

CAMBRIDGE SOLUTIONS EUROPE LIMITED**BALANCE SHEET AS AT DECEMBER 31, 2011**

	Note	<u>2011</u> <i>(In GBP)</i>	<u>2011</u> <i>(In INR)</i>	<u>2010</u> <i>(In GBP)</i>	<u>2010</u> <i>(In INR)</i>
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	4	26,64,278	22,35,02,551	26,64,278	18,77,49,273
Reserves and surplus					
		<u>26,64,278</u>	<u>22,35,02,551</u>	<u>26,64,278</u>	<u>18,77,49,273</u>
Loan Funds					
Unsecured loans	5	-	-	1,49,013	1,05,00,811
		<u>-</u>	<u>-</u>	<u>1,49,013</u>	<u>1,05,00,811</u>
TOTAL		<u>26,64,278.00</u>	<u>22,35,02,551</u>	<u>28,13,291</u>	<u>19,82,50,083</u>
APPLICATION OF FUNDS					
Fixed Assets	6				
Gross block		1,34,391	1,12,73,864	1,34,391	94,70,405
Less: Accumulated depreciation		<u>1,33,803</u>	<u>1,12,24,575</u>	<u>1,30,583</u>	<u>92,02,059</u>
Net block		<u>588</u>	<u>49,289</u>	<u>3,808</u>	<u>2,68,346</u>
Intangible Assets, net	7				
Gross Block		1,02,385	85,88,901	1,02,385	72,14,951
Less: Amortization		<u>1,02,385</u>	<u>85,88,901</u>	<u>1,02,385</u>	<u>72,14,951</u>
Net block		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investments	8	<u>-</u>	<u>-</u>	<u>2,48,176</u>	<u>1,74,88,734</u>
Current Assets, Loans & Advances					
Sundry debtors	9	8,80,376	7,38,53,539	23,75,271	16,73,83,239
Cash and bank balances	10	10,01,423	8,40,07,956	7,21,603	5,08,50,716
Loans and advances	11	<u>6,99,213</u>	<u>5,86,55,976</u>	<u>3,12,455</u>	<u>2,20,18,399</u>
		<u>25,81,012</u>	<u>21,65,17,470</u>	<u>34,09,329</u>	<u>24,02,52,353</u>
Less: Current liabilities & Provisions					
Current liabilities	12	17,76,013	14,89,87,229	22,39,935	15,78,46,222
Provision	13	<u>20,293</u>	<u>17,02,364</u>	<u>41,843</u>	<u>29,48,639</u>
		<u>17,96,306</u>	<u>15,06,89,593</u>	<u>22,81,778</u>	<u>16,07,94,860</u>
Net Current Assets		<u>7,84,706</u>	<u>6,58,27,877</u>	<u>11,27,551</u>	<u>7,94,57,493</u>
Profit & Loss Account		18,78,985	15,76,25,385	14,33,756	10,10,35,510
TOTAL		<u>26,64,278</u>	<u>22,35,02,551</u>	<u>28,13,291</u>	<u>19,82,50,084</u>

The accompanying notes 1 to 24 form an integral part of this 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 of
Cambridge Solutions Europe Ltd

CA Ajay Kumar Bhalotia
Partner
 Membership No. 057931

Nimish Soni
Director

Place :

Place:

Date :

Date:

