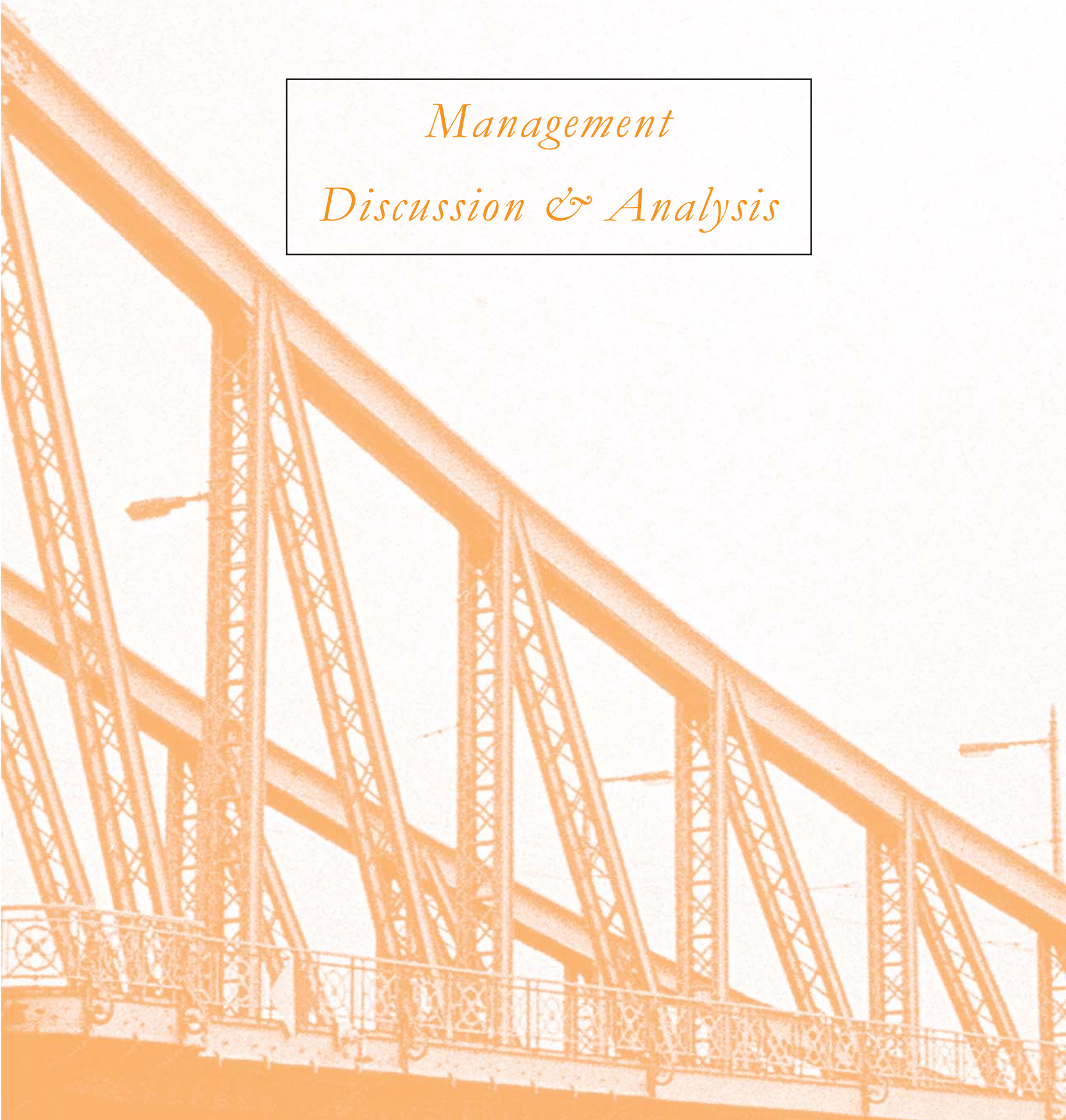
Satyen Patel
Executive Vice Chairman

Pradeep Chaudhry
Chief Financial Officer

V Viswanathan
Company Secretary

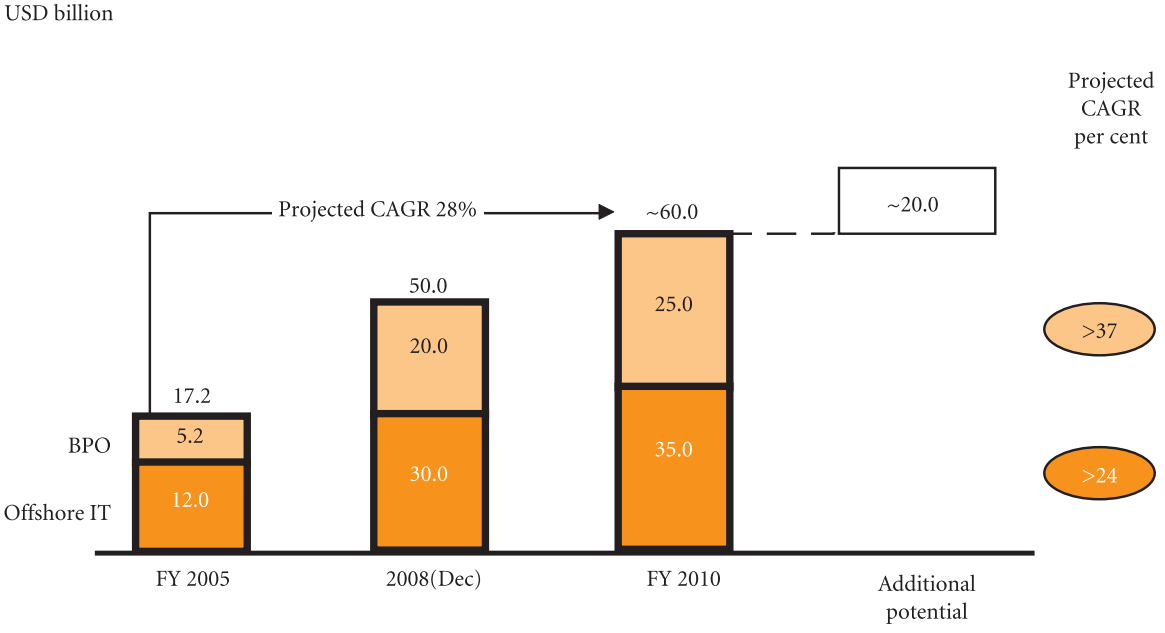
Place : Bangalore
Date : June 21, 2006

Management Discussion & Analysis



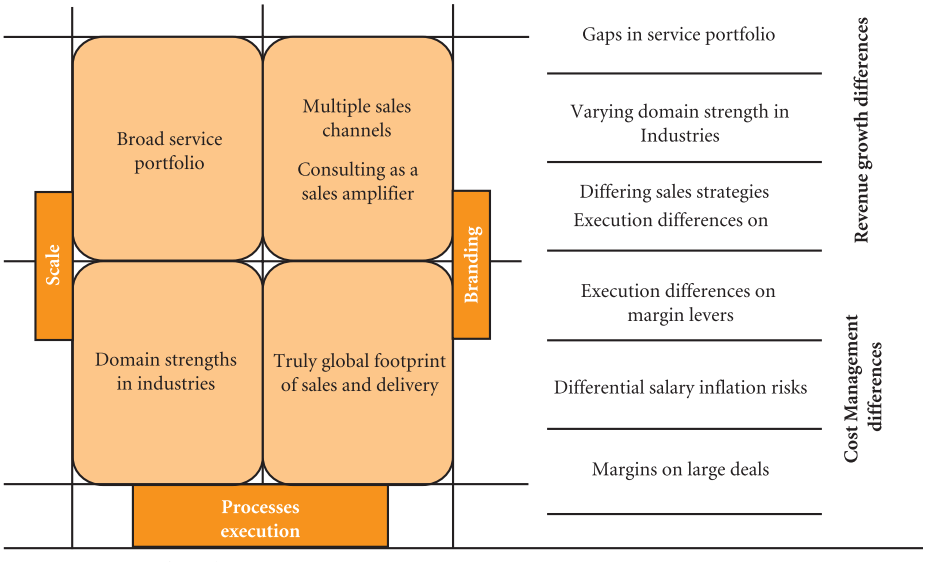
Our company is in the business of providing software services and business process outsourcing (BPO) services. The prospects in both these industries remain very buoyant. The Indian IT and BPO industry are well on track to grow significantly over the next few years. As per NASCOM estimates, IT industry is expected to grow at more that 24% (CAGR) and BPO industry will grow at more than 37% (CAGR).

India's offshore IT and BPO industries, 2010(projected)



Source: NASSCOM McKinsey Report 2002; NASSCOM Strategic Review 2005; McKinsey Global Offshore Market Evolution and Market Share Models

What it will take to be a winner?



Source: CLSA Asia-Pacific Markets

The following are expected to be the key drivers for this anticipated growth:

1) New and emerging opportunities in areas such as infrastructure management, business process outsourcing, consulting and system integration.
2) Untapped verticals such as retail, healthcare and utilities.
3) Broadening of service portfolios by Indian vendors.
4) Increasing geographical spread into untapped markets.

There are a number of ways in which our company is striving to differentiate

1) Broad Services Portfolio – We have added BPO , infrastructure management , and package implementation capabilities in SAP to our existing portfolio of services.
2) Domain Strength – We have strengthened our manufacturing domain by acquiring ERP Implementation companies in France and USA. We have also furthered our domain expertise in Government by winning two major contracts.
3) Sales Channels: We have a dedicated team of over 35 people across the globe, supported by a strong presales team comprising of domain specialists and technical leaders.
