CAMBRIDGE
Cambridge Solutions Limited

MAKING WAVES

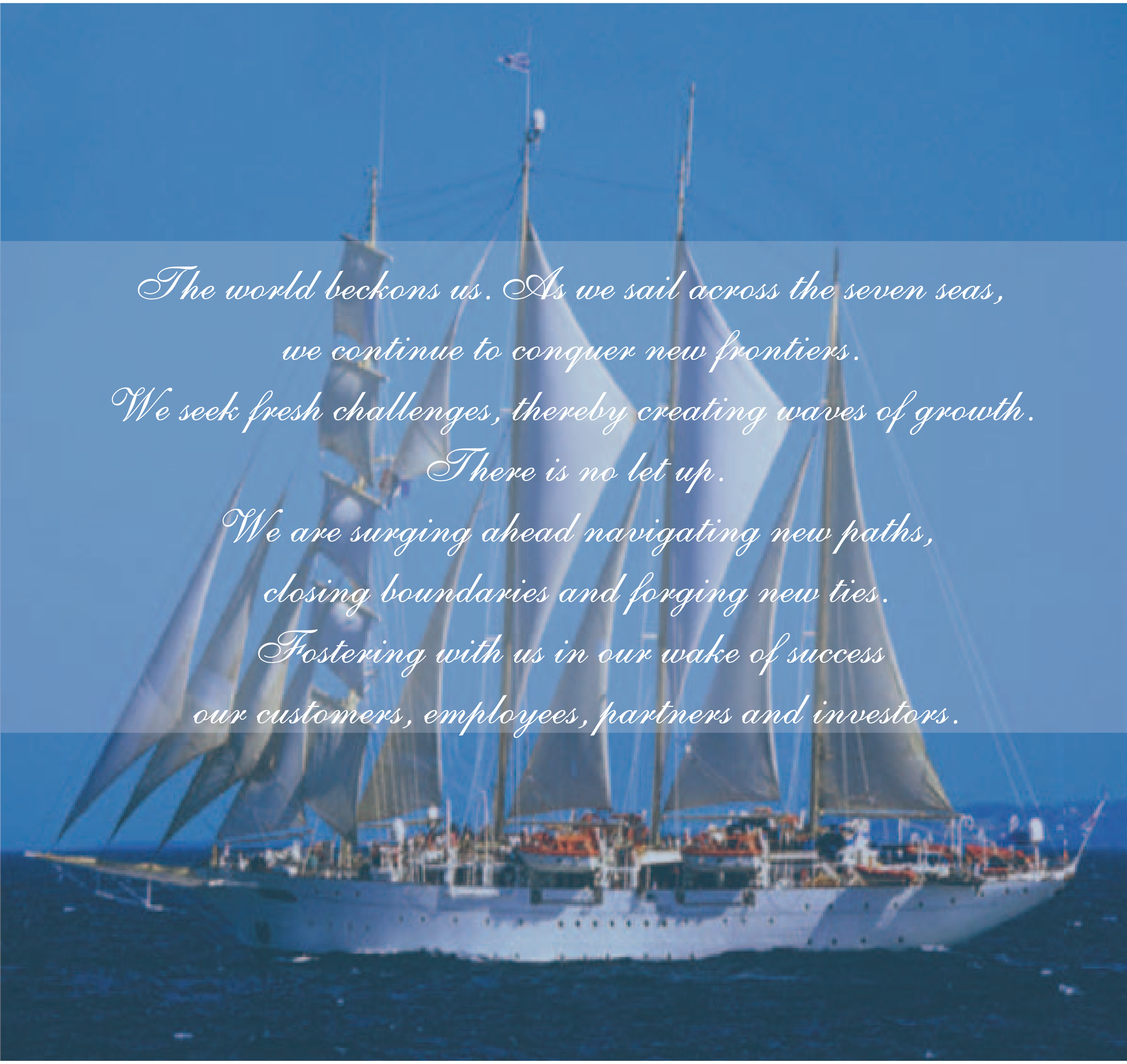
"To reach port of heaven we
must sail sometimes with the wind and sometimes against it,
but we must sail and not drift nor lie at anchor"

- Oliver Wendell Holmes Sr.

2007 ANNUAL REPORT

CAMBRIDGE

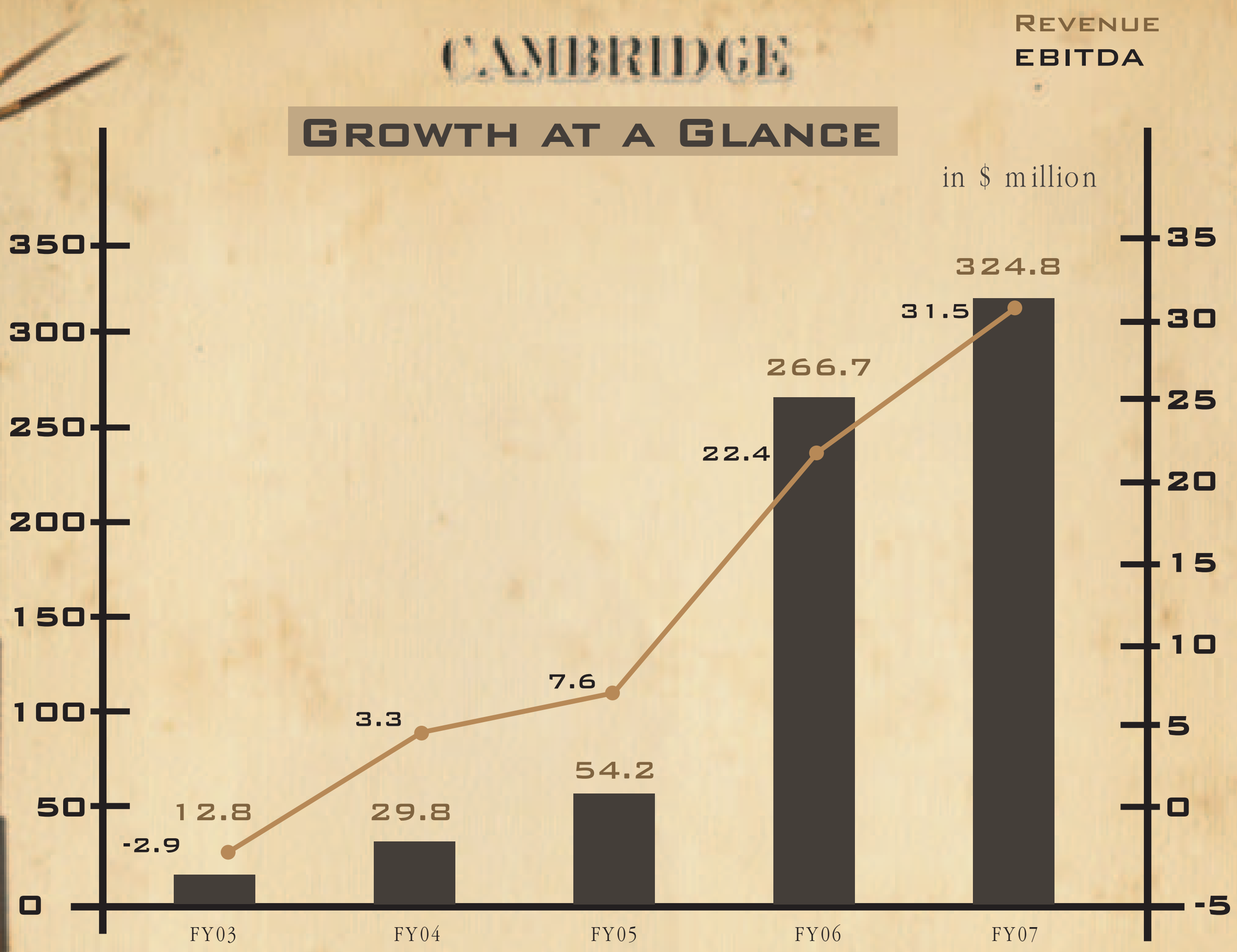
Cambridge Solutions Limited



The world beckons us. As we sail across the seven seas,
we continue to conquer new frontiers.
We seek fresh challenges, thereby creating waves of growth.
There is no let up.
We are surging ahead navigating new paths,
closing boundaries and forging new ties.
Fostering with us in our wake of success
our customers, employees, partners and investors.

CAMBRIDGE

Growth at a Glance



Cambridge Solutions Consolidated Business Review

Your Company is a global strategic outsourcing player which operates in two major industry segments - ITO and BPO services. The Company has a global footprint in 9 countries across four continents. The Company has grown from a modest Rs 605 million ($13 million) in revenues in FY 2003 to Rs 14698 million ($325 million) in FY 2007 - this is a compounded annual growth rate of over 122% since inception.

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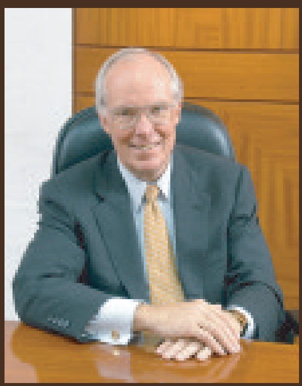
CONQUERING NEW WORLDS

CHAIRMAN'S LETTER



Dear Shareholder,

India has been dominating the market with its sustained GDP growth rate of over 9%. In the last four years, the country has recorded a compounded annual growth rate at 8.5% led primarily by its services and infrastructure sectors. Your Company, Cambridge Solutions took a giant leap forward, building on the foundation it laid last year post the merger of its ITO and BPO services companies. The financial results for financial year 2007 demonstrate not just the confidence of the customers, but the increasing value they derive from the integrated services that are offered and the efficiencies of a well orchestrated, integrated global delivery model. In fact, integration and partnerships have been the hallmarks of our success this year.

Your Company's success is reflected in its financial numbers for 2006-07. Its business revenues grew by 24.5% over the previous year. The consolidated revenues of almost Rs 1470 crores for the year ended March 2007 were reported. For a Company that is all of five years old, it has had a great growth trajectory with a compounded annual growth rate of 122% since inception. More importantly, the initiatives that have been taken to grow the businesses by increasing productivity, through globally acknowledged quality processes and cost optimization, are reflected in the profits after tax. Your Company has moved from a loss of Rs 18.6 crores last year to a profit of Rs 65.7 crores in FY 2007, a positive swing of Rs 84.3 crores, an effort worth appreciating.

Other quick highlights of FY 2007 performance:

· The BPO segment, with a share of 68.2%, continued to contribute significantly to the Company's consolidated turnover
· The ITO business segment grew 43.8% year on year, with a share of just below one third in overall revenues
· On a geographic basis, Americas contributed 77.5% of the consolidated revenues followed by Australia at 13.1% and the balance 9.4 % from Europe and Asia
· Quite a few million dollar clients were added during the year, taking the total number of million dollar clients to 55.

Additionally, in the ITO Services segment, we made a significant decision in FY 2007 to re-focus our efforts on the core high growth global off-shoring business; hence, we decided to sell the onsite centric Government vertical, operating under Albion in the Americas. This will allow us to drive more growth in our core Manufacturing and Logistics, Banking, Financial Services, Insurance and Emerging Market verticals which will further strengthen us.

Your Company is truly global in nature with a footprint in 9 countries across 4 continents and with a multi-cultural, multi-national workforce of about 4400 as of year end. About 60% of the employee strength is located overseas, building and delivering value closer to a blue chip roster of clients which include many Fortune 500 companies.

I am proud to share that the BPO business had some outstanding industry achievements last year. Global Service media and neoIT, a leading offshore outsourcing advisory firm, has for the second year in succession ranked Cambridge as one of the top three BPO companies in the world. We were also ranked as one of the top three leaders in human capital management. This award validates the commitment to developing the best and brightest workforce in the industry and one that has contributed significantly to our performance in 2006-07.

Further, your Company has improved considerably on its ranking in the International Association of Outsourcing Professionals (IAOP)'s "2007 Global Outsourcing 100" list, by emerging as the 10th leading outsourcing company based on its executive leadership. This list, which appeared in a special advertising section in *Fortune* magazine, ranked the Company as 28th in the previous year.

These awards and accolades and the customer successes during the year reiterate not just Cambridge's market leadership, but also the success of its onsite-offshore model along with the cross selling strategies between its two business segments.

As you are aware, your Company operates at the high end of the knowledge and transaction processing outsourcing segment, one that calls for a high degree of skill and vertical expertise. The management feels confident that the building blocks necessary for profitable growth in the future have been laid down. Your Company will continue to strive to generate more revenue growth, not just from existing clients, but also through increased penetration of its diversified service offerings which are truly unique. The stronger global platform will enable all the Cambridge resources, especially the ones at the frontline, to do what they have committed to do: serving our clients flawlessly, at the appropriate time, and with utmost integrity. It is my belief that such a concerted effort will further enhance profitability and shareholder value for all the stakeholders.

I thank you for your continued support and faith in your Company.

Christopher A. Sinclair
Executive Chairman and Chief Executive Officer

CHALLENGES: OUR CONSTANT DIRECTION

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 A. Sinclair, Shobhan Thakore

CHRISTOPHER A. SINCLAIR

Executive Chairman and Chief Executive Officer

Christopher A. Sinclair is a Founder and Chairman of the Scandent Group and the Executive Chairman and Chief Executive Officer of Cambridge Solutions Limited. 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., and Foot Locker, Inc.

SATYEN PATEL

Executive Vice Chairman

Satyen Patel is a Founder and Vice Chairman of the Scandent Group and Executive Vice Chairman of Cambridge Solutions Limited. Prior to this, he has held senior management positions with several multinational companies. He was the Managing Director of Nike/South East Asia in Singapore; Director, international business development for Pepsi-Cola International in New York; Director, strategic development for Grand Met/Pillsbury in Minneapolis. He has also held a Non-executive Directorship for 3i plc Asia Pacific.

SATYEN PATEL
Executive Vice Chairman

DILIP KESHU

Director

Dilip Keshu is the Chief Strategy and Corporate Development Officer for Cambridge Solutions Limited. In addition, he is the President of the ITO Division. He was earlier CEO of Cambridge Solutions Limited. Prior to working at Cambridge, Mr. Keshu was 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.

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 Limited'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 Aon's Global Network and Practice Groups, one of the largest insurance brokers in the world, Mr. Greenberg's experience and industry relationships are invaluable to Cambridge Solutions Limited. He is also a General Trustee of the Lincoln Academy of Illinois, to which he was appointed by the Governor of Illinois and President's Council of UCAN, a child advocacy philanthropy. Mr. Greenberg practiced transactional law at a major Chicago-based, national law firm and spent a year as managing director with an Investment banking boutique.

SHOBHAN THAKORE

Director

Shobhan Thakore has a Bachelor of Arts (Politics) and Bachelor of Law from Bombay University. He is Solicitor High Court, Bombay and Solicitor Supreme Court of England and Wales. Mr. Shobhan Thakore is an advisor to several leading Indian Companies on corporate law matters and securities related legislations. He has also acted on behalf of leading investment banks and issuers for Indian IPO offerings and several international equity and equity-linked debt issuances by Indian corporates. He has also advised in the establishment and operations of various India dedicated equity funds and domestic mutual funds. Being a solicitor for over 30 years, he has instructed leading Indian Counsel before various courts and forums.

including High Courts around India as well as the Supreme Court of India in various matters involving indirect tax, commercial and corporate law. He was a partner of Bhaishanker Kanga & Girdharlal, Advocates & Solicitors for more than 30 Years, until March 31, 2004 when he became a partner of AZB & Partners, Advocates & Solicitors until December 31, 2006. From January 01, 2007 he along with Mr. Suresh Talwar (ex-partner of Crowford Bayley & Company) founded Talwar Thakore & Associates. Shobhan Thakore is also a Director of a few listed and unlisted companies.

KUNAL KASHYAP
Director

Mr. Kunal Kashyap is a Chartered Accountant by profession and is currently the Chairman and Managing Director of Allegro Capital Advisors Pvt Ltd, a leading Investment Bank. Kunal was also the founder and executive director of Clestream Technologies Pvt Ltd, a leading software product engineering organisation. During the period 1994-2000, he was a global partner at Arthur Andersen responsible for developing the firms' practice in South India. Kunal has also been responsible for managing the treasury and Business Development function for Asia Pacific at Digital Equipment Corporations..

JAN VERPLANCKE
Director

Jan Verplancke is the Chief Information Officer and Group Head of Technology & Operations at Standard Chartered Bank. Prior to joining Standard Chartered, 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.

MANAGEMENT TEAM

CHRISTOPHER A. SINCLAIR

Executive Chairman and Chief Executive Officer

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SATYEN PATEL

Executive Vice Chairman

Satyen Patel is a Founder and Vice Chairman of the Scandent Group and Executive Vice Chairman of Cambridge Solutions Limited. Prior to this, he has held senior management positions with several multinational companies. He was the Managing Director of Nike/South East Asia in Singapore; Director, international business development for Pepsi-Cola International in New York; Director, strategic development for Grand Met/Pillsbury in Minneapolis. He has also held a Non-executive Directorship for 3i plc Asia Pacific.

DILIP KESHU

Chief Strategy & Corporate Development Officer and President, ITO Division

Dilip Keshu is the Chief Strategy and Corporate Development Officer for Cambridge Solutions Limited. In addition, he is the President of the ITO Division. He was earlier CEO of Cambridge Solutions Limited. Prior to working at Cambridge, Mr.Keshu was 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.

WESLEY O'BRIEN

President, BPO Division

Wesley O'Brien is the President of the BPO Division overseeing business units of Cambridge Solutions in Australia, India, Europe and Americas. 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 a 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 USA based customer service company with more than 15,000 service professionals in the USA, India and Philippines.

RICHARD GROS

Executive Vice President, Global Human Resources

Richard Gros is the Executive Vice President of global human resources for Cambridge Solutions. 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 Richard Gros & Associates, an executive search and human resources consulting firm. His extensive experience in managing global workforce challenges is a key to Cambridge's strategic plans to become an employer of choice.

PRADEEP CHAUDHRY

Group Chief Financial Officer

Pradeep Chaudhry is the Group Chief Financial Officer for Cambridge Solutions. 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. He was also a member of the core team that set up and grew IBM's Global Services in India.

KUMAR SIVARAMAN

Chief Operating Officer, ITO Division

Kumar Sivaraman is the Chief Operating Officer, ITO, Cambridge Solutions, responsible for delivery and operations. He has over 17 years of relevant business experience. Before joining Cambridge, Mr. Sivaraman held positions with Dragoco, MphasiS BFL (now EDS), and Satyam Computer Services. He has worked in various capacities including business development, sales & marketing, competency building, software delivery, and operations.

PETER IMBROGNO

Managing Director and Chief Operating Officer, BPO Division - Americas

Peter Imbrogno is Managing Director of Cambridge Solutions responsible for the Americas BPO Division which provides property and casualty claims and risk management services. Mr. Imbrogno is a veteran of 34 years in the insurance industry with extensive expertise in managing claim service operations and account management. Before joining Cambridge Solutions, Mr. Imbrogno held senior level positions including Vice President, Field Operations for Gallagher Bassett Services Inc. and Managing Director, for Marsh USA and CS Stars, LLC. Most recently, he was the Chief Operating Officer at Broadspire Services, Inc. where he was responsible for all operations, product delivery, account management, risk management and managed care services.

PAUL SERONG

Managing Director and Chief Executive Officer, BPO Division - Australia

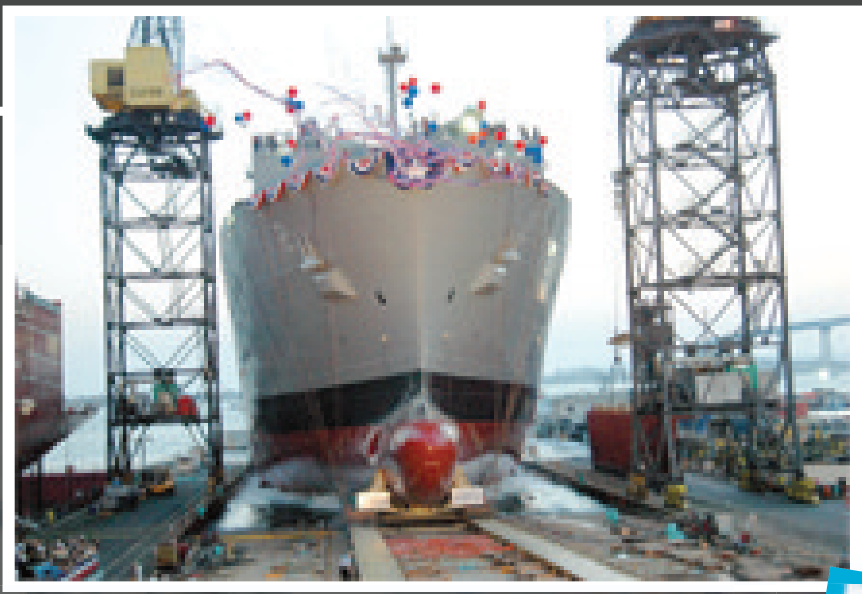
Paul Serong is the Managing Director and Chief Executive Officer of the Australia BPO Division providing claims and risk management services of Cambridge Solutions. Mr. Serong is currently responsible for managing the Victoria and New South Wales WorkCover Authority dedicated units. His prior business 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, BPO Division - India

Nimish Soni is the Managing Director of Cambridge Integrated Services India Private Limited, Indian BPO Division of Cambridge Solutions Limited. Mr. Soni is the co-founder of Cambridge Integrated Services India Private Ltd. (formerly known as ProcessMind). Prior to his current role, he provided the vision and leadership in setting up India's first full service captive insurance BPO center for ADSI US, 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 as IT Strategy Consultant, Technology Consultant and Business Process Re-engineering Consultant for Fortune 100 clients such as AT&T, ALCOA, P&G, AFG and McDonnell Douglas.

REWARDING WORK




CAMBRIDGE


CAMBRIDGE

SUCCESS ACROSS THE SEVEN SEAS

USA LOCATIONS

ARIZONA
- Phoenix

CALIFORNIA
- Concord
- Pasadena
- Rancho Cordova
- San Diego
- Santa Ana
- San Jose

COLORADO
- Salida

CONNECTICUT
- Greenwich
- Rocky Hill

FLORIDA
- Hialeah
- Hollywood
- Maitland
- Pompano Beach
- Tampa

GEORGIA
- Atlanta

ILLINOIS
- Chicago
- Downers Grove

LOUISIANA
- Baton Rouge

MARYLAND
- Towson

MASSACHUSETTS
- Andover
- Boston

MICHIGAN
- Warren

MINNESOTA
- Eagan

MISSOURI
- St Louis

NEBRASKA
- Omaha

NEVADA
- Las Vegas

NEW HAMPSHIRE
- Dover

NEW JERSEY
- Cranbury
- Whippany

NEW MEXICO
- Albuquerque

NEW YORK
- New York
- Syracuse

NORTH CAROLINA
- Raleigh

OHIO
- Solon
- Worthington

OREGON
- Portland

PENNSYLVANIA
- Bethlehem
- King of Prussia
- Philadelphia

RHODE ISLAND
- N. Providence

TENNESSEE
- Cordova

TEXAS
- Carrollton
- Houston

UTAH
- Salt Lake City

WEST VIRGINIA
- Charleston

WISCONSIN
- Brookfield

AUSTRALIA LOCATIONS
- Melbourne
- Sydney

ASIA LOCATIONS

INDIA
- Bangalore
- Chennai
- Mumbai
- Pune

JAPAN
- Tokyo

MALAYSIA
- Kuala Lumpur

SINGAPORE
- Singapore

EUROPE LOCATIONS

FRANCE
- Beynost
- Paris
- Sophia

GERMANY
- Munich

UNITED KINGDOM
- Ascot

BPO

ITO

BPO/ITO

CAMBRIDGE

Cambridge Solutions Limited

DIRECTORS' REPORT

Dear Shareholders,

Your directors are pleased to present the Sixth Annual Report and the Audited Statement of Accounts of the Company for the financial year ended March 31, 2007.

Financial Results

The performance of the Company for the financial year ended March 31, 2007 is summarized below:

Particulars	Consolidated		Standalone	
	March 31, 2007 (Rs in Million)	March 31, 2006 (Rs in Million)	March 31, 2007 (Rs in Million)	March 31, 2006 (Rs in Million)
Sales & Other Income	15,061.29	12,121.25	1,726.96	1,655.60
Total Expenditure	13,681.94	11,130.39	1,580.54	1,441.73
Profit before Interest, Depreciation and Tax	1,379.35	990.86	146.42	213.87
Exceptional Items	(46.39)	-	-	-
Finance Costs	500.99	415.61	197.95	90.44
Depreciation & Amortisation	357.75	469.25	45.94	50.42
Reorganisation Costs	-	205.23	-	-
Profit / (loss) before Tax	567.00	(99.23)	(97.47)	73.01
Income Tax Expense / (Credit)	(89.70)	86.97	13.84	26.96
Profit after Tax	656.70	(186.20)	(111.31)	46.05
EPS (Rs	6.26	(1.79)	(1.06)	0.44

Review of Operations

The Company has been able to perform as per strategy laid down for its business segments. During the financial year 2006 - 07, the consolidated revenues of your company were Rs 14,698 Million, depicting a growth of over 24% year on year. At a consolidated level, it posted improved profit before interest, depreciation and taxes at Rs 1426 Million, up from Rs 991 Million, a growth of over 44% year on year. Profit after tax stood at Rs 657 Million, up from a loss of Rs 186 Million, a positive swing of Rs 843 Million. For the stand alone Company, total revenues amounted to Rs 1709 Million as against Rs 1648 Million in the previous year. The Company has earned profit before Interest, Depreciation and Tax of Rs 146 Million in the year gone by but mainly on account of enhanced finance costs, it posted a net loss of Rs 111 Million.

Outlook

The Management has outlined strategies for growth for each of the segments, namely ITO and BPO, across the geographic spread of over 9 countries that it operates in. While IT business would be focusing on organic growth from its chosen verticals of Manufacturing and Logistics; Banking, Financial Services and Insurance and Emerging Markets including real estate, the Business Process Outsourcing segment would continue to look at suitable growth options for its three major geographic regions. Your Company would complete its investments in the new facilities in India at Bangalore, Chennai and Pune, the work that started in previous year. Considering the globally recognized Executive Leadership and strong HR processes of your company, it is expected to counter the challenges of talent crunch in the industry appropriately, for times to come.

Dividend

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

Increase in Paid up Share Capital

Your Company has issued equity shares of Rs 10 each fully paid 65,220 equity shares of Rs 10 each fully paid and 149,197 equity shares of Rs 10 each fully paid to employees pursuant to Scandent Employee Stock Option Plan 2004, and Scandent Employee Stock Option Plan 2005 (Program 1). Further, 74,757,507 equity shares were allotted to the shareholders of Cambridge Services Holdings LLc pursuant to their merger with the Company and the paid up capital has increased to Rs 1,051,305,770 comprising of 105,130,577 equity shares of the face value of Rs 10 each fully paid-up from Rs 301,586,530 comprising of 30,158,653 equity shares of the face value of Rs 10 each fully paid-up.

Acquisitions

During June 2006, Scandent Group Inc (wholly owned subsidiary of your Company) acquired EComm Solutions Corp. (EComm) and Nexplicit India Pvt. Ltd., (Nexplicit) which is a wholly owned subsidiary of EComm. Nexplicit is a company having a prominent presence in the ERP and SAP businesses. Both ERP and SAP are high margin and fast growing businesses. Acquisition of Nexplicit has enabled your Company to add ERP and SAP services to its already existing vast array of services on offer and to enforce its position as a one stop shop IT service provider. Nexplicit's customer list includes prominent names such as Computer Associates, Walt Disney, IBM and Jazz Semiconductor.

On January 18, 2007, Scandent Group Inc (wholly owned subsidiary of your Company) has entered into a Stock and Warrant purchase agreement with Big E Realestate Inc, ('BigE') a Delaware Corporation and Cushman & Wakefield Inc ('C&W'), for purchase of shares of BigE and warrant to purchase shares of BigE. The Group has made investment of Rs 66.4 million ($1.5 million) to acquire 2,273,749 Class A common stock of BigE constituting 10.3% stake and is also entitled to 10,670,000 warrants at an exercise price of $1 each to be exercised as per the terms of the agreement.

The purchase of 10% stake in BigE helped your Company to establish a hold in Real Estate vertical. Your Company has a plan to increase the stake gradually.

BigE parentage is excellent and its products are used by world class companies such as Adobe, MetLife and Novell, among others. We will now be engaged in a significant code enhancement exercise even as we forge a new go-to-market strategy with the company. As a co-owner with Cushman &Wakefield in BigE, we expect to create a nice application that will do more for existing and prospective clients. Cushman & Wakefield's domain knowledge and our technical expertise will add to the strengths that BigE already possesses.

Human Resources

Your Company has grown step by step, thereby building the core values of performance, innovation and customer focus through strong and reliable processes, one of the few PCMM level 3 companies in the world. The focus in coming times would be to hire fresh candidates with right skills and positive attitude and to groom them for their careers in the organization. Training and Development is recognized as a critical and integral component in the process of continuous improvement and thereby achieving your company's goal as a learning organization. Your Company has also identified key competencies that would be nurtured and developed. This would increase the knowledge base in critical competencies and make the company business ready, at all times. Your company also invests time and effort to create a fun-filled work environment for its people resources.

Subsidiary Companies

Your Company has 21 subsidiary companies namely Matrixone Limited, Scandent Group Inc., US, Albion Inc., Scandent Group GmbH, Germany, Cambridge Solutions Europe Limited, Cambridge Solutions PTE Limited, Scandent Group Sdn BHD, Malaysia, Indigo Markets Limited, Bermuda, Indigo Markets Europe Limited, UK, Indigo Markets Singapore PTE Ltd, BWH SARL France, Cambridge Integrated Services Australia Pty Ltd, Cambridge Presidium Holdings Inc., Cambridge Galaher Settlements & Insurance Services, Cambridge Integrated Services Victoria Pty Ltd, Cambridge Integrated Services Group Inc., ProcessMind Holdings Mauritius Ltd, ProcessMind Services Inc., Cambridge Integrated Services India Pvt Ltd., Ecomm Solutions Corporation, Nexplicit India Private 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 got approval from the Government of India for an exemption from such attachment as it presents the audited consolidated financial statements of the Company and its subsidiaries in the annual report. 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. 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

Cambridge Solutions Corporation Limited Employee Stock Option Plan 2006

Your Company had announced an Employee Stock Option Plan (ESOP), i.e., Cambridge Solutions Limited Employee Stock Option Plan (ESOP), 2006 (hereinafter referred to as "ESOP 2006"), in due compliance with SEBI (ESOS & ESPS) Guidelines, 1999 and any amendment thereto, which was approved by the shareholders.