CAMBRIDGE SOLUTIONS EUROPE LIMITED

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

	Note	2011 <i>(In GBP)</i>	2011 <i>(In INR)</i>	2010 <i>(In GBP)</i>	2010 <i>(In INR)</i>
Income					
Revenues	14	43,17,013	36,21,48,204	38,72,282	27,28,76,193
Other income	15	-	-	-	-
		43,17,013	36,21,48,204	38,72,282	27,28,76,193
Expenditure					
Employee costs	16	11,81,836	9,91,42,595	14,06,875	9,91,41,245
Other operating costs	17	31,15,152	26,13,25,722	20,34,728	14,33,85,476
Finance costs	18	5,385	4,51,702	2,823	1,98,914
Depreciation	6	3,220	2,70,159	8,687	6,12,152
		43,05,593	36,11,90,178	34,53,113.31	24,33,37,787.15
Profit /(Loss) for the year before tax & before exceptional items		11,420	9,58,026	4,19,168	2,95,38,406
Exceptional Items (Refer note 23)		4,56,649	3,83,07,610	3,95,181	2,78,48,026
Profit /(Loss) for the year before tax & after exceptional items		(4,45,228)	(3,73,49,584)	23,988	16,90,380
Provision for tax		-	-	-	-
Profit /(Loss) for the year after tax		(4,45,228)	(3,73,49,584)	23,988	16,90,380
Profit /(Loss) at the beginning of the year		(14,33,756)	(12,02,75,801)	(14,57,744)	(10,27,25,889)
Profit /(Loss) at the end of the year		(18,78,985)	(15,76,25,385)	(14,33,756)	(10,10,35,510)
Loss per share [Equity shares, par value GBP 1 each]					
Basic and diluted		0.00	0.39	0.17	11.90
Weighted average number of equity shares used in computing loss per share					
Basic and diluted		24,81,263	24,81,263	24,81,263	24,81,263

The accompanying notes 1 to 24 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
Cambridge Solutions Europe Ltd

CA Ajay Kumar Bhalotia
Partner
 Membership No. 057931

Nimish Soni
Director

Place :
 Date :

Place;
Date:

CAMBRIDGE SOLUTIONS EUROPE LIMITED

CASH FLOW STATEMENT FOR THE YEAR PERIOD ENDED 31ST DECEMBER 2011

	<u>2010</u> <i>(In GBP)</i>	<u>2010</u> <i>(In INR)</i>	<u>2009</u> <i>(In GBP)</i>	<u>2009</u> <i>(In INR)</i>
A. Cash flow from operating activities				
Net profit / (Loss) before taxation	(4,45,228)	(3,73,49,584)	23,988	16,90,380
Adjustments for:				
Depreciation	3,220	2,70,159	8,687	6,12,152
Provision for Leave encashment	(21,550)	(18,07,787)	7,273	5,12,522
Operating profit before working capital changes	(4,63,558)	(3,88,87,212)	39,947	28,15,053
Movements in working capital :				
Decrease / (Increase) in sundry debtors	14,94,895	12,54,04,655	24,66,049	17,37,80,258
Decrease / (Increase) loans and advances	(3,86,758)	(3,24,44,592)	3,38,421	2,38,48,223
Increase / (Decrease) in current liabilities and provisions	(4,63,922)	(3,89,17,804)	(17,66,757)	(12,45,01,776)
Net cash (used) surplus in operating activities (A)	1,80,657	1,51,55,047	10,77,659	7,59,41,759
Net cash used in operating activities (A)	1,80,657	1,51,55,047	10,77,659	7,59,41,759
B. Cash flows from investing activities				
Purchase of fixed assets	-	-	-	-
Proceeds from sale of fixed assets and intangibles	-	-	-	-
Purchase of investments	2,48,176	2,08,19,131	-	-
Deposits with other companies	-	-	-	-
Interest received	-	-	-	-
Net cash used in investing activities (B)	2,48,176	2,08,19,131	-	-
C. Cash flows from financing activities				
Repayment of short-term borrowings	(1,49,013)	(1,25,00,490)	(3,97,435)	(2,80,06,894)
Net cash from financing activities (C)	(1,49,013)	(1,25,00,490)	(3,97,435)	(2,80,06,894)
Net increase in cash and cash equivalents (A + B + C)	2,79,820	2,34,73,688	6,80,224	4,79,34,865
Cash and cash equivalents at the beginning of the year	7,21,603	6,05,34,268	41,378	29,15,742
Cash and cash equivalents at the end of the year	10,01,423	8,40,07,956	7,21,602	5,08,50,607
Components of cash and cash equivalents				
Balance with other banks				
- on current account	10,01,423	8,40,07,956	7,21,603	5,08,50,716
- on deposit account	-	-	-	-
	10,01,423	8,40,07,956	7,21,603	5,08,50,716