4) Global Footprints: With more than 3600 employees located in over 80 locations across 4 continents, our company is positioned to provide customers with a combination of onshore and offshore services.

Financial Performance (FY 05-06)

Merger of cambridge services

During the year, we have successfully merged Cambridge Services Holdings LLC ('Cambridge LLC') with our self. Cambridge LLC is holding investments in Cambridge Integrated Services Group Inc ('CISGI') and Cambridge Integrated Services Victoria PTY Limited ('Cambridge Australia'). These entities are engaged in providing BPO and claims processing services.

On March 13, 2006, the Cambridge Merger Scheme was sanctioned by the Honourable High court of Karnataka approving the merger with the Appointed date of April 1, 2005. Under the Cambridge Merger Scheme, the assets and liabilities of Cambridge LLC would vest with the Company with effect from April 1,2005. The scheme has accordingly been given effect to in the financial statements for the FY 2005-06 pursuant to the terms of the scheme.

A more detailed description of the accounting treatment of the merger has been explained in the notes to accounts.

acquisition

During the year, we acquired BWH SARL, France & E-business Corporation, USA. Acquisition of these entities has helped us to strengthen our Enterprise Resource Planning (ERP) offerings.

Share capital

In December 2005, the company made a preferential allotment of 1,025,227 equity shares to Scandent Group Ltd., Mauritius at a premium of Rs 210 per share.

Also pursuant to the Cambridge Merger Scheme, the Company will allot 69,960,000 equity shares and 4,797,507 equity shares of Rs 10 each at par up to the shareholders and Awards holders of Cambridge LLC respectively. The company is still in the process of issuing equity shares hence this amount is reflected as Share Capital pending allotment.