Scandent 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 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 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.

Corporate Governance Report

The importance of Corporate Governance Report has always been recognized by your Company and in order to enhance customer satisfaction and stakeholder value, the Company continues to benchmark its corporate governance practices with the best in the industry, in line with international norms.

Your Company is following the Corporate Governance like optimum combination of Executive and Non-Executive Directors, Independent Directors, throughout the year and your company 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.

Directors

Shobhan Thakore and Kunal Kashyap retire by rotation and being eligible offer themselves for re-appointment.

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, 2007 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.

Justification on the Auditor's comments in Audit Report on Consolidated Financials

Point No. 5 of the Consolidated Audit Report

The Group had incurred certain pre-acquisition liabilities subsequent to acquisition of Cambridge Integrated Services Group Inc. These amounts have been recorded as recoverable based on the legal opinion. The Group is confident of its recoverability.

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.

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.

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.

Awards & Recognition

During the year gone by, your Company won many awards and accolades, some of which are as given below:

- Top 3 Best Performing BPO Providers in the World (Global Services Media and neoIT survey) 2007.
- Amongst Top 3 companies in Human Capital Development (Global Services Media and neoIT survey 2007).
- Ranked 10th by the International Association of Outsourcing Professionals (IAOP)'s "2007 Global Outsourcing 100" list, that appeared in a special advertising section in Fortune Magazine April 2007 for executive leadership.
- The only Third Party end-to-end Claims Management provider in India.
- Cambridge Solutions' WorkSource1 web-based system developed for the New York City Department of Small Businesses Services (SBS), has been awarded the "Best Application Serving an Agency's Business Need" at the New York City's Excellence in Technology Award Program (ETAP).
- Citation from Work Cover Victoria Authority in Claims Management, Australia.

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 19, 2007

Place: Bangalore

Annexure 1

Cambridge Solutions Limited Employee Stock Option Plan 2006

Description		Year ended March 31, 2007
(a) Total No. of options granted	Program I	60,000 Options
	Program II	20,57,946 Options
(b) Options granted during the year	Program I	60,000 Options
	Program II	20,57,946 Options
(c) Exercise Price	Program I	Rs 10 per share
	Program II	14,42,946 @Rs 113.15 per share
		75,000 @Rs 114.75 per share
		5,40,000 @ Rs 140.35 per share
(d) Total Options Vested (Net of Forfeited options)	Program I	Nil
	Program II	Nil
(e) Options Exercised during the year	Program I	Nil
	Program II	Nil
(f) Total shares arise as a result of exercise of option during the year	Program I	Nil
	Program II	Nil
(g) Options lapsed during the year	Program I	Nil
	Program II	Nil
(h) Variation of terms of options	Program I	Nil
(i) Money realized by exercise of options during the year	Program II	Nil
(j) Total Number of options in force	Program I	60,000 Options
	Program II	20,57,946 Options
(k) Employee-wise details of options granted during the year 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		Table 1A
(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
(l) Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of option		-1.06
(m)Impact of employee compensation cost calculated as difference between Intrinsic Value and Fair Market Value in accordance with SEBI Guidelines on ESOP, on Net Profit and EPS		Refer Table 2
(n) Weighted average exercise price and	Program I	Rs 10
weighted Average fair value of options	Program II and	Rs 120.35
for current year grant	Program I	Rs 105.15
	Program II	Rs 62.58
(o) Description of the method and significant assumptions used during the year		Black Schole Model and refer Table 3

Table 1

Sl. no	Employee	ESOP 2006 - No of Options (Program 2)
1	Dilip Keshu	150,000
2	Pradeep Chaudhry	70,000
3	Kumar Sivaraman	100,000
4	Pallab Bandyopadhyay	6,000

Table 1A

Sl. no	Employee	ESOP 2006 - No of Options (Program 2)
1	Wes O'Brien	500,000
2	Peter Imbrogno	250,000

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, 2007 (In Rupees)	Year ended March 31, 2006 (In Rupees)
Net Income as reported	-111,312,539	46,051,591
Net Income available for equity shareholders	-111,312,539	46,051,591
Add: Stock based employee compensation expenses Included in reported income	9,142,229	26,308,804
Less: Stock based employee compensation expenses determined under Fair Value based method net of tax effects	29,313,527	(26,041,780)
Proforma Net Income	-131,483,837	46,318,615
Reported Earnings per Share (including share capital pending allotment)		
Basic	-1.06	0.44
Diluted	-1.06	0.44
Proforma Earnings per share		
Basic	-1.25	0.45
Diluted	-1.25	0.44

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	4 Years	4 - 5 Years
Riskfree Interest Rate	5.19%	5.19 - 5.25%
Volatility	58.03%(Sep 20, 2006 Grant)	58.03 % (Sep 20, 2006 grant) 57.10% (Nov 20 , 2006 grant) 55.96 % (Jan 30,2007 grant)
Market Price	Rs 113.15 (Sep 20,2006)	Rs 113.15 (Sep 20,2006) Rs 114.75 (Nov 20,2006) Rs 140.35 (Jan 30,2007)

Scandent Solutions Corporation Limited Employee Stock Option Plan 2005

Description		Year ended March 31, 2007
(a) Total No. of options granted	Program I	185,000 Options
	Program II	452,473 Options
(b) Options granted during the year	Program I	5,737 Options
	Program II	68,000 Options
(c) Exercise Price	Program I	Rs. 10 per share
	Program II	384,473 @Rs 172 per share 68,000 @Rs 113.15 per share
(d) Total Options Vested (Net of Forfeited options)	Program I	179,263 Options
	Program II	31,800 Options
(e) Options Exercised during the year	Program I	164,197 Options
	Program II	Nil
(f) Total shares arising as a result of exercise of option during the year	Program I	164,197 shares
	Program II	Nil
(g) Options lapsed during the year	Program I	Nil
	Program II	304,973 Options
(h) Variation of terms of options		Nil
(i) Money realized by exercise of options during the year	Program I	Rs 1,641,970
	Program II	Nil
(j) Total Number of options in force	Program I	20,803 Options
	Program II	147,500 Options

(k) Employee-wise details of options granted during the year 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

(l) Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of option		-1.06
(m)Impact of employee compensation cost calculated as difference between Intrinsic Value and Fair Market Value in accordance with SEBI Guidelines on ESOP, on Net Profit and EPS		Refer Table 2
(n) Weighted average exercise price and weighted Average fair value of options for current year grant	Program I	Rs 10
	Program II and	Rs 113.15
	Program I	Rs 105.15
	Program II	Rs 58.12
(o) Description of the method and significant assumptions used during the year		Black Schole Model and refer Table 3

Table 1

Sl. no	Employee	ESOP 2005 - No of Options (Program 1)
1	Kumar Sivaraman	5,737

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, 2007 (In Rupees)	Year ended March 31, 2006 (In Rupees)
Net Income as reported	-111,312,539	46,051,591
Net Income available for equity shareholders	-111,312,539	46,051,591
Add: Stock based employee compensation expenses Included in reported income	9,142,229	26,308,804
Less: Stock based employee compensation expenses determined under Fair Value based method net of tax effects	29,313,527	(26,041,780)
Proforma Net Income	-131,483,837	46,318,615
Reported Earnings per Share (including share capital pending allotment)		
Basic	-1.06	0.44
Diluted	-1.06	0.44

Proforma Earnings per share

Basic	-1.25	0.45
Diluted	-1.25	0.44

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	4 Years	4-4.50 Years
Riskfree Interest Rate	5.19%	5.19-5.25%
Volatility	58.03%	58.03%
Market Price	Rs 113.15	Rs 113.15

Scandent Solutions Corporation Limited Employee Stock Option Plan 2004

Description	Details
(a) Total No of options granted	4,77,268 Options
(b) Option granted during the year	15,017 Options
(c) Exercise Price	Rs 10 per share
(d) Total Options Vested (Net of Forfeited Options and reissued options)	4,42,058 Options
(e) Options Exercised during the year	95,417 Options
(f) Total shares arising as a result of exercise of option during the year	95,417 Shares
(g) Options lapsed during the year	Nil
(h) Variation of terms of options	Nil
(i) Money realized by exercise of options during the year	Rs 954,170
(j) Total Number of options in force	15,824 Options
(k) Employee-wise details of options granted during the year to	
(i) Senior Managerial Personnel	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

(l) Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of option	-1.06
(m) Impact of employee compensation cost calculated as difference between Intrinsic Value and Fair Market Value in accordance with SEBI Guidelines on ESOP, on Net Profit and EPS	Table 2
(n) Weighted average exercise price and weighted Average fair value of options for current year grant	Rs 10 and Rs 104.68
(o) Description of the method and significant assumptions used during the year	Black Schole Model and refer Table 3

Table 1

Sl. no	Employee	ESOP 2004 - No of Options
1.	Kumar Sivaraman	15,017

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, 2007 (In Rupees)	Year ended March 31, 2006 (In Rupees)
Net Income as reported	-111,312,539	46,051,591
Net Income available for equity shareholders	-111,312,539	46,051,591
Add: Stock based employee compensation expenses Included in reported income	9,142,229	26,308,804
Less: Stock based employee compensation expenses determined under Fair Value based method net of tax effects	29,313,527	(26,041,780)
Proforma Net Income	-131,483,837	46,318,615
Reported Earnings per Share (including share capital pending allotment)		
Basic	-1.06	0.44
Diluted	-1.06	0.44
Proforma Earnings per share		
Basic	-1.25	0.45
Diluted	-1.25	0.44

Table 3

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

Dividend Yield	0.00%
Expected Life	3-3.5 years
Riskfree Interest Rate	5.09 - 5.14%
Volatility	58.03%
Market Price	Rs 113.15

Scandent SSI IT Services Employee Stock Option Plan 2004

Description	Details
(a) Total Number of options granted	70,892 Options
(b) Option granted during the year	Nil
(c) Exercise Price	Rs 128.75 per share
(d) Total Options Vested (Net of Forfeited Options)	53,753 Options
(e) Options Exercised during the year	Nil
(f) Total shares arising as a result of exercise of option during the year	Nil
(g) Options lapsed during the year	16,839 Options
(h) Variation of terms of options	Nil
(i) Money realized by exercise of options during the year	Nil
(j) Total Number of options in force	43,634 Options
(k) Employee-wise details of options granted during the year to	
(i) Senior Managerial Personnel	Nil
(ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	Nil
(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
(l) Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of option	-1.06
(m) Impact of employee compensation cost calculated as difference between Intrinsic Value and Fair Market Value in accordance with SEBI Guidelines on ESOP, on Net Profit and EPS	Table 1
(n) Weighted average exercise price and weighted Average fair value of options for current year grant	: No options were granted during the year

(o) Description of the method and significant assumptions used during the year :No options were granted during the year

Table1

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, 2007 (In Rupees)	Year ended March 31, 2006 (In Rupees)
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Proforma Earnings per share		
Basic	-1.25	0.45
Diluted	-1.25	0.44

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS,

Chairman
Date: June 19, 2007
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		In Rupees 2007	In Rupees 2006
(i)	Total Foreign Exchange earned	1,665,022,958	1,621,975,254
(ii)	Total Foreign Exchange used	874,946,638	762,868,07

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS,

Chairman
Datef: June 19, 2007
Place: Bangalore

Management Discussion and Analysis

Industry Structure and Developments

Worldwide, the technology sector's strong growth momentum has continued unabated -- fueled by a healthy economic environment -- in several key markets across the world. During the year, growth and innovation-led strategies helped propitiate a positive business sentiment and corporate performances were suitably rewarded by the capital markets.

Global technology related spending remained strong crossing $1.5 trillion in the past year with growth across ITO, BPO, software and hardware estimated at an average of 7.7%. ITO services ($470 billion) and BPO ($423 billion) accounted for over 70% of the market size and were seen growing at over 5.9% and 9.8% respectively.

The ITO services segment stood tall at a staggering $171 billion (36% of the total technology related spend), with a growth of 7.3% YoY offering a vast and growing market for outsourcers to tap.

The BPO services segment experienced very strong growth, driven by increasing knowledge and maturity amongst buyers, a robust delivery ecosystem, more complex, competitive supply environments, increased procurement of multifunctional engagements, and cost pressures on buyers forcing them to explore outsourcing of processing functions to low cost geographies. There has been a shift towards integrated engagements by existing buyers with fewer providers, aided by continued consolidation.

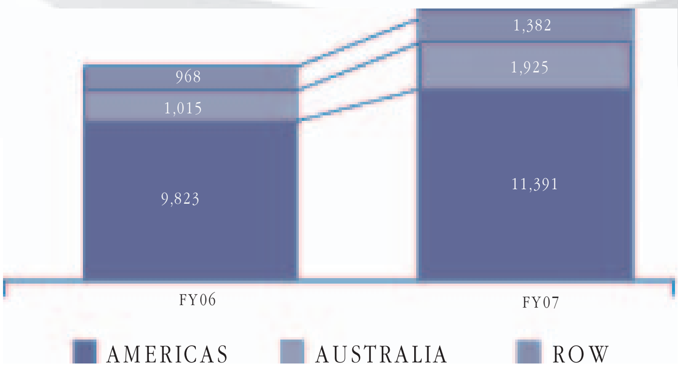
According to NASSCOM, the worldwide technology related spend is expected to reach $2.1 trillion by 2010 at a CAGR of over 7% through 2006-2010. Growth in global sourcing is expected to outpace the growth in the total spends, with up to $110-120 billion of the total amount spent on software and services in 2010 to be sourced through a global delivery model. Though offshoring is still a relatively small part of global outsourcing and of the overall spend, its adoption continues to grow rapidly.

Despite the emergence of global delivery models, India remains an anchor location accounting for over 58% of the offshore ITO/BPO market on account of process competence and maturity, scale and quality of available talent. The Indian ITO and BPO sectors are expected to see sustainable growth, and are expected to reach aggregate revenues of $47.8 billion in the current year while direct employment is expected to exceed 1.6 million. ITO is expected to account for 55% of the exports with BPO growing in commensurate scale and scope. Increasingly, firms are adopting a vertical focused approach. India will be uniquely positioned to sustain its global leadership position, grow its offshore IT-ITES industries at an annual rate of 24% to 25%, generate as many as nearly 10 million jobs, and produce export revenues of more than $86 billion by FY12 (as per NASSCOM estimates).

With this backdrop of industry growth, your Company, Cambridge Solutions, has laid down a sound, practical strategic business platform to enhance its stakeholders' value in a sustainable and predictable manner.

Your Company has grown from a modest Rs 605 million in revenues in FY 2003 to Rs 14698 million in FY 2007. In terms of geographic split, the Americas contributed over 77.5% of the revenue contribution at Rs 11,391 million and Australia was at 13.1% (up from 8.6% last year). The latter experienced exceptional growth at 90% YoY on the back of new contract wins and client bonuses paid for excellence in performance. The rest of the world, comprising of Europe and Asia together accounted for the balance Rs 1,382 million, and these geographies grew at a rapid pace of over 42% from Rs 968 million last year.

GEOWISE REVENUE MIX/GROWTH (Rs Mn)



Industry Structure and Developments

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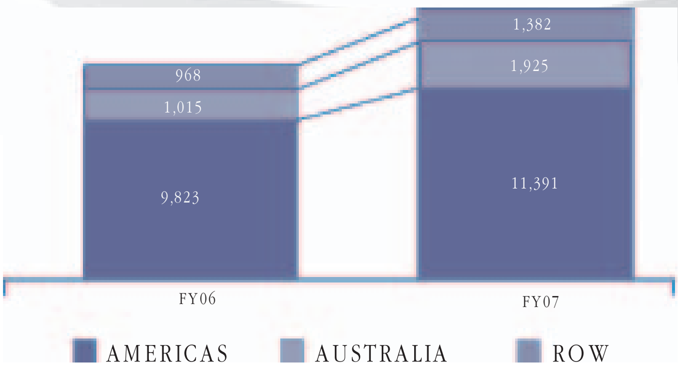
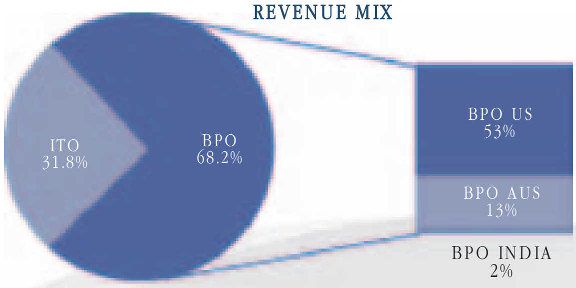


In terms of business lines, the BPO business crossed Rs 10 billion in revenues this year at Rs 10,020 million and the ITO business contributed almost a third (32%) of the consolidated revenues at Rs 4,678 million, up from 28% last year.

REVENUE MIX



BPO revenue was 68% of the consolidated revenues and it grew at 17% for the year. BPO was focused on three core competencies - Banking, Insurance, and Finance and Accounting, all non-voice processing activities, delivered through an integrated global delivery model.

Some of the major offerings within each of these sectors are tabulated below.

Banking		Finance & Accounting	Insurance
Wholesale	Retail		
Anti Money Laundering	Debit & Credit Cards	Accounts Payable	Auto Liability
Credit Operations	Mortgage & Auto Loans	Accounts Receivable	General Liability
Payments	Personal Loans	Financial Accounting	Health
Security Services	Portfolio Management	Financial Reporting	Life & Annuity
Trade Services	Savings/ Checking	Taxation	Product Liability
Treasury Operations			Professional Liability
			Property
			Re-Insurance
			Workers Compensation

For management review purposes, the Company has classified its operations into three major geographies, i.e. USA, Australia and India.

BPO USA operations, by far the largest segment (53% of the consolidated revenues) posted revenues of Rs 7,849 million in FY07. Since the business was acquired in the previous year, most of the year was spent in integrating the entities.

The Company expanded its BPO USA operations in the insurance / claims and risk management business by winning and successfully managing 100 new client implementations - a record number in a given year. The Company also remains one of the largest provider of professional liability claims services in the healthcare industry and one of the largest providers of structured settlements today supporting $400 million in premiums across 30 of its 45+ USA locations. The Company's claims operations process and pay more than $2.8 billion in claims annually.

Heavy investments were made in the USA business operations, including the appointment of an insurance industry veteran as its Chief Operating Officer. The sales force was also augmented, and a major restructuring exercise was undertaken at all levels to optimize costs. Initiatives are ongoing in this segment to develop more efficient operating models with a view to enhance market positioning. Significant progress has also been made in tackling the industry-wide problem of rapid turnover. Through employee recognition, work-life balance, and extensive training for job enrichment, employee turnover is now below 15% for all positions and below 10% for senior level jobs, while competitors still experience a 20-25% annual employee "churn".

BPO Australia operations are also focused on the claims processing market, through the State government insurance programs. This business segment posted excellent growth rates for the year, backed by a new contract awarded by an additional State. This operation has been ranked number one continuously for the last two years, in terms of service providers in one of the particular States and hence garners performance linked bonuses. Currently the Company has two major clients in Australia, but going forward, the Australia team will also target the self insurance market through which direct client servicing would be provided. Suitable investments for these initiatives have already commenced.

BPO India operations witnessed a six fold revenue growth. It contributed Rs 249 Million to the overall FY2007 revenues. Though most of the work done is in the Insurance space, it has also branched out to service clients in the Banking and Finance and Accounting verticals. The segment saw significant turnaround after it won a ten year contract of $100 million from an Insurance player in the European space. The India BPO team has been involved in numerous cross selling deals between ITO and BPO, indicating the picture of a truly integrated offering. During the year, the India BPO operations opened another new facility in Bangalore, which has a capacity to seat approximately a 3000-strong workforce. The India BPO operations will continue to witness strong growth rates considering its current revenue visibility.

The ITO business, which operates in all of the Company's BPO geographies and into many other countries, constitutes about 32% of the consolidated revenues, Rs 4,679 million. It witnessed a 43% YoY revenue growth. This ITO division too strengthened its senior management and embarked on a transition to a vertically aligned organization. These verticals are:

Manufacturing & Logistics
Public Sector
Banking, Financial Services
Insurance
Emerging markets such as Media & Entertainment, Real Estate

The Manufacturing and Logistics vertical was the biggest contributor at 55%. Last year, 16% of revenues came from the BFSI segment. At the very end of the year, a part of the Public Sector vertical, pertaining to the business that focused on State Government work under the Albion brand in the Americas, was sold. This business, like all the verticals of the ITO division, witnessed traction last year, but also demanded huge working capital, straining the Company's balance sheet. Accordingly, a decision was taken to free up the management time and cash resources in order to focus on the core areas of strength for the Company.

ITO Verticals FY2007

In June 2006, the Company acquired USA-based Nexplicit, a leading SAP services provider with a strong focus in the entertainment and high-technology manufacturing industries. Nexplicit's strong management team, client base, and IP frameworks around SAP (such as Media Finale) underpinned the success of the Company's ERP SAP offering in FY 2007. The addition of this profitable business unit also boosted revenue and margins for the Company's ITO division. The Manufacturing vertical grew at over 54% YoY in FY 2007. Demand was strong across all the ITO verticals.

In terms of service offerings, Application Development, Support and Maintenance services continued to do well while the others demonstrated robust growth. The strengthening of a "soup to nuts" or comprehensive, integrated Engineering Services to ERP through Product Lifecycle Management offering continued to attract clients in FY 2007.

In terms of the client profile, the Company has 55 "Million Dollar" clients across the ITO and BPO segments of which many are from the Fortune 500 category. In ITO, the top ten clients contributed 65% of the revenues, up from 59% last year, exhibiting sound depth and scope of the relationships that the Company has with its clients. Some client relationships have now spanned over ten years giving solidity to the credentials of the Company's performance and relevance.

BPO Australia operations are also focused on the claims processing market, through the State government insurance programs. This business segment posted excellent growth rates for the year, backed by a new contract awarded by an additional State. This operation has been ranked number one continuously for the last two years, in terms of service providers in one of the particular States and hence garners performance linked bonuses. Currently the Company has two major clients in Australia, but going forward, the Australia team will also target the self insurance market through which direct client servicing would be provided. Suitable investments for these initiatives have already commenced.

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The ITO business, which operates in all of the Company's BPO geographies and into many other countries, constitutes about 32% of the consolidated revenues, Rs 4,679 million. It witnessed a 43% YoY revenue growth. This ITO division too strengthened its senior management and embarked on a transition to a vertically aligned organization. These verticals are:

Manufacturing & Logistics
Public Sector
Banking, Financial Services
Insurance
Emerging markets such as Media & Entertainment, Real Estate

The Manufacturing and Logistics vertical was the biggest contributor at 55%. Last year, 16% of revenues came from the BFSI segment. At the very end of the year, a part of the Public Sector vertical, pertaining to the business that focused on State Government work under the Albion brand in the Americas, was sold. This business, like all the verticals of the ITO division, witnessed traction last year, but also demanded huge working capital, straining the Company's balance sheet. Accordingly, a decision was taken to free up the management time and cash resources in order to focus on the core areas of strength for the Company.

ITO Verticals FY2007

In June 2006, the Company acquired USA-based Nexplicit, a leading SAP services provider with a strong focus in the entertainment and high-technology manufacturing industries. Nexplicit's strong management team, client base, and IP frameworks around SAP (such as Media Finale) underpinned the success of the Company's ERP SAP offering in FY 2007. The addition of this profitable business unit also boosted revenue and margins for the Company's ITO division. The Manufacturing vertical grew at over 54% YoY in FY 2007. Demand was strong across all the ITO verticals.

In terms of service offerings, Application Development, Support and Maintenance services continued to do well while the others demonstrated robust growth. The strengthening of a "soup to nuts" or comprehensive, integrated Engineering Services to ERP through Product Lifecycle Management offering continued to attract clients in FY 2007.

In terms of the client profile, the Company has 55 "Million Dollar" clients across the ITO and BPO segments of which many are from the Fortune 500 category. In ITO, the top ten clients contributed 65% of the revenues, up from 59% last year, exhibiting sound depth and scope of the relationships that the Company has with its clients. Some client relationships have now spanned over ten years giving solidity to the credentials of the Company's performance and relevance.

BPO Australia operations are also focused on the claims processing market, through the State government insurance programs. This business segment posted excellent growth rates for the year, backed by a new contract awarded by an additional State. This operation has been ranked number one continuously for the last two years, in terms of service providers in one of the particular States and hence garners performance linked bonuses. Currently the Company has two major clients in Australia, but going forward, the Australia team will also target the self insurance market through which direct client servicing would be provided. Suitable investments for these initiatives have already commenced.

BPO India operations witnessed a six fold revenue growth. It contributed Rs 249 Million to the overall FY2007 revenues. Though most of the work done is in the Insurance space, it has also branched out to service clients in the Banking and Finance and Accounting verticals. The segment saw significant turnaround after it won a ten year contract of $100 million from an Insurance player in the European space. The India BPO team has been involved in numerous cross selling deals between ITO and BPO, indicating the picture of a truly integrated offering. During the year, the India BPO operations opened another new facility in Bangalore, which has a capacity to seat approximately a 3000-strong workforce. The India BPO operations will continue to witness strong growth rates considering its current revenue visibility.

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Loans - The Company raised Rs 266 million worth of new loans during the year. It repaid part of the loans amounting to Rs 272 million. As of year end, the Company has Rs 930 million of loans outstanding of which 62 % are to be paid by March 31, 2008.

Fixed Assets - The Company added Rs 44 million worth of fixed assets during the year of which Intangible assets constitute 16%. At the end of the year, Intangible assets including goodwill arising on account of acquisitions are 10% of the net fixed assets.

Debtors – As on March 31, 2007 debtors of Rs 1382 stand in the books of accounts of which Rs 201 are pertaining to over 180 days (last year, Rs 1293 million were in excess of 180 days).

Investments - The Company made investments of Rs 825 million and Rs 234 million in Cambridge Integrated Services Group Inc and Scandent Group Inc respectively during the year.

Cash & bank balance - Cash and bank balances at the year end is Rs 45 million.

Loans & Advances given - Loans and advances balance at the year end is Rs 644 million, of which Rs 525 million is due from related parties.

Future Opportunities

Cambridge continues to see good business growth in IT outsourcing. The ITO division has been growing at a healthy rate of 40%; and of particular importance is the willingness of clients to move work offshore. Being a service provider which comprehensively covers customer needs with a value proposition aimed at the CXOs, increasingly, Cambridge has been witnessing the growing trend of integrating both BPO and ITO for its customers. This has provided the much needed single window services to clients which deepen the existing relationships, thus transforming Cambridge's position into that of a strategic partner with customers versus a vendor.

- Manufacturing and Logistics continue to drive Cambridge's portfolio. The Company has demonstrated expertise in next generation service offerings in this space. The PLM Services is slated for a high growth trajectory and your Company's established leadership in this line of business will help grow it to the next level in coming years. The suite of offerings that combines with PLM, Engineering Services and ERP has been complementary and has been identified as a key area of growth. It is therefore well positioned to exploit the trend in this segment. This, combined with the traditional service offerings should provide a platform for increased customer acquisitions.
- Cambridge operates in certain niche spaces in BFSI like Forex management, securities and commodities exchanging including trading, order routing and management. Increased demand for customization, support as well as new development has been driving growth and is expected to continue.
- Cambridge's portfolio of key accounts has continued to grow, thus providing an opportunity for a variety of services to provide to each new customer. The strategy of aligning with customers to build lasting relationships has helped the Company to increase wallet-share by cross selling and up selling service offerings.
- In continuing its search for attractive business growth, the Company has identified emerging business areas which could potentially provide competitive advantage through early entry. One such sector is real estate and could potentially transform into a vertical given the appetite for selling comprehensive offerings.
- In addition to the application development space, application integration work continues to grow. The Company realizes it has significant advantages in this space and expects to continue to pursue aggressive growth in it.
- Cambridge will continue to invest and expand its presence in India and continue to integrate the global delivery model which add immense value to the customers.
- The enduring relationships that have been built over the years have been good growth contributors. This is expected to continue as a growth strategy and the Company will focus on building more such relationships.
- It shall continue to leverage expertise through an integrated business model that has a business domain and architecture skills.
- The Company shall provide comprehensive training program which strengthens the behavioral and technical training to continue to build the organization.

Threats and Risks Management

In the BPO Insurance arena, with the soft insurance market taking hold in the USA, some companies are considering or have decided to become fully insured, look for alternative market options, or have gone in-house with their P&C claims management programs. However, companies choosing this road run the risk of losing control over their program costs and results. What may seem like a cost-effective measure may actually have long-term effects on a Company's bottom line. In order to gain ground in this highly competitive world market, it is important for CFOs and risk managers to recognize the need for balance between procedural claims administration and outcomes-driven claims management services.

Cambridge has found the ultimate balance, not only by providing superior processes for managing claims that are documented, measured and audited, but also by bringing outcomes-driven best practices to each and every claim.

Even as the market cycle has made outsourced claims processing a less favorable option in recent years, companies that are truly committed to long-term expense control and growth strategies have stayed the course. Many CFOs and risk managers who understand the benefits of the outsourced / self-insured market have turned to Cambridge to have an added advantage over their competitors. This advantage equates to sustained results in their claims program - including improved employee return to work initiatives and lower overall loss costs.

Many insurance companies and other alternative risk transfer companies have also turned to Cambridge to support their back office claims operations - further evidencing the continuing need for outsourced claims management services.

Other than the possibility of slow down in the insurance market, the Company also faces several business risks besides political, economy, industry and currency related risks, as applicable to all corporates operating in the sector.

Geographic Risk

In terms of geographic risk, the Company derives almost 78% of its revenues from the Americas and hence any downturn in that geography could impact the Company's operations. The International operations of the Company, which cover almost 9 countries, are subject to compliance of local laws and complications in staffing, managing and protection of intellectual property rights.

Talent Risk

Being a people asset firm, the performance of the Company depends on its ability to acquire, manage, motivate and retain the best people resources. Deviation in any of the variables can impact the intellectual pool of the Company and could lead to disruption of services and business delays.

Client Concentration Risk

The Company has taken suitable measures to ensure that no particular client contributes over 10% to its overall consolidated revenues so as to avoid the risks of client concentration. Overall, the top five clients contribute 27% to the consolidated revenues and may not impact the business in case any one of them witnesses a slow down on their ITO and BPO spend.