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

Nimish Soni
Director

Place :
 Date :

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CAMBRIDGE SOLUTIONS EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED DECEMBER 31, 2011

1. Background

Cambridge Solutions Europe Limited ('Cambridge UK' or 'the Company') was incorporated on March 5, 2002, incorporated and domiciled in The United Kingdom. The Company is engaged in the business of rendering software development and related services and information technology enabled services.

Upto March 31, 2004, the Company was a wholly owned subsidiary of, Scandent Group Limited, Mauritius ("Scandent Mauritius"), one of the Scandent Group Entities. Pursuant to the Scandent Group strategy to consolidate its operations in India, the shareholding of the Company was transferred to Cambridge Solutions Ltd. (Formerly Scandent Solutions Corporation Limited) ("Holding Company" or "Cambridge India") by Scandent Mauritius effective March 31, 2004.

Pursuant to the change in ownership, the arrangement between Cambridge India and Cambridge UK was changed from Cambridge India billing Cambridge UK on a cost plus basis until March 31, 2004 to Cambridge India compensating Cambridge UK with a marketing fees of 5 percent for revenues earned by Cambridge India through Cambridge UK and 8 percent of mark up on efforts incurred by Cambridge UK for on-site support to Cambridge India.

Effective July 31, 2005, the Cambridge India revised the mechanism of payment of marketing fees to Cambridge UK wherein the Cambridge UK retain 5 per cent of revenue earned, from contracts assigned by it for marketing services rendered as against the Cambridge India remitting this amount from India. Effective April 1, 2007 mark-up on efforts incurred by Cambridge UK for onsite support to Cambridge India has been increased to 12%.

Effective 1st April 2010 the mechanism of payment of marketing fees was done away with .The company adopted a rate card system where Cambridge UK would pay Cambridge India, an amount based on a fixed rate card for the utilization of offshore resources of Cambridge India.

2. Funding of Future Operations

The Company during the year ended December 31, 2011 earned a Loss of GBP 445,229 – (INR 37,349,635) and has a positive net worth of GBP 988,527– (INR 82,926,122) as on that date.

3. Summary of Significant Accounting Policies

3.1 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 Act. The financial statements have been prepared under the historical cost convention on an accrual basis. Further, the financial statements are presented in the general format specified by Schedule VI of the Act. However, as these financial statements are not statutory financial statements, full compliance with the above Act, is not required and so they do not reflect all the disclosure requirements of the Act. These financial statements are presented pursuant to requirements of Section 212 of the Companies Act, 1956 ('the Act').
- (b) The functional currency of the Company is Great Britain Pound ("GBP") and the reporting currency of the financial statements is Indian Rupee ("INR or Rs")

CAMBRIDGE SOLUTIONS EUROPE LIMITED

- (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 1GBP = Rs 83.8886 & Rs. 70.4691 respectively. The convenience translation should not be construed as a representation that the GBP 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 GBP, as the case may be, at this or at any other rate of exchange, or at all.

3.2 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.

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

Based on the useful life estimated by the management, depreciation is provided under the straight line method at the rates mentioned below.

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

3.3 Intangible Assets

Intangible assets comprise of Goodwill arising on acquisition, computer software held for use in business and customer rights.

- 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 amortized on a straight line basis over its economic life.
- ii. Computer software is amortized over an estimated useful life of two years.

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

3.4 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.

3.5 Revenue recognition

Revenue from software development services includes revenue from time and material and fixed price contracts. Revenue from time and material contracts are recognized as related services are performed.

Revenue from software development on fixed price contracts is recognized as per proportionate-completion method.

Revenue from maintenance contracts is recognized ratably over the term of the maintenance contract on

CAMBRIDGE SOLUTIONS EUROPE LIMITED

a straight-line basis.