On such allotment, Scandent Mauritius Limited, Mauritius will become the Holding Company with an equity shareholding of 50.03 per cent represented by 52,470,000 equity shares.

Loans

As at March 31, 2006 outstanding secured loans are Rs 320.21 Crs. while outstanding unsecured loans are Rs 202.94 Crs. The secured loans have been availed to meet the working capital and capital expansion requirements of the company. Unsecured loan includes preferential allotment of Rs 1,337 million 5.22 per cent Convertible Bonds ('Bonds') to Indopark Holdings Limited, a wholly owned subsidiary of Merrill Lynch & Co., mandatorily convertible at the end of eighteen months from the date of issue or earlier, at the option of the debenture holder, in issue of equity shares of the Company at a conversion price of Rs 217 per share i.e. at a premium of Rs 207 per equity share. The Bonds are currently reflected as unsecured loans in the financial statements, as the conversion option has not been exercised by the Bond holders. Unsecured loan also includes unsecured debentures (amounting to Rs 15.00 Crs.) issued during the FY 02-03 for the acquisition of rights to a contract to render services for a specified term of a particular customer. In April 2006, the Company has prepaid debentures amounting to Rs 6.00 Crs.

Tangible Fixed Assets

During the year the gross block of fixed assets has increased from Rs 29.05 Crs. to Rs 160.75 Crs. This increase includes assets of the subsidiaries aquried during the year amounting to Rs 133.58 Crs. We incurred capital expenditure amounting to Rs 22.09 Crs. towards computers, vehicles, lease hold improvements and miscellenous fixed assets inorder to meet our capital growth requirements.

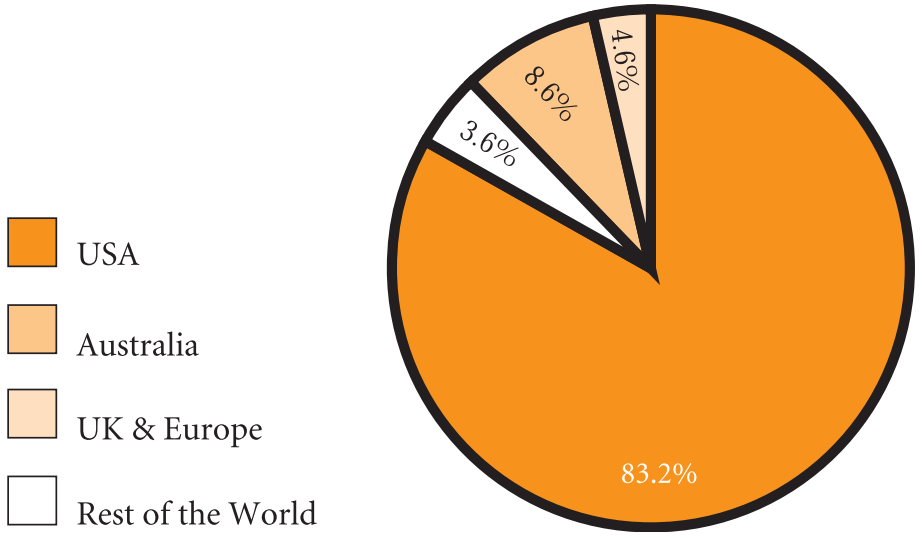
Debtors

Our Debtor position as on March 31, 2006 is Rs 280.89 Crs including the unbilled revenue amounting to Rs 115.80 Crs.

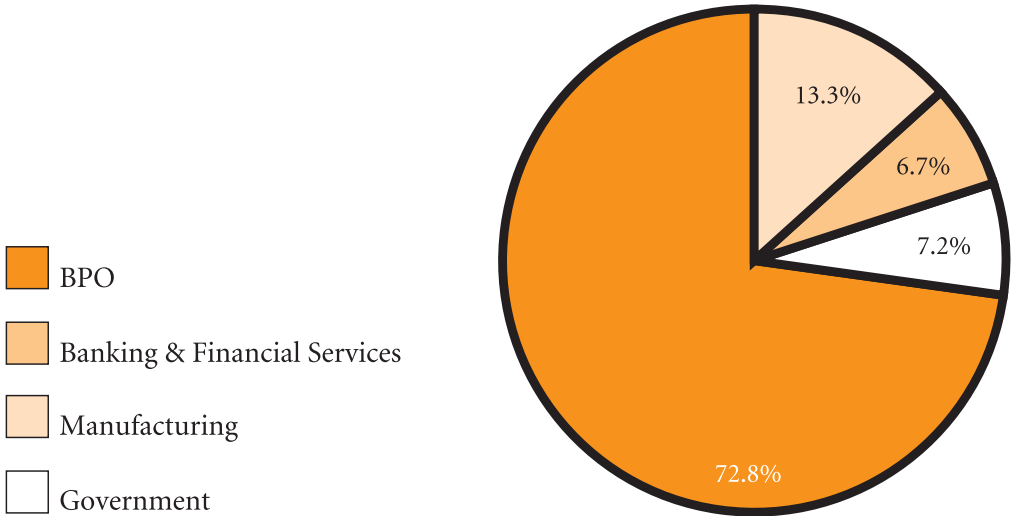
Revenues

This year represented an enormous period of change, learning and building. Having dealt with significant integration and structural and operating issues in each of the business units, the company ended the year with a much stronger capability and sharper focus. During the year our revenue grew from Rs. 243.28 Crs. to Rs 1,180.70 Crs. The company's IT operations contributed 27.4% of the revenues and its BPO operations the balance, 72.6%.