Internal Control Systems and their adequacy

As part of Internal Controls and Risk Management, the Company has taken the following measures

- Identification of various risks - business, operational, financial and compliance- facing the Company
- Identify root causes for these risks
- Evaluate the controls existing to mitigate these risks
- Assess the effectiveness of these controls
- Ascertain the desired level of controls required to manage and control these risk
- Workshop conducted by external consultants to brief the Company personnel about these risks and percolated down to the next levels

PEOPLE AT THE CORE OF OUR BUSINESS

RICHARD GROS
EVP Global Human Resources

In a knowledge-based service economy, people are the core assets. With a workforce of almost 4400, 60% of whom are located outside India in geographies spanning Asia, Europe, the USA and Australia, Cambridge has invested a significant amount of time and resources in recruiting, developing, and retaining talent, as well as in leveraging cultural diversity. All this, while ensuring that the Company continues to deliver high-levels of satisfaction to its many clients, some of whom count amongst the Fortune 500.

To continue to achieve its short-term goals and long-term success, the Company has built its Human Resources Strategies around four cornerstones - Growth, Quality, Frontline Focus and Integrity. The first cornerstone, Growth, is Cambridge's lifeblood, generating the company's energy, excitement, and providing career opportunities for its people.

As a knowledge-based ITO and BPO service organisation, the second cornerstone, Quality, is paramount. The awards and accolades that the Company has received in servicing its customers, represent independent external endorsements illustrating Cambridge's commitment to providing the highest quality services, solutions, and products to its many satisfied customers.

The third distinguishing cornerstone, Frontline Focused, is based on Cambridge's belief that frontline employees are the key to achieving ongoing quality standards and long-term customer satisfaction. Currently, over 73% of Cambridge's employees are on the frontline, directly servicing or representing its customers' needs on a daily basis. While many companies only focus their Human Resource initiatives around the top 10% of employees or those in leadership positions, Cambridge puts the majority of its developmental investment into building its frontline capabilities; knowing that these employees have a real and immediate impact on programme success. With a consistent Frontline Focus, Cambridge gives its customers the assurance of delivering on our service promises and making the "Cambridge Way" of doing business a reality. Of equal importance to sustaining existing business, Cambridge frontline employees also play a critical role in identifying new growth opportunities with existing customers and market contacts.

The last cornerstone, Integrity, is the over-arching value that binds the Company together in a global workplace. At Cambridge, Integrity means "doing what we said we would do, when, and how we promised to do it."

Using the four cornerstone strategy, Cambridge's Human Resource goals are to continue to focus on recruiting and staffing with only the best candidates in the market, to further develop its employees' skills and competencies, to create greater opportunities for personal growth and career development, to reward and recognize, and to provide a great work environment.

A Business Case Study: Driving Quality by developing skills and competencies (Claims Sector; USA)

Cambridge has achieved significant success in the USA claims sector through a strategic investment in its people. In the highly competitive claims business, the Company has succeeded in keeping employee attrition levels well below the industry average of 20%. Employee recognition and extensive training for job enrichment have worked to provide exciting career opportunities for employees. In turn, low attrition has improved the customers' experience through the consistent and predictable delivery of service quality.

In the claims business, service quality ultimately comes down to the capabilities and commitment of the claims professional. The Company places extraordinary emphasis on building and retaining what it feels is the most qualified and experienced team, with an average tenure of 15 years, one of the industry's highest.

In anticipation of continued growth and to ensure that the professional staff can continue to provide high quality service levels, the Company has focused its efforts on training and developing its frontline claims professionals. As a result of its rigorous training programs, all professionals are firmly grounded in the Company's proven best practices, focused on optimal outcomes and claims cost savings, and dedicated to delivering exemplary client service for years to come.

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CORPORATE GOVERNANCE REPORT FOR THE YEAR 2006-07

(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, 2007 comprises of 8 Directors of which 5 are Non-Executive. The Chairman is Executive and the Board comprises of 50% 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.

The Composition is as under:

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

b Meeting and Attendance of each Director:

There were eight board meetings held during the year ended March 31, 2007 and the gap between two board meetings did not exceed four months. These were on June 21, 2006, July 28, 2006, September 20, 2006, October 02, 2006, October 26, 2006, January 23, 2007, January 30, 2007 and March 26, 2007. The information as mentioned in Annexure 1A to Clause 49 has been placed before the Board for its consideration.

The attendance record of the Directors at the Board Meetings held during the year ended March 31, 2007 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 A. Sinclair	6	-	-	-
Mr. Satyen Patel	7	1	-	-
Mr. Dilip Keshu	7	1	-	-
Mr. Shobhan Thakore	5	5	-	2
Mr. Kunal Kashyap	5	3	-	2
Mr. Eugene Beard	4	-	-	-
Mr. David Greenberg	4	-	-	-
Mr. Jan Verplancke*	1	-	-	-

*(Appointed w.e.f. June 21, 2006)

**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 6 Audit Committee meetings held during the year ended March 31, 2007. These were on May 29, 2006, June 21, 2006, July 28, 2006, August 31, 2006, October 24, 2006 and January 30, 2007

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:
  - o Any change in accounting policies and practices
  - o Disclosure of related party transactions
  - o Matters to be included in the Directors Responsibility Statement to be included in the Directors' Report
  - o Qualifications in the draft audit report, if any
  - o Compliance with listing and other legal requirements relating to financial statements.
  - o Going concern assumption
  - o Compliance with accounting standards
  - o Significant adjustments to financial statements arising out of audit findings
  - o 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 A. Sinclair (Member)	Executive Director	6	3
2.	Shobhan Thakore (Member)	Independent Director	6	5
3.	Kunal Kashyap (Chairman)	Independent Director	6	5

v. The last Annual General Meeting of the Company was held on September 20, 2006 and the Chairman of the Audit Committee was present at the Annual General Meeting of the Company.

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 A. Sinclair	Executive Director	3	3
2.	Shobhan Thakore	Independent Director	3	2
3.	Kunal Kashyap	Independent Director	3	3

iv. Remuneration of Directors:

None of the Directors are in receipt of any remuneration for the Financial Year 2006-07, other than Sitting Fees and Employee Stock Option and none of the non - executive directors hold any shares in the Company.

Number of Options issued to Directors during the year 2006-07:

Sl. No	Name of Director	Category	Plan	Program	Number of Options	Grant Price
1.	Dilip Keshu	Executive Director	ESOP 2005	II	55000	Rs 113.15
			ESOP 2006	II	150000	Rs 113.15
2.	Shobhan Thakore	Non-Executive Director	ESOP 2006	I	12000	Rs 10
				II	12000	Rs 113.15
					12000	Rs 140.35
3.	Kunal Kashyap	Non-Executive Director	ESOP 2006	I	12000	Rs 10
				II	12000	Rs 113.15
					12000	Rs 140.35
4.	David Greenberg	Non-Executive Director	ESOP 2006	I	12000	Rs 10
				II	12000	Rs 113.15
					12000	Rs 140.35
5.	Eugene Beard	Non-Executive Director	ESOP 2006	I	12000	Rs 10
				II	12000	Rs 113.15
					12000	Rs 140.35
6.	Jan Verplancke	Non-Executive Director	ESOP 2006	I	12000	Rs 10
				II	12000	Rs 113.15
					12000	Rs 140.35

5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE:

i. The Investors Grievance Committee was 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	4	4
2.	Kunal Kashyap	Independent Director	4	2
3.	Shobhan Thakore	Independent Director	4	4

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.

Shobhan Thakore, 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:

SJR I-Park, Plot 13, 14, 15.
EPIP Industrial Area, Phase I
Whitefield, Bangalore 560066
India.
Phone +91 080 3054 0000
Fax +91 080 41157394
email: compliance@cambridge-asia.com

Details of Complaints received and redressed:

Opening Balance	Received during the year	Resolved during the year	Closing Balance
Nil	3	3	Nil

6. GENERAL MEETING:

6.1 Annual General Meeting

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

Date	Time	Venue	Special Resolutions Passed	Directors' Attendance at AGM
September 20, 2006	11 am	Sathya Sai Samskruta Sadanam, No. 20, Hosur Road, Bangalore - 560 029, India.	a.Aproval of ESOP 2006 and grant of option under the same b. Grant of ESOPs to the employees of subsidiary company under ESOP 2006	1. Christopher A Sinclair 2. Satyen Patel 3. Dilip Keshu 4. Shobhan Thakore 5. Kunal Kashyap
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 delisting 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 A Sinclair 2. Satyen Patel 3. Dilip Keshu 4. Shobhan Thakore 5. Kunal Kashyap
September 22, 2004	11 am	Regd. Office: No. 33, "Coconut Grove", 18th Main, 6th Block, 1st 'A' Cross, Koramangala, Bangalore - 560 095 India	Nil	1. S. Jairaj

6.2. Extraordinary General Meeting:

There were no extra-ordinary general meetings during the year 2006-07

6.3 Postal Ballot:

There was no postal ballot during the year 2006-07

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 01, 2006 to March 31, 2007 : NIL

iii. The Company has not adopted a treatment different from that prescribed in Accounting Standard.

iv. There are no pecuniary relationship or transactions between non-executive directors and the Company

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

vi. Details of compliance with mandatory requirements and adoption of non-mandatory requirements of Clause 49:

- The Company has complied with all the mandatory requirements of Clause 49 of the listing agreement and the following non-mandatory requirements have been adopted by the company:
- The Board has set up a remuneration committee to determine the company's policy on specific remuneration packages. The remuneration committee has three directors. Two independent directors and an executive director. There is no designated chairman as such. All the members of remuneration committee were present at previous Annual General Meeting
- The Company has unqualified financial statements.

vii. Secretarial Audit

A qualified practising Company Secretary carried out secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The seretarial audit report confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares with NSDL and CDSL.

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/Udayavani", 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 following results were published as detailed below:

Financial Results (2006-07)	Date of Board Meeting	Date of Publication	Name of the Newspaper
Q4 results for the period ended March 31, 2007	June 19, 2007	June 21, 2007	"Financial Express" and "Udayavani"
Q3 results for the period ended December 31, 2006	January 30, 2007	February 01, 2007	"Financial Express" and "Kannada Prabha"
Q2 results for the period ended September 30, 2006	October 26, 2006	October 28, 2006	"Financial Express" and "Kannada Prabha"
Q1 results for the period ended June 30, 2006	July 28, 2006	July 30, 2006	"Financial Express" and "Kannada Prabha"

9. GENERAL SHAREHOLDER INFORMATION:

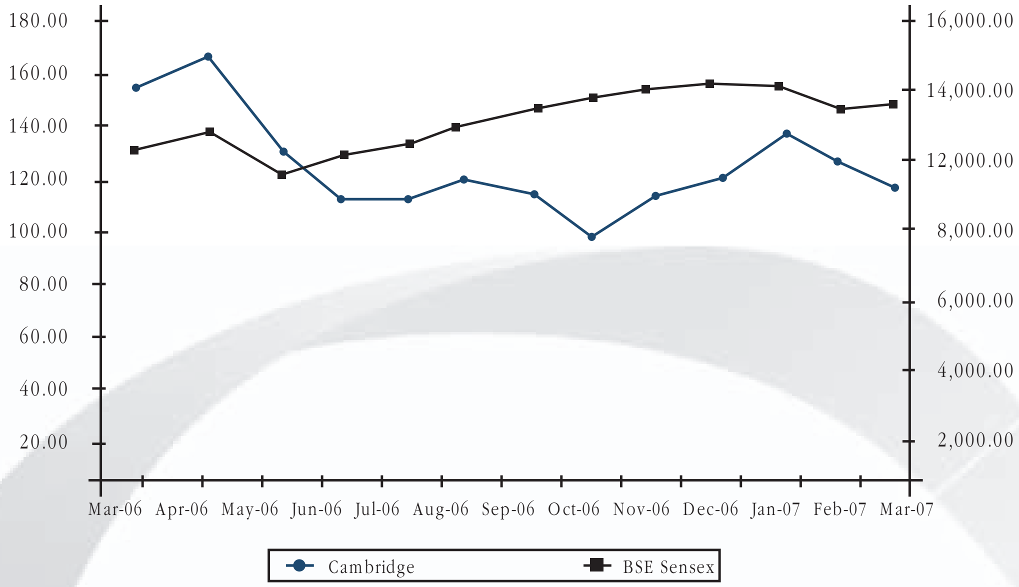
i. Annual General Meeting	September 19, 2007, Wednesday at 11am
ii. Financial Year 2007-08	
First quarterly results	: July 2007
Second quarterly results	: October 2007
Third quarterly results	: January 2008
Fourth Quarterly and Annual results for the Year ending	: June, 2008
Financial Year	: March
Annual General Meeting	: September
iii. Date of Book Closure	: September 12, 2007 to September 19, 2007 (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 Ltd and Ahmedabad Stock Exchange Limited
vi. Stock Code	: National Stock Exchange of India Ltd: CAMBRIDGE : Bombay Stock Exchange Ltd. : 532616
vii. ISIN No.	: INE 692G01013

viii. Market Price data

Month 2006-07	Quotation at National Stock Exchange		Quotation at Bombay Stock Exchange	
	High	Low	High	Low
Apr-06	177.50	152.10	177.80	150.00
May-06	172.00	119.90	172.60	106.00
Jun-06	135.00	90.00	136.00	89.05
Jul-06	121.80	94.00	116.70	93.55
Aug-06	121.90	103.00	121.80	96.65
Sep-06	123.75	110.00	130.00	109.10
Oct-06	116.35	104.50	125.00	104.00
Nov-06	134.90	104.30	134.80	104.00
Dec-06	133.80	111.50	133.90	111.15
Jan-07	129.60	123.25	145.00	123.10
Feb-07	154.40	122.75	154.70	112.90
Mar-07	136.00	115.16	135.35	115.60

ix. The Company has paid the listing fees to each of the above Stock Exchanges, where its securities are listed for the Financial Year 2007-08

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 31.03.2007

Share holding of nominal value	Share Holders		Share Amount Nominal Value	
Rs.	Number	% to total	Rs	% to total
(1)	(2)	(3)	(4)	(5)
Upto 5000	28848	92.17	30422870	2.89
5001-10000	1217	3.89	9778530	0.93
10001-20000	587	1.88	8935690	0.85
20001-30000	196	0.63	5042910	0.48
30001-40000	94	0.30	3395330	0.32
40001-50000	86	0.27	4056800	0.39
50001-100000	102	0.33	7651370	0.73
100001 and above	168	0.54	982022270	93.41
Total	31298	100.00	1051305770	100.00

Categories of shareholding as on 31.03.2007

Category	No. of Shares held	% of shareholding
Promoters	62148571	59.12
Mutual Funds and UTI	7588300	7.22
Banks, Financial Institutions,Insurance Companies.	518877	0.49
FIIs	1306820	1.24
Private Corporate Bodies	4635338	4.41
India Public	7373490	7.01
NRIs/OCBs	18035534	17.16
Others	3523647	3.35
Grand Total	**105130577**	**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. 82,523,636 Equity Shares aggregating to 78.50% of the total Equity Capital is held in dematerialized form as on 31.03.2007, of which 72.69% (76,421,006 Equity Shares) of total Equity Capital is held with NSDL and 5.80% (6,102,630 Equity Shares) of total Equity Capital with CDSL as on 31.03.2007. 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 not issued any outstanding convertible bonds during the current year. However the Convertible Bonds worth Rs 1,336,500,000 were issued on March 14, 2006, which are convertible 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 Services:

Mr. V. Viswanathan
Cambridge Solutions Limited
SJR I-Park, Plot 13, 14, 15.
EPIP Industrial Area, Phase I
Whitefield, Bangalore 560066; India.
Phone +91 080 3054 0000; Fax +91 080 4115 7394

xviii. No. of Shareholders as on 31.03.2007: 31,298

xix. No. of shares traded during 2006-07:

BSE: 42,010,979 Shares; NSE: 44,167,525 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.

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE.

To
The Members
Cambridge Solutions Ltd.
(Formerly known as Scandent Solutions Corporation Ltd.)
SJR 1 Park, Plot No. 13, 14, 15
EPIP Industrial area, Phase 1,
White Field,
Bangalore-560066

Registration No. of the Company : U72200KA2002PLC030072
Nominal Capital (Rs) : 125, 00, 00,000

I 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 Limited, and Ahmedabad Stock Exchange Limited for the financial year ended 31.03.2007. I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of certification.

The compliance of the conditions of Corporate Governance is the responsibility of the management. My 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 my examination of the records produced, explanations and information furnished, I 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.

P.S.M.CHARI
Company Secretary in Practice
Membership No.8088
Certificate of Practice No.4503

Date: June 19, 2007
Place: Bangalore

CEO/CFO Certification

We, Christopher A Sinclair, the Executive Chairman and 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 the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

d. We have indicated to the auditors and the Audit Committee:

(i) There are no significant changes in the internal control over financial reporting during the year.

(ii) There are no significant changes in the 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 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 A. Sinclair
Executive Chairman and
Chief Executive Officer

Pradeep Chaudhry
Chief Financial Officer

Place: Bangalore
Date: June 19, 2007

FINANCIAL STATEMENTS
INDIAN GAAP

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 Scandent Solutions Corporation Limited) as at March 31, 2007 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 Note 29 to the financial statements. As at March 31, 2007, the Company has a net receivables (after eliminating payable) from Scandent Group Inc, Cambridge Network Europe Limited (formerly Scandent Network Europe Limited) and Albion Inc, its wholly owned subsidiaries of Rs 1,056 million (net of payable of Rs 79 million), Rs 330 million (net of payable of Rs 55 million) and Rs 180 million (net of payable of Rs Nil), respectively. The Company, basis the future funding plans believes that these dues will be recovered /paid in next year.

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, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 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, 2007;
   b. in the case of the profit and loss account, of the loss 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

Bangalore
June 19, 2007

Re: Cambridge Solutions Limited (formerly Scandent Solutions Corporation Limited) ('the Company')

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

   The Company has a regular program 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 which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. 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. As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

   As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered 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 is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets. In respect of internal control system over sale of services, no major weakness was noticed during the course of our audit *other than maintenance of time tracking system for billing of its services. Though the Company had intended to implement a time reporting system, it has not been successful in tracking time for billing purposes*. However, subsequent to year end, management has implemented a system for tracking time to rectify this weakness.

   Considering the nature of business of the Company, the Clause 4 (iv) of the Companies (Auditor's Report) Order, 2003 (as amended) to the extent pertaining to internal control system for purchase of inventory is not applicable to the Company.

5. According to the information and explanations provided by the management, there are no transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956.

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

7. In our opinion, 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.

9. The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

   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)
Income Tax Act, 1961	Income tax payable	4.19*	AY 2004-05	Commissioner of Income-tax (Appeals)

* Net of Rs 1.63 million paid to the Income-tax authorities.

According to the information and explanation given to us, there are no dues of sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.

10. The Company's accumulated losses at the end of the financial year are less than fifty percent of its net worth. *The Company has incurred cash losses in the current year and the immediately preceding financial year.*

11. Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

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.

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, the Company has given guarantee for loans taken by its subsidiary companies from banks; the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.

16. Based on information and explanations given to us by the management, term loan were applied for the purpose for which the loans were obtained *except for a term loan of Rs 34 million taken for the purpose of replacement of existing debts of the Company, was not applied for the purpose.*

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 *the Company has used funds raised on short-term basis for long-term investment. The Company has made an additional investment of Rs 312 million in its subsidiary out of the amounts realized from debtor balances.*

18. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

19. *During the year ended March 31, 2003, the Company had issued unsecured 11 per cent Debentures amounting to Rs 150 million, of which Rs 90 million was outstanding as at March 31, 2007. Further, during the year ended March 31, 2006, the Company had issued unsecured 5.22 per cent Convertible Bonds amounting to Rs 1,336.50 million, which are outstanding as at March 31, 2007. 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 19, 2007

CAMBRIDGE SOLUTIONS LIMITED
(formerly SCANDENT SOLUTIONS CORPORATION LIMITED)

(All amounts in Indian Rupees)

	Notes	2007	2006
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	5	1,051,305,770	301,134,560
Share capital pending allotment	6	-	747,575,070
Reserves and surplus	7	713,572,002	720,218,385
		1,764,877,772	1,768,928,015
Loan Funds			
Secured loans	8	930,293,407	900,713,918
Unsecured loans	9	1,426,500,000	1,489,997,774
		2,356,793,407	2,390,711,692
TOTAL		4,121,671,179	4,159,639,707
APPLICATION OF FUNDS			
Fixed Assets	10		
Gross block		202,627,394	247,902,495
Less: Accumulated depreciation		150,730,229	190,392,582
Net block		51,897,165	57,509,913
Capital work-in-progress (including capital advance of Rs 494,795 (2006--Rs 259,607))		6,368,235	696,600
		58,265,400	58,206,513
Intangible Assets, net	11		
Gross block		21,668,414	14,615,861
Less: Accumulated amortisation		15,592,934	5,862,985
Net block		6,075,480	8,752,876
Investments	12	2,391,668,776	1,255,153,444
Deferred Tax Asset	13	30,007,312	30,831,200
Current Assets, Loans & Advances			
Sundry debtors	14	1,382,259,872	1,771,175,303
Cash and bank balances	15	44,815,501	1,340,516,557
Loans and advances	16	643,659,863	548,806,007
		2,070,735,236	3,660,497,867
Less: Current Liabilities & Provisions			
Current liabilities	17	451,734,802	825,458,596
Provisions	18	78,578,371	49,306,106
		530,313,173	874,764,702
Net Current Assets		1,540,422,063	2,785,733,165

CAMBRIDGE SOLUTIONS LIMITED
(formerly SCANDENT SOLUTIONS CORPORATION LIMITED)

(All amounts in Indian Rupees)

	Notes	2007	2006
SOURCES OF FUNDS			
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Net Current Assets		1,540,422,063	2,785,733,165

CAMBRIDGE SOLUTIONS LIMITED
(formerly SCANDENT SOLUTIONS CORPORATION LIMITED)

(All amounts in Indian Rupees)

	Notes	2007	2006
INCOME			
Revenues	20	1,709,089,771	1,648,480,067
Other income	21	17,867,222	7,119,439
		1,726,956,993	**1,655,599,506**
EXPENDITURE			
Employee costs	22	525,960,873	504,274,447
Other operating costs	23	1,054,579,825	937,452,990
Profit Before Depreciation, Amortisation, Finance cost and Taxes		**146,416,295**	**213,872,069**
Depreciation	10	36,211,204	44,735,866
Amortisation	11	9,729,949	5,682,481
Finance costs	24	197,943,999	90,442,798
Profit / (Loss) for the year before tax		**(97,468,857)**	**73,010,924**
Provision for current tax	26	5,200,000	23,065,714
Deferred tax charge/(income)	13 & 26	4,385,955	1,136,738
Fringe benefit tax	26	4,257,727	2,756,881
Profit / (Loss) for the year		**(111,312,539)**	**46,051,591**
Net profit/(loss), at the beginning of the year		-	-
Amounts deducted from general reserve	7	37,889,874	-
Debit balance in profit and loss account transferred pursuant to the Cambridge Merger Scheme	2	-	(23,362,500)
		37,889,874	**(23,362,500)**
Net Profit available for appropriation		**(73,422,665)**	**22,689,091**
Appropriation towards Debenture Redemption Reserve	7	-	(22,689,091)
Profit & Loss account, end of the year		**(73,422,665)**	-
Weighted average number of equity shares used in computing earnings per share	27		
Basic		104,971,435	103,971,674
Diluted		104,971,435	104,322,064
Earnings per share [Equity shares, par value Rs 10 each (Previous year : Rs 10)]			
Basic		(1.06)	0.44
Diluted		(1.06)	0.44

The accompanying notes 1 to 38 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 19, 2007

For and on behalf of the Board of Directors of Cambridge Solutions Limited (formerly Scandent Solutions Corporation Limited)

Christopher Sinclair Executive Chairman	Satyen Patel Executive Vice Chairman
Pradeep Chaudhry Chief Financial Officer	V Viswanathan Company Secretary

Place: Bangalore
Date: June 19, 2007

CAMBRIDGE SOLUTIONS LIMITED
(formerly SCANDENT SOLUTIONS CORPORATION LIMITED)

1 Background

1.1 Incorporation and History

Cambridge Solutions Limited (formerly Scandent Solutions Corporation Limited), (Cambridge or 'the Company'), was incorporated on February 1, 2002 and is a part of the Scandent Group. 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. Cambridge and its subsidiaries have operations principally in India, United States of America ('USA'), United Kingdom ('UK'), Australia, Germany, France, Singapore, Malaysia and Japan.

On December 29, 2003, Cambridge entered into a definitive agreement with SSI Limited ('SSI') for merger of the Information Technology division of SSI ('SSIIT') into Cambridge. As a part of the arrangement and pursuant to the Group's strategy to consolidate its operations in India; Scandent Group Inc., USA ('Scandent USA'), Cambridge Network Europe Limited (formerly Scandent Network Europe Limited, UK) ('Cambridge UK'), Cambridge Solutions Pte Limited, Singapore (formerly Scandent Group Pte Limited) ('Cambridge 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.

The Company assumes significant risks and rewards of significant contracts vesting in India. Under the arrangement, the subsidiaries retain 5% of the revenues earned, from contracts arranged by them for marketing services and cost plus 8% for onsite efforts on contracts undertaken by them.

Pursuant to the Scheme of arrangement for de-merger of Information Technology division of SSI Limited ('SSIIT') and its merger in the Company ('the SSIIT merger scheme'), sanctioned by the Honourable High Court of Judicature at Karnataka and the Honourable High Court of Judicature at Madras, assets and liabilities of SSIIT were transferred and vested in the Company with effect from July 2, 2004.

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.

2 Merger of Cambridge Services Holdings LLC

On December 17, 2005, the Company had 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.

Under the Cambridge Merger Scheme, with effect from April 1, 2005 (ie the Appointed Date), the assets and liabilities of Cambridge LLC vested 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 were 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 had 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, 7(iv) & 31(v)).

Pursuant to the terms of the Cambridge merger scheme:

2.1 583 fully paid equity share of Rs 10 each of the Company was to be issued for every common unit, preferred unit and restricted unit held in Cambridge LLC. Accordingly, 69,960,000 equity shares were issued at par by the Company to the shareholders and 4,797,507 equity shares were issued at par to the Awards holders of Cambridge LLC. The Company allotted these shares on June 29, 2006.

2.2 the merger was 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 were recorded by the Company at its book values and excess of net assets over the par value of equity shares issued amounting to Rs 1,925 million was treated as Reserve arising on Amalgamation, and in accordance with the Cambridge Merger Scheme, was utilised to reduce the carrying value of investment in CISGI.

2.3 expenses of Rs 104 million incurred in executing the scheme was adjusted against the securities premium account of the Company [Refer Note 7].

2.4 583 fully paid equity share of Rs 10 each of the Company were to be issued for every Award held in Cambridge LLC. Cambridge LLC had issued 8,229 Awards to certain key employees and Affiliates and accordingly, 4,797,507 equity shares were 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 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 US$ 3.3 million (Rs 144 million) and till March 31, 2006, recorded compensation expense of US$ 1.98 million (Rs 86 million). During the year ended March 31, 2007, the Company has recorded stock compensation expense of US$ 0.77 million (Rs 34 million). The remaining stock compensation adjustment of US$ 0.55 million (Rs 24 million) will be recorded by the Company over the remaining vesting period.

3 Shareholding pattern

Pursuant to the Cambridge Merger Scheme, the Company allotted 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. The following table details the number of shares and the percentage of shareholding of the Company.

Name of the Shareholders	March 31, 2006	March 31, 2006*	March 31, 2007
Scandent Mauritius	13,178,571 (43.76%)	13,178,571 (12.57%)	13,178,571 (12.54%)
Scandent Mauritius Limited ('SML')	-	52,470,000 (50.03%)	48,970,000 (46.58%)
AON Minet Pension Scheme	-	17,490,000 (16.68%)	17,490,000 (16.64%)
UTI India Technology Venture Unit Scheme	1,052,717 (3.50%)	1,052,717 (1.00%)	1,052,717 (1.00%)
SSI	1,052,717 (3.50%)	1,052,717 (1.00%)	1,052,717 (1.00%)
Reliance Capital Trustee Company Limited	-	-	4,616,955 (4.39 %)
Others	14,829,451 (49.24%)	19,626,958 (18.72%)	18,769,617 (17.85%)
Total	**30,113,456 (100%)**	**104,870,963 (100%)**	**105,130,577 (100%)**

* Post merger with Cambridge LLC, 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 9(ii)).

4 Significant Accounting Policies

4.1 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.

4.2 Use of estimates

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

4.3 Fixed assets and depreciation

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

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 4.6 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.

4.4 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.

4.5 Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

4.6 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.

4.7 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 rateably 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.

4.8 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. These expenses are recognized on an accrual basis.

4.9 Marketing expenses

Marketing expenses represents amounts charged by subsidiaries for marketing services for contracts and were charged based on 5 per cent of revenues earned on contracts entered into through the subsidiaries upto July 31, 2005. Subsequently, these costs are set off with revenues, in accordance with the amendment with the terms of the contract. [Refer Note 1].

4.10 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 recognized 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.

4.11 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 recognize a decline other than temporary in the value of the investments.

4.12 Retirement and other employee benefits

Retirement benefit in the form of Provident fund is a defined contribution scheme. 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.

Gratuity liability is a defined benefit obligation and is provided based on an actuarial valuation performed as at the balance sheet date and is unfunded as at March 31, 2007. Actuarial gains / losses are immediately taken to profit and loss account and are not deferred.

Short term compensated absences are provided for based on estimates.

Till March 31, 2006 Company was providing for short term compensated absences based on actuarial valuation. In the current year, the Company has adopted Accounting Standard 15 (Revised 2005) (AS 15) and accordingly has changed the method of providing for short term compensated absences form actuarial valuation to estimate basis. In accordance with the transitional provision of AS 15, Rs 11,528,345 (net of tax liability Rs 3,562,067) has been adjusted to the Genral Reserve.

4.13 Income taxes

Tax expense comprises of current, deferred and fringe benefit tax. 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 reflects 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. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

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

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

4.14 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.

4.15 Earnings / (loss) per share

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

For the purpose of calculating diluted 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.