Revenue is recognised net of value added tax.

3.6 Foreign currency transactions

i. Initial Recognition

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

ii. Conversion

Foreign currency monetary items are converted to the functional currency using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are converted to the functional currency 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 converted to the functional currency and presented in the financial statements using the exchange rates that existed when the values were determined.

iii. Exchange Differences

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

3.7 Project work expense

Project work expenses represent amounts charged by Cambridge India for the software development and related services provided to the Company.

3.8 Retirement benefits

Retirement benefits to employees comprise contribution to National Security and leave encashment

The Company contributes the employer's share of the National Security and charges all such amounts to the Profit and loss account on an accrual basis.

Liability towards leave encashment benefits is provided based on an actual valuation performed as at the balance sheet date and is unfunded as at December 31, 2010.

3.9 Income taxes

Tax expense comprises both current and deferred taxes. Deferred income taxes reflect the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods. 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 recognized 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 realized. Deferred tax assets are recognized on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits. Unrecognized deferred tax assets of earlier periods are re-assessed and recognized to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

3.10 Earning per share

Basic earning per share is calculated by dividing the net profit for the period attributable to equity the shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during all the periods, presented, is adjusted for capital reduction.

For the purpose of calculating diluted earning per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all diluted potential equity shares.

3.11 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.

3.12 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.

CAMBRIDGE SOLUTIONS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u> <i>(In GBP)</i>	<u>2011</u> <i>(In INR)</i>	<u>2010</u> <i>(In GBP)</i>	<u>2010</u> <i>(In INR)</i>
4 Share Capital				
Authorised Share Capital				
5,000,000 (2010:50,00,000) Equity Shares of GBP 1 each fully paid up	50,00,000	41,94,43,000	50,00,000	35,23,45,500
Issued, Subscribed and Paid-up Capital	26,64,278	22,35,02,551	26,64,278	18,77,49,273
2,664,278 (2010:2,664,278) Equity Share of GBP 1 each fully paid up	26,64,278	22,35,02,551	26,64,278	18,77,49,273
5 Unsecured loans				
Loans from Related Party	-	-	1,49,013	1,05,00,811
	-	-	1,49,013	1,05,00,811
(i) Loan from Related Party includes: Cambridge Solutions Limited, India	-	-	1,49,013	1,05,00,811
(ii) These loans are interest free.				

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CAMBRIDGE SOLUTIONS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2011

6. Fixed Assets

	Gross Block			Depreciation			Amounts In GBP	
	2010	Additions	Deletions / adjustments	2011	2010	For the Year	Deletions / adjustments	2011
Computers	85,730	-	-	85,730	83,589	1,743	-	85,333
Office Equipment	44,001	-	-	44,001	42,334	1,477	-	43,811
Furniture and fixtures	4,660	-	-	4,660	4,660	-	-	4,660
Total	1,34,391	-	-	1,34,390.89	1,30,583	3,221	-	1,33,803
2010	1,34,391	-	-	1,34,391	1,21,896	8,687	-	1,30,583

7. Intangible Assets

	Gross Block			Amortisation			Amounts In GBP	
	2010	Additions	Deletions / adjustments	2011	2010	For the Year	Deletions / adjustments	2011
Goodwill	99,568	-	-	99,568	99,568	-	-	99,568
Computer Software	2,817	-	-	2,817	2,817	-	-	2,817
Total	1,02,385	-	-	1,02,385	1,02,385	-	-	1,02,385
2010	1,02,385	-	-	1,02,385	1,02,385	-	-	1,02,385

CAMBRIDGE SOLUTIONS EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2011

6. Fixed Assets

6. Fixed Assets	Gross Block				Depreciation		Net Block		Amounts In INR	
			Deletions / adjustments			Deletions / adjustments				
	2010	Additions		2010	For the Year		2011	2011		2010
Computers	71,91,800	-	-	71,91,800	70,12,187	1,46,251	-	71,58,437	33,362	1,79,613
Office Equipment	36,91,143	-	-	36,91,143	35,51,308	1,23,908	-	36,75,217	15,926	1,39,835
Furniture and fixtures	3,90,921	-	-	3,90,921	3,90,921	-	-	3,90,921	-	-
Total	1,12,73,864	-	-	1,12,73,864	1,09,54,416	2,70,159	-	1,12,24,575	49,289	3,19,448
2010	94,70,413	-	-	94,70,404	85,89,901	6,12,165	-	92,02,066	2,68,346	

7. Intangible Assets

	Gross Block			Amortisation			Net Block	
	2010	Additions	Deletions / adjustments	2010	For the Year	Deletions / adjustments	2011	2010
Goodwill	83,52,620	-	-	83,52,620	-	-	83,52,620	-
Computer Software	2,36,281	-	-	2,36,281	-	-	2,36,281	-
Total	85,88,901	-	-	85,90,911	-	-	85,90,912	2,011
2010	72,14,951	-	-	72,14,951	-	-	72,14,951	-

CAMBRIDGE SOLUTIONS EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2011**

	2011 <i>(In GBP)</i>	2011 <i>(In INR)</i>	2010 <i>(In GBP)</i>	2010 <i>(In INR)</i>
8 Investments				
in Subsidiary Companies				
Cambridge Solutions SARL, France		-	2,48,176	1,74,88,734
{500 (2010:500) Ordinary Shares}				-
	-	-	2,48,176	1,74,88,734
9 Sundry debtors (Unsecured), considered good				
{Refer Note (i) below}				
Debts outstanding for a period exceeding six months				
Considered doubtful	3,92,723	3,29,45,009	3,95,250	2,78,52,878
Other debts				
Considered Good	8,80,376	7,38,53,539	12,54,139	8,83,78,075
Considered doubtful				-
	12,73,100	10,67,98,547	16,49,389	11,62,30,953
Less : Provision for doubtful debts	3,92,723	3,29,45,009	3,95,250	2,78,52,878
	8,80,376	7,38,53,539	12,54,139	8,83,78,075
Due from Related Parties		-	11,21,132	7,90,05,164
	8,80,376	7,38,53,539	23,75,271	16,73,83,239
(i) Due from Related Parties				
Cambridge Solutions Limited, India		-	11,21,132	7,90,05,164
Cambridge Solutions PTE Limited, Singapore		-	-	-
Xchanging Technology Service -BPO India		-	-	-
Xchanging Global Insurance Services-XGIS		-	-	-
	-	-	11,21,132	7,90,05,164
10 Cash and bank balances				
Balances with Other Banks				
- HSBC Bank , Camberly , UK	10,01,423	8,40,07,956	7,21,603	5,08,50,716
	10,01,423	8,40,07,956	7,21,603	5,08,50,716
Maximum balance outstanding during the year	16,30,820	13,68,07,245	10,42,426	7,34,58,837
11 Loans and advances				
Unsecured, considered good				
Dues from related parties: {Refer Note (i) & (ii) below}				
Loans and advances	4,00,000	3,35,55,440		-
Expense Receivable	2,30,320	1,93,21,198	1,56,130	1,10,02,371
	6,30,320	5,28,76,638	1,56,130	1,10,02,371
Unbilled Revenue	32,772	27,49,197	1,31,069	92,36,282
Advances recoverable in cash or kind or for value to be received	9,210	7,72,615	(8,260)	(5,82,088)
Deposits - Others	26,911	22,57,525	33,516	23,61,842
	6,99,213	5,86,55,976	3,12,455	2,20,18,407
i) Dues from related parties:				
Scandent Group GmbH, Germany	-	-		-
Cambridge Solutions Limited, India	16,710	14,01,788	84,446	59,50,814
Cambridge Solutions Pte Limited, Singapore	89,290	74,90,397	-	-
Scandent Group Inc, USA	4,00,000	3,35,55,440	-	-
Xchanging Technology Service -BPO India	60,907	51,09,369		
Xchanging Global Insurance Services-XGIS	63,413	53,19,644		
Cambridge Integrated Services, USA	-	-	-	-
Xchanging Global Insurance Solutions	-	-	71,685	50,51,557
	6,30,320	5,28,76,638	1,56,130	59,50,814

ii) Loans to related parties are repayable on demand and are interest free.

CAMBRIDGE SOLUTIONS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u> <i>(In GBP)</i>	<u>2011</u> <i>(In INR)</i>	<u>2010</u> <i>(In GBP)</i>	<u>2010</u> <i>(In INR)</i>
12 Current liabilities				
Dues to related parties {Refer note (i) below}				
Expenses payable	9,09,713	7,63,14,572	11,55,424.12	8,14,21,698
Sundry Creditors	6,61,273	5,54,73,256	3,98,066.27	2,80,51,372
Advance from Customers	40,805	34,23,047	4,55,835.04	3,21,22,285
Other Liabilities	1,64,222	1,37,76,354	2,30,609.83	1,62,50,867
	<u>17,76,013</u>	<u>14,89,87,229</u>	<u>22,39,935.26</u>	<u>15,78,46,222</u>
 (i) Dues to related parties:				
Scandent Group GmbH, Germany		-		-
Cambridge Solutions Limited, India	7,83,073	6,56,90,864	11,24,232.32	7,92,23,640
Cambridge Solutions Pte Limited, Singapore	77,651	65,13,993	-	-
Scandent Group Inc, USA		-	-	-
Xchanging Technology Solutions Ltd	31,936	26,79,066	-	-
Xchanging Global Insurance Solutions	15,800.65	13,25,494	13,636.53	9,60,954
Xchanging HR Services Limited	620.00	52,011	2,183.44	1,53,865
Xchanging UK	634	53,143	-	-
Xchanging Advisory Services Limited	-	-	-	-
Ferguson Snell & Associates Limited	-	-	1,397.50	98,481
Xchanging Ins-Sure Services (XIS)	-	-	13,974.33	9,84,758
	<u>9,09,713</u>	<u>7,63,14,572</u>	<u>11,55,424.12</u>	<u>8,14,21,698</u>
 13 Provision				
Provision for Leave Encashment	20,293	17,02,364	41,843	29,48,639
	<u>20,293</u>	<u>17,02,364</u>	<u>41,843</u>	<u>29,48,639</u>
 (i) Movement in provisions during the year (in GBP)				
Description	Opening Balance	Charge during the year	Used during the year	Closing Balance
Provision for leave encashment	41,843	(21,550)	-	20,293
	<u>41,843</u>	<u>(21,550)</u>	<u>-</u>	<u>20,293</u>
 (ii) Movement in provisions during the year (in INR)				
Provision for leave encashment	35,10,151	(18,07,787)	-	17,02,364
	<u>35,10,151</u>	<u>(18,07,787)</u>	<u>-</u>	<u>17,02,364</u>

CAMBRIDGE SOLUTIONS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u> <i>(In GBP)</i>	<u>2011</u> <i>(In INR)</i>	<u>2010</u> <i>(In GBP)</i>	<u>2010</u> <i>(In INR)</i>
14 Revenues				
Revenue from Software Development and related services				
- Time and material contracts	32,86,459	27,56,96,472	37,77,749	26,62,14,588
- Fixed Price Contracts	10,30,554	8,64,51,732	94,532	66,61,605
	<u>43,17,013</u>	<u>36,21,48,204</u>	<u>38,72,282</u>	<u>27,28,76,193</u>
15 Other income				
Interest income (Gross of withholding taxes - Nil)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
16 Employee costs				
Salaries, allowances and bonus	10,11,354	8,48,41,038	12,84,360	9,05,07,709
Contribution to provident fund and other fund	1,45,528	1,22,08,175	1,12,173	79,04,728
Provision for gratuity and leave encashment	19,653	16,48,664	7,273	5,12,522
Staff welfare	5,202	4,36,387	725	51,060
Recruitment and relocation	99	8,331	2,345	1,65,227
	<u>11,81,836</u>	<u>9,91,42,595</u>	<u>14,06,875</u>	<u>9,91,41,245</u>
17 Other operating costs				
Rent	2,65,939	2,23,09,234	1,53,696	1,08,30,824
Communication	38,490	32,28,872	45,951	32,38,138
Travel	2,27,878	1,91,16,366	1,02,807	72,44,728
Power & Fuel	880	73,814	-	-
Insurance	24,011	20,14,252	13,191	9,29,584
Purchase of project supplies	21,67,914	18,18,63,254	14,29,915	10,07,64,823
Repairs and maintenance	-	-	-	-
- Computer equipment	2,745	2,30,232	3,373	2,37,722
- Buildings	-	-	-	-
- Others	-	-	-	-
Legal & professional	1,56,859	1,31,58,691	1,69,966	1,19,77,343
Auditors remuneration & Expenses	-	-	-	-
Printing & stationery	424	35,578	181	12,737
Business promotion	12	1,023	-	-
Exchange loss/(gain), net	21,956	18,41,862	45,782	32,26,208
Directors' Sitting Fees	-	-	-	-
Subcontractor Expenses	1,39,091	1,16,68,149	98,676	69,53,620
Bad Debts / Provision for Bad & Doubtful Debts	(2,526)	(2,11,920)	(52,673)	(37,11,807)
Miscellaneous Expenses	71,480	59,96,315	23,862	16,81,557
	<u>31,15,152</u>	<u>26,13,25,722</u>	<u>20,34,728</u>	<u>14,33,85,476</u>
18 Finance costs				
Interest on loans	-	-	-	-
Bank Charges	5,385	4,51,702	2,823	1,98,914
	<u>5,385</u>	<u>4,51,702</u>	<u>2,823</u>	<u>1,98,914</u>

CAMBRIDGE SOLUTIONS EUROPE LIMITED

19. 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	2011 (GBP)	2011 (INR)	2010 (GBP)	2010 (INR)
Manufacturing	4,317,013	362,148,204	3,476,862	245,011,326
BFSI			395,420	27,864,891
	4,317,013	362,148,204	3,872,282	272,876,217

Secondary segmental reporting is performed on the basis of the geographical location of customers. The Company services customers in the United Kingdom & other European countries and considers it as a single geographical segment.

Following table details the distribution of the Company's revenues by geographical markets.

Geographic location	2011 (GBP)	2011 (INR)	2010 (GBP)	2010 (INR)
Europe	4,317,013	362,148,204	3,305,968	232,968,589
India			566,314	39,907,628
	4,317,013	362,148,204	3,872,282	272,876,217

Fixed assets used 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.

CAMBRIDGE SOLUTIONS EUROPE LIMITED

21. Operating Lease

Office and guest house premises are obtained under operating lease. The lease term for these premises is for 1 year to 3 years and the lessee is entitled to renew the lease period for a specified period of time. Rent expense for such operating leases recognized in the Profit and loss Account for the year is GBP 265,939 - INR 22,309,234 (2010: GBP 153,696 INR 10,830,824).

22. Taxes

During the current period, the Company has earned book Loss of GBP 445,228 (INR 37,349,584). The company has earned the Profit but there is no provision for income tax for 2011. There is no deferred tax asset has been recognized and also there is a timing difference in accordance with the Company's accounting policies.

23. Exceptional Items

Exceptional Item represents amount of GBP 456,649 (INR 38,307,610) towards loss on disposal of subsidiary company Cambridge Solutions SARL France (**2010:** GBP 395,181 INR 27,848,026 on account of write off of balance receivable from Scandent Group GmbH, Germany, one of the fellow subsidiaries of the Company due to its liquidation).

24. Previous year 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

Nimish Soni
Director

Place:
Date:

Place:
Date: