Cambridge Solutions SARL

BALANCE SHEET AS AT DECEMBER 31, 2010

	Schedule	2010 (In EUR)	2010 (In INR)	2009 (In EUR)	2009 (In INR)
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	**A**	3,62,500	2,18,80,138	3,62,500	2,36,29,925
		3,62,500	2,18,80,138	3,62,500	2,36,29,925
Loan Funds					
Secured Loans	**B**	1,85,737	1,12,10,896	2,19,290	1,42,94,659
		1,85,737	1,12,10,896	2,19,290	1,42,94,659
TOTAL		**5,48,237**	**3,30,91,033**	**5,81,790**	**3,79,24,584**
APPLICATION OF FUNDS					
Fixed Assets	**C**				
Gross Block		7,656	4,62,113	7,656	4,99,069
Less: Accumulated Depreciation		7,521	4,53,976	7,521	4,90,281
Net Block		135	8,138	135	8,788
Current Assets, Loans & Advances					
Sundry Debtors	**D**	6,29,241	3,79,80,362	9,86,410	6,43,00,094
Cash and Bank Balances	**E**	67,023	40,45,420	6,324	4,12,234
Loans and Advances	**F**	5,959	3,59,684	1,16,440	75,90,244
		7,02,223	4,23,85,465	11,09,173	7,23,02,573
Less: Current Liabilities & Provisions					
Current Liabilities	**G**	5,16,947	3,12,02,392	10,66,291	6,95,07,233
Provisions	**H**	89,825	54,21,747	44,600	29,07,296
		6,06,772	3,66,24,139	11,10,891	7,24,14,528
Net Current Assets/(Liabilities)		95,451	57,61,326	(1,717)	(1,11,956)
Profit & Loss Account		4,52,652	2,73,21,608	5,83,373	3,80,27,733
TOTAL		**5,48,237**	**3,30,91,033**	**5,81,790**	**3,79,24,584**

Notes to Accounts **N**

The Schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

Bhalotia Associates
Chartered Accountants
Firm Registration No. 323201E

For and on behalf of the Board of Directors

CA. Ajay Kumar Bhalotia
Partner
Membership No. 057931

Michel Haros
Director

Place:
Date:

Place:
Date:

Cambridge Solutions SARL

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

	Schedule	2010	2010	2009	2009
		(In EUR)	*(In INR)*	*(In EUR)*	*(In INR)*
Income					
Revenues	**I**	33,16,786	20,01,97,913	37,90,386	24,70,80,076
Other Income	**J**	1,31,531	79,39,057	17	1,109
		34,48,317	**20,81,36,970**	**37,90,403**	**24,70,81,185**
Expenditure					
Employee Costs	**K**	11,35,470	6,85,35,809	12,86,441	8,38,57,966
Other Operating Costs	**L**	20,12,730	12,14,86,388	26,93,554	17,55,81,980
Finance Costs	**M**	45,880	27,69,250	53,123	34,62,846
Depreciation		-	-	326	21,218
		31,94,080	**19,27,91,446**	**40,33,443**	**26,29,24,010**
Profit/(loss) for the year before tax		**2,54,238**	**1,53,45,524**	**(2,43,040)**	**(1,58,42,825)**
Provision for tax					
Current Tax		45,225	27,29,736	-	-
Prior Period Tax Expenses		78,292	47,25,603		
Total Tax Expense/Income		**1,23,517**	**74,55,338**	**-**	**-**
Profit/(loss) for the year after tax		**1,30,721**	**78,90,185**	**(2,43,040)**	**(1,58,42,825)**
Profit/(Loss), at the beginning of the year		**(5,83,373)**	**(3,52,11,793)**	**(3,40,332)**	**(2,21,84,908)**
Profit/(Loss), end of the year		**(4,52,652)**	**(2,73,21,608)**	**(5,83,373)**	**(3,80,27,733)**
Profit/(loss) per share					
Basic		**261**	**15,780**	**(486)**	**(31,686)**
Diluted		**261**	**15,780**	**(486)**	**(31,686)**
Weighted average number of equity shares used in computing loss per share					
Basic		**500**	**500**	**500**	**500**
Diluted		**500**	**500**	**500**	**500**

Notes on Accounts **N**

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

As per our report of even date

Bhalotia Associates
Chartered Accountants
Firm Registration No. 323201E

For and on behalf of the Board of Directors

CA Ajay Kumar Bhalotia
Partner
Membership No. 057931

Michel Haros
Director

Place:
Date:

Place:
Date:

Cambridge Solutions SARL

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31,2010

	2010	2010	2009	2009
	(In EUR)	*(In INR)*	*(In EUR)*	*(In INR)*
A. Cash flow from operating activities				
Net profit / (Loss) before taxation	**2,54,238**	**1,53,45,524**	**(2,43,040)**	**(1,58,42,825)**
Adjustments for:				
Depreciation	-	-	326	21,218
Write Back of Liability	1,31,530	**79,39,019**		
Provision for Leave encashment and Gratuity	-	-	(1,823)	(1,18,859)
Operating profit before working capital changes	**3,85,768**	**2,32,84,543**	**(2,44,538)**	**(1,59,40,466)**
Movements in working capital :				
Decrease / (Increase) in sundry debtors	3,57,168	2,15,58,333	3,90,816	2,54,75,710
Decrease / (Increase) loans and advances	1,10,481	66,68,506	1,11,459	72,65,596
Increase / (Decrease) in current liabilities & provisions	(6,80,874)	(4,10,96,874)	74,040	48,26,359
Net cash (used) surplus in operating activities	**1,72,543**	**1,04,14,507**	**3,31,777**	**2,16,27,199**
Direct taxes paid (net of refunds)	(78,292)	(47,25,603)		
Net cash used in operating activities (A)	**94,251**	**56,88,905**	**3,31,777**	**2,16,27,199**
B. Cash flows from investing activities				
Net purchase of fixed assets	-	-	301	**19,621**
Net cash used in investing activities (B)	**-**	**-**	**301**	**19,621**
C. Cash flows from financing activities				
Proceeds from issue of share capital	-	-	-	-
Proceeds from short-term borrowings	(33,553)	(20,25,248)	(3,85,925)	(2,51,56,886)
Net cash from financing activities (C)	**(33,553)**	**(20,25,248)**	**(3,85,925)**	**(2,51,56,886)**
Net increase in cash and cash equivalents (A + B+C)	**60,698**	**36,63,656**	**(53,847)**	**(35,10,066)**
Cash and cash equivalents at the beginning of the year	**6,324**	**3,81,709**	**60,171**	**39,22,300**
Foreign currency translation reserve			-	-
Cash and cash equivalents at the end of the year	**67,022**	**40,45,365**	**6,324**	**4,12,234**
Components of cash and cash equivalents				
Cash	691	41,694	1,107	**72,190**
With banks				
on current account	66,331	40,03,671	5,217	**3,40,044**
	67,022	**40,45,365**	**6,324**	**4,12,234**

As per our report of even date

Bhalotia Associates
Chartered Accountants
Firm Registration No. 323201E

For and on behalf of the Board of Directors

CA. Ajay Kumar Bhalotia
Partner
Membership No. 057931

Michel Haros
Director

Place:
Date:

Place:
Date:

Cambridge Solutions SARL

SCHEDULES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST December 2010

		2010	2010	2009	2009
		(In EUR)	*(In INR)*	*(In EUR)*	*(In INR)*
A	**Share Capital**				
	Issued, Subscribed and Paid-up Capital				
	500 (2009: 500) Ordinary Shares	3,62,500	2,18,80,138	3,62,500	2,36,29,925
		3,62,500	2,18,80,138	3,62,500	2,36,29,925

All the shares are held by Cambridge Solutions Europe Ltd., UK ("Holding company")

B	**Secured Loans**				
	Factoring Loan (Refer note 3)	1,85,737	1,12,10,896	2,19,290	1,42,94,659
		1,85,737	1,12,10,896	2,19,290	1,42,94,659

This space is intentionally left blank

Cambridge Solutions SARL

C. Fixed Assets *(In EUR)*

	Gross Block				Depreciation				Net Block	
	2009	**Additions**	**Deletions / adjustments**	**2010**	**2009**	**Additions**	**Deletions / adjustments**	**2010**	**2010**	**2009**
Computers	5,144	-	-	5,144	5,009		-	5,009	**135**	**135**
Office Equipment	2,512	-	-	2,512	2,512			2,512	-	-
Total	**7,656**	**-**	**-**	**7,656**	**7,521**	**-**	**-**	**7,521**	**135**	**135**
2009	**7,656**	**301**	**(301)**	**7,656**	**6,896**	**326**	**(300)**	**7,522**	**760**	**134**

C. Fixed Assets (*In INR*)

	Gross Block				Depreciation				Net Block	
	2009	**Additions**	**Deletions / adjustments**	**2010**	**2009**	**Additions**	**Deletions / adjustments**	**2010**	**2010**	**2009**
Computers	3,35,327	-	-	3,10,496	3,26,538	-	-	3,02,358	**8,138**	**8,788**
Office Equipment	1,63,743	-	-	1,51,618	1,63,743	-	-	1,51,618	-	-
Total	**4,99,069**	**-**	**-**	**4,62,113**	**4,90,281**	**-**	**-**	**4,53,976**	**8,138**	**8,788**
2009	**4,99,064**	**19,621**	**(19,621)**	**4,99,069**	**4,49,518**	**21,250**	**(19,556)**	**4,90,324**	**49,541**	**8,745**