Revenues by Geogrophy



Revenues by Verticals

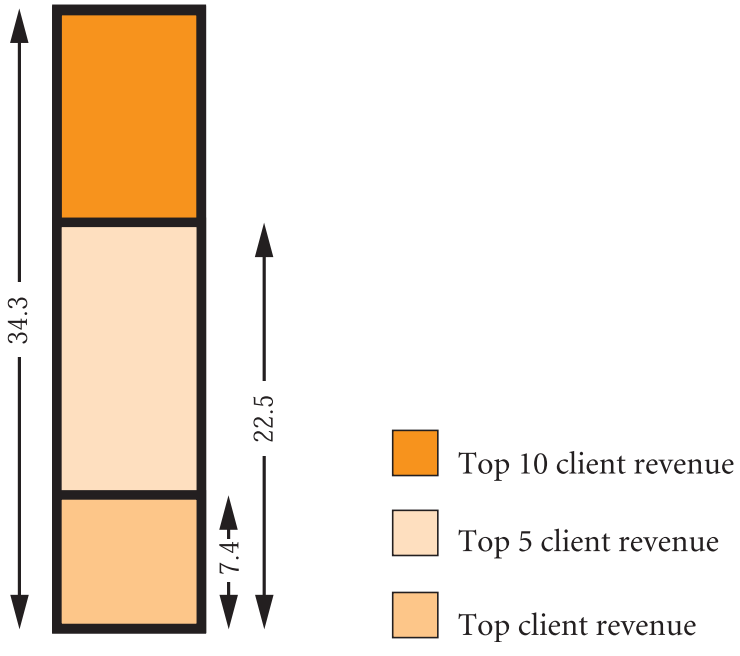


New clients added during FY 2006

BPO	79
IT Services	77

Customer concentration

(Revenues from clients as % of total revenues)



OPERATING EXPENSES

The following table provides details of our operating expenses and their proportion to our total revenue for the FY 05-06.

Break up of Operating Expenses	Rs (Crs.)	% of Revenue
Salaries, allowances and bonus	645.65	54.68%
Contribution to provident fund and other funds	17.32	1.47%
Gratuity and leave encashment charge	12.73	1.08%
Employee stock compensation expense	9.57	0.81%
Staff welfare	42.83	3.63%
Recruitment and relocation	4.80	0.41%
Travel	40.15	3.40%
Rent	59.11	5.01%
Communication	34.26	2.90%
Power and fuel	6.31	0.53%
Insurance	11.26	0.95%
Rates and taxes	12.80	1.08%
Project work expenses	56.90	4.82%
Claims Work Expenses	82.74	7.01%
Repairs and maintenance		
- Computer equipment	6.45	0.55%
- Building	-	-
- Others	10.74	0.91%
Legal & professional	26.76	2.27%
Printing & stationery	11.08	0.94%
Business promotion	13.51	1.14%
Exchange loss/(gain), net	0.22	0.02%
Profit /(Loss) on sale of fixed assets, (net)	0.77	0.06%
Bad debts / provision for bad & doubtful debts (net)	(0.89)	-0.08%
Provision for Estimated losses	5.38	0.46%
Miscellaneous expenses	2.60	0.22%
	1,113.04	94.27%

Being a people asset firm, employee compensation and employee related expenses contribute a major proportion of our operating expenses. Such expenses are about 62.07% of our total revenue.

To serve our clients which are spread across the globe, our resources need to travel both in and outside India, as a result travelling expenses are about 3.40 % of our total revenue.

Finance cost

Our interest expenses and other related expenses amount to Rs 41.56 Crs which is about 3.52% of our total revenue.

Risk and concerns

1. International operations

   Our company has more than 3600 employees, located in over 80 locations across 4 continents.
   These operations are subject to various risks including
   - Compliance with local laws of respective countries.
   - Difficulties in managing and staffing of international operations.
   - Protection of our intellectual property rights

   These international risks can adversely affect our operations or the business as a whole.

2. Human resources

   Being a people asset firm, our performance is highly dependent on our ability to retain talent and continuously motivate our workforce. A higher-than-normal attrition rate will directly impact the intellectual pool of our company. This can lead to delays and disruption in servicing our clients.

3. Client concentration risk

   Our top 5 clients contribute about 22 % of our revenue. As a result, lack of repeat orders from these clients, clients attrition and delivery issues can affect our revenue.

4. Geographical concentration risk

   About 83% of our revenue comes from the United States. This exposes us to risks emanating from regional slowdown, backlash against outsourcing and currency fluctuation risks.

5. Disaster risk

   Like any other industry we are also susceptible to natural calamities and disasters. In the event of any unforeseen disaster, our development centers may get effected thus affecting our ability to serve our customers.

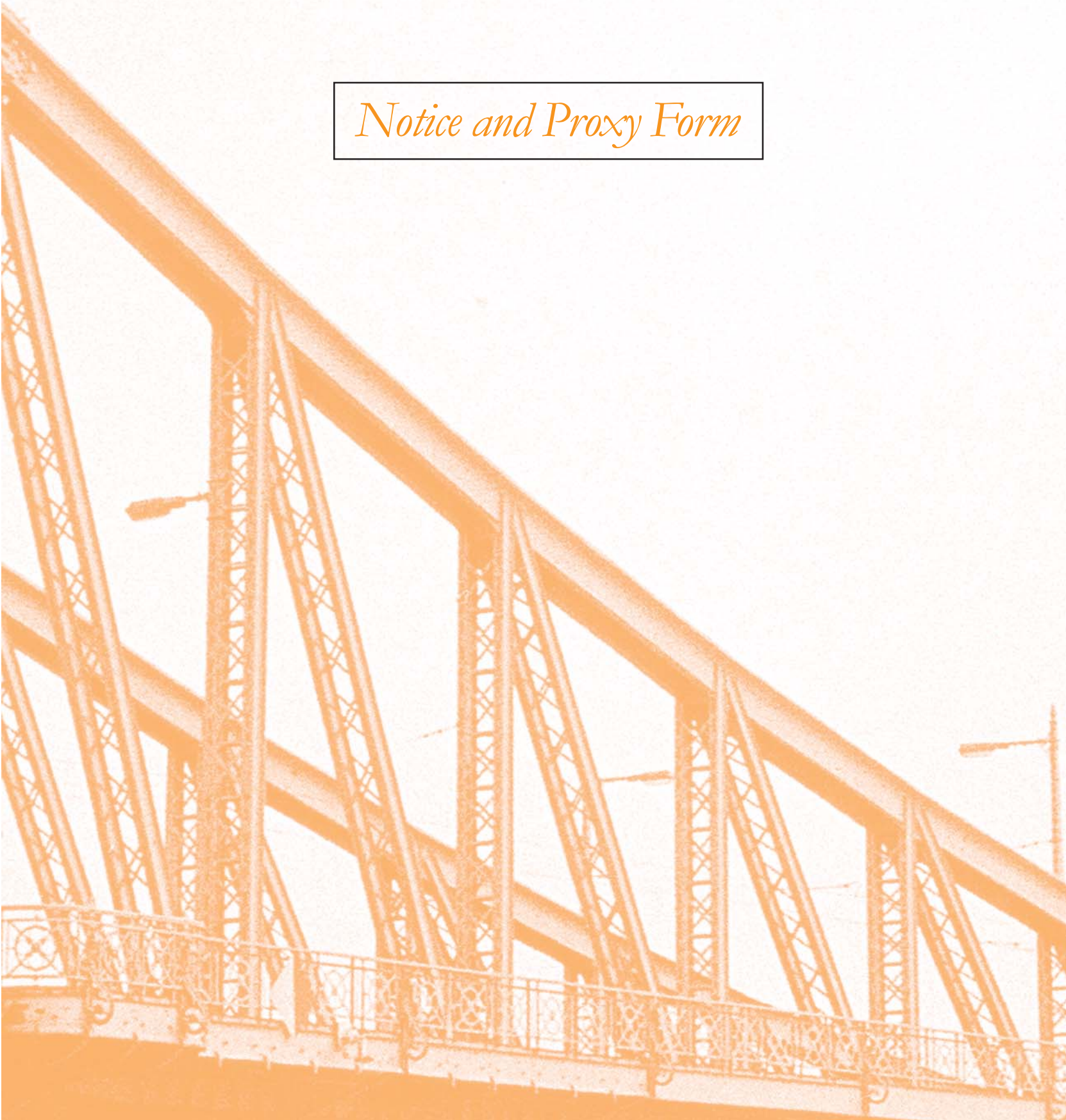
6. Inflation risk

   Employee compensation and benefits form a significant proportion of our total cost. Any increase in compensation more than anticipated increase can affect our profitability. This risk in more in case of fixed price contracts.

7. Quality risk

   Any drop in quality, reflected in errors in code, could lead to defective solutions and customer attrition.

Notice and Proxy Form



June 21, 2006

Dear Member,

You are cordially invited to attend the **Fifth Annual General Meeting** of the members of **Cambridge Solutions Limited,(Formerly Known as Scandent Solutions Corporation Limited**) on Wednesday, September 20, 2006 at 11.00 A.M. at **Sathya Sai Samskruta Sadanam, No. 20, Hosur Road, Bangalore – 560 029, India**.

The notice for the meeting containing the proposed resolutions is enclosed herewith.

Yours truly,

Sd/
Christopher Sinclair,
Chairman

Cambridge Solutions Limited (Formerly known as Scandent Solutions Corporation Limited)
No.33, 'Coconut Grove', 1st A Cross, 18th Main, 6th Block, Koramangala,
Bangalore 560 095, India. Tel : 91 80 41105000 Fax : 91 80 25527805

Notice is hereby given that the Fifth 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 Wednesday, September 20, 2006 at 11am, at **Sathya Sai Samskruta Sadanam, No. 20, Hosur Road, Bangalore – 560 029, India,** to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at March 31, 2006 and the Profit and Loss Account for the year ended on that date and the Report of Directors' and Auditors' thereon.

2. To appoint a Director in place of Mr. Dilip Keshu, who retires by rotation and, being eligible, offers himself for re-election.

3. To appoint S. R. Batliboi & Associates, Statutory Auditors of the Company, to hold 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 modifications, as an **ORDINARY RESOLUTION**, the following:

RESOLVED THAT Mr. Eugene P. Beard, who was appointed as an Additional Director of the Company by the Board of Directors, in their meeting held on October 28, 2005 and, who holds office up to the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing from a member, proposing his candidature for the office of Director, 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 modifications, as an **ORDINARY RESOLUTION**, the following:

RESOLVED THAT Mr. David Greenberg, who was appointed as an Additional Director of the Company by the Board of Directors, in their meeting held on October 28, 2005 and, who holds office up to the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing from a member, proposing his candidature for the office of Director, 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 modifications, as an **ORDINARY RESOLUTION**, the following:

RESOLVED THAT Mr. Jan Verplancke, who was appointed as an Additional Director of the Company by the Board of Directors, in their meeting held on June 21, 2006 and, who holds office up to the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing from a member, proposing his candidature for the office of Director, 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 modifications, as a **SPECIAL RESOLUTION**, the following:

RESOLVED THAT pursuant to the provisions of Section 81 and other applicable provisions if any, of the Companies Act, 1956, (the Act) and in accordance with the provisions of Memorandum and Articles of Association of the Company and the provisions contained in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, [hereinafter referred to as "SEBI (ESOS & ESPS) Guidelines 1999] and the regulations/guidelines prescribed by any other relevant Authority, including any Statutory modification(s) or re-enactment of the Act and Guidelines, for the time being in force and to the extent applicable and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall also include any committee thereof including Remuneration Committee), or as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to or accepted by the Board in its sole discretion, the Cambridge Solutions Limited Employee Stock Option Plan 2006 (hereinafter referred to as "ESOP 2006") be and is hereby approved and the consent of the Company be and is hereby accorded to the Board to grant to such employees of the Company as are in the permanent employment of the Company at the time the grant is made, including the Directors of the Company, under the ESOP 2006, options to subscribe equity shares of the Company at such price, in such manner, during such period, in one or more tranches and on such other terms and conditions, as the Board may decide.

RESOLVED FURTHER THAT subject to the terms stated herein, the equity shares allotted pursuant to the aforesaid resolution shall, in all respects including dividend, rank pari passu inter se as also with the then existing equity shares of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion, deem necessary or desirable for such purpose, and to make and accept any modifications in the proposal, including to withdraw, suspend or revive the Plan from time to time, as may be required by the authorities involved in such issue and to settle any questions or difficulties that may arise in regard to the issue."

RESOLVED FURTHER THAT the maximum number of options be granted to each of the Non-Executive Directors including Independent Directors of the Company under ESOP 2006 shall not exceed 50,000 options in a financial year and 100,000 options in aggregate.

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

"RESOLVED THAT the benefits of Cambridge Solutions Employee Stock Option Plan, 2006, be extended to eligible employees of the subsidiary Companies of the Company on the same terms and conditions as given to the employees of the Company as per the Resolution Number 7."

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 Register of Members and Share Transfer Books will remain closed from September 13, 2006 to September 20, 2006 (both days inclusive).

8. Members whose shareholding is in the electronic mode are requested to direct change of address notifications and updations of savings bank account details to their respective Depositary Participants.

9. Members are requested to address all correspondence to the Registrar and Share Transfer Agents – Karvy Computershare Pvt. Limited, T. K. N. Complex, No. 51/2, Vanivilas Road, Opp. National College, Basavanagudi, Bangalore-560 004, India.

10. The Auditors Certificate certifying that the Company's Stock Option Plans viz., ESOP 2005, SSI IT Services ESOP 2004 and 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.

11. A copy of the ESOP 2006 is available for inspection by members during business hours at the Registered Office of the Company.

By Order of the Board of Directors,

V. VISWANATHAN
Company Secretary

Place: Bangalore
Date: June 21, 2006

Registered Office:
No. 33, 'Coconut Grove', 18th Main, 1st A Cross,
6th Block, Koramangala,
Bangalore – 560 095.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item No. 4:

Mr. Eugene P. Beard was appointed as an Additional Director of your Company with effect from October 28, 2005 and who holds office of such Additional Director till the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956. The Company has received notice under Section 257 of the Companies Act, 1956, in respect of his candidature, proposing his appointment as a Director of the Company, along with the requisite deposit.

The Directors commend the resolution for approval of the members.
Mr. Eugene Beard may be deemed to be interested in the resolution.

Item No. 5:

Mr. David Greenberg was appointed as an Additional Director of your Company with effect from October 28, 2005 and who holds office of such Additional Director till the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956. The Company has received notice under Section 257 of the Companies Act, 1956, in respect of his candidature, proposing his appointment as a Director of the Company, along with the requisite deposit.

The Directors commend the resolution for approval of the members.
Mr. David Greenberg may be deemed to be interested in the resolution.

Item No.6:

Mr. Jan Verplancke was appointed as an Additional Director of your Company with effect from June 21, 2006 and who holds office of such Additional Director till the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956. The Company has received notice under Section 257 of the Companies Act, 1956, in respect of his candidature, proposing his appointment as a Director of the Company, along with the requisite deposit.

The Directors commend the resolution for approval of the members.
Mr. Jan Verplancke may be deemed to be interested in the resolution.

Item No. 7:

Employee Stock Options are considered to be an effective tool to attract and retain the best talent in the software industry. Your Company has instituted various Employee Stock Option Plans and has successfully implemented the same. The Company proposes to institute a new ESOP and reserve an appropriate number of shares there under to allot equity shares against the stock options granted to employees of the Company located in India and overseas. Accordingly, the Board seeks your approval by way of a special resolution in terms of Section 81 of the Companies Act, 1956, to institute the new ESOP. The aforementioned proposal is subject to Securities and Exchange Board of India (ESOS & ESPS) Guidelines, 1999 and other applicable statutes and regulations and other provisions of the Companies Act, 1956, as may be applicable to Employee Stock Option Plans. The salient features of the ESOP 2006 are as follows:

a. The total number of options to be granted under the ESOP 2006, where one option entitles the holder of option to apply for one equity share of the Company, shall be:

Program I	:	250,000 options
Program II	:	not exceeding 5% of the total issued capital of the Company.

b. The persons eligible to participate in the ESOP 2006 are as follows: (i) any person employed on a permanent basis by the Company, working in India or out of India; (ii) a director of the Company, whether a whole-time director or not; or (iii) any person defined in (i) or (ii) of a subsidiary, in India or out of India and who is declared by the Company to be eligible to participate in the ESOP. An employee will not cease to be an employee in case of any leave of absence approved by the Company or transfers between locations of the Company or between the Company, its parent, any subsidiary, or any successor.

c. The Vesting period shall be as follows:

Program I	:	One year from the date of Grant
Program II	:	The Vesting shall be spread over three years as follows:
1/3rd of Options	-	One year from the date of grant
1/3rd of Options	-	Two years from the date of grant
1/3rd of Options	-	Three years from the date of grant

The Maximum Vesting Period shall be one year in case of Program I and three years under Program II

d. The options under the ESOP 2006 would be issued at the following prices:

Program I	:	The exercise price shall be the face value of the equity shares of the Company i.e. Rs. 10/- per equity share.
Program II	:	The exercise price for the options shall be the closing price of the equity shares of the Company on the stock exchange where there is highest volume on the trading day immediately preceding the date of grant of options.

e. The exercise period shall commence from the date of vesting and the options shall be exercised within 84 months from the date of grant. The employee can exercise his right to convert the options into equity shares either in full or in tranches by addressing a communication to the Remuneration Committee. He has to mention the number of equity shares that he is willing to take under the ESOP 2006, along with the payment for the exercise price/or his intention of availing cashless facility

f. The maximum number of options granted per employee does not exceed 1% of the paid up capital and aggregate 2,50,000 options for Program I and 5% of the total issued capital of the Company for Program II.

g. The Remuneration Committee determines the eligibility criteria for the employees under ESOP 2006 based on evaluation of the employee on various performance linked parameters, such as work performance, technical knowledge, leadership qualities, and period of service, designation and criticality of functions. The Remuneration Committee may at its discretion extend the benefit of the ESOS to a new entrant or any existing employee on such other basis as it may deem fit.

h. The Company shall conform to the accounting policies mandated by Clause 13.1 of SEBI (ESOS & ESPS) Guidelines, 1999, any other applicable law or regulations of the SEBI or any other relevant regulation as is applicable to the accounting of such options.

i. The Company shall adopt the intrinsic value method for valuation of the stock options.

J. The Company will disclose in the Directors Report, the impact on the profits and on EPS, the difference between the employee compensation cost computed using the intrinsic value of Stock Options and the employee compensation cost that shall have been recognized, if the Company uses fair value of Stock Options as defined in the SEBI (ESOS & ESPS) Guidelines, 1999.

k. As per Clause 49(I)(B) of the Listing Agreement, the Company is required to take shareholders approval in case of grant of options to non-executive directors including independent directors.

The Directors of the Company are interested in the resolution to the extent of the benefit they may derive from the ESOP 2006 scheme.

The Board recommends these resolutions for the approval of the members.

Item No. 8:

As per the SEBI Guidelines, a separate resolution is required to be passed if the benefits of the Employees Stock Option Scheme are to be extended to the employees of the subsidiary companies.

The Directors of the Company are interested in the resolution to the extent of the benefits they may derive from the ESOP 2006 scheme.

The Board recommends these resolutions for the approval of the members

By Order of the Board of Directors

V. VISWANATHAN
Company Secretary

Place: Bangalore
Date: June 21, 2006

Registered Office:
No. 33, 'Coconut Grove', 18th Main, 1st A Cross,
6th Block, Koramangala,
Bangalore – 560 095.

Additional information on Directors recommended for appointment or seeking election at the Annual General Meeting

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

Name: Mr. Dilip Keshu

Age: 44 years

Qualifications: Master of Technology degree from IIT Madras, India

Profile: Dilip Keshu is the chief strategy and corporate development officer for Cambridge Solutions. Prior to this role he was the CEO of the IT division of Cambridge Solutions Ltd. Mr. Keshu has been an entrepreneur; former president of DACG Asia Pacific; far east vice president and managing director of Baan Asia Pacific, and managing director of Cincom Systems in Asia

Name: Mr. Eugene P. Beard

Age: 71 years

Qualifications: Honorary degree of Doctor of Ethics in Business leadership from Duquesne University

Profile: As the current chairman and CEO of Westport Asset Fund, and the retired vice chairman of Interpublic Group, Eugene Beard brings a deep financial expertise to Cambridge Solutions Ltd.'s already impressive board. He is on the Board of Directors for Catalina Marketing Corporation and Mattel, Inc. Mr. Beard is also on the Board of Brown Brothers Harriman 59 Wall Street Funds and Bessember Trust 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.*

Name: Mr. David Greenberg

Age: 39 years

Qualifications: BA in Economics from the University of Illinois/Champaign-Urbana, and JD with honors from IIT/Chicago Kent College of Law.

Profile: As the current Chief Financial Officer and head of the Americas Operation Center for the Global Large Corporate Unit of Aon, the second largest insurance broker in the world, Mr. Greenberg's experience and industry relationships will be invaluable to Cambridge Solutions Ltd. He is also a general trustee of the Lincoln Academy of Illinois, to which he was appointed by the Governor of Illinois. Mr. Greenberg practiced transactional law at Gardner Carton & Douglas and spent a year as managing director with C.B. Campbell & Associates, an Investment Banking boutique.

Name: Mr. Jan Verplancke

Age: 43 years

Qualifications: Royal Belgium Airforce - Computer Science.

Profile: Jan Verplancke is the Chief Information Officer and Group Head of Technology & Operations at Standard Chartered Plc. Prior to joining Standard Chartered Plc, Verplancke was chief information officer at Dell for the Europe, Middle East and Africa (EMEA) region, where he was responsible for the expansion of business in new markets and consolidation of back-office operations. He achieved considerable cost reductions and process improvements for Dell. Before joining Dell, Verplancke headed Systems for the Youth Category at Levis Strauss, U.S.A., where he was also responsible for the introduction of personal computers through Western European affiliates and for setting global technology standards as the chief architect.

The details of shareholding of the Non-Executive Directors seeking re-election or recommended for appointment are given below:

Directors	Number of shares held	Percentage of shareholding
Mr. Eugene Beard	Nil	Nil
Mr. David Greenberg	Nil	Nil
Mr. Jan Verplancke	Nil	Nil

Summary of Directorships and board committee memberships of Directors seeking re-election or recommended for appointment as of March 31, 2006:

Directors	Directorships held in public companies as on March 31, 2006*	Membership in Committees**	Chairmanship in Committees**
Mr. Dilip Keshu	Nil	Nil	Nil
Mr. Eugene P. Beard	Nil	Nil	Nil
Mr. David Greenberg	Nil	Nil	Nil
Mr. Jan Verplancke	Nil	Nil	Nil

* Excluding Cambridge Solutions Limited

**Includes only Audit Committee and Shareholders' Grievance Committee

CAMBRIDGE SOLUTIONS LIMITED
(Formerly known as Scandent Solutions Corporation Limited)

Registered Office
No. 33, 'Coconut Grove', 18th Main, 1st 'A' Cross, 6th Block, Koramangala, Bangalore - 560 095.

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 **Fifth Annual General Meeting** of the Company to be held on Wednesday, September 20, 2006, at 11.00 am, at Sathya Sai Samskruta Sadanam, No. 20, Hosur Road, Bangalore – 56 0 029, India, and at any adjournment thereof.

Signed this..... day of .....2006.

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.

Affix Revenue Stamp

SIGNATURE

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ATTENDANCE SLIP

Fifth Annual General Meeting – September 20, 2006

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 Fifth Annual General Meeting of the Company at Sathya Sai Samskruta Sadanam, No. 20, Hosur Road, Bangalore – 560 029, India, at 11.00 am, on Wednesday, September 20, 2006.

....

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.

Notes

Notes

Cambridge Solutions Limited
Results for the quarter ended June 30, 2006

CAMBRIDGE

(Amount in Rs Million)

Particulars	3 months ended June 30, 2006 (Un audited)	12 months ended March 31, 2006 (Audited)
Revenues	3,645	11,807
Other Income	96	314
Total Expenditure	(3,261)	(11,130)
Earnings before interest, tax depreciation & amortization and reorganization costs (EBITDA)	479	991
Finance costs	(135)	(416)
Depreciation and Amortization	(80)	(469)
Profit before tax and reorganization costs	264	106
Reorganization costs	-	(205)
Profit/ (loss) before tax	264	(99)
Provision for tax	(103)	(87)
Net profit/ (Loss)	161	(186)
Earnings Per Share (Rs/ share)		
Basic	1.53	(1.79)
Diluted	1.53	(1.79)

- Total revenues for the first quarter were Rs 3,645 Million (US$ 80.2 Million).
    - In the first quarter, the Company's BPO operations contributed 72.3% of the revenues and its IT operations contributed 27.7% revenues.
    - The top ten clients contributed 38% of the firm's revenues.
    - The number of clients who were at an annualized run rate of greater than Rs 45.5 Million (US$ 1 Million) per year was 50.
- Total EBITDA for the first quarter were Rs 479 Million (US$ 10.4 Million).
- Total Profit after Tax was Rs 161 Million (US$ 3.5 Million)
- On a pro forma basis, the current quarter's revenues grew 27% over the same quarter of the previous year, while Profit after Tax grew 71% versus a year ago.
- The current quarter results are after considering the charges applicable due to changes in the accounting policy (AS15) effective April 1, 2006. Without these changes, the Profit after Tax would have been Rs 178 Million (US$ 3.9 Million).

Looking forward:

The Company expects continued strong performance. In the second quarter (July 06 to Sept 06) the company's top line is expected to be similar to the first quarter (due to revenue seasonality of our Australia BPO) while Profit after Tax is expected to grow 15% over the first quarter. Furthermore based on the visible pipeline, we expect top and bottom line performance in the second half of the year to accelerate over the first half of the year.

About Cambridge Solutions Ltd.

Cambridge Solutions Ltd. (HQ: Bangalore, India; USHQ: Greenwich, CT.) is a strategic global outsourcing firm with deep expertise in:

- IT business consulting, application implementation, software engineering, maintenance and support services
- Business process outsourcing (BPO) for insurance, banking and financial services companies; process consulting; transaction processing, finance and accounting back office support; claims and risk management services; inbound and outbound contact centers to support all of these activities; and other processes that require knowledge-based decision making.

The Company employs over 3,600 professionals serving customers on 4 continents through over 70 locations worldwide.

With offices in the USA, UK, India Singapore, and Australia, Cambridge serves Fortune 500 firms, insurance and financial services companies, and public entities around the world. The company's BPO subsidiary was named one of the top three performing BPO companies by *Global Services* media and neoIT in 2006, and was recently ranked as the 28th leading outsourcing company in the world in the International Association of Outsourcing Professionals (IAOP)'s "2006 Global Outsourcing 100" list, that appeared in a special advertising section in *Fortune* Magazine.

The Company is listed on the major stock exchanges of India (BSE, NSE, MSE & ASE) under the ticker "CAMBRIDGE". For more information, visit: www.cambridgeworldwide.com.

Safe Harbor

Certain statements in this release 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 relating to these statements include, but are not limited to 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.

Shareholder Information

Cambridge Solutions Limited
"Coconut Grove," No. 33, 18th Main
1st A Cross, VI Block
Koramangala
Bangalore - 560 095
Tel: + 91 80 41105000
Fax: + 91 80 25527805

For corporate reports and company news, visit our website at:
www.cambridgeworldwide.com

Statutory Auditor

S.R. Batliboi & Associates
Divyashree Chambers, A Wing,
2nd Floor, Langford Road,
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Tel: + 91 80 2224 5646

Investor Inquiries

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Fax: + 1.440.914.2591

email: investorrelations@cambridge-asia.com

Listed on the following exchanges (Ticker Symbol: CAMBRIDGE)
BSE (Bombay Stock Exchange)
NSE (National Stock Exchange)
ASE (Ahmedabad Stock Exchange)
MSE (Madras Stock Exchange)

Safe Harbor Statement

Certain statements in this presentation 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 relating to these statements include, but are not limited to 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.

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CAMBRIDGE

Strategic Global Outsourcing

www.cambridgeworldwide.com

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