4.16 Segment reporting

Identification of segments:

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

Allocation of common costs:

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

Unallocated items

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

4.17 Miscellaneous expenditure

Miscellaneous expenditure comprises of Deferred interest on 11 per cent Debentures and cost of arranging long term loans and guarantees. 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 and guarantees are amortized, over the period of the loan, commencing from the date of the first draw-down of the related loan or guarantee, on weighted average basis.

4.18 Deferred employee stock compensation costs

Deferred employee stock compensation costs for stock options are recognized 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 intrinsic value of the Company's stock on the stock options grant date over the amount an employee must pay to acquire the stock and recognized 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.

4.19 Cash and cash equivalents

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

5 Share capital

	2007	2006
Authorised capital		
125,000,000 (2006 -- 125,000,000) Equity shares of Rs 10 each	1,250,000,000	1,250,000,000
Issued, subscribed and paid-up capital		
105,130,577 (2006 -- 30,113,456) Equity shares of Rs 10 each fully paid up	1,051,305,770	301,134,560

(i) Pursuant to the SSIIT merger scheme, the share capital of the Company 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 the Company as at March 31, 2004.

(ii) 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.

(iii) The Company in the previous year had 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 20,750,040 with respect to 345,834 equity shares has been transferred to Securities premium account.

(iv) During the year, the Company has allotted 259,614 equity shares pursuant to options being exercised by employees under the Employee Stock Option Plans of the Company at the face value of Rs 10 and the corresponding stock compensation adjustment of Rs 32,324,934 has been transferred to Securities premium account.

(v) Pursuant to the Cambridge Merger Scheme, on June 29, 2006, the Company issued 69,960,000 equity shares at par to the shareholders of Cambridge LLC and 4,797,507 equity shares at par to the Award holders of Cambridge LLC. As at March 31, 2007, Scandent Holding Mauritius Limited ('SHML') is the holding company as SML and Scandent Mauritius are the subsidiaries of SHML.

6 Share capital pending allotment

	2007	2006
	-	747,575,070

(i) Pursuant to the Cambridge Merger Scheme, On June 29, 2006, the Company alloted 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].

7 Reserves and surplus

	2007	2006
Capital reserve	5,700,900	5,700,900
Debenture Redemption Reserve [Refer Note (ii & iii) below]		
Balance, beginning of the year	129,786,577	107,097,486
Additions during the year	-	22,689,091
Less: Tranfer to General Reserve on redemption of Debentures	(39,786,577)	-
Balance, end of the year	90,000,000	129,786,577
Securities premium		
Balance, beginning of the year	506,195,370	425,586,964
Add: Received during the year [Refer Note 5(ii) above]	-	216,499,301
Add: Share premium on Employee Stock Options exercised during the year [Refer Note 5(iii)]	80,938,306	20,750,040
Less: Expenses incurred towards Cambridge Merger Scheme [Refer Note 2.3]	-	(103,985,831)

Less: Convertible Bond issue expense [Refer Note 9 (ii) below]	-	(52,655,104)
Balance, end of the year	587,133,676	506,195,370
General Reserve [Refer Note 1 & 2]		
Balance, beginning of the year	9,631,642	9,631,642
Add: Transfer from Debenture redemption reserve	39,786,577	-
Less : Adjustment for employee benefits provision, net of deferred tax of Rs 3,562,067	(11,528,345)	-
Less : Debit balance of Profit and Loss account [Refer Note (v) below]	(37,889,874)	-
Balance, end of the year	-	9,631,642
Stock compensation adjustment [Refer Note 31]		
Balance, beginning of the year	131,458,144	27,973,080
Additions during the year	8,329,775	29,040,605
Additions during the year pursuant to Cambridge Merger Scheme [Refer Note 2]	-	144,619,169
Less: Amount transferred to securities premium on exercise of options [Refer Note 5(iii)]	(80,938,306)	(20,750,040)
Less: Amount transferred to share capital pending allotment	-	(47,975,070)
Reversal on forfeiture of stock options granted	-	(1,449,600)
	58,849,613	131,458,144
Less: Deferred employee stock compensation expense [Refer Note (i) below]	(28,112,187)	(62,554,248)
Balance, end of the year	30,737,426	68,903,896
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 12(ii))	-	(1,925,400,000)
	-	-
	713,572,002	720,218,385
(i) Deferred employee stock compensation expense [Refer Note 31]		
Stock compensation expense outstanding at the beginning of the year	62,554,248	3,496,635
Addition during the year	8,329,775	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	(42,771,836)	(89,790,062)
Forfeitures	-	(1,449,600)
Closing balance of deferred employee stock compensation expense	28,112,187	62,554,248

(ii) As discussed in Note 9(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 redeemed Debentures amounting to Rs 60 million and the excess of Debenture Redemption Reserve over the balance of debentures of Rs 39.7 million has been transferred to General reserve.

(iii) As discussed in Note 9(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 33.64 million (2006 -- Rs 63.48 million).

(v) General reserves balance of Rs 37.89 million has been deducted by the Debit balance of Profit and Loss account.

(vi) During the year, the employee stock compensation cost of Rs 49 million (2006 -- Rs Nil) pertaining to Restricted units of Cambridge LLC [Refer note 31(v)] has been transferred to securities premium account.

8 Secured loans

	2007	2006
From Banks:		
Cash Credit facility	35,230,574	30,971,898
Working Capital Facility	439,973,797	218,440,000
External Commercial Borrowings	76,282,500	78,067,500
Term loan from Banks	364,557,291	562,128,683
	916,044,162	889,608,081
From Others:		
Loans for purchase of fixed assets	13,996,445	10,518,676
Finance lease obligation	252,800	587,161
	14,249,245	11,105,837
	930,293,407	900,713,918

(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, which was subsequently renewed on January 25, 2007. 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 one Director, corporate guarantee of Scandent UK and Scandent Mauritius. As of March 31, 2007, the Company has availed a loan of Rs 35million (2006 -- Rs 31million) and the same is repayable within one year.

(ii) On November 17, 2004, the Company entered into a working capital facility for Rs 40 million with China Trust Commercial Bank ('CTB'), which was subsequently renewed on January 27, 2006, at an interest rate linked to benchmark prime lending rate subject to a minimum of 11 per cent. The facility was 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. The loan was repaid in April 2006 and the facility was subsequently 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 US$ 4 million to meet the Company's working capital requirements at interest rate of LIBOR (6 months) plus 300 basis points. The facility was to be repaid by the Company in bullet repayment at the end of two years from the date of draw down. The company has subsequently renewed the facility in May 2007 for a further period of two years. The facility is secured by first pari-pasu charge on current assets of the Company including receivables, present and future (excluding receivables from Scandent 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 one Director and irrecoverable corporate guarantee of Scandent USA, Cambridge UK, Cambridge Singapore, Albion Inc., USA ('Albion'), Scandent Mauritius, Cambridge Integrated Services India Private Limited and SHML.

As at March 31, 2007 the Company has availed the entire facility of Rs 174 million (US$ 4 million) [2006 -- Rs 178 million (US$ 4 million)] and amounts repayable within one year is Rs Nil (2006 -- Rs 178 million).

(iv) On December 14, 2006, Yes Bank Ltd has sanctioned a loan of Rs 50 million to meet the working capital requirements 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 SHML. As at March 31, 2007 the Company has availed the entire facility of Rs 50 million and the same is repayable within one year.

(v) On January 16, 2007, State Bank of India had sanctioned Export Packing Credit facility of Rs 220 million equivalent US$ Loan to meet the working capital requirements of the company at an interest rate of 6 month Libor plus 1% for a period of 12 months. The loan is secured by way of hypothecation of all the receivable, present and future on pari pasu charge with EXIM bank, UTI Bank and Yes Bank, and Corporate Guarantee of Scandent Mauritius and SHML. The loan is to be repayable on demand. As at March 31, 2007 the Company has fully availed the facility and the balance outstanding is Rs 215 million (2006 -- Rs Nil).

(vi) On December 15, 2004, the Company availed External Commercial Borrowings of US$ 2.75 million from 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 Directors, corporate guarantee of Scandent USA, corporate guarantee of SHML and exclusive charge of the movable fixed assets of the Company procured from the part of loan proceeds. As of March 31, 2007, the Company has availed Rs 76 million (US$ 1.75 million) [2006 --Rs 78 million (US$ 1.75 million)] and the amount repayable within one year is Rs 76 million (2006 -- Rs Nil).

(vii) On May 20, 2004, the Company entered into a term loan agreement with UTI Bank Limited ('UTI Bank') for Rs 85 million to meet its operating and capital expenditure at an interest rate of 10.75 per cent per annum. The loan was repayable in 16 equal monthly instalments of Rs 5 million each commencing from January 2006. The loan was 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. As of March 31, 2006, the Company had fully drawn down the term loan and has repaid three instalments. Subsequently, during the year, the loan was 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. As per the agreement, the loan was repayable in five equal half yearly instalment of Rs 49.5 million each commencing from February 2007. Subsequently, the Company has renegotiated the terms of repayment to thirty two equal instalments payable monthly from July 2006. 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 one Director and corporate guarantee of Cambridge 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, 2007, the Company had fully availed the loan and had repaid nine instalments and the balance outstanding as on that date was Rs 178 million (2006 -- Rs 247.5 million). The amount repayable within one year as of March 31, 2007 is Rs 92.82 million (2006 -- Rs 49.5 million).

(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 SHML. The loan is to be repaid in twelve equal quarterly instalments without moratorium from June 2006.
As at March 31, 2007, the Company has availed the entire facility and has repaid four instalments resulting in balance outstanding as on that date of Rs 187 million (2006 -- Rs 246 million). The amount repayable within one year as of March 31, 2007 is Rs 93 million (2006 -- Rs 82 million).

(x) The Company has obtained vehicles and computers under a financing arrangement. The loan is repayable over two to four years and are secured by assets taken against these loans. As at March 31, 2007, Rs 14 million (2006 -- Rs 11 million) was outstanding against the financing arrangements and the amount repayable within one year is Rs 5.2 million (2006 -- Rs 4 million).

(xi) 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 0.25 million (2006 -- Rs 0.59 million) is outstanding as at March 31, 2007 and is repayable within one year.

9 Unsecured loans

	2007	2006
900,000 (2006 -- 1,500,000), 11 per cent Debentures of Rs 100 each	90,000,000	150,000,000
5.22 per cent Convertible Bonds	1,336,500,000	1,336,500,000
Interest accrued and due	-	3,440,481
Loans from Directors	-	57,293
	1,426,500,000	1,489,997,774

(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. Interest on the debentures is payable at annual rests. In April 2006, the Company has redeemed debentures of Rs 60 million before its maturity. Further, subsequent to year end, in June 2007, the outstanding debentures of Rs 90 million has also been redeemed before its maturity and the Company have also obtained a waiver of interest payable of Rs 20.19 million as at March 31, 2007.

(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. During the previous year, arrangement fees of Rs 53 million for these bonds including legal charges was set off with the share premium account in accordance with Section 78 of the Companies Act, 1956.

(iii) Loan from Director of Rs 57,293 has been written back during the year ended March 31, 2007.

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10. Fixed assets

	Gross Block				Depreciation				Net Block	
	As at April 1, 2006	Additions	Deletions	As at March 31, 2007	As at April 1, 2006	For the year	Deletions	As at March 31, 2007	As at March 31, 2007	As at March 31, 2006
Leasehold Improvements	65,583,182	-	50,709,484	14,873,698	53,079,036	12,504,151	50,709,489	14,873,698	-	12,504,146
Computers	116,893,764	16,251,481	-	133,145,245	95,089,326	11,970,095	-	107,059,421	26,085,824	21,804,438
Vehicles	16,789,659	15,356,470	9,134,488	23,011,641	5,578,560	6,830,312	3,303,592	9,105,280	13,906,361	11,211,099
Office Equipment	31,707,683	3,965,386	19,466,455	16,206,614	26,047,178	2,108,161	18,752,323	9,403,016	6,803,598	5,660,505
Furniture and fixtures	16,928,207	1,571,701	3,109,712	15,390,196	10,598,482	2,798,485	3,108,153	10,288,814	5,101,382	6,329,725
Total	**247,902,495**	**37,145,038**	**82,420,139**	**202,627,394**	**190,392,582**	**36,211,204**	**75,873,557**	**150,730,229**	**51,897,165**	**57,509,913**
Prior year	**216,753,594**	**37,010,581**	**5,861,680**	**247,902,495**	**148,371,086**	**44,735,866**	**2,714,370**	**190,392,582**	**57,509,913**	

(i) Computers and office equipment 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, 2007	As at March 31, 2006	As at March 31, 2007	As at March 31, 2006
Computers	4,505,966	4,505,966	-	-
Office Equipment	808,300	808,300	241,826	403,486
	5,314,266	5,314,266	241,826	403,486

(ii) As at March 31, 2007, assets taken on Loan basis amount to Rs Nil (2006 --Rs 9 million, including assets amounting to Rs 8 million received by SSIIT on a loan basis).

11. Intangible assets

	Gross Block				Amortisation				Net Block	
	As at April 1, 2006	Additions	Deletions	As at March 31, 2007	As at April 1, 2006	For the year	Deletions	As at March 31, 2007	As at March 31, 2007	As at March 31, 2006
Computer Software	14,615,861	7,052,553	-	21,668,414	5,862,985	9,729,949	-	15,592,934	6,075,480	8,752,876
Total	**14,615,861**	**7,052,553**	-	**21,668,414**	**5,862,985**	**9,729,949**	-	**15,592,934**	**6,075,480**	**8,752,876**
Prior year	**3,165,891**	**11,449,970**	-	**14,615,861**	**180,504**	**5,682,481**	-	**5,862,985**	**8,752,876**	

12 Investments (Unquoted, at cost, unless otherwise stated, fully paid-up)

		2007		2006
Non-trade (Long term):				
215,000 (March 31, 2006 -- 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)
		-		-
In Subsidiary Companies (Long term):				
Euro 25,600 (2006 - Euro 25,600) share capital in Scandent Germany		452,100		452,100
2,300,000 (2006 - 2,300,000) Ordinary shares of Singapore Dollar 1 each in Cambridge Singapore		678,150		678,150
906,367 (2006 - 1) Ordinary share of GBP 1 each in Cambridge UK		79,008,797		1,356,297
2,760,000 (2006 - 2,760,000) Common stock of USD 0.001 each in Scandent USA		78,106,953		78,106,953
Advance paid towards purchase of Shares in Scandent USA [Refer Note (iv) below]		233,742,832		-
200,000 (2006 - 200,000) Shares of no par value in Scantalent Inc (formerly ClientSoft Inc, USA) ('Clientsoft') [Refer Note (v) below]		-		7,779,150
8,073,267 (2006 - 8,073,267) Shares of USD 1 each in Albion		810,629,786		810,629,786
12,000 (2006 - 12,000) Common shares of USD 1 each in Indigo Market Ltd. Bermuda. ('IM Bermuda') [Refer Note (i) below]		109,620,316		109,620,316
49,990 (2006 - 49,990) Equity shares of Rs 10 each in Matrix One India Ltd ('Matrix one')		400,001		400,001
5 (2006 - 5) Ordinary shares of Australian Dollar 1 each in Cambridge Australia [Refer Note (ii) below]		240,625,000		240,625,000
1,000 (2006 - 1,000) common units of USD 0.01 each in CISGI [Refer Note(ii) below]	458,975,000		2,384,375,000	
Less: Adjustment to the value of investment in CISGI pursuant to the Cambridge merger scheme	-	458,975,000	(1,925,400,000)	458,975,000
Advance paid towards purchase of Shares in CISGI [Refer Note (iii) below]		825,120,000		-
		2,837,358,935		1,708,622,753
Provision for diminution in value of investment in subsidiaries [Refer note (i) below]		445,690,159		453,469,309
		2,391,668,776		1,255,153,444

(i) The Company has investments in the share capital of Scandent Germany, Cambridge UK, Scandent USA, Albion, IM Bermuda, and Matrix One, where the accumulated losses exceeded their respective share capital as at March 31, 2007. 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.

(ii) 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 $121 million (or Rs 5,306 million) of which $61 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 $60 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, 2007 (2006 -- Nil) the Company is in the process of registering the shares of these companies in its name. As at March 31,2007, the net assets of CISGI and Cambridge Australia amounted to Rs 1217 million (2006 -- Rs 1,473 million) and Rs 363 million (2006 -- Rs 127 million) respectively.

(iii) During the year the company had made additional investment of Rs 825 million (2006 -- Rs Nil) in CISGI. The Company had remitted $ 18 million to Scandent USA as unsecured loan which was subsequently transferred to CISGI and converted to investment in CISGI. As at March 31, 2007, these shares were pending allotment to the Company and has accordingly been disclosed as Advance towards purchase of share capital.

(iv) During the year the company had made additional investement of Rs 234 million (2006 -- Nil) in Scandent USA. As at March 31, 2007 these shares were pending allotment to the Company and has accordingly been disclosed as Advance towards purchase of share capital.

(v) In April 2006, the Company has merged Clientsoft into Scandent USA at Nil consideration. Accordingly, the investment value and the corresponding provision for dimunition in value of investment have been reversed.

(vi) Subsequent to March 31, 2007 Scandent USA has been merged into Albion at consideration equal to its book value of investment i.e Rs 312 million and the assets and liabilities of Scandent USA have been transferred at their respective book values.

13 Deferred Tax Asset (Refer Note 26)

	Deferred tax asset / (liability) as at April 1, 2006	Transitional adjustment for employees benefits	Current period credit / (charge)	Deferred tax asset / (liability) as at March 31, 2007
Depreciation	25,829,758	-	(3,963,050)	21,866,708
Employee retirement benefits	5,001,442	3,562,067	(422,905)	8,140,604
	30,831,200	3,562,067	(4,385,955)	30,007,312
Previous year	31,967,938	-	(1,136,738)	30,831,200

14 Sundry debtors

	2007	2006
Debts outstanding for a period exceeding six months		
Considered good	9,725,717	1,070,700,392
Considered doubtful	191,632,652	222,670,841
Other debts		
Considered good	1,372,534,155	700,474,911
	1,573,892,524	1,993,846,144
Less: Provision for doubtful debts	191,632,652	222,670,841
	1,382,259,872	1,771,175,303

	2007	2006
Dues from companies under the same management		
Albion	292,590,150	441,091,450
Indigo Markets Europe Ltd ('IM Europe')	14,083,594	33,274,570
Indigo Markets Singapore Pte Ltd ('IM Singapore')	28,602,762	41,260,322
Scandent Germany	7,538,607	10,656,966
Cambridge UK	300,591,440	373,900,887
Scandent USA	840,247,327	1,032,121,765
CISGI USA	13,967,980	-
IM Bermuda	769,361	787,363
Ecomm Solutions Corp	3,054,787	-
	1,501,446,008	1,933,093,323
Less: Provision for Doubtful debts	187,127,021	214,031,845
	1,314,318,987	1,719,061,478

(i) During the year, the Company has reversed doubtful debts amounting to Rs 31 million (2006 -- Provision of Rs 11 million). During the year, the Company has received Rs 19.91 million (2006 -- Nil) from IM Europe and Rs 12.69 million (2006 -- Nil) from IM Singapore against debtors which were provided for in July 2004 pursuant to the SSIIT merger scheme.

(ii) The above balance includes revenues unbilled to the end customer, amounting to Rs 112 million (2006 -- Rs 49 million).

	2007	2006
15 Cash and bank balances		
Cash on hand	166,236	92,489
Balances with scheduled banks:		
-- Current accounts	2,757,731	628,665,035
-- Fixed deposit account	41,793,521	711,754,572
Balances with other banks		
-- Current accounts		
China Trust Commercial Bank	98,013	4,461
(Maximum balance held during the year: Rs 9,103,206 (2006 -- Rs 4,461))		
	44,815,501	1,340,516,557

(i) Fixed deposits include Rs 1 million (2006 - Rs 1 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 (2006 - Rs 11 million) maintained as liquidity reserve as per the terms of the loan agreement with UTI bank (refer Note 8 (viii)).

(ii) Current account balance and fixed deposit balance includes Rs 0.24 million (2006 -- Rs 624 million) and Rs 21 million (2006 -- Rs 670 million), respectively received by preferential allotment of 5.22 per cent Convertible Bonds [Refer Note 34]

	2007	2006
16 Loans and advances (Unsecured)		
Considered good		
Dues from related parties		
Loans and advances	462,541,589	441,197,821
Expenses receivable	62,105,685	32,596,694
	524,647,274	473,794,515
Advances recoverable in cash or kind or for value to be received	53,359,539	25,885,852
Deposits	46,934,739	41,968,793
Advance tax, net	18,718,311	7,156,847
	643,659,863	548,806,007
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)
	-	-
	643,659,863	548,806,007

Loans due from related parties as at March 31, 2007 include Rs 175 million repayable within a period of three years ended on June 12, 2007. As of date, the entire loans and advances balance of Rs 1,266 million due from related parties is interest free and repayable on demand.

	Maximum amount due at anytime during the year	Balance as at March 31, 2007
Dues from companies under the same management:		
Albion Inc.	682,447,009	682,289,290
IM Europe	6,572	6,572
Matrix One	24,223,899	13,744,975
Cambridge Integrated Services India Private Limited	91,293,534	19,304,652
Cambridge Singapore	23,705,128	23,705,128
Cambridge UK	84,362,204	84,362,204
Nexplicit Infotech India Pvt Ltd	1,240,000	1,240,000
CISGI, US	1,038,837	1,038,837
IndigoMarkets Bermuda	158,450	158,450
Scandent USA	1,251,361,325	397,859,381
		1,223,709,489
Less: Provision for Doubtful loans and advances		741,375,287
		482,334,202
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 SHML	6,228,901	3,957,017

	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 (Refer note 12(v))	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	328,708,001
		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 Private Limited	33,716,063	33,716,063
Dues from Scandent Mauritius	3,351,972	3,351,972

	2007	2006
17 Current liabilities		
Sundry creditors	131,158,777	167,295,715
Dues to related parties		
- Advances received	8,841,555	-
- Expenses payable	171,296,641	554,843,354
Interest accrued but not due		
- on 11 per cent debentures	20,190,616	18,255,808
- on loans	1,873,171	4,133,449
Advance from customers	96,723,675	44,131,743
Book Overdraft		2,774,177
Other liabilities	21,650,367	34,024,350
	451,734,802	825,458,596

(i) As at March 31, 2007, 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, 2007	Balance as at March 31, 2006
Dues to related parties		
IM Europe	-	472,530
IM Bermuda	46,772	4,546,729
IM Singapore	1,094,278	1,050,283
Scandent Germany	31,779,789	17,250,397
Cambridge Singapore	3,868,525	3,963,210
Cambridge UK	55,140,812	147,699,195
Scandent USA	79,366,465	379,861,010
	171,296,641	554,843,354

18 Provisions		
Provision for taxation	38,859,101	29,822,595
Provision for gratuity	13,516,926	12,109,834
Provision for leave encashment	26,202,344	7,373,677
	78,578,371	49,306,106

(i) Movement during the year

Description	Opening Balance	Transitional adjustment for employees benefits	Charge during the year	Used during the year	Closing Balance
Provision for Gratuity	12,109,834	-	3,731,139	2,324,047	13,516,926
Provision for Leave Encashment	7,373,677	15,090,412	7,771,916	4,033,661	26,202,344
Total	19,483,511	15,090,412	11,503,055	6,357,708	39,719,270

	2007	2006
19 Miscellaneous Expenditure		
Deferred interest on 11 per cent debentures	6,560,000	11,480,000
Less: Amortised during the year [Refer Note 24]	5,576,000	4,920,000
	984,000	6,560,000
Deferred upfront/processing fee for loans	14,402,509	20,245,683
Add : Upfront/processing fee incurred during the year	17,455,406	3,085,600
Less: Amortised during the year [Refer Note 24]	11,032,432	8,928,774
	20,825,483	14,402,509
	21,809,483	20,962,509

	2007	2006
20 Revenues		
Revenue from software development and related services		
- Time and material contracts	1,505,792,202	1,366,142,633
- Fixed price contracts	148,164,642	230,539,686
- Annual maintenance contracts	46,231,149	35,221,091
- Commission	8,548,763	14,918,676
- Licence Sale	353,015	1,657,981
	1,709,089,771	1,648,480,067
21 Other income		
Write back of liability	4,822,990	1,897,830
Interest Income (Gross of Tax deducted at source of Rs 2,418,408 (2006 -- Rs 1,126,416)	10,641,423	5,180,625
Miscellaneous Income	2,402,809	40,984
	17,867,222	7,119,439
22 Employee costs		
Salaries, allowances and bonus	423,151,310	369,298,045
Contribution to provident fund	23,554,198	19,838,643
Gratuity and leave encashment	11,503,055	8,424,743
Employee stock compensation expense [Refer Note 31]	42,771,836	89,790,062
Staff welfare	13,357,951	9,962,588
Recruitment and relocation	11,622,523	6,960,366
	525,960,873	504,274,447
23 Other operating costs		
Project work expense		
- subsidiaries	798,596,734	657,334,491
- non-subsidiaries	31,842,374	49,434,133
Marketing expenses	3,759,798	25,191,059
Travel	82,740,001	60,777,651
Rent	46,854,558	41,197,477
Communication	27,410,475	23,881,075
Power and fuel	20,325,413	15,465,397
Insurance	3,248,342	1,389,957
Rates and taxes	1,047,936	7,548,760
Repairs and maintenance		
-- Computer equipment	6,433,665	3,188,868
-- Others	7,118,440	4,656,536
Legal & professional	34,558,491	28,688,131
Printing & stationery	4,076,402	3,229,979
Business promotion	3,562,952	1,235,475
Exchange loss /(gain), net	7,095,914	(3,063,299)
Directors' Sitting Fees	460,000	310,000
(Profit) /loss on sale of fixed assets	(3,949,214)	189,327
Provision for bad and doubtful debts (Refer Note 14(i))	(31,030,834)	11,378,809
Miscellaneous	10,428,378	5,419,164
	1,054,579,825	937,452,990
24 Finance costs		
Interest on 11 per cent debentures	10,315,982	16,652,699
Interest on 5.22% Convertible Bonds	88,203,890	4,350,085
Amortization of deferred interest on 11% debentures [Refer Note 19]	5,576,000	4,920,000
Amortization of loan arrangement and processing fees	11,032,432	8,928,774
Interest - others	78,102,722	54,882,822
Bank charges	4,712,973	708,418
	197,943,999	90,442,798

25 Related Party Disclosures

S No.	Name of the related party	Relationship	Nature of transaction	April 1, 2006 to March 31, 2007	Receivable /(payable) As at March 31, 2007	April 1, 2005 to March 31, 2006	Receivable /(payable) As at March 31, 2006
(i)	Cambridge Integrated Services India Private Limited	Subsidiary company	Reimbursement for use of office facilities and other officeservices such as maintenance, communication expenses, etc. (net balance)"	(3,237,396)	-	(5,983,746)	-
			Unsecured loan given/Payments for reimbursements	152,550,000	-	-	-
			Unsecured loan taken	(48,000,000)	-	-	-
			Payments received against loan and advances	(82,307,000)	-	(98,611,157)	-
			Interest income	-	-	4,221,773	-
			Loans & advances	-	19,304,652	-	299,048
			Guarantees given by the related party	-	174,360,000	-	178,440,000
			Guarantees taken by the related party	-	80,000,000	-	-
(ii)	Atindia Management Services Private Limited	Company in which a Director of the Company is interested (till January 13, 2006)	Loans & advances	-	4,639,993	-	4,639,993
(iii)	Matrixone	Subsidiary company	Charge for common cost incurred	22,884,658	-	18,968,736	-
			Expenses paid on behalf of the Company	(7,010,189)	-	(39,285)	-
			Expenses receivable	-	13,744,975	-	6,620,506
(iv)	Scandent USA [Refer Note 12(vi)]	Subsidiary company	Project work expenses and Marketing Expenses	(668,700,430)	-	(552,579,468)	-
			Expenses incurred on behalf of the Company	-	-	(300,313)	-
			Expenses paid on behalf of the related party	5,790,637	-	1,467,479	-
			Advance towards puchase of shares	233,742,832	233,742,832	-	-
			Unsecured loan given	-	-	43,692,200	-
			Revenue from software development and related services	1,000,548,576	-	850,569,165	-
			Provision for doubtful advances	-	(91,760,000)	-	-
			Provision for doubtful debts	(6,596,474)	(11,148,461)	(1,682,512)	(4,551,987)
			Debtors	-	840,247,327	-	1,032,121,765
			Loans & advances	-	382,505,300	-	318,832,622
			Expenses receivable	-	15,354,081	-	9,875,380
			Expenses payable	-	(79,366,465)	-	(379,861,010)
			Guarantees given by the related party	-	250,642,500	-	296,507,500

25 Related Party Disclosures

S No.	Name of the related party	Relationship	Nature of transaction	April 1, 2006 to March 31, 2007	Receivable /(payable) As at March 31, 2007	April 1, 2005 to March 31, 2006	Receivable /(payable) As at March 31, 2006
(v)	Cambridge UK	Subsidiary company	Expenses paid on behalf of the related party	1,470,574	-	355,235	-
			Revenue from software development and related services	327,165,398	-	298,464,816	-
			Project work expenses and Marketing Expenses	(120,214,559)	-	(106,736,576)	-
			Expenses paid on behalf of the Company	(79,718)	-	(2,250,556)	-
			Investment made	77,652,500	77,652,500	-	-
			Debtors	-	300,591,440	-	373,900,887
			Provision for doubtful debts	889,566	(167,736)	(1,057,302)	(1,057,302)
			Expenses receivable	-	2,249,194	-	706,191
			Loans & advances	-	82,113,010	-	50,803,790
			Expenses Payable	-	(55,140,812)	-	(147,699,195)
			Guarantees given by the related party	-	387,481,199	-	525,954,981
(vi)	Scandent Singapore	Subsidiary company	Expenses paid on behalf of the related party	10,953,242	-	2,076,846	-
			Expenses paid on behalf of the Company by the related party	(640,711)	-	(599,175)	-
			Revenue from software development and related services	2,480,789	-	11,243,992	-
			Project work expenses and Marketing Expenses	-	-	(137,856)	-
			Advance Received	-	(8,841,555)	-	(861,466)
			Loans & Advances	-	269,571	-	1,679,306
			Expenses receivable	-	23,435,557	-	11,849,777
			Expenses Payable	-	(3,868,525)	-	(3,101,744)
			Guarantees given by the related party	-	174,360,000	-	178,440,000
(vii)	CISGI USA	Subsidiary company	Revenue from software development and related services	14,107,531	-	-	-
			Project work expenses and Marketing Expenses	-	-	-	-
			Expenses paid on behalf of the related party	1,049,216	-	-	-
			Investment made	825,120,000	825,120,000	-	-
			Debtors	-	13,967,980	-	-
			Expenses Receivable	-	1,038,837	-	-
			Guarantees taken by the related party	-	1,503,863,100	-	-
(viii)	Scandent Germany	Subsidiary company	Revenue from software development and related services	8,232,054	-	11,342,807	-
			Project work expenses and Marketing Expenses	(13,263,641)	-	(17,159,198)	-
			Debtors	-	7,538,607	-	10,656,966
			Expenses Payable	-	(31,779,789)	-	(17,250,397)

25 Related Party Disclosures

S No.	Name of the related party	Relationship	Nature of transaction	April 1, 2006 to March 31, 2007	Receivable /(payable) As at March 31, 2007	April 1, 2005 to March 31, 2006	Receivable /(payable) As at March 31, 2006
(ix)	Albion	Subsidiary company	Revenue from software development and related services	68,837,725	-	158,196,378	-
			Expenses paid on behalf of the related party	2,227,832	-	14,211	-
			Unsecured loan given	-	-	30,982,000	-
			Debtors	-	292,590,150	-	441,091,450
			Provision for doubtful debts	-	(145,644,773)	-	(145,644,773)
			Expenses Receivable	-	2,161,003	-	21,993
			Loans & advances	-	680,128,287	-	680,842,287
			Provision for doubtful loans and advances	-	(649,615,287)	-	(649,615,287)
			Guarantees given by the related party	-	174,360,000	-	178,440,000
			Guarantees taken by the related party	-	490,387,500	-	-
(x)	Clientsoft	Subsidiary company (merged into Scandent USA in April 2006)	Loans & advances	-	-	-	91,760,000
			Expenses paid on behalf of the related party	-	-	-	-
			Expenses receivable	-	-	-	164,302
			Provision for doubtful loans & advances	-	-	-	(91,760,000)
			Guarantees given by the related party	-	-	-	524,040,581
(xi)	IM Bermuda	Subsidiary company	Revenue from software development and related services	-	-	15,352,125	-
			Project work expenses and Marketing Expenses	-	-	(4,428,661)	-
			Expenses Payable	-	(46,772)	-	(4,546,729)
			Expenses receivable	-	158,450	-	-
			Debtors	-	769,361	-	787,363
(xii)	IM Singapore	Subsidiary company	Revenue from software development and related services	-	-	1,033,281	-
			Project work expenses and Marketing Expenses	-	-	(1,004,274)	-
			Debtors	-	28,602,762	-	41,260,322
			Provision for doubtful debts	12,693,710	(25,640,633)	-	(38,334,343)
			Expenses Payable	-	(1,094,278)	-	(1,050,283)
			Guarantees given by the related party	-	178,440,000	-	178,440,000
(xiii)	IM Europe	Subsidiary company	Revenue from software development and related services	775,539	-	2,708,230	-
			Project work expenses and Marketing Expenses	(383,719)	-	(479,787)	-
			Debtors	-	14,083,594	-	33,274,570
			Provision for doubtful debts	19,918,022	(4,525,418)	-	(24,443,440)
			Expenses Receivable	-	6,572	-	6,572
			Expenses Payable	-	-	-	(472,530)

25 Related Party Disclosures

S No.	Name of the related party	Relationship	Nature of transaction	April 1, 2006 to March 31, 2007	Receivable /(payable) As at March 31, 2007	April 1, 2005 to March 31, 2006	Receivable /(payable) As at March 31, 2006
(xiv)	Scandent Mauritius	Company in which a Director of the Company is also a Director & shareholder	Expenses paid on behalf of the related party	-	-	3,351,972	-
			Expenses Receivable	-	-	-	3,351,972
			Guarantees given by the related party	-	789,482,465	-	524,040,581
(xv)	Seabulk Software India Private Limited	Company in which a Director of the Company is interested (till January 13, 2006)	Loans & advances	-	33,716,063	-	33,716,063
(xvi)	Ramesh Vangal	Director (till January 13, 2006)	Expenses paid on behalf	-	-	375,341	-
			Unsecured loans repaid/adjustments	57,293	-	3,500,000	-
			Unsecured loans	-	-	-	(57,293)
			Guarantees given by the related party	-	-	-	644,022,481
(xvii)	Satyen Patel	Director	Guarantees given by the related party	-	463,763,699	-	525,954,981
(xviii)	Katra Holdings Private Limited	Company in which a Director of the Company is also a Director (till January 13, 2006)	Unsecured loans repaid	-	-	5,000,000	-
(xix)	SHML	Ultimate holding company	Expenses paid on behalf of the related party	6,228,901	-	-	-
			Expenses Receivable	-	3,957,017	-	-
			Guarantees given by the related party	-	702,992,963	-	671,525,600
(xx)	Ecomm Solutions Corp	Subsidiary Company	Revenue from software development and related services	3,095,434	-	-	-
			Debtors	-	3,054,787	-	-
(xxi)	Nexplicit Infotech India Pvt Ltd.	Subsidiary Company	Loans & advances	-	1,240,000	-	-
(xxii)	Cambridge Integrated services Australia Pty Ltd	Subsidiary Company	Guarantees taken by the related party	-	44,700,229	-	-
(xxiii)	Cambridge Australia	Subsidiary Company	Guarantees taken by the related party	-	52,530,908	-	-

Notes

(i) During the year, the Company has recorded compensation cost of Rs 4 million (2006 - Rs 24 million) in respect of options granted to the employees of its subsidiaries and as at March 31, 2007, the deferred compensation cost is Rs Nil (2006 - Rs 4 million). Further, the Company has incurred Rs 34 million (2006 - Rs 63 million) towards the Cambridge Equity Plan (refer Note 2.4 & 31(v)). The Company has not charged these costs to its subsidiaries.

26 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 (up to 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 demerger of IT division of SSI Limited ('SSI'). The Company is in the process of obtaining the income tax records from SSI, with respect to the division, 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 under section 115JB of the Income-tax Act, 1961

During the year, the Company has incurred a book loss (before tax) of Rs 97 million. However, for the subsequent year, the Company is confident of generating significant amount of tax profits based on the projected sales of the existing contracts and its revised funding plans, which would result in reduction in the finance cost for the Company. Accordingly, the Company has recognized Deferred tax asset of Rs 30 million as at March 31, 2007, on the timing differences only to the extent that the management is certain of generating profits in the subsequent year.

27 Earnings / (loss) per share

	2007	2006
Weighted average number of equity shares in calculating basic Earnings per share ('EPS') (Previous year includes Share Capital pending allotment) - (A)	104,971,435	103,971,674
Weighted average number of potential equity shares under option during the year - (B)	-	350,390
Weighted average number of equity shares in calculating diluted EPS - (A+B)	104,971,435	104,322,064

Pursuant to the Cambridge merger scheme, the Company allotted 74,757,507 equity shares to the shareholders of Cambridge LLC in June 2006. For the purpose of computing the weighted average number of shares for the year ended March 31, 2006, the appointed date i.e. April 1, 2005 has been considered to be the date of issue of such shares.

28 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, 2007, the Company has availed duty benefits amounting to Rs 34.15 million (2006 -- Rs 49.9 million), including the benefit availed by SSIIT amounting to Rs 25 million (2006 -- 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, 2007, Albion Inc, Scandent USA and Scandent UK, the subsidiary companies of Scandent have negative net assets amounting to Rs 915 million (2006 -- Rs 1083 million), Rs Nil (2006 -- Rs 290 million) and Rs 93 million (2006 -- Rs 148 million), respectively. Whilst the respective subsidiaries are confident of generating funds from their operations for the year ending March 31, 2008, 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 of succeeding in reversal of such adjustment and does not expect any liability on this account.

iv. During the year, the Company has received assessment order for the Assessment year 2004-05 which included transfer pricing adjustment for arms' length price of Rs 95.28 million. Consequently, an amount of Rs 5.82 million has been demanded as tax payable by the Company. The Company has paid Rs 1.63 million of taxes and has made an application for stay of demand for the balance amount and penalty proceedings. Also, the company has filed an appeal with the commissioner of income tax (appeals) and is confident of succeeding in reversal of such adjustment.

v. During the year, the Company has entered into a Bank Guarantee facility with Yes Bank for Rs 320 million, for the purpose of issuance of standby letter of credit ('SBLC') by Yes Bank in favour of a correspondent bank in India for extending credit facilities to its subsidiaries. Subsequently in March 2007, the Company has utilized Rs 293 million of the facility towards SBLCs issued to secure facility extended to CISGI, USA and Cambridge Australia by a correspondent bank. In the event of default by the subsidiaries, the Company will need to indemnify Yes bank to the extent of the facility availed.

vi. The Company has given corporate guarantee for Rs 1,928 million in respect of loans taken by its subsidiaries from banks.

29 As at March 31, 2007, the Company has a net receivables (after eliminating payable) from Scandent USA, Cambridge UK and Albion, its wholly owned subsidiaries of Rs 1,056 million (net of payable of Rs 79 million) (2006 -- Rs 976 million), Rs 330 million (net of payable of Rs 55 million) (2006 -- Rs 277 million) and Rs 180 million (net of payable of Rs Nil) (2006 -- Rs 327 million), respectively. The Company, basis the future funding plans believes that these dues will be recovered/paid in next year. Also refer Note 12(vi).

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	2007	2006
Manufacturing	996,016,739	724,665,880
Government	68,837,725	158,196,323
BFSI	644,235,307	765,617,864
	1,709,089,771	1,648,480,067

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	2007	2006
North America	1,110,732,962	1,162,471,686
Europe	388,460,049	357,510,828
Rest of the World	209,896,760	128,497,553
	1,709,089,771	1,648,480,067

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

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 and employees of its subsidiary companies. 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. Further, during the year additional 15,017 shares were granted under the above scheme.

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 Cambridge, and accordingly the difference between the fair value and the exercise price has been recorded as compensation cost. During the year 95,417 options have been exercised (2006 -- Nil). With respect to the options granted during the year, the difference between the intrinsic value and the exercise price of Rs 716,679 (2006 - NA) has been recorded as compensation cost.

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

Particulars	2007	2006
Options outstanding at the beginning of the year	96,224	466,218
Options granted during the year	15,017	-
Options forfeited during the year	-	24,160
Options exercised during the year	95,417	345,834
Options expired during the year	-	-
Options outstanding at the end of the year	15,824	96,224
Options exercisable at the end of the year	807	96,224

Weighted average exercise price of the options granted during the year is Rs 10. All the options exercised during the period pertain to grants made prior to March 31, 2005.

Following are the details of exercise price and the options for ESOP Plan 2004:

ESOP Plan 2004	Exercise price		Number of options outstanding		Weighted average remaining life of options (in Years)		Weighted average exercise price	
	2007	2006	2007	2006	2007	2006	2007	2006
Grant made during the year	10	NA	15,017	NA	2.63	NA	10	NA

The weighted average remaining contractual life for the options granted during the year is 2.63 years. The estimated weighted average fair value of options granted during the year is Rs 104.68 per share (2006 -- NA). This was calculated by applying the Black-Scholes option pricing model with the following inputs:

Particulars	2007	2006
Average risk-free interest rate	5.09% - 5.14%	NA
Expected volatility of share price	58.03%	NA
Expected life of options granted (in years)	3 - 3.5	NA
Expected dividend yield	Nil	NA

NA - Not applicable

Expected volatility has been determined using the history of trading price of the shares of the Company on the National Stock Exchange of India Limited ('NSE') and Bombay Stock Exchange Limited ('BSE') from March 10, 2005 to the date of the grant of the options.

(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 Cambridge 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 Cambridge for every option for 10 GDSs of SSI held by him.

Accordingly, on November 10, 2004, the Board of Directors of Cambridge 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 84 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, 16,839 options have been forfeited (2006 --300) and no shares have been exercised (2006 -- 10,119).

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

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

Particulars	2007	2006
Options outstanding at the beginning of the year	60,473	70,892
Options granted during the year	-	-
Options forfeited during the year	16,839	300
Options exercised during the year	-	10,119
Options expired during the year	-	-
Options outstanding at the end of the year	43,634	60,473
Options exercisable at the end of the year	43,634	60,473

(iii) During the year ended March 31, 2006, 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. Further, during the year additional 5,737 shares were granted under Program I and 68,000 shares were granted under program II, under the above scheme.
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 intrinsic 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 5,153,010 (2006 -- Rs 24,200,505). The exercise price for the options granted under program II are at the intrinsic value of the equity shares of Cambridge as at the date of grant, no compensation cost has been recorded by the Company.

During the year 164,197 options were exercised (2006 -- Nil) and 304,973 options were forfeited (2006 -- Nil).

Following table details the movement of options for the two plans mentioned above (i.e ESOP I Plan 2005 and ESOP II Plan 2005)

Particluars	2007		2006	
	No of shares	Weighted average exercise price (Rs)	No of shares	Weighted average exercise price (Rs)
Options outstanding at the beginning of the year	563,736	120.48	-	-
Options granted during the year	73,737	105	563,736	120.48
Options forfeited during the year	304,973	172	-	-
Options exercised during the year	164,197	10	-	-
Options expired during the year	-	-	-	-
Options outstanding at the end of the year	168,303	128.28	563,736	120.48
Options exercisable at the end of the year	46,866	119.92	-	-
Weighted average remaining contractual life (in Years)	3.01	-	2.67	-
Weighted average fair value of options	-	86.77	-	82.28

The estimated weighted average fair value of options granted during the year is Rs 86.77 per share (2006 -- Rs 82.28). This was calculated by applying the Black-Scholes option pricing model with the following inputs:

Particulars	2007	2006
Average risk-free interest rate	5.19% - 5.25%	6.53%
Expected volatility of share price	58.03%	63%
Expected life of options granted (in years)	4 - 4.5	3.5
Expected dividend yield	Nil	Nil

Expected volatility has been determined using the history of trading price of the shares of the Company on NSE and BSC from March 10, 2005 to the date of the grant of the options.

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

ESOP Plan 2005	Exercise price		Number of options outstanding		Weighted average remaining life of options (in Years)		Weighted average exercise price	
	2007	2006	2007	2006	2007	2006	2007	2006
Program I	10	10	20,803	179,263	2.53	2.67	10	10
Program II	113.15 -172	172	147,500	384,473	3.08	2.67	144.87	172

(iv) During the year, the Board of Directors approved the Employee Stock Option Plan ('ESOP Plan 2006') 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 2006, during the year, 60,000 options have been issued under Program I at a grant price of Rs 10 and 2,057,946 options under Program II at a grant price equivalent to the market value of the shares on the date of grant. 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 three years as follows:

- 33.33% of the options one year from the date of grant
- 33.33% of the options two years from the date of grant
- 33.34% of the options three years from the date of grant

The difference between the intrinsic 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 3,272,540. The exercise price for the options granted under program II are at the intrinsic value of the equity shares of Cambridge as at the date of grant, 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 I Plan 2006 and ESOP II Plan 2006)

Particulars	2007	
	No of shares	Weighted average exercise price (Rs)
Options outstanding at the beginning of the year	-	-
Options granted during the year	2,117,946	117.22
Options forfeited during the year	-	-
Options exercised during the year	-	-
Options expired during the year	-	-
Options outstanding at the end of the year	2,117,946	117.22
Options exercisable at the end of the year	-	-
Weighted average remaining contractual life (in Years)	4.08	-
Weighted average fair value of options granted	-	63.78

The estimated weighted average fair value of options granted during the year is Rs 63.78 per share. This was calculated by applying the Black-Scholes option pricing model with the following inputs:

Particulars	2007
Average risk-free interest rate	5.19% - 5.25%
Expected volatility of share price	58.03%
Expected life of options granted (in years)	4 - 5
Expected dividend yield	Nil

Expected volatility has been determined using the history of trading price of the shares of the Company on NSE and BSE from March 10, 2005 to the date of the grant of the options.

Following are the details of exercise price and the options for ESOP Plan 2006:

ESOP Plan 2006	Exercise price	Number of options outstanding	Weighted average remaining life of options (in Years)	Weighted average exercise price
Program I	10	60,000	3.50	10
Program II	113.15-140.35	2,057,946	4.09	120.35

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 12.6 million (2006 -- 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)	
	2007	2006
Basic	(1.25)	0.23
Diluted	(1.25)	0.23

(v) 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 US$ 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 US$ 0.53 million (Rs 23.36 million) had been recorded by Cambridge LLC. The remaining stock compensation adjustment of US$ 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 34 million (2006 -- Rs 63 million).

32 Gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is unfunded as at March 31, 2007 and hence the disclosures with respect to plan assets as per Accounting Standard 15 are not applicable to the Company.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and amounts recognised in the balance sheet for the respective plans. This being the first year of adoption of Accounting Standard 15 - 'Employee benefits', comparative figures for the previous year have not been given in the disclosures below.

Net employee benefit expense (recognised in profit and loss account)

	Gratuity 2007
Current service cost	3,989,058
Interest cost on benefit obligation	875,826
Net actuarial(gain) / loss recognised in the year	(1,133,745)
Past service cost	-
Net benefit expense	3,731,139

Details of Provision for gratuity (Balance sheet)

	Gratuity 2007
Defined benefit obligation	(13,516,926)
Less: Unrecognised past service cost	-
Plan asset / (liability)	(13,516,926)

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

	Gratuity 2007
Opening defined benefit obligation	12,109,834
Interest cost	875,826
Current service cost	3,989,058
Benefits paid	(2,324,047)
Actuarial (gains) / losses on obligation	(1,133,745)
Closing defined benefit obligation	13,516,926

The principal assumptions used in determining gratuity are shown below:

	2007 %	2006 %
Discount rate	8	7.5
Increase in compensation cost	10	10
Employee turnover	20	20

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts for the current and previous year are as follows:

	Gratuity	
	2007	2006
Defined benefit obligation	13,516,927	12,109,834
Plan assets	-	-
Surplus / (deficit)	(13,516,927)	(12,109,834)
Experience adjustments on plan liabilities	-	-
Experience adjustments on plan assets	-	-

33 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 these premises is for 11 months to 5 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. In case of the facility in Chennai, the lease is locked-in for a period of 5 years. 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 46,854,558 (2006 -- Rs 41,197,477).

Future minimum lease payments under operating lease are as under:

	2007	2006
Payable not later than one year	37,472,160	-
Payable later than one year and not later than five years	143,331,012	-
Payable later than 5 years	-	-
Total	**180,803,172**	-

ii. Finance leases

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

The lease arrangement for 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.

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

	2007	2006
Total minimum lease payments	252,800	600,400
Less: Interest	-	13,239
Present value of minimum lease payments	252,800	587,161

Future minimum lease payments under finance lease are as under:

	2007	
	Minimum lease payments	Present value of minimum lease payments
Payable not later than one year	252,800	252,800
Payable later than one year and not later than five years	-	-
Payable later than 5 years	-	-
Total	**252,800**	**252,800**

	2006	
	Minimum lease payments	Present value of minimum lease 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**

34 Details of utilisation of proceeds raised through preferential issues

During the year ended March 31, 2006, 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	2007	2006
Financial advisory fee	-	42,118,525
Utilised for working capital	282,729,424	225,504,026
Repayment of loans and debentures	157,173,028	-
Repayment of loan subsequently converted to investment in a subsidary	833,670,000	-
Fixed deposits	20,610,844	670,000,000
Bank Balance	244,093	624,427,389
Total	**1,294,427,389**	**1,562,049,940**

35 Foreign Currency Exposure

As at March 31, 2007, the Company has foreign currency exposure to the extent of the following:

Particulars	USD	GBP	EURO	SGD
Secured loan	(10,690,000)	-	-	-
Sundry debtors, net	23,816,116	3,568,611	257,667	20,727
Cash and Bank	343	745	-	915
Loans and advances	7,886,474	986,426	-	826,003
Current liabilities	(2,979,284)	(11,60,474)	(542,979)	(481,004)
Total	18,033,649	3,395,308	(285,312)	366,641

The Company has not hedged the foreign currency exposure as at March 31, 2007.

The Company has investment in foreign subsidiaries (net of provision) amounting to Rs 2,391 million (2006 -- Rs 1,255 million).

As at March 31, 2006, the Company had 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	(9,556,734)	(2,111,330)	(308,919)	(288,570)
Total	23,590,492	3,391,794	81,647	223,323

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

36 Supplementary Statutory Information

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

	2007	2006
Statutory Audit Fee	3,500,000	2,300,000
Tax Audit Fee	300,000	200,000
Limited review of quarterly financial results	3,000,000	1,500,000
Out of pocket expenses	636,289	338,250
Total	7,436,289	4,338,250

(ii) Managerial remuneration

The Company does not pay remuneration to Executive Chairman, Executive Vice Chairman or Whole Time Directors but they draw salary from foreign subsidiaries.

Further, the Company has granted stock options to whole time director under the Employee Stock Option Plans of the Company 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.

(iii) Earnings in foreign currency (Accrual Basis)

	2007	2006
Sale of software services	1,665,022,958	1,621,975,254

(iv) Expenditure in foreign currency (Accrual Basis)

	2007	2006
Project work expenses	804,261,979	679,706,798
Marketing expenses	3,759,798	25,191,059
Traveling	34,848,028	28,765,844
Interest	22,562,103	17,061,374
Communication	7,314,637	7,724,949
Others	2,200,093	4,418,054
Total	**874,946,638**	**762,868,078**

(i) During the previous year, 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

	2007	2006
Capital goods	16,066,426	23,279,375

(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.

37 There are no suppliers who are registered as micro, small or medium enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2007.

38 Prior Year comparatives

The financial statements for the year ended March 31, 2006 have been reclassified where necessary to confirm 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 19, 2007

For and on behalf of the Board of Directors of Cambridge Solutions Limited (formerly Scandent Solutions Corporation Limited)

Christopher A. Sinclair
Executive Chairman

Satyen Patel
Executive Vice Chairman

Pradeep Chaudhry
Chief Financial Officer

V Viswanathan
Company Secretary

Place: Bangalore
Date: June 19, 2007

CAMBRIDGE SOLUTIONS LIMITED
(formerly SCANDENT SOLUTIONS CORPORATION LIMITED)

(All amounts in Indian Rupees)

	2007	2006
A. Cash flow from operating activities		
Net profit / (Loss) before taxation	**(97,468,857)**	**73,010,924**
Adjustments for:		
Depreciation	36,211,204	44,735,866
Amortisation	9,729,949	5,682,481
Amortisation of Miscellaneous expenditure (included in Finance costs)	16,608,432	13,848,774
(Profit) / Loss on sale of fixed assets	(3,949,214)	189,327
Foreign exchange (gain)/loss (net) - unrealised	3,037,960	(519,389)
Interest income	(10,641,423)	(5,180,625)
Write back of liability	(4,822,990)	(1,897,830)
Provision for Bad and Doubtful Debts	1,580,899	11,378,809
Deferred employee compensation cost	42,771,836	89,790,062
Interest expense	176,622,594	75,885,606
Operating profit before working capital changes	**169,680,390**	**306,924,005**
Movements in working capital :		
Decrease / (Increase) in sundry debtors	406,276,980	(833,139,264)
Decrease / (Increase) loans and advances	(93,877,504)	(47,344,255)
Increase / (Decrease) in current liabilities & provisions	(380,164,316)	122,074,834
Net cash from / (used in) operating activities	**101,915,550**	**(451,484,680)**
Direct taxes paid (net of refunds)	(5,809,443)	(3,047,820)
Net cash from / (used in) operating activities (A)	**96,106,107**	**(454,532,500)**
B. Cash flows from investing activities		
Purchase of fixed assets	(41,663,510)	(35,200,920)
Purchase of Intangible assets	(15,148,606)	(979,490)
Proceeds from sale of fixed assets	10,495,796	2,957,983
Investment in long term deposits	(41,793,521)	-
Purchase of investments	(1,136,515,332)	-
Merger related expenses	-	(14,771,859)
Interest received	8,223,015	8,768,597
Net cash used in investing activities (B)	**(1,216,402,158)**	**(39,225,689)**
C. Cash flows from financing activities		
Proceeds from issue of share capital	2,596,140	230,311,100
Share Issuance Expense	-	(44,619,690)
Loan arrangement and processing fees	(17,455,406)	(3,085,600)
Proceeds from short-term borrowings	272,477,048	30,971,898
Repayment of short-term borrowings	-	(33,875,342)
Proceeds from long-term borrowings	48,066,390	1,657,043,180
Repayment of Long-term borrowings and finance lease obligation	(342,494,152)	(23,037,762)
Interest paid	(180,388,545)	(66,504,196)
Net cash from / (used in) financing activities (C)	**(217,198,525)**	**1,747,203,588**
Net increase in cash and cash equivalents (A + B + C)	**(1,337,494,577)**	**1,253,445,398**

	2007	2006
Cash and cash equivalents at the beginning of the year	1,340,516,557	87,071,159
Cash and cash equivalents at the end of the year	**3,021,980**	**1,340,516,557**
Components of cash and cash equivalents:		
Cash on hand	166,236	92,489
Balances with scheduled banks	44,551,252	1,340,419,607
Balances with other banks	98,013	4,461
	44,815,501	1,340,516,557
Less: Fixed deposits with maturity greater than 3 months	(41,793,521)	-
	3,021,980	**1,340,516,557**

Note:

(i) The merger of Cambridge Services Holdings LLC into the Company in the previous year 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 19, 2007

For and on behalf of the Board of Directors of Cambridge Solutions Limited (formerly Scandent Solutions Corporation Limited)

Christopher A. Sinclair
Executive Chairman

Satyen Patel
Executive Vice Chairman

Pradeep Chaudhry
Chief Financial Officer

V Viswanathan
Company Secretary

Place: Bangalore
Date: June 19, 2007

I. Registration Details

Registration No. U72200KA2002PTC030072	State Code 08
Balance Sheet Date	31-Mar-2007

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

Public Issue (Issue through Prospectus)	-
Rights Issue	-
Bonus Issue	-
Private Placement	-

III.Position of Mobilization and Deployment of Funds (Amount in Rs thousands)

Total Liabilities	4,121,671
Total Assets	4,121,671
Sources of Funds	
Paid up Capital	1,051,306
Reserves and Surplus	713,572
Secured Loans	930,293
Unsecured Loans	1,426,500
Application of Funds	
Net Fixed Assets	64,341
Investments	2,391,669
Net Current Assets	1,570,429
Miscellaneous Expenditure	21,809
Accumulated Losses	73,423

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

Turnover	1,726,957
Total Expenditure	1,824,426
Profit/(Loss) before Tax	(97,469)
Profit/(Loss) after Tax	(111,313)
Earning per share in Rs (Basic)	(1.06)
Earning per share in Rs (Diluted)	(1.06)
Dividend %	-

v. Generic Names of three Principal Products / Services of the Company (as per monetary terms)

Item Code No. (ITC Code No.)	The Company is engaged in rendering software development and related services
Product Description	

For and on behalf of the Board of Directors

Christopher A. Sinclair Executive Chairman	Satyen Patel Executive Vice Chairman
Pradeep Chaudhry Chief Financial Officer	V. Viswanathan Company Secretary

Date : June 19, 2007

Statement Pursuant to Section 212(1)(e) of the Companies Act, 1956 Relating to the Subsidiary Companies for the year ended March 31, 2007

1 Name of the Subsidiary Company	Scandent Group Inc, USA	Ecomm Solutions, USA	Nexplicit Infotech India	Albion Inc., USA	Indigo Markets Ltd, Bermuda	Scandent Group GmbH, Germany	Cambridge Solutions Europe Ltd, UK	Indigo Markets Europe Limited, UK	Cambridge Solutions Pte Ltd., Singapore	Indigo Markets Singapore Pte Ltd, Singapore	Scandent Group Sdn, BHD, Malaysia	BWH SARL France	MatrixOne India Limited,
2 Financial Year of the Subsidiary Company	31st March 2007	31st March 2007	31st March 2007	31st March 2007	31st March 2007	31st March 2007	31st March 2007	31st March 2007	31st March 2007	31st March 2007	31st March 2007	31st March 2007	31st March 2007
3 No. of Shares held in Subsidiary Company as on the above date	2,760,000	3,000	10,000	8,073,267	12,000	25,600	906,367	1,000	2,300,000	2	250,000	500	49,990
4 % of holding (Equity)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
5 The net aggregate of Profit / (Losses) of the subsidiary companies so far as they concern the members of the Company	-	-	-	-	-	-	-	-	-	-	-	-	-
a. Dealt with in the Account of the Company for the year ended March 31, 2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b. Not dealt with in the Account of the Company for the year ended March 31, 2007	USD 4,110,798	USD 3,562,919	INR 1,957,793	USD 2,385,293	USD (19,136)	Euro 27,134	GBP (103,729)	GBP 35,857	SGD 1,232,560	SGD 52,057	RM 271,409	EURO (89,531)	INR (6,228,053)
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, 2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b. Not dealt with in the Account of the Company for the year ended March 31, 2007	USD (11,304,242)	USD 3,562,919	INR 1,957,793	USD (42,116,820)	USD 1,417,289	Euro (466,119)	GBP (1,887,581)	GBP (478,638)	SGD (323,928)	SGD (831,705)	RM 219,408	EURO (320,048)	INR (1,036,232)

Statement Pursuant to Section 212(1)(e) of the Companies Act, 1956 Relating to the Subsidiary Companies for the year ended March 31, 2007

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	ProcessMind Holdings Mauritius Limited	ProcessMind Services Inc.,	Cambridge Integrated Services Victoria Pty Ltd	Cambridge Integrated Services Australia Pty Ltd
2.Financial Year of the Subsidiary Company	31st March 2007	31st March 2007	31st March 2007	31st March 2007	31st March 2007	31st March 2007	31st March 2007	31st March 2007
3.No. of Shares held in Subsidiary Company as on the above date	1,000	1,000	1,000	6,464,069	1	10,000	5	5
4.% of holding (Equity)	100%	100%	100%	100%	100%	100%	100%	100%
5.The net aggregate of Profit / (Losses) of the subsidiary companies so far as they concern the members of the Company	-	-	-	-	-	-	-	-
a.Dealt with in the Account of the Company for the year ended March 31, 2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b.Not dealt with in the Account of the Company for the year ended March 31, 2007	Nil	Nil	USD (5,424,693)	INR 63,520,648	USD (10,172)	USD (524,496)	AUD 2,810,187	AUD 1,131,583
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, 2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b.Not dealt with in the Account of the Company for the year ended March 31, 2007	Nil	Nil	USD 5,356,755	INR (119,641,243)	USD (31,697)	USD (2,154,526)	AUD 4,360,975	AUD 2,301,999

CONSOLIDATED FINANCIAL STATEMENTS - INDIAN GAAP

CAMBRIDGE SOLUTIONS LIMITED
(formerly SCANDENT SOLUTIONS CORPORATION LIMITED)

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

(All amounts in Indian Rupees)	Notes	2007	2006
INCOME			
Revenues	23	14,698,141,149	11,806,978,458
Other income	24	363,145,527	314,275,265
		15,061,286,676	12,121,253,723
EXPENDITURE			
Employee costs	25	8,576,867,243	7,328,996,341
Other operating costs	26	5,105,068,406	3,801,395,346
		13,681,935,649	11,130,391,687
PROFIT BEFORE INTEREST, TAX, DEPRECIATION, AMORTISATION, REORGANISATION COST AND EXCEPTIONAL ITEM		1,379,351,027	990,862,036
Exceptional items	28	46,395,402	-
PROFIT BEFORE INTEREST, TAX, DEPRECIATION, AMORTISATION, REORGANISATION COST AND AFTER EXCEPTIONAL ITEM		1,425,746,429	990,862,036
Depreciation	11	167,015,783	164,941,736
Amortisation	12	190,740,961	304,311,689
Finance costs	27	500,993,883	415,608,944
PROFIT BEFORE TAX AND REORGANISATION COST		566,995,802	105,999,667
Reorganisation costs	3	-	205,226,509
PROFIT/ (LOSS) FOR THE YEAR BEFORE TAX		566,995,802	(99,226,842)
[including profit before tax from operations relating to discounting operation amounting to Rs 139,208,438 (2006 -- Rs. 18,760,079)]	29		
Provision for current tax		63,903,723	83,079,032
Deferred tax charge / (income)		(169,908,179)	1,136,738
Fringe benefit tax		16,304,624	2,756,881
Total tax expense (Including tax expense of discontinuing operations of Rs. 7,812,495 (2006 -- Rs. 438,306)	28	(89,699,832)	86,972,651
PROFIT/ (LOSS) FOR THE YEAR AFTER TAX		656,695,634	(186,199,493)
[Including profit after tax from operations relating to discounting operation amounting to Rs 131,395,943 (2006 -- Rs. 18,321,773)]			
Net profit/(loss), at the beginning of the year		(157,445,727)	74,805,357
Amounts deducted from general reserve		37,889,874	
Adjustment for provision for employee benefits		(37,045,007)	
Debit balance in profit and loss account transferred pursuant to the Cambridge Merger Scheme		-	(23,362,500)
		(156,600,860)	51,442,857

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, 2007, 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, 2007 of Rs 486 million and revenue, loss, cash flow for the year then ended of Rs 392 million, Rs 61 million and Rs 5 million, respectively, audited by other auditors, whose reports we have relied upon;

(ii) We have relied upon the audit of Ernst & Young Singapore and Ernst & Young Australia for certain subsidiaries included herein with total assets, as at March 31,2007 of Rs 434 million and revenue, net profit, cash flow for the year then ended of Rs 2,287 million, Rs 161 million and Rs 386 million, respectively.

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. As referred to in Note 32 to the financial statements, the Group has claimed and recorded Rs 111 million as recoverable from an erstwhile parent of one of its subsidiary, certain pre-acquisition liabilities incurred by it subsequent to the acquisition of the subsidiary. However, these claims were refuted by such erstwhile parent. The Group, based on a legal opinion is confident of recovering these claims, and has accordingly recognized a receivable of Rs 111 million with the impact on the profit for the year of Rs 111 million. The ultimate outcome of the transaction cannot be presently determined, and accordingly, the profit for the year does not include the impact of adjustments arising from it.

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 *subject to the effect of such adjustments, if any arising from matter referred to in preceding paragraph* 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, 2007;
(b) in the case of the consolidated profit and loss account, of the profit for the year ended on that 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
June 19, 2007

CAMBRIDGE SOLUTIONS LIMITED
(formerly SCANDENT SOLUTIONS CORPORATION LIMITED)

(All amounts in Indian Rupees)

	Notes	2007	2006
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	6	1,051,305,770	301,134,560
Share application money pending allotment	7	-	747,575,070
Reserves and surplus	8	1,210,014,909	709,984,418
		2,261,320,679	1,758,694,048
Loan Funds			
Secured loans	9	2,935,327,319	3,202,066,095
Unsecured loans	10	1,939,023,356	2,029,362,875
		4,874,350,675	5,231,428,970
TOTAL		**7,135,671,354**	**6,990,123,018**
APPLICATION OF FUNDS			
Fixed Assets	11		
Gross block		1,501,596,756	1,607,473,437
Less: Accumulated depreciation		1,008,118,309	1,246,377,390
Net block		493,478,447	361,096,047
Capital work-in-progress including capital advances		67,204,992	7,499,857
		560,683,439	368,595,904
Intangible Assets	12		
Gross block		7,340,938,341	6,903,609,539
Less: Accumulated amortisation		2,291,630,552	2,230,206,334
Net block		5,049,307,789	4,673,403,205
Capital work-in-progress including capital advances		110,993,362	34,879,991
		5,160,301,151	4,708,283,196
Investments	13	66,375,000	-
Deferred Tax Asset	14	216,655,424	43,185,179
Current Assets, Loans & Advances			
Inventories	15	2,108,386	2,643,990
Sundry debtors	16	2,364,693,189	2,808,946,357
Cash and bank balances	17	644,354,211	2,682,152,907
Other current assets	18	1,312,930,009	-
Loans and advances	19	905,025,619	735,195,133
		5,229,111,413	6,228,938,387

Less: Current Liabilities & Provisions			
Current liabilities	20	3,396,030,005	3,732,397,194
Provisions	21	769,242,082	870,958,100
		4,165,272,087	4,603,355,294
Net Current Assets		1,063,839,326	1,625,583,093
Miscellaneous Expenditure (to the extent not written off or adjusted)	22	67,817,014	87,029,919
Profit and Loss Account		-	157,445,727
TOTAL		**7,135,671,354**	**6,990,123,018**

The accompanying notes 1 to 43 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 19, 2007

For and on behalf of the Board of Directors of
Cambridge Solutions Limited
(formerly Scandent Solutions Corporation Limited)

Christopher A. Sinclair
Executive Chairman

Satyen Patel
Executive Vice Chairman

Pradeep Chaudhry
Chief Financial Officer
Place: Bangalore
Date: June 19, 2007

V Viswanathan
Company Secretary

Less: Current Liabilities & Provisions			
Current liabilities	20	3,396,030,005	3,732,397,194
Provisions	21	769,242,082	870,958,100
		4,165,272,087	4,603,355,294
Net Current Assets		1,063,839,326	1,625,583,093
Miscellaneous Expenditure (to the extent not written off or adjusted)	22	67,817,014	87,029,919
Profit and Loss Account		-	157,445,727
TOTAL		**7,135,671,354**	**6,990,123,018**

The accompanying notes 1 to 43 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 19, 2007

For and on behalf of the Board of Directors of
Cambridge Solutions Limited
(formerly Scandent Solutions Corporation Limited)

Christopher A. Sinclair
Executive Chairman

Satyen Patel
Executive Vice Chairman

Pradeep Chaudhry
Chief Financial Officer
Place: Bangalore
Date: June 19, 2007

V Viswanathan
Company Secretary

NET PROFIT / (LOSS) AVAILABLE FOR APPROPRIATION		**500,094,774**	**(134,756,636)**
Appropriation towards Debenture Redemption Reserve	8	-	(22,689,091)
NET PROFIT / (LOSS), CARRIED FORWARD TO BALANCE SHEET		**500,094,774**	**(157,445,727)**
Weighted average number of equity shares used in computing earnings per share			
Basic		104,971,435	103,971,674
Diluted		105,141,643	103,971,674
Earnings / (loss) per share [Equity shares, par value of Rs 10 each (2006 -- Rs 10)]			
Basic		6.26	(1.79)
Diluted		6.26	(1.79)

The accompanying notes 1 to 43 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 19, 2007

For and on behalf of the Board of Directors of
Cambridge Solutions Limited
(formerly Scandent Solutions Corporation Limited)

Christopher A. Sinclair
Executive Chairman

Satyen Patel
Executive Vice Chairman

Pradeep Chaudhry
Chief Financial Officer

V Viswanathan
Company Secretary

Place: Bangalore
Date: June 19, 2007

CAMBRIDGE SOLUTIONS LIMITED
(formerly SCANDENT SOLUTIONS CORPORATION LIMITED)

1. Background

Cambridge Solutions Limited (formerly Scandent Solutions Corporation Limited), ('Cambridge' 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. Cambridge and its subsidiaries have operations principally in India, United States of America ('USA'), United Kingdom ('UK'), Australia, Germany, France, Singapore, Japan and Malaysia.

On December 29, 2003, Cambridge entered into a definitive agreement with SSI Limited ('SSI') for merger of the Information Technology division of SSI ('SSIIT') into Cambridge. As a part of the arrangement and pursuant to the Group's strategy to consolidate its operations in India; Scandent Group Inc., USA (Scandent USA), Cambridge Network Europe Limited (formerly Scandent Network Europe Limited, UK) ('Cambridge UK'), Cambridge Solutions Pte Limited (formerly Scandent Group Pte Limited) ('Cambridge 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.

Pursuant to the Scheme of arrangement for de-merger of Information Technology division of SSI Limited ('SSIIT') and its merger in the Company ('SSIIT Merger Scheme'), sanctioned by the Honourable High Court of Judicature at Karnataka and the Honourable High Court of Judicature at Madras, assets and liabilities of SSIIT were transferred and vested in the Company with effect from July 2, 2004.

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.

Cambridge, together with its subsidiaries hereinafter is collectively referred to as 'the Group'.

2. Merger of Cambridge Services Holdings LLC

On December 17, 2005, the Company had 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, was 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 ('Acquisition'). 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 had 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, 2007, 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.

Under the Cambridge Merger Scheme, with effect from April 1, 2005 (i.e. the Appointed Date), the assets and liabilities of Cambridge LLC vested 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 were 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 had 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, 8(iv) & 38(v))

Pursuant to the terms of the Cambridge merger scheme:

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

2.2 The merger was accounted for in accordance with the pooling of interest method referred to in Accounting Standard 14 - Accounting for Amalgamation ('AS 14'). Accordingly, the assets and liabilities recorded in the books of Cambridge LLC were recorded by the Company at its book values and excess of net assets over the par value of equity shares issued amounting to Rs 1,925 million was treated as Reserve arising on Amalgamation, and in accordance with the Cambridge Merger Scheme, was 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 Rs 2,681 million was deemed to be written down to the extent of the Reserve arising on Amalgamation of Rs 1,925 million and the remaining Purchase Goodwill of Rs 756 million, is being amortised over ten years from the Appointed date;

2.4 Expenses of Rs 104 million incurred in executing the scheme was adjusted against the securities premium account of the Company;

2.5 583 fully paid equity share of Rs 10 each of the Company were to be issued for every Award held in Cambridge LLC. Cambridge LLC had issued 8,229 Awards to certain key employees and Affiliates and accordingly, 4,797,507 equity shares were 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 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 fulfilment of the conditions mentioned in the Plan

Cambridge LLC management assessed the fair valuation of the Awards US $ 3.3 million (Rs 144 million) and till March 31, 2006, recorded compensation expense of US $ 1.98 million (Rs 86 million). During the year ended March 31, 2007, the Company has recorded stock compensation expense of US $ 0.77 million (Rs 34 million). The remaining stock compensation adjustment of US $ 0.55 million (Rs 24 million) will be recorded by the Company over the remaining vesting period.

3. Reorganisation Cost

Subsequent to the Acquisition, Cambridge LLC had 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 previous year, which the management believed to be one time costs.

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

4. Shareholding Pattern

Pursuant to the Cambridge Merger Scheme, the Company allotted 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. The following table details the number of shares and the percentage of shareholding of the Company.

Name of the Shareholders	March 31, 2006	March 31, 2006*	March 31, 2007
Scandent Mauritius	13,178,571 (43.76%)	13,178,571 (12.57%)	13,178,571 (12.54%)
Scandent Mauritius Limited ('SML')	-	52,470,000 (50.03%)	48,970,000 (46.58%)
AON Minet Pension Scheme	-	17,490,000 (16.68%)	17,490,000 (16.64%)
UTI India Technology Venture Unit Scheme	1,052,717 (3.50%)	1,052,717 (1.00%)	1,052,717 (1.00%)
SSI	1,052,717 (3.50%)	1,052,717 (1.00%)	1,052,717 (1.00%)
Reliance Capital Trustee Company Limited	-	-	4,616,955 (4.39 %)
Others	14,829,451 (49.24%)	19,626,958 (18.72%)	18,769,617 (17.85%)
Total	**30,113,456 (100%)**	**104,870,963 (100%)**	**105,130,577 (100%)**

* Post merger with Cambridge LLC, 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

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 Act'). The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year except as disclosed in the financial statements

As these financial statements are not statutory financial statements, they are presented in the general format specified in Schedule VI to 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 flow statement of Cambridge and its subsidiary companies as at March 31, 2007. 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 Intangible assets. 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, 2007 of the subsidiary companies:

Name of the Subsidiary	Date of acquisition	Share holding
Acquisitions during the year ended March 31, 2004		
Scandent USA (Refer Note (vi) below)	March 31, 2004	100%
Cambridge UK	March 31, 2004	100%
Scandent Singapore	March 31, 2004	100%
Scandent Group Sdn Bhd, Malaysia (subsidiary of SG Singapore)	March 31, 2004	100%
MatrixOne India Limited, India	March 31, 2004	99.9%
Scandent Germany	March 31, 2004	100%
Acquisitions / Merger during the year ended March 31, 2005		
Albion Inc, USA.	July 2, 2004	100%
Scantalent Inc. (formerly Clientsoft Inc.), USA (Refer Note (vi) below)	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 the year ended March 31, 2006		
CISGI	April 1, 2005	100%
Presidium Holdings, USA (Subsidiary of CISGI)	April 1, 2005	100%
Cambridge Galaher Settlements & Insurance Services., USA (Subsidiary of CISGI)	April 1, 2005	100%
Cambridge Australia	April 1, 2005	100%
BWH Sarl, France (Subsidiary of Cambridge UK)	April 1, 2005	100%
ProcessMind Holding Mauritius Limited, Mauritius ('ProcessMind') (Subsidiary of CISGI)	May 10, 2005	100%
ProcessMind Services Inc., USA (Subsidiary of ProcessMind)	May 10, 2005	100%
Cambridge Integrated Services India Private Limited., India (Subsidiary of ProcessMind) ('Cambridge India')	May 10, 2005	100%
E Business Corp Inc., USA (Subsidiary of Scantalent) (Refer Note (vi) beloW)	July 1, 2005	100%
Acquisitions / Merger during the year ended March 31, 2007		
Ecomm Solutions Corp, USA ('Nexplicit') (Subsidiary of SG Inc.)	June 9, 2006	100%
Nexplicit India Infotech Private Limited (subsidiary of Nexplicit) ('NIIPL')	July 1, 2006	100%

(i) Pursuant to the Cambridge Merger Scheme becoming effective from the Appointed Date (Refer Note 2), CISGI and Cambridge Australia (collectively referred to as 'Cambridge Subsidiaries') became wholly owned subsidiaries of the Company. Accordingly the financial statements of Cambridge Subsidiaries were consolidated with the financial statements of the Company for the year ended March 31, 2006. Cambridge subsidiaries function as third-party administrators and providers of claim and claim-related services and provide comprehensive risk management services to clients through sixty seven offices in the USA and two offices in Australia.

Pursuant to the Cambridge Merger Scheme, fair value adjustments amounting to Rs 1,924 million (US $ 43 million) were 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 June 9, 2006, the Company through one of its wholly-owned subsidiary acquired Nexplicit, a Company incorporated in the United States of America resulting in additional Goodwill of Rs 484 million arising on its consolidation. The financial statements of Nexplicit have been consolidated with the financial statements of the Company for the period from June 1, 2006 till March 31, 2007.

(iii) The Company acquired NIIPL effective July 1, 2006 resulting in capital reserve of Rs 2 million.

(iv) Cambridge Australia has set up a wholly owned subsidiary Cambridge Integrated Services Australia Pty Limited.

(v) On November 1, 2006, the Group has purchased workers compensation claims business of a company, which includes transfer of clients, employees and certain leasehold premises resulting in Goodwill of Rs 38 million. Such Goodwill is being amortised over a period of 5 years.

(vi) As a part of the Group's strategy to consolidate its operation in the United States, on April 3, 2006, eBusiness Corp Inc., USA (subsidiary of Scantalent Inc.) was merged into Scantalent Inc., and subsequently, on April 4, 2006, Scantalent Inc. (subsidiary of the Company) has been merged into Scandent USA. Subsequent to the year end, on April 25, 2007, Scandent USA has merged into Albion Inc, USA.

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

5.2 Use of estimates

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

5.3 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) 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 9.5 below.

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

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

(iii) Leasehold improvements are 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.

(iv) In case of CISGI, constituting 56 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	7-10

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 US $ 1,000 are fully depreciated in the year of acquisition.

5.4 Intangible Assets

Intangible assets comprise of Goodwill arising on consolidation, (Refer Note 5.1), Goodwill arising on acquisition, computer software held for use in business, 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 & 5.1(v)]
(iii) Computer software is amortised over an estimated useful life of two years. In case of CISGI, constituting 79 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) Software License Rights purchased are amortised over an estimated useful life of four years.

5.5 Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

5.6 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. Costs incurred towards such properties are recognized as expenses in the Profit and Loss account. Initial direct costs such as legal costs, brokerage costs are recognized immediately in the Profit and Loss Account.

5.7 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 rateably 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 fees primarily comprise of claims processing or program administration fees and are earned proportionately in accordance with estimated claims closing rates or over the service period of the underlying service contract. Unbilled fees are 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 on the basis of estimates of amounts of incentives which are reasonably certain to be received.

Upto the year ended March 31, 2006, the Group was recognizing revenue from incentives at the end of the contract year, when such incentives crystallised. With effect from July 1, 2006, the Group changed its accounting policy for recognizing revenue from incentives on the basis of estimates of amounts of incentives which are reasonably certain to be received. Revenue recognition from incentives is postponed to the extent of uncertainty involved until it is reasonably certain that the ultimate collection will be made. Pursuant to this change, the Revenues and the profit before tax are higher by approximately Rs 161 million, provision for tax is higher by Rs Nil and profit after tax is higher by Rs 161 million.

(iii) Interest Income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable

5.8 Project work expenses and Claims work expenses

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

5.9 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.

(iv) Forward Exchange Contracts not intended for trading or speculation purposes

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

(v) Foreign Subsidiaries

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

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

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

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

As at March 31, 2007, 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.
ii. Scandent Group Sdn Bhd., Malaysia
iii. Cambridge Singapore
iv. CISGI
v. Cambridge Australia
vi. Cambridge India
vii. Process Mind Services Inc.
viii. Process Mind
ix. Nexplicit
x. NIIPL

5.10 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.

5.11 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.

5.12 Retirement and other employee benefits

Retirement benefit in the form of Provident fund is a defined contribution scheme. 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 which are defined contribution schemes, in accordance with the relevant applicable laws, are charged to the Profit and Loss Account.

Gratuity liability is a defined benefit obligation and is provided based on an actuarial valuation done as per projected unit credit method, performed as at the balance sheet date. The plan is unfunded as at March 31, 2007 for the Company and is funded in case of Cambridge India. Actuarial gains / losses are immediately taken to profit and loss account and are not deferred.

Short term compensated balances are provided for on based on estimates.

Till March 31, 2006 Company was providing for short term compensated absences based on actuarial valuation. In the current year, the Company has adopted Accounting Standard 15 (Revised 2005) (AS 15) and accordingly has changed the method of providing for short term compensated absences from actuarial valuation to estimate basis. In accordance with the transitional provision in the revised accounting standard, Rs 48,573,353 (net of tax liability Rs 3,562,067) has been adjusted to the General Reserve.

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

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

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

5.14 Earning / (loss) per share

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

For the purpose of calculating diluted 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.

5.15 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 and 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.

5.16 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.

5.17 Miscellaneous expenditure

Miscellaneous expenditure comprises of deferred interest on 11 per cent Debentures and cost of arranging long term loan and guarantees. 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 and guarantees are amortised, over the period of the loan, commencing from the date of the first draw-down of the related loan or guarantees on weighted average basis

5.18 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 intrinsic 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.

5.19 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.

5.20 Cash and Cash equivalents

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

6 Share capital

	2007	2006
Authorised capital		
125,000,000 (2006 -- 125,000,000) Equity shares of Rs 10 each	1,250,000,000	1,250,000,000
Issued, subscribed and paid-up capital		
105,130,577 (2006 -- 30,113,456) Equity shares of Rs 10 each fully paid up	1,051,305,770	301,134,560

(i) Pursuant to the SSIIT merger scheme, the share capital of the Company 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 the Company as at March 31, 2004.

(ii) 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.

(iii) The Company in the previous year had 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 20,750,040 with respect to 345,834 equity shares has been transferred to Securities premium account.

(iv) During the year, the Company has allotted 259,614 equity shares pursuant to options being exercised by employees under the Employee Stock Option Plans of the Company at the face value of Rs 10 and the corresponding stock compensation adjustment of Rs 32,324,934 has been transferred to Securities premium account.

(v) Pursuant to the Cambridge Merger Scheme, on June 29, 2006, the Company issued 69,960,000 equity shares at par to the shareholders of Cambridge LLC and 4,797,507 equity shares at par to the Award holders of Cambridge LLC. As at March 31, 2007, Scandent Holdings Mauritius Limited ('SHML') is the holding company as SML and Scandent Mauritius are the subsidiaries of SHML.

7 Share Capital Pending allotment	2007	2006
	-	747,575,070

(i) Pursuant to the Cambridge Merger Scheme, on June 29, 2006, the Company allotted 69,960,000 equity shares and 4,797,507 equity shares of Rs 10 each at par to the shareholders and Award holders of Cambridge LLC respectively [Refer Note 2.1].

8 Reserves and surplus	2007	2006
Capital reserve	36,116,669	36,116,669
Debenture Redemption Reserve [Refer Note (ii) & (iii) below]	129,786,577	-
Balance, beginning of the year	-	107,097,486
Additions during the year	-	22,689,091
Less : Transfer to General Reserve on redemption of debentures	(39,786,577)	-
Balance, end of the year	90,000,000	129,786,577
Securities premium		
Balance, beginning of the year	506,195,369	425,586,964
Add: Received during the year [Refer Note 6(ii) above]	-	216,499,300
Add: Share premium on Employee Stock Options exercised during the year [Refer Note 6(iii), 6(iv) & 8(vi)]	80,938,306	20,750,040
Less: Expenses incurred towards Cambridge Merger Scheme [Refer Note 2.4]	-	(103,985,831)
Less: Convertible Bond issue expense [Refer Note 10(ii) below]	-	(52,655,104)
Balance, end of the year	587,133,675	506,195,369

General Reserve [Refer Note 1 and 2]		
Balance, beginning of the year	9,631,642	9,631,642
Add: Transfer from Debenture redemption reserve	39,786,577	-
Less: Debit balance in profit and loss account (refer Note (vii))	(37,889,874)	-
Less : Adjustment for employee benefits provision, net of deferred tax of Rs 3,562,067	(11,528,345)	-
Balance, end of the year	-	9,631,642
Stock compensation adjustment [Refer Note 38]		
Balance, beginning of the year	131,458,144	27,973,080
Additions during the year	8,329,775	29,040,605
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 6(iii), 6(iv) & 8(vi)]	(80,938,306)	(20,750,040)
Less: Amount transferred to share capital pending allotment	-	(47,975,070)
Reversal on forfeiture of stock options granted	-	(1,449,600)
	58,849,613	131,458,144
Less: Deferred employee stock compensation expense [Refer Note (i) below]	(28,112,187)	(62,554,248)
Balance, end of the year	30,737,426	68,903,896
Foreign Currency Translation Reserve [Refer Note 5.9]	(34,067,636)	(40,649,735)
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]	-	(1,925,400,000)
	-	-
Profit & Loss account	500,094,774	-
	1,210,014,909	**709,984,418**

(i) Deferred employee stock compensation expense [Refer Note 38]		
Stock compensation expense outstanding at the beginning of the year	62,554,248	3,496,635
Addition during the year	8,329,775	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	(42,771,836)	(89,790,062)
Forfeitures	-	(1,449,600)
Closing balance of deferred employee stock compensation expense	**28,112,187**	**62,554,248**

(ii) As discussed in 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 redeemed debentures of Rs 60 million and the excess of debenture redemption reserve over the balance of debentures of Rs 39.7 million has been transferred to general reserve.

(iii) As discussed in Note 10 (ii), the Company has issued Rs 1,337 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 million towards Awards granted by Cambridge LLC under the Cambridge Equity Plan was 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 34 million. (2006 -- Rs 63 million)

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

(vi) During the year, the employee stock compensation cost of Rs 49 million (2006 -- Rs Nil) pertaining to Restricted units of Cambridge LLC [Refer note 38(v)] has been transferred to securities premium account.

(vii) General reserve balance of Rs 37.89 million of the Company has been deducted by the Debit balance in the profit and loss account.

9 Secured loans

	2007	2006
From Banks		
Cash Credit facility	35,230,575	30,971,898
Working Capital Facility	489,618,609	218,440,000
External Commercial Borrowings	76,282,500	78,067,500
Term loan	2,242,644,791	2,837,241,548
Receivable purchase facility	37,645,077	21,312,470
Interest Accrued and due on working capital facility	29,486,456	-
	2,910,908,008	**3,186,033,416**
From Others		
Loans for purchase of fixed assets	19,880,089	14,890,077
Finance lease obligation	4,539,222	1,142,602
	24,419,311	**16,032,679**
	2,935,327,319	**3,202,066,095**

(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, which was subsequently renewed on January 25, 2007. 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 one Director, corporate guarantee of Cambridge UK and Scandent Mauritius. As of March 31, 2007, the Company has availed a loan of Rs 35 million (2006 -- Rs 31million) and the same is repayable within one year.

(ii) On November 17, 2004, the Company entered into a working capital facility for Rs 40 million with China Trust Commercial Bank ('CTB'), which was subsequently renewed on January 27, 2006, at an interest rate linked to benchmark prime lending rate subject to a minimum of 11 per cent. The facility was 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. The loan was repaid in April 2006 and the facility was subsequently 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 US$ 4 million to meet the Company's working capital requirements at interest rate of LIBOR (6 months) plus 300 basis points. The facility was to be repaid by the Company in bullet repayment at the end of two years from the date of draw down. The Company has subsequently renewed the facility in May 2007 for a further period of two years. The facility is secured by first pari-pasu charge on current assets of the Company including receivables, present and future (excluding receivables from Scandent 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 one Director and irrecoverable corporate guarantee of Scandent USA, Cambridge UK, Cambridge Singapore, Albion Inc., USA ('Albion'), Scandent Mauritius, Cambridge Integrated Services India Private Limited, SHML. As at March 31, 2007 the Company has availed the entire facility of Rs 174 million (US$ 4 million) [2006 -- Rs 178 million (US$ 4 million)] and amounts repayable within one year is Rs Nil (2006 -- Rs 178 million).

(iv) On December 14, 2006, Yes Bank Ltd has sanctioned a loan of Rs 50 million to meet the working capital requirements 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 SHML. As at March 31, 2007 the Company has availed the entire facility of Rs 50 million and the same is repayable within one year.

(v) On January 16, 2007, State Bank of India had sanctioned Export Packing Credit facility of Rs 220 million equivalent US$ Loan to meet the working capital requirements of the Company at an interest rate of 6 month Libor plus 1% for a period of 12 months. The loan is secured by way of hypothecation of all the receivable, present and future on pari pasu charge with EXIM bank, UTI Bank and Yes Bank, and Corporate Guarantee of Scandent Mauritius and SHML. The loan is to be repayable on demand. As at March 31, 2007, the Company has fully availed the facility and the balance outstanding is Rs 215 million (2006 -- Rs Nil.).

(vi) On December 14, 2006, Yes Bank Ltd has sanctioned a working capital overdraft facility of Rs 50 million at an interest rate of Yes Bank's prime lending rate minus 3 per cent per annum, which is repayable on demand. The loan is secured by way of first pari pasu charge on the current assets and moveable fixed assets of the Company and by unconditional and irrevocable corporate guarantee of Cambridge Solutions Limited and Scandent Holding Mauritius Limited. As at March 31, 2007 the Company has fully availed the facility and the amount outstanding is Rs 50 million.

(vii) On December 15, 2004, the Company availed External Commercial Borrowings of US$ 2.75 million from 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 instalment. 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, corporate guarantee of SHML and exclusive charge of the movable fixed assets of the Company procured from the part of loan proceeds. As of March 31, 2007, the Company has availed Rs 76 million (US$ 1.75 million) [2006 -- Rs 78 million (US $ 1.75 million)] and the amount repayable within one year is Rs 76 million (2006 -- Rs Nil).

(viii) On May 20, 2004, the Company entered into a term loan agreement with UTI Bank Limited ('UTI Bank') for Rs 85 million to meet its operating and capital expenditure at an interest rate of 10.75 per cent per annum. The loan was repayable in 16 equal monthly instalments of Rs 5 million each commencing from January 2006. The loan was 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 Cambridge UK and Scandent Mauritius. As of March 31, 2006, the Company had fully drawn down the term loan and has repaid three instalments. Subsequently, during the year, the loan was repaid in April 2006.

(ix) On December 31, 2004, UTI Bank has sanctioned loan facility of Rs 247 million to meet its normal operation & capital expenditure requirements, at an interest rate of 9 per cent per annum. As per the agreement, the loan was repayable in five equal half yearly instalment of Rs 49 million each commencing from February 2007. Subsequently, the Company has renegotiated the terms of repayment to thirty two equal instalments payable monthly from July 2006. 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 one Director and corporate guarantee of Cambridge 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, 2007, the Company had fully availed the loan of Rs 247 million (2006 -- Rs 247 million) and had repaid nine instalments and the balance outstanding as on that date was Rs 178 million. The amount repayable within one year as of March 31, 2007 is Rs 93 million (2006 -- Rs 49 million).

(x) 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 SHML. The loan is to be repaid in twelve equal quarterly instalments without moratorium from June 2006. As at March 31, 2007, the Company has availed the entire facility and has repaid four instalments resulting in balance outstanding as on that date of Rs 187 million (2006 -- Rs 246 million). The amount repayable within one year as of March 31, 2007 is Rs 93 million (2006 -- Rs 82 million).

(xi) On June 6, 2006, Albion Inc. ('Albion') entered into a term loan facility with Standard Chartered Bank ('SCB'). As per the terms of the Agreement , SCB has sanctioned a term loan facility of US $ 10 million to Albion towards its working capital requirements. The facility is at the interest rate of one month LIBOR plus 200 basis points. The Loan is repayable in 8 quarterly Instalments after a moratorium of 12 months from June 9 , 2006. The Loan is secured by first pari passu charge over current assets of Albion, corporate guarantee from the Company and the first ranking charge on the proceeds account of Albion. At March 31, 2007 balance outstanding Rs 435 million (US $ 10 million). The Loan has been repaid in April 2007.

(xii) On June 6, 2006, Albion entered into a term loan facility with Standard Chartered Bank ('SCB'). As per the terms of the Agreement , SCB has sanctioned a term loan facility of US $ 5 million to Albion towards providing trade advance to the Company. The facility is at the interest rate of one month LIBOR plus 200 basis points. The loan is repayable in 4 quarterly instalments of US $ 1.25 million from September 9, 2006. The Loan is secured by first pari passu charge over current assets of Albion, assignment of marketing contract and the first charge on the proceeds account of Albion. As of March 31, 2007, Albion had fully availed the term loan and has repaid three instalments. Balance outstanding as at March 31, 2007 is Rs 55 million (US $ 1.25 million). Subsequently, the Loan has been repaid in April 2007.

(xiii) On December 1, 2004, CISGI entered into a US $ 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. On December 14, 2006, the Company has entered into an amendment agreement for the original credit agreement wherein 12 months moratorium period has been included and the loan is to be repaid in nine instalments and the covenants, including financial covenants, have been revised. At March 31, 2007 balance outstanding is Rs 1,308 million (US $ 30 million) (2006 -- Rs 2,275 million) and the amount repayable within one year is Rs 294 million (US $ 7 million). Interest accrued and due as at March 31, 2007 is Rs 29 million (2006 -- Nil).

(xiv) On December 14, 2006, Yes Bank Ltd has sanctioned a medium term loan of Rs 80 million at an interest rate of Yes Bank's prime lending rate minus 2.5 per cent per annum, to meet the capital requirements of the Company. The loan is secured by way of first pari pasu charge on the current assets and moveable fixed assets of the Company and by unconditional and irrevocable corporate guarantee of the Company and Scandent Holding Mauritius Limited. The loan is repayable in eight equal quarterly instalments commencing from June 2007. Balance outstanding as at March 31, 2007 is Rs 80 million (2006 -- Rs Nil) and amount repayable within one year is Rs 40 million. (2006 -- Rs Nil)

(xv) On July 18, 2003, Cambridge Singapore entered into a receivable purchase agreement with DBS Bank Limited, Singapore. Under the agreement, Cambridge Singapore 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 Cambridge Singapore, a corporate guarantee from Scandent Group Limited, Mauritius and a fixed and floating charge on all the assets and undertakings of Cambridge Singapore. As of March 31, 2007, the net amount outstanding under the agreement is Rs 0.8 million (US $ 0.18 million) (2006 -- Rs. Nil).

(xvi) On January 21, 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, 2007, the net amount outstanding under the agreement is Rs 37 million (Euro 679,940) [2006 - Rs 21 million (Euro 393,219)].

(xvii) The Company has obtained vehicles and computers under a financing arrangement. The loan is repayable over two to five years and are secured by assets taken against these loans. As at March 31, 2007, Rs 20 million (2006 -- Rs 15 million) was outstanding against the financing arrangements and the amount repayable within one year is Rs 8.1 million (2006 -- Rs 4 million).

(xviii) 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. Balance outstanding as at March 31, 2007 is Rs 4.5 million (2006 -- Rs 1.1 million) and amount payable within one year is Rs 2.4 million (2006 -- Rs 1 million).

10 Unsecured loans	2007	2006
900,000 (2006 -- 1,500,000), 11 per cent Debentures of Rs 100 each	90,000,000	150,000,000
5.22 per cent Convertible Bonds	1,336,500,000	1,336,500,000
Interest accrued and due	-	3,440,481
Loans from Directors	-	57,293
Loan from related parties	308,228,697	271,145,647
Loans from Others	204,294,659	268,219,454
	1,939,023,356	2,029,362,875

(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. Interest on the debentures is payable at annual rests. In April 2006, the Company has redeemed debentures of Rs 60 million before its maturity. Further, subsequent to year end, in June 2007, the outstanding debentures of Rs 90 million has also been redeemed before its maturity and the Company has also obtained a waiver of interest payable of Rs 20.19 million as at March 31, 2007.

(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. During the previous year, arrangement fees of Rs 53 million for these bonds including legal charges was set off with the share premium account in accordance with Section 78 of the Companies Act, 1956.

(iii) Loan from Director of Rs 57,293 has been written back during the year ended March 31, 2007.

(iv) On May 10, 2005, CISGI signed a Rs 223 million (US $ 5 million) Promissory Note with Scandent Holding Mauritius Limited as consideration for acquisition of the entire interest in ProcessMind Group. The note was unsecured and carried an interest rate of LIBOR plus 400 bps. Principal was payable in a single payment on the date on which the SCB Credit Agreement and Aon Credit is repaid in full or May 10, 2009. The Company has obtained waiver for the interest charged of Rs 14 million (US $ 325,000) inclusive of Rs 9 million (US $ 208,000) accrued in the current year. The balance as at March 31, 2007 is Rs 218 million (2006 -- Rs 223 million) and repayable within one year is Rs Nil (2006 -- Rs Nil)

(v) Loan from related parties includes short term working capital loan taken from Scandent Holdings Mauritius Limited and Scandent Group Limited amounting to Rs 24 million (2006 -- Rs 48 million) and Rs 66 million (2006 - Rs Nil), respectively. The loan is interest free and is repayable on demand.

(vi) Loan from others 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 provided CISGI a subordinated unsecured loan facility for US $ 6 million (AON Credit). On April 22, 2005, CISGI drew US $ 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. During the current year, US $ 1.3 million receivable from the liquidator of one of its customer has been adjusted with the loan balance outstanding in accordance with terms of the agreement. Amount repayable within one year is Rs Nil (2006 -- Rs Nil). The balance as at March 31, 2007 is Rs 204 million (2006 -- Rs 268 million).

Notes to the Consolidated Financial Statements for the year ended March 31, 2007

11 Fixed Assets

	Gross Block						Depreciation						Net Block	
	As at April 1, 2006	Addititions pursuant to the acquisition of Subsidiaries	Additions during the year	Deletions / adjustments [Refer Note (iii)]	Translation Adjustment	As at March 31,2007	As at April 1, 2006	Addititions pursuant to the acquisition of Subsidiaries	For the Year	Translation Adjustment	Deletions / adjustments [Refer Note (iii)]	As at March 31,2007	As at March 31,2007	As at March 31,2006
Leasehold Improvements	263,787,423	-	73,722,912	103,597,595	(2,296,054)	231,616,686	165,711,921	-	38,955,547	(2,214,774)	122,607,242	79,845,454	151,771,232	98,075,502
Computers	673,330,548	1,344,948	116,301,695	176,390,587	(6,379,331)	608,207,274	578,074,225	654,212	67,211,707	(6,865,969)	174,632,113	464,442,062	143,765,213	95,256,323
Vehicles	23,479,312	-	20,318,673	10,360,322	-	33,437,663	7,629,649	-	9,464,017	-	3,935,185	13,158,481	20,279,182	15,849,663
Office Equipment	208,993,023	178,169	63,473,380	68,084,271	(2,573,777)	201,986,524	177,614,066	27,024	17,289,473	(2,547,775)	61,382,913	130,999,876	70,986,649	31,378,957
Furniture and fittings	437,883,131	48,134	46,976,845	52,782,520	(5,776,982)	426,348,609	317,347,529	10,688	34,095,039	(6,148,717)	25,632,103	319,672,436	106,676,173	120,535,602
Total	1,607,473,437	1,571,251	320,793,505	411,215,295	(17,026,143)	1,501,596,756	1,246,377,390	691,924	167,015,783	(17,777,235)	388,189,556	1,008,118,309	493,478,447	361,096,047
Capital work-in-progress													67,204,992	7,499,857
Prior Year	290,540,752	1,335,771,833	220,926,102	239,765,250	-	1,607,473,437	215,317,445	1,038,355,368	164,941,736	1,135,503	173,372,660	1,246,377,390	361,096,047	-

(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 31,2007	Gross block As at March 31,2006	Net block As at March 31,2007	Net block As at March 31,2006
Computers	8,390,541	5,477,388	2,410,483	345,357
Office Equipments	808,300	808,300	241,826	403,486
	9,198,841	6,285,688	2,652,309	748,843

(ii) As at March 31, 2007, assets taken on loan basis amount to Rs 4 million (2006 - Rs 9 million), including assets amounting to Rs Nil (2006 -- Rs 8 million) received by SSIIT on a loan basis from its customers.

(iii) Fixed Assets held for Sale resulting from discontinuance of Government business of Albion having gross block of Rs 9,598,039 (US $ 220,189) and accumulated depreciation Rs 2,923,763 (US $ 67,074) have been disclosed separately under Other Current Assets. Refer Note 30.

(iv) As at March 31, 2007, assets with Gross book value and Net book value of Rs 27 million, & Rs 26 million, respectively are being used by a sub-lessee. During the year, for these assets the Group has recorded depreciation charge of Rs 1 million resulting in accumulated depreciation of Rs. 1 million as at March 31, 2007

Notes to the Consolidated Financial Statements for the year ended March 31, 2007

12 Intangible Assets

	Gross Block						Amortisation						Net Block	
	As at April 1, 2006	Addittions pursuant to the acquisition of Subsidiaries [Refer Note 5.1]	Additions during the year	Deletions / adjustments [Refer Note (i)&(ii)]	Translation Adjustment	As at March 31, 2007	As at April 1, 2006	Additions pursuant to the acquisition of Subsidiaries	For the Year [Refer Note (i) below]	Translation Adjustment	Deletions / adjustments [Refer Note (i) & (ii)]	As at March 31,2007	As at March 31,2007	As at March 31,2006
Goodwill	3,552,754,656	482,811,368	-	298,503	(17,562,174)	4,035,267,521	-	-	27,190,595	-	-	27,190,595		3,552,754,656
Goodwill Acquired	831,408,899	-	38,303,797	-	(46,553,745	852,150,522	97,173,646	-	92,296,212	(59,498)	-	189,410,360	4,008,076,926	734,235,253
Computer Software	2,519,445,984	-	97,581,525	116,953,466		2,453,520,298	2,133,032,688	-	98,444,749	(39,611,491)	116,836,349	2,075,029,597	662,740,162	386,413,296
Total	6,903,609,539	482,811,368	135,885,322	117,251,969	(64,115,919)	7,340,938,341	2,230,206,334	-	217,931,556	(39,670,989)	116,836,349	2,291,630,552	5,049,307,789	4,673,403,205
Capital work-in-progress													110,993,362	34,879,991
Prior Year	1,658,102,910	7,091,697,407	80,323,567	1,926,514,345	-	6,903,609,539	342,926,891	1,584,553,111	304,311,689	1,398,979	2,984,336	2,230,206,334	4,673,403,205	-

(i) Amortisation for the year includes Rs 27,190,595 representing impairment of goodwill resulting from discontinuance of Government Business of Albion has been disclosed separately as part of exceptional loss of Rs 122,268,435. Refer Note 28.

(ii) Additions in the previous year includes purchase goodwill of Rs 2,681 million recorded in the books of CISGI as on the date of acquisition. This amount included Rs 13 million of foreign currency translation adjustment as at March 31, 2006. The amount of goodwill was adjusted with the Reserve arising on Amalgamation of Rs 1,925 million pursuant to the Cambridge Merger Scheme. Also refer note 2.

(iii) The Group had 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 license for $ 5.1 million. These license were being amortised over a period of 4 years, however, as at March 31, 2006, the Company had impaired the carrying value of the license of $ 0.6 million as it may not be recoverable. This amount was included in the amortisation charge for the previous year.

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

	2007	2006
Non-trade:		
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)
Trade:		
2,273,749 Class A Common stock of BigE Realestate Inc, USA fully paid and non assessable	66,375,000	-
	66,375,000	-

(i) On January 18, 2007, the Group has entered into a Stock and Warrant purchase agreement with Big E Real-estate Inc, ('Bige') a Delaware Corporation and Cushman & Wakefield Inc ('C&W'), for purchase of share and warrants of Bige. As at March 31, 2007, the Group has made investment of Rs 66 million (US $1.5 million) to acquire 2,273,749 Class A common stock of Bige constituting 10.3% shareholding and is also entitled 10,670,000 warrants at an exercise price of US $1 each to be exercised per the terms of the agreement.

14 Deferred tax asset [also, refer Note 33]

	Deferred tax asset/(liability) as at April 1, 2006	Transitional adjustment for employees benefits	Current period credit/(charge)	Deferred tax asset/(liability) as at March 31, 2007
Depreciation	25,829,758	-	(3,963,050)	21,866,708
Carry forward losses		-	181,723,962	181,723,962
Others	17,355,421	3,562,066	(7,852,733)	13,064,754
	43,185,179	3,562,066	169,908,179	216,655,424
Previous year	44,321,917	-	(1,136,738)	43,185,179

15 Inventories

	2007	2006
Software licenses	**2,108,386**	**2,643,990**

16 Sundry debtors (Unsecured)

	2007	2006
Debts outstanding for a period exceeding six months		
Considered good	169,511,157	657,336,363
Considered doubtful	123,420,622	254,224,814
Other debts		
Considered good	2,195,182,032	2,151,609,994
Considered doubtful	-	6,762,879
	2,488,113,811	3,069,934,050
Less : Provision for doubtful debts	123,420,622	260,987,693
	2,364,693,189	**2,808,946,357**

(i) Provision for bad and doubtful debts include Rs Nil (2006 - Rs 451 million) representing provision for doubdful debts in the financial statements of the subsidiaries as on date of acquisition.

(ii) The above balance includes revenues unbilled to the end customer, amounting to Rs 824 million (2006 -- Rs 1158 million)

17 Cash and bank balances

	2007	2006
Cash on hand	483,633	1,104,753
Balances with scheduled banks:		
- Current accounts	26,778,175	644,960,757
- Fixed deposit account	44,449,917	713,890,325
Balances with Other banks:		
- Current accounts	3,095,296,996	3,581,852,207
- Fixed deposit account	-	2,900,605
	3,167,008,721	4,944,708,647
Less: Client funds held in escrow	(2,522,654,510)	(2,262,555,740)
	644,354,211	**2,682,152,907**

(i) Fixed deposits includes Rs 3 million (2006 - Rs 1 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 (2006 - Rs 11 million) maintained as liquidity reserve as per the terms of the loan agreement with UTI Bank [Refer Note 9 (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) Current account balance and fixed deposit balance includes Rs 0.24 million (2006 -- Rs 624 million) and Rs 21 million (2006 -- Rs 670 million), respectively received by preferential allotment of 5.22 per cent Convertible Bonds. Also refer note 10 (ii).

18 Other current assets

	2007	2006
Fixed Assets held for Sale (at net book value or estimated net realisable value, whichever is lower) net of accumulated depreciation of Rs 2,923,763	6,674,276	-
Debtors, net of provision for doubtful debts Rs 5,610,106	1,488,848,053	-
Advances recoverable in cash or kind or for value to be received	1,672,941	-
Sundry creditors	(141,691,786)	-
Other liabilities	(1,584,017)	-
Provision for leave encashment	(27,276,916)	-
Provision for estimated losses	(13,712,542)	-
	1,312,930,009	-

19 Loans and advances (Unsecured)

	2007	2006
Considered good		
Dues from related parties		
Loans and advances	342,791,326	88,228,052
Expenses receivable	9,724,690	5,956,334
	352,516,016	94,184,386
Advances recoverable in cash or kind or for value to be received	355,024,182	490,505,112
Other receivables	15,376,230	26,385,311
Other deposits	119,836,803	108,980,387
Advance tax	62,272,388	15,139,937
	905,025,619	**735,195,133**
Dues from related parties:		
Atindia Management Services Private Limited ('Atindia')	4,639,993	4,639,993
Seabulk Software India Pvt Ltd	33,716,063	33,716,063
Scandent Holding Mauritius Limited, Mauritius	41,785,168	39,937,560
Scandent Group Limited, Mauritius	272,374,792	15,890,770
	352,516,016	**94,184,386**

20 Current liabilities

	2007	2006
Sundry creditors	2,093,611,725	1,854,946,800
Book Overdraft	84,051,180	455,211,664
Dues to related parties		
Expenses payable	4,882,191	3,668,560
Interest accrued but not due		
on 11 per cent debentures	20,190,616	18,255,808
on loans	46,173,213	41,673,745
Advance from customers	110,713,433	52,619,801
Deferred revenue	922,100,379	1,226,482,728
Other liabilities	114,307,268	79,538,088
	3,396,030,005	**3,732,397,194**

21 Provisions

	2007	2006
Provision for taxation	95,574,633	125,195,359
Provision for gratuity	14,030,005	12,233,414
Provision for leave encashment	178,993,664	131,677,349
Provision for estimated losses	109,204,544	53,843,333
Provision for onerous contracts	371,439,236	548,008,645
	769,242,082	**870,958,100**

(i) Movement during the year

Description	Opening Balance	Additions pursuant to acquisitions	Transitional adjustment	Charge during the year	Used during the year	Translation Adjustment	Closing Balance
Provision for estimated losses [Refer note (ii) & (iv) below]	53,843,333	-	-	69,073,753	-	-	122,917,086
Provision for Onerous contracts	548,008,645	-	-	-	176,569,409	-	371,439,236
Provision for Gratuity	12,233,414	60,755	-	4,084,948	2,349,112	-	14,030,005
Provision for Leave Encashment [Refer note (iii) below]	131,677,349	770,845	52,135,420	259,562,202	237,875,236	-	206,270,580
Total	**745,762,741**	**831,600**	**52,135,420**	**332,720,903**	**416,793,757**	**-**	**714,656,907**

(ii) Closing Balance includes Provision for estimated loss of Rs 13,712,542 disclosed separately under Other Current Assets.

(iii) Closing Balance includes Provision for leave encashment pertaining to government business of Albion amounting to Rs 27,276,916, disclosed separately under Other Current Assets.

(iv) Provision for estimated losses of Rs 104 million pertaining to loss on sale of government business of Albion recognised in the books of Accounts of Albion has been included under Exceptional loss and the write back of Rs 35 million for reversal of estimated loss on fixed price contracts has been disclosed under other operating expenses.

22 Miscellaneous expenditure

	2007	2006
Deferred interest on 11 per cent debentures	6,560,000	11,480,000
Less: Amortised during the year [Refer Note 27]	5,576,000	4,920,000
	984,000	6,560,000
Deferred upfront / processing fee for loans	80,469,919	20,245,683
Add : Upfront/processing fee incurred during the year	53,069,337	5,600,940
Add : Pursuant to acquisitions of subsidiaries	-	84,045,240
Less: Amortised during the year [Refer Note 27]	66,706,242	29,421,944
	66,833,014	80,469,919
	67,817,014	87,029,919

CAMBRIDGE SOLUTIONS LIMITED
(formerly SCANDENT SOLUTIONS CORPORATION LIMITED)
Schedules to financial statements

(All amounts in Indian Rupees)

	2007	2006
23 Revenues		
Revenues from software development and related services		
- Time and material contracts	2,903,705,211	2,125,208,345
- Fixed price contracts	1,689,511,861	981,371,701
- Annual maintenance contracts	69,942,766	81,439,223
- License Sale	9,237,944	42,419,449
Claims Service fee	10,025,743,367	8,576,539,740
	14,698,141,149	11,806,978,458
24 Other income		
Write back of liability	5,244,645	38,234,108
Interest Income [Gross of Tax Deducted at Source of Rs 2,451,196 (2006 -- Rs 1,150,650)]	283,352,582	189,909,327
Miscellaneous Income	74,548,300	86,131,830
	363,145,527	314,275,265
25 Employee costs		
Salaries, allowances and bonus	7,084,166,739	6,159,009,240
Contribution to provident fund and other funds	510,229,174	470,611,903
Gratuity and leave encashment charge	263,647,150	127,308,100
Employee stock compensation expense [Refer Note 38]	42,771,836	95,748,199
Staff welfare	596,366,846	428,316,322
Recruitment and relocation	79,685,498	48,002,577
	8,576,867,243	7,328,996,341
26 Other operating costs		
Travel	439,107,291	401,491,900
Rent and hire charges, net of sublease income	866,073,191	670,338,789
Communication	370,830,073	342,593,605
Power and fuel	76,240,397	63,079,067
Insurance	128,722,593	112,576,683
Rates and taxes	87,898,471	98,645,870
Project work expenses	1,097,928,805	569,015,079
Claims Work Expenses	1,309,969,007	857,341,205
Repairs and maintenance		
- Computer equipment	115,194,332	140,820,851
- Others	28,449,099	28,161,720
Legal & professional	194,774,150	206,383,830
Printing & stationery	76,298,942	65,762,498
Business promotion	138,604,611	135,113,768
Exchange loss/(gain), net	12,605,167	2,209,849
Loss / (Profit) on sale of fixed assets, (net)	415,111	7,673,760
Bad debts / provision for bad & doubtful debts (net)	56,438,909	(8,922,508)
Provision for estimated losses	(35,910,917)	53,843,333
Miscellaneous expenses	141,429,174	55,266,047
	5,105,068,406	3,801,395,346

CAMBRIDGE SOLUTIONS LIMITED
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(All amounts in Indian Rupees)

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Provision for estimated losses	(35,910,917)	53,843,333
Miscellaneous expenses	141,429,174	55,266,047
	5,105,068,406	**3,801,395,346**

30. Sale of Government business

On January 22, 2007, the Company entered into an agreement with a third party for sale of assets of the government business being undertaken by Albion, for a consideration of US $ 30.95 million (Rs 1,349 million) including cash flow of US$ 1.4 million (Rs 61 million) from April 1, 2007 to April 24, 2007 incurred by the Company. The disposal of the government business is in accordance with the Group's strategy to refocus its effort to grow the manufacturing and BFSI business segment and consolidate its operations in the Business Process Outsourcing segment.

The sale consummated on April 25, 2007 and for this transaction, Albion has incurred expense of US $1.82 million (Rs 80 million) towards professional charges and towards incentive payable to certain employees on sale of business.

The carrying amount of net assets of the government business as at April 25, 2007, amounted to US $ 30.5 million (Rs 1,330 million), including goodwill arising on consolidation of US $ 0.6 million (Rs 27 million) and net of Foreign currency translation reserve of US $ 0.24 million (Rs 10.5 million) pertaining to the government business. Goodwill arising on consolidation has been determined on the basis of independent valuation of government business as on the date of acquisition of the government business by the Company. Loss on sale of government business amounting to US $ 2.76 million (Rs 122 million) has been disclosed under Exceptional item. Further the net assets of government business have been disclosed as 'Assets held for sale'.

The carrying amounts of the total assets and liabilities to be disposed of at March 31, 2007 are as follows. Comparative information for government business disposed in 2007 is included in accordance with the Accounting Standard on Discontinuing Operations.

	2007	2006
	Rs ('000')	Rs ('000')
Fixed Assets	6,674	3,038
Current Assets	1,490,520	780,065
Current liabilities	(184,264)	(135,603)
Net assets of Albion	1,312,930	647,500
Goodwill	27,190	27,190
Foreign Currency Translation Reserve	(10,569)	(9,595)
Net assets of Albion in consolidated financial statements	1,329,550	665,095
Net cash flows attributable to the Government division are as follows*:		
Operating	(463,382)	(160,687)
Investing	(6,463)	(2,928)
Financing	480,960	197,097
Net cash inflows / (outflows)	11,115	33,482

**Includes the cash flow arising from group companies as it was for the government business undertaken by Albion.*

31. The Group during the year ended March 31, 2005, had recorded a liability amounting to Rs 206 million towards demands raised by the Liquidator of one of its customers. During the current year the Group has settled the liability at Rs 37 million, and accordingly, has written back excess liability of Rs 169 million and has been disclosed as Exceptional income.

32. In terms of the Scheme, the assets and liabilities of Cambridge LLC vested with the Company with effect from April 1, 2005. Cambridge LLC on November 30, 2004 acquired ('the Acquisition') CISGI from another US entity ('the Erstwhile Parent '). Consequent to the Scheme, CISGI became subsidiary of the Company. The Acquisition agreement included an indemnity provision whereby any pre-acquisition liabilities were to be reimbursed by the erstwhile parent. On December 19, 2006, CISGI submitted a letter to the erstwhile parent, claiming the pre-acquisition liabilities, incurred by it subsequent to the Acquisition ('the Claim'). However, on January 16, 2007, the erstwhile parent denied the acceptance of the claim filed by CISGI. Subsequently, the management sought a legal opinion on the appropriateness of its claim whereby the opinion confirmed the validity of its claim as per the terms of the Acquisition agreement. The management has consequently filed a reply with the erstwhile parent refuting the non acceptance and claiming approximately Rs 106 million towards the pre-acquisition liabilities incurred by it. Basis the legal opinion, the management is confident of recovering the amounts claimed from the erstwhile parent and accordingly has recorded approximately Rs 111 million as recoverable from the erstwhile parent with the impact on the profit for the year of Rs 111 million.

33. Provision for Taxation

(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 respective entities, if any, have also been considered.

Indigo Markets, Bermuda is eligible to claim tax holiday as per the local tax laws applicable.

In India, 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 (up to 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 demerger of IT division of SSI Limited ('SSI'). The Company is in the process of obtaining the income tax records from SSI, with respect to the division, 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 under section 115JB of the Income-tax Act, 1961.

(ii) In accordance with its Accounting policy, Deferred tax asset of Rs 170 million has been recognised in the current year in the books of accounts of subsidiaries resulting in carrying value of Deferred tax asset of Rs 217 million as at March 31, 2007. Deferred tax asset has been recognised in the entities where the Company is confident of generating tax profits based on the projected sales of the existing contracts and its revised funding plans, which would result in reduction in the finance cost for the respective entities.

(iii) The Group has significant intra group transactions pertaining to revenue and expenses cross charge. The management is in the process of updating the transfer pricing study for such transactions entered into during the year ended March 31, 2007. The management does not anticipate any adjustments with regard to the transactions involved.

34 Related Party Disclosures

S No.	Name of the related party	Relationship	Nature of transaction	April 1, 2006 to Mar 31, 2007	Receivable /(payable) As at March 31, 2007	April 1, 2005 to March 31, 2006	Receivable /(payable) As at March 31, 2006
(i)	Scandent Group Limited, Mauritius	Company in which director of a company is also a director & shareholder	Expenses incurred on behalf of the related party	41,225	-	14,301,321	-
			Expenses receivable	-	2,748,949	-	5,956,334
			Loans & advances	260,103,274	269,625,843	-	9,934,436
			Unsecured Loans	(65,602,950)	(65,602,950)	-	-
			Expenses payable	(1,121,353)	(4,882,191)	-	(3,668,560)
			Guarantees Given by the related party	-	790,274,805	-	524,040,581
(ii)	Scandent Holding Mauritius Limited, Mauritius	Ultimate Holding company	Expenses incurred on behalf of the related party	22,908,273	-	(603,973)	-
			Interest payable	-	-	-	(14,855,130)
			Loans & advances	(9,096,201)	34,809,427	-	39,937,560
			Unsecured Loan (waived)	-	-	(154,571,604)	-
			Unsecured Loan repaid	(21,210,371)	-	-	-
			Unsecured Loan	-	(242,625,747)	154,571,604	(271,145,647)
			Guarantees given by the related party	-	832,567,775	-	671,525,600
			Interest Expense (waived)	(14,746,172)	-	-	-
			Interest Expenses	-	-	14,746,172	-
(iii)	Atindia Management Services Private Limite	Company in which director ofthe company is interested (till January 13, 2006)	Loans & advances	-	4,639,993	-	4,639,993
(iv)	Seabulk Software India Private Limited	Company in which director of the company is interested (till January 13, 2006)	Loans & advances	-	33,716,063	-	33,716,063
(v)	Ramesh Vangal	Director (till January 13, 2006)	Expenses incurred on behalf of the related party	-	-	375,341	-
			Unsecured loan repaid	57,293	-	5,500,126	-
			Unsecured loan	-	-	-	(57,293)
			Guarantees given by the related party	-	-	-	644,022,481
(vi)	Katra Holdings Private Limited	Company in which director of the company is interested (till January 13, 2006)	Unsecured loans paid	-	-	5,000,000	-
(vii)	Dilip Keshu	Director	Salary	12,858,557	-	17,023,489	-
(viii)	Satyen Patel	Executive Vice Chairman & Director	Salary	18,213,125	464,556,039	16,441,847	
			Guarantees Given	-		-	525,954,981
(ix)	Christopher Sinclair	Executive Chairman & Director	Salary	18,213,125	-	13,837,499	-

Note (i) The Company has issued stock options to Dilip Keshu for which compensation cost has been recorded during the current year as well as previous year.

35. 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 of India. 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, 2007, the Company has availed duty benefits amounting to Rs. 34.15 million (2006 -- Rs. 49.9 million), including the benefit availed by SSIIT amounting to Rs. 25 million (2006 -- 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) 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 of succeeding in reversal of such adjustment and does not expect any liability on this account.

(iii) During the year, the Company has received assessment order for the Assessment year 2004-05 which included transfer pricing adjustment for arms' length price of Rs 95.28 million. Consequently, an amount of Rs 5.82 million has been demanded as tax payable by the Company. The Company has paid Rs 1.63 million of taxes and has made an application for stay of demand for the balance amount and penalty proceedings. Also, the company has filed an appeal with the commissioner of income tax (appeals) and is confident of succeeding in reversal of such adjustment.

(iv) CISGI is subject to claims, lawsuits and proceedings that arise in the ordinary course of business. CISGI has purchased Errors and Omissions 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 unfavourable resolution of these matters. For the year ended March 31, 2007, there are no material accruals for matters of this nature.

(v) Westpac Banking Corporation has provided Bankers Undertakings (Guarantees) to the value of Rs 165.35 million in respect of the two properties i.e. 390 Latrobe St and 201 Elizabeth St for Rs 51.16 million and Rs 43.53 million, respectively and for a customer for claim processing for Rs 70.66 million. The two properties are supported by a Standby Letter of Credit (SBLC) provided by HSBC Limited through the Company. The Bankers Undertaking to the customer is supported by a Fixed and Floating Charge over the assets of Cambridge Australia and Cambridge Integrated Services Victoria Pty Ltd ('Cambridge Victoria') and a Guarantee & Indemnity by Cambridge Victoria.

36. Earnings / (loss) per share

	2007	2006
Weighted average number of equity shares in calculating basic Earnings per share ('EPS') (Previous year includes Share Capital pending allotment) - (A)	104,971,435	103,971,674
Weighted average number of potential equity shares under option during the year - (B)	170,208	-
Weighted average number of equity shares in calculating diluted EPS - (A+B)	105,141,643	103,971,674

Pursuant to the Cambridge merger scheme, the Company allotted 74,757,507 equity shares to the shareholders of Cambridge LLC in June 2006. For the purpose of computing the weighted average number of shares for the year ended March 31, 2006, the appointed date i.e. April 1, 2005 has been considered to be the date of issue of such shares.

37. 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, Business Process Outsourcing ('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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenues										
External sales	4,657,965,015	3,230,438,718	10,040,176,135	8,576,539,740	-	-		-	14,698,141,149	11,806,978,458
Inter-segment transfers	19,238,575	21,739,875	3,921,654	-	-	-	(23,160,229)	(21,739,875)	-	-
Total revenues	**4,677,203,590**	**3,252,178,593**	**10,044,097,789**	**8,576,539,740**	-	-	**(23,160,229)**	**(21,739,875)**	**14,698,141,149**	**11,806,978,458**
Costs										
Segment costs										
[Refer Note (i) below]	4,270,261,848	3,090,738,121	9,723,035,143	8,714,133,500	-	-		-	13,993,296,991	11,804,871,621
Inter-segment transfers	3,921,654	-	5,131,044	21,739,875	-	-	9,052,698	21,739,875		
Total costs	**4,274,183,502**	**3,090,738,121**	**9,728,166,187**	**8,735,873,375**	-	-	**9,052,698**	**21,739,875**	**13,993,296,991**	**11,804,871,621**
Segment result	403,020,088	161,440,472	315,931,602	(159,333,635)	-	-	-	-	704,844,159	2,106,837
Other income	-	-	-	-	79,792,945	124,365,938	-	-	79,792,945	124,365,938
Interest income	-	-	-	-	283,352,582	189,909,327	-	-	283,352,582	189,909,327
Finance costs	-	-	-	-	(500,993,883)	(415,608,944)	-	-	(500,993,883)	(415,608,944)
Income taxes - current & deferred	-	-	-	-	89,699,832	(86,972,651)	-	-	89,699,832	(86,972,651)
Net profit									**656,695,634**	**(186,199,493)**
Other information										
Segment assets	4,666,857,134	4,338,467,051	6,288,783,496	7,039,240,419	-	-	-	-	10,955,640,630	11,377,707,470
Inter segment assets	96,396,237	25,748,003	7,317,077	-	-	-	(103,713,314)	(25,748,003)	-	-
Unallocated Assets	-	-	-	-	345,302,812	45,971,137	-	-	345,302,812	45,971,137
Total assets	**4,763,253,371**	**4,364,215,054**	**6,296,100,573**	**7,039,240,419**	**345,302,812**	**45,971,137**	**(103,713,314)**	**(25,748,003)**	**11,300,943,441**	**11,423,678,608**
Segment liabilities	1,101,801,807	731,546,396	2,901,531,818	3,674,330,009		-		-	4,003,333,625	4,405,876,404
Inter segment liabilities		-	96,396,237	25,748,003		-	(96,396,237)	(25,748,003)		-
Unallocated Liabilities					5,036,289,137	5,416,553,882			5,036,289,137	5,416,553,882
Total liabilities	**1,101,801,807**	**731,546,396**	**2,997,928,055**	**3,700,078,012**	**5,036,289,137**	**5,416,553,882**	**(96,396,237)**	**(25,748,003)**	**9,039,622,761**	**9,822,430,286**
Capital expenditure	550,743,909	54,861,805	561,016,034	246,387,864	-	-	-	-	1,111,759,944	301,249,669

(i) Segment Cost for the current year includes loss on sale of government business of Albion amounting to Rs 122,268,435 and has been adjusted for write back of liability of Rs 168,663,837 for one customer of BPO Segment. In the previous year, reorganisation cost of Rs 205,226,509 was included in IT Segment cost

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

Business sub-segments	2007	2006
BPO	10,040,176,136	8,576,539,740
IT		
Manufacturing	2,590,845,633	1,577,601,160
Government	1,313,446,921	858,286,255
BFSI	753,672,459	794,551,303
Total	**14,698,141,149**	**11,806,978,458**

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 segments	2007	2006
Australia	1,921,388,096	1,021,135,083
Europe	748,373,306	541,704,460
North America	11,487,573,056	9,818,697,876
Rest of World	540,806,691	425,441,039
Total	**14,698,141,149**	**11,806,978,458**

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.

Following is the segment disclosure of discontinuing operation i.e. government business of Albion:

Particulars	2007	2006
Revenue	1,272,756,269	757,458,835
Segment cost (including exception loss of Rs 122,265,435)	(1,090,633,790)	720,489,443
Segment Result	182,122,479	36,969,392
Finance cost	42,914,041	18,209,313
Tax expense	7,812,495	438,306
Net profit	**131,395,943**	**18,321,773**

As at March 31, 2007 segment asset and segment liability amounted to Rs 1,497,195,270 and Rs 184,265,261 respectively.

38. 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 and employees of its subsidiary companies. 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. Further, during the year additional 15,017 shares were granted under the above scheme.
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 Cambridge, and accordingly the difference between the fair value and the exercise price has been recorded as compensation cost. During the year 95,417 options have been exercised (2006 -- Nil). With respect to the options granted during the year, the difference between the intrinsic value and the exercise price of Rs 716,679 (2006 - Nil) has been recorded as compensation cost.

Following table details the movement of options for the plan mentioned above (i.e. ESOP Plan 2004)

Particulars	2007	2006
Options outstanding at the beginning of the year	96,224	466,218
Options granted during the year	15,017	-
Options forfeited during the year	-	24,160
Options exercised during the year	95,417	345,834
Options expired during the year	-	-
Options outstanding at the end of the year	15,824	96,224
Options exercisable at the end of the year	807	96,224

Weighted average exercise price of the options grated during the year is Rs 10. All the options exercised during the period pertain to grants made prior to March 31, 2005.

Following are the details of exercise price and the options for ESOP Plan 2004:

ESOP Plan 2004	Exercise price (Rs.)		Number of options outstandin		Weighted average remaining life of options (in Years)		Weighted average exercise price (Rs.)	
	2007	2006	2007	2006	2007	2006	2007	2006
Grant made during the year	10	NA	15,017	NA	2.63	NA	10	NA

NA - Not Applicable.

38. 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 and employees of its subsidiary companies. A compensation committee has been constituted to administer the plan and to determine the exercise price.

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

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Weighted average exercise price of the options grated during the year is Rs 10. All the options exercised during the period pertain to grants made prior to March 31, 2005.

Following are the details of exercise price and the options for ESOP Plan 2004:

ESOP Plan 2004	Exercise price (Rs.)		Number of options outstandin		Weighted average remaining life of options (in Years)		Weighted average exercise price (Rs.)	
	2007	2006	2007	2006	2007	2006	2007	2006
Grant made during the year	10	NA	15,017	NA	2.63	NA	10	NA

NA - Not Applicable.

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 intrinsic 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 5,153,010 (2006 - Rs 24,200,505). The exercise price for the options granted under program II are at the intrinsic value of the equity shares of Cambridge as at the date of grant, no compensation cost has been recorded by the Company.

During the year 164,197 options were exercised (2006 -- Nil) and 304,973 options were forfeited (2006 -- Nil).

Following table details the movement of options for the two plans mentioned above (i.e. ESOP I Plan 2005 and ESOP II Plan 2005)

Particulars	2007		2006	
	No of shares	Weighted average exercise price (Rs)	No of shares	Weighted average exercise price (Rs)
Options outstanding at the beginning of the year	563,736	120.48	-	-
Options granted during the year	73,737	105	563,736	120.48
Options forfeited during the year	304,973	172	-	-
Options exercised during the year	164,197	10	-	-
Options expired during the year	-	-	-	-
Options outstanding at the end of the year	168,303	128.28	563,736	120.48
Options exercisable at the end of the year	46,866	119.92	-	-
Weighted average remaining contractual life (in Years)	3.01	-	2.67	-
Weighted average fair value of options	-	86.77	-	82.28

The estimated weighted average fair value of options granted during the year is Rs 86.77 per share (2006 - Rs 82.28). This was calculated by applying the Black-Scholes option pricing model with the following inputs:

Particulars	2007	2006
Average risk-free interest rate	5.19% - 5.25%	6.53%
Expected volatility of share price	58.03%	63%
Expected life of options granted (in years)	4 - 4.5	3.50
Expected dividend yield	Nil	Nil

Expected volatility has been determined using the history of trading price of the shares of the Company on NSE and BSE from March 10, 2005 to the date of the grant of the options.

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

ESOP Plan 2005	Exercise price (Rs)		Number of options outstandin		Weighted average remaining life of options (in Years)		Weighted average exercise price (Rs)	
	2007	2006	2007	2006	2007	2006	2007	2006
Program I	10	10	20,803	179,263	2.53	2.67	10	10
Program II	113.15 - 172	172	147,500	384,473	3.08	2.67	144.87	172

(iv) During the year, the Board of Directors approved the Employee Stock Option Plan ('ESOP Plan 2006') 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 2006, during the year, 60,000 options have been issued under Program I at a grant price of Rs 10 and 2,057,946 options under Program II at a grant price equivalent to the market value of the shares on the date of grant. 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 three years as follows:-

33.33% of the options one year from the date of grant
33.33% of the options two years from the date of grant
33.34% of the options three years from the date of grant

The difference between the intrinsic 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 3,272,540. The exercise price for the options granted under program II are at the intrinsic value of the equity shares of Cambridge as at the date of grant, 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 I Plan 2006 and ESOP II Plan 2006)

Particulars	2007	
	No of shares	Weighted average exercise price (Rs)
Options outstanding at the beginning of the year	-	-
Options granted during the year	2,117,946	117.22
Options forfeited during the year	-	-
Options exercised during the year	-	-
Options expired during the year	-	-
Options outstanding at the end of the year	2,117,946	117.22
Options exercisable at the end of the year	-	-
Weighted average remaining contractual life (in Years)	4.08	-
Weighted average fair value of options granted	-	63.78

The estimated weighted average fair value of options granted during the year is Rs 63.78 per share. This was calculated by applying the Black-Scholes option pricing model with the following inputs:

Particulars	2007
Average risk-free interest rate	5.19% - 5.25%
Expected volatility of share price	58.03%
Expected life of options granted (in years)	4 - 5
Expected dividend yield	Nil

Expected volatility has been determined using the history of trading price of the shares of the Company on the NSE and BSE from March 10, 2005 to the date of the grant of the options.

Following are the details of exercise price and the options for ESOP Plan 2006:

ESOP Plan 2005	Exercise price (Rs)	Number of options outstandin	Weighted average remaining life of options (in Years)	Weighted average exercise price (Rs)
Program I	10	60,000	3.50	10
Program II	113.15-140.35	2,057,946	4.09	120.35

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 12.6 million (2006 -- 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	2007 (Rs)	2006*(Rs)
Basic	6.06	(2.00)
Diluted	6.05	(2.00)

* Including Share Capital Pending Allotment

(v) 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 instalments 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 fulfilment 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 US $ 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 US $ 0.53 million (Rs 23.36 million) had been recorded by Cambridge LLC. The remaining stock compensation adjustment of US $ 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 34 million (2006 - Rs 63 million).

(vi) Employee stock plan of Cambridge India

During the previous year ended March 31, 2006 Cambridge India had a 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 was the fair value of the options at the time of grant. These options were to vest as follows:-

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 by CISGI in the previous year, the management closed the existing ESOP scheme by allotting shares to the eligible employees covered by the existing scheme and the shares so allotted were subsequently transferred to ProcessMind. As per the ESOP closure scheme, all the unvested shares vested immediately and exercised within the stipulated time frame as determined by the compensation committee.

	2007	2006
Options outstanding at the beginning of the year	Nil	165,965
Options granted during the year	Nil	Nil
Options forfeited during the year	Nil	80,796
Options vested during the year	Nil	85,169
Options exercised during the year	Nil	85,169
Options granted but not eligible for exercise at year end	Nil	Nil

39. Gratuity

The Company and Cambridge India have a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme in the Company is unfunded as at March 31, 2007 and hence the disclosures with respect to plan assets as per Accounting Standard 15 are not applicable to the Company. However, Cambridge India scheme is funded with an insurance company in the form of qualifying insurance policy.

The following tables summarizes' the components of net benefit expense recognized in the profit and loss account and the funded status and amounts recognized in the balance sheet for the respective plans. This being the first year of adoption of Accounting Standard 15 - 'Employee benefits', comparative figures for the previous year have not been given in the disclosures below.

Net employee benefit expense (recognised in profit and loss account)

	Unfunded	Funded
Current service cost	3,989,058	947,662
Interest cost on benefit obligation	875,826	70,038
Expected return on plan assets	NA	(172,450)
Net actuarial (gain) / loss recognised in the year	(1,133,745)	39,652
Past service cost	-	-
Net benefit expense	3,731,139	884,902

Details of Provision for gratuity

	Unfunded	Funded
Defined benefit obligation	(13,516,926)	(1,879,940)
Fair value of plan assets	-	2,504,792
	(13,516,926)	624,852
Less: Unrecognised past service cost	-	-
Plan asset / (liability)	(13,516,926)	624,852

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

	Unfunded	Funded
Opening defined benefit obligation	12,109,834	928,358
Interest cost	875,826	70,038
Current service cost	3,989,058	947,662
Benefits paid	(2,324,047)	(105,770)
Actuarial (gains) / losses on obligation	(1,133,745)	39,652
Closing defined benefit obligation	13,516,926	1,879,940

The principal assumptions used in determining gratuity are shown below:

	Unfunded (%)	Funded %
Discount rate	8	8
Increase in compensation cost	10	10
Employee turnover	20	20

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

Details of defined benefit plan for the current year are as follows:

	Unfunded	Funded
Defined benefit obligation	13,516,927	1,879,940
Plan assets	-	2,504,792
Surplus / (deficit)	(13,516,927)	624,852
Experience adjustments on plan liabilities	-	39,652
Experience adjustments on plan assets	-	-

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

Particulars	2007
Opening fair value of plan assets	2,217,486
Expected return	172,450
Contributions by employer	220,626
Benefits paid	(105,770)
Actuarial gains / (losses)	-
Closing fair value of plan assets	2,504,792

Cambridge India expects to contribute Rs 1,182,180 to gratuity in 2007-08.

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

Particulars	2007(%)
Government of India Securities	94.36
High Quality corporate bonds	1.11
Equity shares of listed companies	3.59
Commercial papers	0.58
Cash	0.37

40. Leases

In case of assets taken on lease

(i) Operating leases

Office premises, guest house premises and equipments are obtained under operating lease.

Rent expense for such operating leases recognised in the Profit and loss Account for the year is Rs 866,073,191 (2006 -- Rs 670,338,789).

The lease arrangements have been entered up to a maximum of ten years from their respective dates of inception. Some of these lease agreements have price escalation clauses.

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

	2007	2006
Not later than one year	480,763,330	499,590,807
Later than one year but not later than five years	1,300,775,733	1,223,599,020
Later than five years	178,339,096	337,217,472
	1,959,878,159	**2,060,407,299**

With respect to the office premises the Company has entered into sublease arrangement. (Refer Note (iii) below).

(ii) Finance Lease

The Company has entered into an arrangement for lease of office equipment and computer equipment. The lease arrangement for 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. These leases have term of renewal but no purchase options and escalation clauses.
The amount payable on account of these finance leases are as follows:

	2007	2006
Total minimum lease payments*	5,097,726	1,201,195
Less: Interest	558,503	58,593
Present value of minimum lease payments*	**4,539,223**	**1,142,602**

* Net of security deposit paid for computers

Future minimum lease payments under finance lease are as under:

	2007	
	Minimum lease payments	Present value of minimum lease payments
Payable not later than one year	2,623,563	2,368,949
Payable later than one year and not later than five years	2,474,163	2,170,274
Payable later than 5 years	-	-
Total	**5,097,726**	**4,539,223**

	2006	
	Minimum lease payments	Present value of minimum lease 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**

In case of assets given on lease

(iii) Operating leases

The Company has leased out premises on operating lease. The lease terms is for 1 - 14 years and are non-cancellable. There is escalation clause 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 38 million (2006 - Rs 7 million)

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

	2007	2006
Future minimum lease payment		
Not later than one year	35,097,473	26,404,366
Later than one year and not later than five years	144,995,989	101,982,921
Later than five years	2,779,727	28,905,050
	182,873,189	**157,292,337**

41. Details of utilisation of proceeds raised through preferential issues

During the year ended March 31, 2006, 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	2007	2006
Financial advisory fee	-	42,118,525
Utilised for working capital	282,729,424	225,504,026
Repayment of loans and debentures	157,173,028	-
Repayment of loan subsequently converted to investment in a subsidiary	833,670,000	-
Fixed deposits	20,610,844	670,000,000
Bank Balance	244,093	624,427,389
	1,294,427,389	**1,562,049,940**

42. Foreign currency exposure

Particulars	USD	GBP	EURO	SGD	Malaysian Ringett	Japanese Yen	Canadian Dollar
Secured loan	(10,745,000)	-	-	-	-	-	-
Sundry debtors	25,070,948	3,573,809	257,667	20,727	-	75,853,838	-
Cash and Bank	595,371	136,759	-	915	-	7,434,938	38,220
Loans and advances	10,440,282	999,790	952,434	826,003	-	-	-
Current liabilities	(8,783,284)	(1,191,713)	(639,067)	(513,229)	(107,540)	(3,572,393)	-
Total	**16,578,317**	**3,518,564**	**571,034**	**334,416**	**(107,540)**	**79,716,383**	**38,220**

The Company had not hedged the foreign currency exposure as at March 31, 2007.

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

Particulars	USD	GBP	EURO	SGD	Malaysian Ringett	Japanese Yen	Canadian Dollar
Secured loan	(5,750,000)	-	-	-	-	-	-
Sundry debtors	31,332,128	4,967,696	390,141	20,727	-	25,710,582	-
Cash and Bank	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)	-
Total	**21,323,489**	**3,450,021**	**721,306**	**403,400**	**(409,777)**	**34,744,664**	**-**

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

43. 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 and previous year figures include impact of additions of subsidiaries for part of the previous year as referred to in Note 5.1. The financial statements for the year ended March 31, 2006 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 19, 2007

For and on behalf of the Board of Directors of
Cambridge Solutions Limited
(formerly Scandent Solutions Corporation Limited)

Christopher A. Sinclair
Executive Chairman

Satyen Patel
Executive Vice Chairman

Pradeep Chaudhry
Chief Financial Officer

V Viswanathan
Company Secretary

Place : Bangalore
Date : June 19, 2007

CAMBRIDGE SOLUTIONS LIMITED
(formerly SCANDENT SOLUTIONS CORPORATION LIMITED)

(All amounts in Indian Rupees)

	2007	2006
A. Cash flow from operating activities		
Net profit / (Loss) before taxation	**566,995,802**	**(99,226,842)**
Adjustments for:		
Depreciation	167,015,783	164,941,736
Amortisation	190,740,961	304,311,689
Amortisation of Miscellaneous expenditure (included in Finance costs)	72,282,241	34,341,944
(Profit) / Loss on sale of fixed assets	415,111	7,673,760
Foreign exchange gain/(loss) (net) - unrealised	(8,469,575)	(519,389)
Interest income	(283,352,582)	(189,909,327)
Write back of liability (including exceptional item of Rs 168,663,837)	(173,965,775)	(38,234,108)
Provision for estimated losses	(35,910,917)	-
Loss on sale of Government business of Albion	122,268,435	-
Provision for Doubtful Debts	56,438,909	(8,922,508)
Deferred employee compensation cost	42,771,836	95,748,199
Interest expense	380,992,529	337,353,396
Operating profit before working capital changes	**1,098,222,758**	**607,558,550**
Movements in working capital :		
Decrease / (Increase) in Inventory	535,604	(284,903)
Decrease / (Increase) in sundry debtors	(940,377,715)	(154,814,991)
Decrease / (Increase) in loans and advances	(77,058,055)	114,495,862
Increase / (Decrease) in current liabilities & provisions	(799,067,321)	(167,903,991)
Net cash used in operating activities	**(717,744,729)**	**399,050,527**
Direct taxes paid (net of refunds)	(103,355,797)	(8,509,363)
Net cash from operating activities (A)	**(821,100,526)**	**390,541,164**
B. Cash flows from investing activities		
Purchase of fixed assets and intangible assets	(545,208,170)	(322,492,827)
Proceeds from sale of fixed assets	11,606,442	3,798,212
Purchase of investments	(66,375,000)	(63,522,637)
Merger Expenses	-	(14,771,859)
Interest received	257,887,768	193,473,066
Investment in long term deposits	(44,164,368)	-
Payment for acquisition of subsidiaries (Note (i))	(277,737,925)	-
Cash and cash equivalents in the subsidiaries financial statements as on the date of acquisition	- 68,281,106	1,184,765,980
Net cash from investing activities (B)	**(595,710,147)**	**981,249,935**
C. Cash flows from financing activities		
Proceeds from issue of share capital	2,596,140	230,311,101
Share Issuance Expense	-	(44,619,685)
Loan arrangement & Processing fees	(53,069,337)	(5,600,940)
Proceeds from short-term borrowings	475,537,517	50,435,904
Repayment of short-term borrowings	(100,000,000)	(381,126,999)
Proceeds from long-term borrowings	826,425,208	1,755,973,548

Repayment of long-term borrowings and finance lease obligation	(1,486,444,750)	(90,597,766)
Interest paid	(348,512,278)	(296,743,538)
Net cash from financing activities (C)	**(683,467,501)**	**1,218,031,625**
Net increase in cash and cash equivalents (A + B + C)	**(2,100,278,174)**	**2,589,822,724**
Foreign currency translation reserve	18,315,111	(50,626,377)
Cash and cash equivalents at the beginning of the year	2,682,152,907	142,956,560
Cash and cash equivalents at the end of the year	**600,189,844**	**2,682,152,907**
Components of cash and cash equivalents:		
Cash on hand	483,633	1,104,753
Balances with scheduled banks	71,228,092	1,358,851,082
Balances with other banks	3,095,296,996	3,584,752,812
Less: Client funds held in escrow	(2,522,654,510)	(2,262,555,740)
	644,354,211	2,682,152,907
Less: Fixed deposits with maturity greater than 3 months	(44,164,368)	-
	600,189,844	**2,682,152,907**

Note:

(i) During the year, the Group had acquired Ecomm Solutions Corp and Nexplicit Infotech India Private Limited for a consideration of Rs 555 million. Of this, Rs 278 million has been paid during the year and the balance amount of Rs 277 million is outstanding as at March 31, 2007.

(ii) During the year, the Group had entered into an agreement for sale of Government business being undertaken by Albion Inc, a wholly owned subsidiary for a consideration of Rs 1,349 million. The transaction has consummated on April 25, 2007 and consideration has been received on that date. Refer Note 30.

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 19, 2007

For and on behalf of the Board of Directors of
Cambridge Solutions Limited
(formerly Scandent Solutions Corporation Limited)

Christopher A. Sinclair
Executive Chairman

Satyen Patel
Executive Vice Chairman

Pradeep Chaudhry
Chief Financial Officer

V Viswanathan
Company Secretary

Place: Bangalore
Date: June 19, 2007

NOTICE AND PROXY FORM

June 19, 2007

Dear Member,

You are cordially invited to attend the Sixth Annual General Meeting of the members of **Cambridge Solutions Limited,(Formerly Known as Scandent Solutions Corporation Limited) on Wednesday, September 19, 2007 at 11 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 A. Sinclair,
Executive Chairman

Cambridge Solutions Limited
(Formerly known as Scandent Solutions Corporation Limited)
SJR I-Park, Plot 13, 14, 15., EPIP Industrial Area, Phase I, Whitefield, Bangalore 560066, India.,
Phone +91 0803054 0000, Fax - +91 08041157394

NOTICE

Notice is hereby given that the Sixth 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 19, 2007** at 11 A.M 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, 2007 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. Shobhan Thakore, who retires by rotation and, being eligible, offers himself for re-election.

3. To appoint a Director in place of Mr. Kunal Kashyap, who retires by rotation and, being eligible, offers himself for re-election.

4. 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.

Notes:

1. 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.
2. 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.
3. Members / proxies should bring duly filled in Attendance Slips sent herewith for attending the meeting.
4. 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.
5. 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.
6. The Register of Members and Share Transfer Books will remain closed from September 12, 2007 to September 19, 2007 (both days inclusive).
7. Members whose shareholding is in the electronic mode are requested to direct change of address notifications.
8. 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.
9. Auditors Certificates certifying that the Company's Stock Option Plans viz., Cambridge ESOP 2006, Scandent ESOP 2005, SSI IT Services ESOP 2004 and Scandent 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, are available for inspection of the members at the AGM.

By Order of the Board of Directors

V. Viswanathan
Company Secretary

Registered Office:
SJR I-Park, Plot 13, 14, 15,
EPIP Industrial Area, Phase I
Whitefield, Bangalore 560066 India.
Phone +91 0803054 0000; Fax - +91 08041157394

Place:Bangalore
Date: June 19, 2007

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. Shobhan Thakore
Age: 60 years
Qualifications: Bachelor of Arts (Politics) and Bachelor of Law from Bombay University. Solicitor, High Court, Bombay and Solicitor Supreme Court of England and Wales.
Profile: Mr. Shobhan Thakore, is an advisor to several leading Indian Companies on corporate law matters and securities related legislations. He has also acted on behalf of leading investment banks and issuers for Indian IPO offerings and several international equity and equity linked debt issuances by Indian corporates. He has also advised in the establishment and operations of various India dedicated equity funds and domestic mutual funds. Being a solicitor for over 30 years, he has instructed leading Indian Counsel before various courts and forums including High Courts around India as well as the Supreme Court of India in various matters involving indirect tax, commercial and corporate law. He was a Partner of Bhaishanker Kanga & Girdharlal, Advocates & Solicitors for more than 30 Years, until March 31, 2004 when he became a partner of AZB & Partners, Advocates & Solicitors until December 31, 2006. From January 01, 2007 he along with Mr. Suresh Talwar (ex - partner of Crowford Bayley & Company) founded Talwar Thakore & Associates.

Shoban Thakore is also a Director of a few listed and unlisted companies.

Name: Mr. Kunal Kashyap
Age: 42 years
Qualifications: B. Com, Chartered Accountant
Profile: Mr. Kunal Kashyap is a Chartered Accountant by profession and is currently the Chairman and Managing Director of Allegro Capital Advisors Pvt Ltd, a leading Investment Bank. Kunal was also the founder and executive director of Clestream Technologies Pvt Ltd., a leading software product engineering organisation. During the period 1994-2000, he was a global partner at Arthur Andersen responsible for developing the firms' practice in South India. Kunal has also been responsible for managing the treasury and Business Development function for Asia Pacific at Digital Equipment Corporations.

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. Shobhan Thakore	Nil	Nil
Mr. Kunal Kashyap	Nil	Nil

Summary of Directorships and board committee memberships of Directors seeking re-election or recommended for appointment as of March 31, 2007:

Directors	Directorships held in public companies as on March 31, 2007*	Membership in Committees**	Chairmanship in Committees**
Mr. Shobhan Thakore	5	-	2
Mr. Kunal Kashyap	3	-	2

* Excluding Cambridge Solutions Limited
** Includes only Audit Committee and Shareholders' Grievance Committee

CAMBRIDGE SOLUTIONS LIMITED

(Formerly Known as Scandent Solutions Corporation Limited)

Registered Office

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

PROXY FORM

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

I / We...... ... .of .... in the district of ... ... .being a member/members of the Company, hereby appoint ... ... of .... in the district of ... ... or failing him/her ... ...of .... as my / our Proxy to attend and vote for me / us on my / our behalf at the Sixth Annual General Meeting of the Company to be held on Wednesday,September 19, 2007 at 11 am at Sathya Sai Samskruta Sadanam, No. 20, Hosur Road, Bangalore - 560 029, India, and at any adjournment thereof.

Signed this... ... ...day of ....2007.

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

CAMBRIDGE SOLUTIONS LIMITED

(Formerly Known as Scandent Solutions Corporation Limited)

Registered Office

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

ATTENDANCE SLIP

Sixth Annual General Meeting - ____________________

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

No. of shares held ☐☐☐☐☐☐☐☐☐☐☐☐

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

I hereby record my presence at the Sixth Annual General Meeting of the Company at Sathya Sai Samskruta Sadanam, No. 20, Hosur Road, Bangalore - 560 029, India, on Wednesday at 11 am on September 19, 2007.

... ...
Member's / proxy's name in BLOCK letters

... ...
Signature of member / proxy

Note: Please fill up this attendance slip and hand it over at the entrance of the meeting hall.

Shareholder Information

Cambridge Solutions Limited
SJR I-Park, Plot 13, 14, 15.
EPIP Industrial Area,Phase I
Whitefield, Bangalore 560066
Tel +9180 30540000
Fax +9180 41157394

For Corporate reports and Company News, visit our website at: www.cambridgeworldwide.com

Statutory Auditors

S.R.Batliboi & Associates
UB City, Canberra Block
12th & 13th Floor
No 24 Vittal Mallya Road
Bangalore - 0560 001

Institutional Contact:

Pradeep Chaudhry
Tel +9180 30540000
Fax +9180 41157394
email: pradeep.chaudhry@cambridge-asia.com

Marketing Contact:

Tracy Mock
Tel:+1.847.543.1681.
Fax: +1.847.543.1683

Compliance Contact:

V. Viswanathan
Tel +9180 30540000
Fax +9180 41157394
email: compliance@cambridge-asia.com

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

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