Cambridge Solutions SARL

SCHEDULES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST December 2010

	2010	2010	2009	2009
D Sundry debtors (Unsecured)				
Debts outstanding for a period exceeding six months				
Considered doubtful	7,647	4,61,565	7,647	4,98,477
Other debts		-		
Considered good	6,29,241	3,79,80,362	9,86,410	6,43,00,094
	6,36,888	3,84,41,928	9,94,057	6,47,98,572
Less : Provision for doubtful debts	7,647	4,61,565	7,647	4,98,477
	6,29,241	**3,79,80,362**	**9,86,410**	**6,43,00,094**

(i) Sundry Debtors include unbilled revenue amounting to EUR 3242(2009: EUR 126716) under other debts, which are considered good.

E Cash and Bank Balances				
Cash on Hand	691	41,719	1,107	72,190
Balances with Other Banks				
- Current Accounts				
Lyonnaise de Banque, MONTLUEL	66,331	40,03,701	5,217	3,40,044
	67,023	**40,45,420**	**6,324**	**4,12,234**

{Maximum balance outstanding during the year - EUR 334,701 (2009: EUR 199,178)}

F Loans and advances				
Unsecured Considered good				
Dues from related parties				
Loans and Advances	-	-	1,11,137	72,44,552
Advance recoverable in cash or kind or for value to be received	(5,630)	(3,39,821)	(1,400)	(91,260)
Other Deposits	11,589	6,99,505	6,703	4,36,953
	5,959	**3,59,684**	**1,16,440**	**75,90,244**
Dues from related parties				
Scandent Group Inc, USA	-	-	1,11,137	72,44,552
	-	**-**	**1,11,137**	**72,44,552**
G Current Liabilities				
Sundry Creditors	2,95,145	1,78,14,681	8,79,390	5,73,23,911
Other Liabilities	2,21,801	1,33,87,711	1,86,901	1,21,83,321
	5,16,947	**3,12,02,392**	**10,66,291**	**6,95,07,233**
H Provisions				
Provision for compensated absences	44,600	26,92,011	44,600	29,07,296
Provision for taxation	45,225	27,29,736	-	-
	89,825	**54,21,747**	**44,600**	**29,07,296**

Cambridge Solutions SARL

SCHEDULES TO THE FINANCIAL STATEMENTS

	2010 (In EUR)	2010 (In INR)	2009 (In EUR)	2009 (In INR)
I Revenues				
Revenue from Software Development and related services				
- Time and material contracts	33,16,786	20,01,97,913	37,90,386	24,70,80,076
	33,16,786	**20,01,97,913**	**37,90,386**	**24,70,80,076**
J Other Income				
Miscellaneous Income	1	37	17	1,109
Write back of Liability	1,31,530	79,39,019		
	1,31,531	**79,39,057**	**17**	**1,109**
K Employee Costs				
Salaries, Allowances and Bonus	10,87,729	6,56,54,223	9,28,974	6,05,56,111
Contribution to Statutory Fund	7,548	4,55,617	3,43,474	2,23,89,714
Provision for Leave Encashment	-	-	(1,823)	(1,18,834)
Staff Welfare	40,192	24,25,969	15,816	10,30,975
	11,35,470	**6,85,35,809**	**12,86,441**	**8,38,57,966**
L Other Operating Costs				
Project Work Expenses	18,00,895	10,87,00,250	23,80,635	15,51,84,094
Rent	31,550	19,04,318	44,347	28,90,805
Communication	26,194	15,81,058	24,689	16,09,352
Travel	75,718	45,70,262	1,04,408	68,05,922
Power and Fuel	800	48,287	-	-
Insurance	12,801	7,72,680	4,311	2,81,023
Rates and Taxes	19,963	12,04,976	61,472	40,07,084
Repairs & Maintenance				
- Others	5,920	3,57,322	4,125	2,68,920
Business Promotion	200	12,072	-	-
Miscellaneous Expenses	38,688	23,35,163	69,567	45,34,778
	20,12,730	**12,14,86,388**	**26,93,554**	**17,55,81,980**
M Finance Costs				
Interest on loans	42,529	25,67,002	52,537	34,24,646
Bank charges	3,351	2,02,248	586	38,200
	45,880	**27,69,250**	**53,123**	**34,62,846**

Cambridge Solutions SARL

Schedule N: Notes on Accounts

1. Background

1.1 *Incorporation and History*

Cambridge Solutions SARL ('the Company'), is a private limited company incorporated in the France. The Company is a 100% subsidiary of Cambridge Solutions Europe Ltd with effect from April 01, 2005. However the ultimate holding company is Cambridge Solutions Ltd, India.

The Company is engaged in rendering software development and related services and information technology enabled services.

2. Significant Accounting policies

2.1. Basis of preparation

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

b) The functional currency of the Company is Euro ("EUR") and the reporting currency of the financial statements is Indian Rupee ("INR or Rs")

c) For the convenience of readers, the balance sheet as of December 31, 2010 and as on December 31, 2009 the Profit and Loss account for both the years have been translated into INR at the exchange rate of 1EUR = Rs 60.359 & Rs. 65.186 respectively. The convenience translation should not be construed as a representation that the EUR amounts or the INR amounts referred to in these financial statements have been, could have been, or could in the future be, converted into INR or EUR, as the case may be, at this or at any other rate of exchange, or at all.

2.2. Use of estimates

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

2.3. Fixed assets

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

2.4. Depreciation

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 2.7 below.

	Rate (per cent)
Computers	33.33
Vehicles	20
Office Equipment	20
Furniture and Fixtures	20

Leasehold improvements are depreciated over the primary lease period, on a straight-line basis.

2.5. Intangible Assets

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

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

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

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

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

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

2.6. Borrowing costs

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

2.7. Leases

(i) Finance Leases

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

(ii) Operating Leases

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

2.8. Investments

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

2.9. Inventories

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

2.10. Impairment of assets

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

2.11. Revenue recognition

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

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

2.12. Foreign currency transactions

2.12.1. 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.

2.12.2. 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.

2.12.3. Exchange Differences

Exchange differences arising on the settlement of monetary items or on the Company's monetary items at rates different from those at which they were initially recorded during the period/year, or reported in previous financial statements, are recognized as income or as expenses in the period/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 recognized as income or as expenses.

2.12.4. **Forward exchange contracts not intended for trading or speculation purposes**

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

2.13. Retirement benefits

Retirement benefits in the form of Defined Contribution Schemes are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due.

Liability under the Defined Benefit Scheme and provision for leave encashment is accrued and provided for on the actual basis.

2.14. 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 local tax laws applicable in the respective countries. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

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

At each balance sheet date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as

the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

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

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

2.15. Earnings per share

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

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

2.16. Provisions

A provision is recognized 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.

2.17. Exceptional items

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

2.18. Project work expenses

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

2.19. Cash and cash equivalents

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

2.20. Derivative instruments

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

3. Factoring Loan

The company has receivable purchase agreement with Natixis, France. Under the agreement, the Company will sell selected trade receivables to the Natixis without a right of recourse to the Company. The facility is available at the rate of 0.90% of the invoice value plus a discounting charge of 1.30 percent per annum above the EURIBOR- 3 months. As of December 31, 2010, the net amount outstanding under the agreement is Rs.11 million (Euro 185,737) (2009: Rs. 14 million (Euro 219,290)).

Cambridge Solutions SARL

4 Related Party Transactions:

S No.	Name of the related party	Relationship	Nature of transaction	Transactions	Receivable /(Payable)	Transactions	Receivable /(Payable)	Transactions	Receivable /(Payable)	Transactions	Receivable /(Payable)
				2010	2010	2009	2009	2010	2010	2009	2009
				(In EUR)	*(In EUR)*	(In EUR)	(In EUR)	*(In INR)*	*(In INR)*	*(In INR)*	*(In INR)*
(i)	Scandent Group Inc. USA	Fellow Subsidiary	Funds received from related Party	(1,11,137)		(1,05,708)		(67,08,095)		(68,90,706)	
			Loans Advances at the end of the year		-	-	1,11,137		-	-	72,44,552
(ii)	Xchanging HR Services Ltd	Subsidiary of the parent Company	Expenses paid on behalf of the company by the related party	(1,236)		-		(74,597)	-	- -	-

This space is intentionally left blank

5. Segment reporting

The primary reporting of the Company has been performed on the basis of business segments. The Company has only one business segment, which is providing software development and related services. Accordingly, the amounts appearing in these financial statements relate to this primary business segment.

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.

However revenues of the Company have been earned from Europe region only.

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

6. Taxes

Provision for income tax has been considered EUR 45,225/- (INR 2,729,726) for the current period. Further a sum of EUR 78292 was paid on account of tax demanded by the Revenue Authorities on account of prior years. No deferred tax asset has been recognized on brought forward losses or on the timing differences in accordance with the Company's accounting policies.

7. Previous Year's Comparatives

The Financial statements of the previous year have been restated and reclassified where necessary to conform to the current year's presentation.

As per our report of even date

Bhalotia Associates **Chartered Accountants** **Firm Registration No. 323201E**	**For and on behalf of the Board of Directors**
CA Ajay Kumar Bhalotia **Partner** Membership No. 057931	**Michel Harros** **Director**
Place: Date:	Place: Date: