

VIRTUSA CORP (VRTU)

10-K

Annual report pursuant to section 13 and 15(d)

Filed on 05/25/2012

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2012

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____
Commission File Number 001-33625

VIRTUSA CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

04-3512883
(I.R.S. Employer
Identification Number)

2000 West Park Drive
Westborough, Massachusetts 01581
(Address of principal executive office)

(508) 389-7300
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, \$0.01 par value per share
(Title of each class)

The NASDAQ Stock Market LLC
(Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No: ☒

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No: ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐
(Do not check if a smaller reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No: ☒

The aggregate market value of the registrant's voting and non-voting shares of common stock held by non-affiliates of the registrant on September 30, 2011, based on \$13.20 per share, the last reported sale price on the NASDAQ Global Market on that date, was \$299,040,377.

The number of shares outstanding of each of the issuer's class of common stock as of May 21, 2012:

Class	Number of Shares
Common Stock, par value \$0.01 per share	25,645,144

DOCUMENTS INCORPORATED BY REFERENCE

The registrant intends to file a definitive Proxy Statement for its 2012 annual meeting of stockholders pursuant to Regulation 14A within 120 days of the end of the fiscal year ended March 31, 2012. Portions of the registrant's Proxy Statement are incorporated by reference into Part III of this Form 10-K. With the exception of the portions of the Proxy Statement expressly incorporated by reference, such document shall not be deemed filed with this Form 10-K.

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VIRTUSA CORPORATION
ANNUAL REPORT ON FORM 10-K
Fiscal Year Ended March 31, 2012

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Part I

This Annual Report on Form 10-K (the "Annual Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the "safe harbor" created by those sections. These statements relate to, among other things, our expectations concerning our business strategy. Any statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. Some of the forward-looking statements can be identified by the use of forward-looking terms such as "believes," "expects," "may," "will," "should," "seek," "intends," "plans," "estimates," "projects," "anticipates," or other comparable terms. These forward-looking statements involve risk and uncertainties. We cannot guarantee future results, levels of activity, performance or achievements, and you should not place undue reliance on our forward-looking statements. Our actual results may differ significantly from the results discussed in the forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or strategic investments. Factors that might cause such a difference include, but are not limited to, those set forth in "Item 1A. Risk Factors" and elsewhere in this Annual Report. Except as may be required by law, we have no plans to update our forward-looking statements to reflect events or circumstances after the date of this report. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. You are advised, however, to consult any further disclosures we make on related subjects in our Form 10-Q and 8-K reports to the Securities and Exchange Commission (the "SEC").

Item 1. Business.

Overview

Virtusa Corporation (the "Company", "Virtusa", "we", "us" or "our") is a global information technology services company. We use an offshore delivery model to provide a broad range of information technology, or IT, services, including IT consulting, technology implementation and application outsourcing. Using our enhanced global delivery model, innovative platforming approach and industry expertise, we provide cost-effective services that enable our clients to accelerate time-to-market, improve service and enhance productivity. Headquartered in Massachusetts, we have offices in the United States, the United Kingdom, the Netherlands, Germany and Singapore with global delivery centers in Hyderabad, Bangalore and Chennai, India, Colombo, Sri Lanka and Budapest, Hungary.

Our enhanced global delivery model leverages a highly-efficient onsite-to-offshore service delivery mix and proprietary tools and processes to manage and accelerate delivery, foster innovation and promote continual improvement. Our global service delivery teams work seamlessly at our client locations and at our global delivery centers in India, Sri Lanka and Hungary to provide value-added services rapidly and cost-effectively. They do this by using our enhanced global delivery model, which we manage to a targeted 20/80 onsite-to-offshore service delivery mix, although such delivery mix may be impacted by several factors, including our new and existing client delivery requirements as well as the impact of any U.S. based acquisitions.

We apply our innovative platforming approach across all of our services. We help our clients combine common business processes and rules, technology frameworks and data into reusable application platforms that can be leveraged across the enterprise to build, enhance and maintain existing and future applications. Our platforming approach enables our clients to continually improve their software platforms and applications in response to changing business needs and evolving technologies while also improving business agility and realizing long-term and ongoing cost savings.

We enable our clients to use IT to accelerate business outcomes, including improving their time-to-market, increasing productivity and improving their end customers' experience. We are able to improve return on investment ("ROI") through our enhanced global delivery model. We also reduce the effort and costs required to maintain and develop IT applications by streamlining and consolidating our clients'

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applications on an ongoing basis. We believe that our solutions provide our clients with the consultative and high-value services associated with large consulting and systems integration firms, the cost-effectiveness associated with offshore IT outsourcing firms and the ongoing benefits of our innovative platforming approach.

We provide our IT services primarily to enterprises engaged in the following industries: communications and technology ("C&T"); banking, financial services and insurance ("BFSI"); and media and information ("M&I"). Our current clients include leading global enterprises such as JPMorgan Chase Bank, N.A. ("JPMC"), British Telecommunications plc ("BT"), Aetna Life Insurance Company, Iron Mountain Information Management, Inc., and Thomson Reuters (Healthcare) Inc. ("Thomson"), and leading enterprise software developers such as Pegasystems Inc. We have a high level of repeat business among our clients. For instance, during the quarter ended March 31, 2012, 90% of our revenue came from clients to whom we had been providing services for at least one year. Our top ten clients accounted for approximately 59%, 60% and 69% of our total revenue in the fiscal years ended March 31, 2012, 2011 and 2010, respectively. Our largest client for the fiscal year ended March 31, 2012, JPMC, accounted for 16% of our total revenue. During the fiscal year ended March 31, 2011 and 2010, JPMC accounted for 12% and 10% of our total revenue, respectively. Our largest client for the fiscal years ended March 31, 2011 and 2010, BT, accounted for 14% and 16% of our total revenue, respectively. During the fiscal year ended March 31, 2012, BT accounted for 12% of our total revenue. For the fiscal year ended March 31, 2010, Fidelity National Information Services, Inc. ("FIS") (f/k/a Metavante Corporation, which was acquired by FIS) and Thomson Reuters (Healthcare) Inc. ("Thomson") accounted for 11% and 10% of our revenue, respectively.

We have master services agreements with each of JPMC, BT, FIS and Thomson.

On January 31, 2012, Virtusa UK Limited, our UK subsidiary, entered into a Global Frame Contract (the "GFA") with BT which establishes Virtusa UK Limited as a preferred, but non-exclusive, vendor of BT for the provision of IT services to BT and its affiliates. The GFA replaces Virtusa UK Limited's previously disclosed master services agreement with BT dated March 29, 2007, as amended (the "MSA"), in its entirety.

Under the terms of the GFA, BT agreed to a minimum aggregate expenditure commitment of approximately £102 million over a term beginning April 1, 2007 to March 31, 2013, reflecting a continuation of the minimum commitment previously agreed under the MSA. Other pricing and discount provisions provided to BT in the GFA were substantially the same as those previously agreed upon in the MSA. The GFA also added rate cards specific to certain other geographic locations not previously covered by the MSA. In addition, the GFA contains provisions regarding insurance, indemnities, limitations of liability and confidentiality that are materially similar to those contained in the MSA, as well as other provisions relating to warranty, service levels, liquidated damages and other customary terms and conditions.

The term of the GFA is from January 1, 2012 to December 31, 2014, although the GFA may be terminated sooner by either party in the event of, among other things, an uncured, material breach of the other party or by BT upon 90 days prior written notice. BT may also terminate without liability upon certain other conditions, including changes in control of Virtusa UK Limited.

Virtusa Corporation's current agreement with JPMC, which we amended on March 31, 2012 to reflect certain rate card pricing terms with JPMC, expires on December 5, 2014. Our agreements with JPMC, Thomson and FIS do not provide for any minimum purchase obligations. Our agreement with Thomson has a perpetual term and our agreement with FIS continues in effect for the term of any statement of work in effect.

These agreements generally may be terminated without additional liability by our clients (although BT is liable for certain minimum commitments per the above) for convenience on written notice of between 30

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and 90 days, as well as by either party upon an uncured, material breach of the other party. There can be no assurance that these agreements will not be terminated or further amended prior to the end of their terms. The agreements with these clients also contain provisions for warranties, insurance, indemnification, limitations of liability, liquidated damages (in the case of BT), and other customary terms and conditions.

Our solution

We deliver a broad range of IT services using an enhanced global delivery model and an innovative platforming approach to application rationalization. We have significant domain expertise in IT-intensive industries, such as C&T, BFSI and M&I. We enable our clients to leverage IT to improve business performance, use IT assets more effectively and optimize IT costs.

Broad range of IT services. We provide a broad range of IT services, either individually or as part of an end-to-end solution, from business and IT consulting and technology implementation to application outsourcing. Our IT consulting services include strategic activities such as up front business case development and ROI, technology roadmaps, architecture services, and application portfolio assessment. Our technology implementation services include application development, systems integration, legacy system conversion and enablement, and quality assurance ("QA") and testing services. Our application outsourcing services include application enhancement, maintenance and infrastructure management. We also use our solution based service offerings, which are based on specialty skills and domain expertise in areas such as enterprise content management, data warehousing and business intelligence, business process management, mobility, cloud computing and social media, to accelerate business outcomes and improve the customer experience.

Enhanced global delivery model. We believe we have an enhanced and integrated global delivery model. Our enhanced global delivery model leverages a highly-efficient onsite-to-offshore service delivery mix and proprietary tools and processes to manage and accelerate delivery, foster innovation and promote continual improvement. We manage to a targeted 20/80 onsite-to-offshore service delivery mix, which allows us to provide value-added services rapidly and cost-effectively, although such delivery mix may be impacted by several factors, including our new and existing client delivery requirements, as well as the impact of any U.S. based acquisitions. During the past four fiscal years, we performed at least 80% of our total annual billable hours at our offshore global delivery centers. Our onsite client service teams are comprised of senior technical and industry experts who work on an integrated basis with our offshore teams in India and Sri Lanka. We leverage our global delivery model across all of our service offerings.

Platforming approach. We apply an innovative platforming approach across our IT consulting, technology implementation and application outsourcing services to rationalize IT application portfolios and reduce costs, increase productivity and improve the efficiency and effectiveness of our clients' IT application environments. As part of our platforming approach, we assess our clients' application environments to identify common elements, such as business processes and rules, technology frameworks and data. We incorporate those common elements into one or more application platforms that can be leveraged across the enterprise to build, enhance and maintain existing and future applications in a leaner environment. Our platforming approach enables our clients to continually improve their software platforms and applications in response to changing business needs and evolving technologies while also realizing long-term and ongoing cost savings.

Services

We provide a broad range of IT consulting, technology implementation and application outsourcing services to our clients, either individually or as part of an end-to-end solution.

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IT consulting services

We provide IT consulting services to assist our clients with their continually-changing IT environments. Our goal is to help them to continually improve the effectiveness and efficiency of their IT application environments by adopting and evolving towards re-useable software platforms. We help clients analyze business and/or technology problems and identify and design platform-based solutions. We also assist our clients in planning their IT initiatives and transition plans.

Our IT consulting services include the following assessment and planning, architecture and design and governance-related services:

<u>Assessment and Planning Services</u>	<u>Architecture and Design Services</u>	<u>Governance-Related Services</u>
<ul style="list-style-type: none">• application inventory and portfolio assessment	<ul style="list-style-type: none">• enterprise architecture analysis	<ul style="list-style-type: none">• program governance and change management
<ul style="list-style-type: none">• business/technology alignment analysis	<ul style="list-style-type: none">• technology roadmaps	<ul style="list-style-type: none">• program management planning
<ul style="list-style-type: none">• IT strategic planning	<ul style="list-style-type: none">• product evaluation and selection	<ul style="list-style-type: none">• IT process/methodology consulting
<ul style="list-style-type: none">• quality assurance process consulting	<ul style="list-style-type: none">• business process analysis and design	

On July 1, 2011, we acquired substantially all of the assets comprising the business of ALaS Consulting LLC, a New York limited liability company ("ALaS") to extend our position within the BFSI industries by adding capital markets domain expertise, consulting and program management skills. We now offer a wider range of consulting and advisory services to financial services companies in areas such as regulatory compliance, trading desk operations improvements and controls, software package selection, program management and functional testing, and increased automation to reduce our clients' costs.

During our consulting engagements, we often leverage proprietary frameworks and tools to differentiate our services from our competitors and to accelerate delivery. Examples of these frameworks and tools include our Strategic Enterprise Information Roadmap framework, our Business Process Visualization tools and our Accelerated Solution Design Workshops ("ASD Workshops"). We believe that our consulting services are further differentiated by our ability to leverage our global delivery model for our engagements. Our onsite teams work directly with our clients to understand and analyze the current-state problems and to design the conceptual solutions. Our offshore teams work seamlessly with our onsite teams to design and expand the conceptual solution, research alternatives, perform detailed analyses, develop prototypes and proofs-of-concept and produce detailed reports. We believe that this approach reduces cost, allows us to explore more alternatives in the same amount of time and improves the quality of our deliverables.

Technology implementation services

Our technology implementation services involve building, testing and deploying IT applications, and consolidating and rationalizing our clients' existing IT applications and IT environments into platforms.

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Our technology implementation services include the following development, legacy asset management, information management and testing services:

Development Services	Legacy Asset Management Services	Information Management Services	Testing Services
<ul style="list-style-type: none">• application development	<ul style="list-style-type: none">• systems consolidation and rationalization	<ul style="list-style-type: none">• data management services	<ul style="list-style-type: none">• testing frameworks
<ul style="list-style-type: none">• package implementation and integration	<ul style="list-style-type: none">• technology migration and porting	<ul style="list-style-type: none">• business intelligence, reporting and decision support<ul style="list-style-type: none">- Master Data Management (MDM)- Data Integration- Analytics	<ul style="list-style-type: none">• automation of test data and cases
<ul style="list-style-type: none">• software product engineering	<ul style="list-style-type: none">• web-enablement of legacy applications		<ul style="list-style-type: none">• test cycle execution
<ul style="list-style-type: none">• application maintenance and support			<ul style="list-style-type: none">• performance testing
<ul style="list-style-type: none">• Business Process and CRM Management Services			
<ul style="list-style-type: none">• Business Process Management implementations<ul style="list-style-type: none">- CRM services- SAP services			
<ul style="list-style-type: none">• Customer experience and content management services<ul style="list-style-type: none">- Enterprise Content Management- portal and search- document and records management			
<ul style="list-style-type: none">• emerging technology services<ul style="list-style-type: none">- mobility services- cloud computing- social solutions- big data			

Our technology implementation services span a variety of capabilities from custom application development, testing, maintenance and support services and packaged implementation services. We have extensive partnerships with leading platform vendors. We have incorporated rapid, iterative development techniques into our approach, extensively employing prototyping, solution demonstration labs and other collaboration tools that enable us to work closely with our clients to understand and adapt to their changing business needs. Leveraging our business consulting services with advanced techniques like our ASD Workshops, we are able to develop and deploy applications quickly, often within solution delivery cycles of less than three months.

Application outsourcing services

We provide a broad set of application outsourcing services that enable us to provide comprehensive support for our clients' software applications and platforms. We endeavor to continually improve the applications under our management and to evolve our clients' IT applications into leverageable platforms.

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Our application outsourcing services include the following application and platform management, infrastructure management and quality assurance management services:

<u>Application and Platform Management Services</u>	<u>Infrastructure Management Services</u>	<u>Quality Assurance Management Services</u>
<ul style="list-style-type: none">• production support	<ul style="list-style-type: none">• systems administration	<ul style="list-style-type: none">• outsourcing of quality assurance planning
<ul style="list-style-type: none">• maintenance and enhancement of custom-built and package-based applications	<ul style="list-style-type: none">• database administration	<ul style="list-style-type: none">• preparation of test cases, scripts and data
<ul style="list-style-type: none">• ongoing software engineering services for software companies	<ul style="list-style-type: none">• monitoring	<ul style="list-style-type: none">• execution of test cases, scripts and data

We believe that our application outsourcing services are differentiated because they are based on the principle of migrating installed applications to flexible platforms that can sustain further growth and business change. We do this by:

- developing a roadmap for the evolution of applications into platforms
- establishing an ongoing planning and governance process for managing change
- analyzing applications for common patterns and services
- identifying application components that can be extended or enhanced as core components
- integrating new functions, features and technologies into the target architecture

Platforming approach

Our platforming approach is embodied in a set of proprietary processes, tools and frameworks that address the fundamental challenges confronting IT executives. These challenges include the rising costs of technology ownership and the need to accelerate time-to-market, improve service and enhance productivity.

Our platforming approach draws from analogs in industries that standardize on platforms composed of common components and assemblies used across multiple product lines. Similarly, we work with our clients to evolve their diverse software assets into unified, rationalized software platforms. Our platforming approach leads to simplified and standardized software components and assemblies that work together harmoniously and readily adapt to support new business applications. For example, a software platform for trading, once developed within an investment bank, can be the foundation for the bank's diverse trading applications in equities, bonds and currencies. Our platforming approach stands in contrast to traditional enterprise application development projects, where different applications remain separate and isolated from each other, replicating business logic, technology frameworks and enterprise data.

At the center of our platforming approach is a five-level maturity framework that allows us to adapt our service offerings to meet our clients' unique needs. Level 1 maturity in our platforming approach represents traditional applications where every line of code is embedded and unique to the application and every application is monolithic. Level 2 applications are less monolithic and more flexible and demonstrate characteristics such as configurability and customizability. Level 3 applications are advanced applications where the common code components and software assets are leveraged across multiple application families and product lines. Level 4 applications are framework-driven where the core business logic is reused with appropriate custom logic built around it. At the highest level of maturity are Level 5 applications, where platforms are greatly leveraged to simplify and accelerate application development and maintenance.

At lower levels of maturity, few assets are created and reused. Consequently, agility, total cost of ownership and ability to quickly meet client needs are sub-optimal. As organizations mature along this continuum, from Level 1 to Level 5, substantial intellectual property is created and embodied in software platforms that enable steady gains in agility, reduce overall cost of ownership and accelerate time-to-market.

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Our platforming approach improves software quality and IT productivity. Software assets within platforms are reused across applications, their robustness and quality improve with time and our clients are able to develop software with fewer defects. A library of ready-made building blocks significantly enhances productivity and reduces software development risks compared to traditional methods. This establishes a cycle of continual improvement in that the more an enterprise embraces platform-based solutions, the better the quality of its applications will be, and the less the effort required to build, enhance and maintain them.

Global delivery model

We have developed an enhanced global delivery model that allows us to provide innovative IT services to our clients in a flexible, cost-effective and timely manner. Our model leverages an efficient onsite-to-offshore service delivery mix and our proprietary Global Innovation Process ("GIP"), to manage and accelerate delivery, foster innovation and promote continual improvement.

We manage to a targeted 20/80 onsite-to-offshore service delivery mix, which allows us to cost-effectively deliver value-added services and rapidly respond to changes in resources and requirements, although such delivery mix may be impacted by several factors including our new and existing client delivery requirements as well as the impact of any U.S. based acquisitions. . During the past four fiscal years, we performed at least 80% of our total annual billable hours at our offshore global delivery centers. However, for the fiscal year ended March 31, 2013, we anticipate the onsite ratio to slightly increase due to new client engagements, existing work on larger, more complex programs, as well as the full fiscal year impact of the AlaS acquisition. Using our global delivery model, we generally maintain onsite teams at our clients' locations and offshore teams at one or more of our global delivery centers. Our onsite teams are generally composed of program and project managers, industry experts and senior business and technical consultants. Our offshore teams are generally composed of project managers, technical architects, business analysts and technical consultants. These teams are typically linked together through common processes and collaboration tools and a communications infrastructure that features secure, redundant paths enabling seamless global collaboration. Our global delivery model enables us to provide around-the-clock, world-class execution capabilities that span multiple time zones.

Our enhanced global delivery model is built around our proprietary GIP, which is a software lifecycle methodology that combines our decade-long experience building platform-based solutions for global clients with leading industry standards such as Rational Unified Process, eXtreme Programming, Capability Maturity Model and Product Line Engineering. By leveraging GIP templates, tools and artifacts across diverse disciplines such as requirements management, architecture, design, construction, testing, application outsourcing and production support, each team member is able to take advantage of tried and tested software engineering and platforming best practices and extend these benefits to clients.

We have adapted and incorporated modern techniques designed to accelerate the speed of development into GIP, including rapid prototyping, agile development and eXtreme Programming. During the initial process-tailoring phase of an engagement, we work with the client to define the specific approach and tools that will be used for the engagement. This process-tailoring takes into consideration the client's business objectives, technology environment and currently-established development approach. We believe our innovative approach to adapting proven techniques into a custom process has been an important differentiator. For example, a large high-tech manufacturer engaged us to use our process-tailoring approach to design a common, standards-based development process for use by its own product development teams.

The backbone of GIP is our global delivery operations infrastructure. This infrastructure combines enabling tools and specialized teams that assist our project teams with important enabling services such as workforce planning, knowledge management, integrated process and program management and operational reporting and analysis.

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Two important aspects of our global delivery model are innovation and continual improvement. A dedicated process group provides three important functions: they continually monitor, test and incorporate new approaches, techniques, tools and frameworks into GIP; they advise project teams, particularly during the process-tailoring phase; and they monitor and audit projects to ensure compliance. New and innovative ideas and approaches are broadly shared throughout the organization, selectively incorporated into GIP and deployed through training. Clients also contribute to innovation and improvement as their ideas and experiences are incorporated into our body of knowledge. We also seek regular informal and formal client feedback. Our global leadership and executive team regularly interacts with client leadership and each client is typically given a formal feedback survey on a quarterly basis. Client feedback is qualitatively and quantitatively analyzed and forms an important component of our teams' performance assessments and our continual improvement plans.

Sales and marketing

Our global sales, marketing and business development teams seek to develop strong relationships with IT and business executives at prospective and existing clients to establish long-term business relationships that continue to grow in size and strategic value. At March 31, 2012 and 2011, we had 126 and 118 marketing and business development full time equivalents, respectively, including sales managers, sales representatives, client service partners, account managers, telemarketers, sales support personnel and marketing professionals.

The sales cycle for our services often includes initiating contact with a prospective client, understanding the prospective client's business challenges and opportunities, performing discovery or assessment activities, submitting proposals, providing client case studies and references and developing proofs-of-concept or solution prototypes. We organize our sales teams in strategic business units by geography and with professionals who have specialized industry knowledge. This industry focus enables our sales teams to better understand the prospective client's business and technology needs and to offer appropriate industry-focused solutions.

Sales and sales support. Our sales and sales support teams focus primarily on identifying, targeting and building relationships with prospective clients. These teams are supported in their efforts by industry specialists, technology consultants and solution architects, who work together to design client-specific solution proposals. Our sales and sales support teams are based in offices throughout the United States, Europe and Asia.

Account management. We assign experienced account managers who build and regularly update detailed account development plans for each of our clients. These managers are responsible for developing strong working relationships across the client organization, working day-to-day with the client and our service delivery teams to understand and address the client's needs. Our account managers work closely with our clients to develop a detailed understanding of their business objectives and technology environments. We use this knowledge to identify and target additional consulting engagements and other outsourcing opportunities.

Marketing. We maintain a marketing presence in the United States, Europe, including the United Kingdom and the Netherlands, India, Sri Lanka and Singapore. Our marketing team seeks to build our brand awareness and generate target lists and sales leads through industry events, press releases, thought leadership publications, direct marketing campaigns and referrals from clients, strategic alliances and industry analysts. The marketing team maintains frequent contact with industry analysts and experts to understand market trends and dynamics.

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Strategic alliances. We have strategic alliances with software companies, some of which are also our clients, to provide services to their customers. We believe these alliances differentiate us from our competition. Our extensive engineering, quality assurance and technology implementation and support services to software companies enable us to compete more effectively for the technology implementation and support services required by their customers. In addition, our strategic alliances with software companies allow us to share sales leads, develop joint account plans and engage in joint marketing activities.

Clients and industry expertise

We market and provide our services to companies in North America, Europe, the Middle East and Asia. For additional discussion regarding geographic information, see note 19 to our consolidated financial statements included elsewhere in this Annual Report. A majority of our revenue for the fiscal year ended March 31, 2012 was generated from Forbes Global 2000 firms or their subsidiaries. We believe that our regular, direct interaction with senior executives at these clients, the breadth of our client relationships and our reputation within these clients as a thought leader differentiates us from our competitors. The strength of our relationships has resulted in significant recurring revenue from existing clients. Our largest client for the fiscal year ended March 31, 2012, JPMC, accounted for 16% of our total revenue. Our largest client for the fiscal years ended March 31, 2011 and 2010, BT, accounted for 14% and 16% of our total revenue, respectively. During the fiscal year ended March 31, 2012, BT accounted for 12% of our total revenue. For the fiscal year ended March 31, 2011, JPMC accounted for 12% of our total revenue. For the fiscal year ended March 31, 2010, FIS and Thomson accounted for 11% and 10% of our total revenue, respectively.

We focus primarily on three industries: C&T, BFSI and M&I. We build expertise in these industries through our customer experience and industry alliances, by hiring industry specialists and by training our business analysts and other team members in industry-specific topics. Drawing on this expertise, we strive to develop industry-specific perspectives and services.

Communications and technology. For our communications clients, we focus on customer service, sales and billing functions and regulatory compliance and help them improve service levels, shorten time-to-market and modernize their IT environments. For our technology clients, which include hardware manufacturers and software companies, we provide a wide range of industry-specific service offerings, including product management services, product architecture, engineering and quality assurance services, and professional services to support product implementation and integration. These clients often employ cutting-edge technology and generally require strong technical skills and a deep understanding of the software product lifecycle.

Banking, financial services and insurance. We provide services to clients in the retail, wholesale and investment banking areas; financial transaction processors; and insurance companies encompassing life, property-and-casualty and health insurance. For our BFSI clients, we have developed industry-specific services for each of these sectors, such as an account opening framework for banks, compliance services for financial institutions and customer self-service solutions for insurance companies. The need to rationalize and consolidate legacy applications is pervasive across these industries and we have tailored our platforming approach to address these challenges.

Media and information. For our M&I clients, we focus primarily on solutions involving electronic publishing, online learning, content management, information workflow and mobile content delivery as well as personalization, search technology and digital rights management. Many M&I providers are focused on building common platforms that provide customized content from multiple sources, customized and delivered to many consumers using numerous delivery mechanisms. We believe our platforming approach is ideally suited to these opportunities.

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Competition

The IT services market in which we operate is highly competitive, rapidly evolving and subject to shifting client needs and expectations. This market includes a large number of participants from a variety of market segments, including:

- offshore IT outsourcing firms, such as Cognizant Technology Solutions Corporation, HCL Technologies Limited, Infosys Technologies Limited, iGATE Patni, Tata Consultancy Services Limited, Tech Mahindra Limited and Wipro Limited
- consulting and systems integration firms, such as Accenture Ltd., Cap Gemini S.A., Computer Sciences Corporation, Deloitte Consulting LLP, IBM Global Services Consulting and Sapient Corporation

We also occasionally compete with in-house IT departments, smaller vertically-focused IT service providers and local IT service providers based in the geographic areas where we compete. We expect additional competition from offshore IT outsourcing firms in emerging locations such as Eastern Europe, Latin America and China, as well as offshore IT service providers with facilities in less expensive geographies within India.

We believe that the principal competitive factors in our business include technical expertise and industry knowledge, a breadth of service offerings to provide one-stop solutions to clients, a well-developed recruiting, training and retention model, responsiveness to clients' business needs and quality of services. We believe that we compete favorably with respect to these factors. Many of our competitors, however, have significantly greater financial, technical and marketing resources and a greater number of IT professionals than we do. We cannot assure you that we will continue to compete favorably or that we will be successful in the face of increasing competition.

Human resources

We seek to maintain a culture of innovation by aligning and empowering our team members at all levels of our organization. Our success depends upon our ability to attract, develop, motivate and retain highly-skilled and multi-dimensional team members. Our people management strategy is based on six key components: recruiting, performance management, training and development, employee engagement and communication, compensation and retention. Although not currently a material component of our people management strategy, we also retain subcontractors at all of our locations on an as-needed basis for specific client engagements.

Recruiting. Our global recruiting and hiring process addresses our need for a large number of highly-skilled, talented team members. In all of our recruiting and hiring efforts, we employ a rigorous and efficient interview process. We also employ technical and psychometric tests for our IT professional recruiting efforts in India and Sri Lanka. These tests evaluate basic technical skills, problem-solving capabilities, attitude, leadership potential, desired career path and compatibility with our team-oriented, thought-leadership culture.

We recruit from leading technical schools in India and Sri Lanka through dedicated campus hiring programs. We maintain a visible position in these schools through a variety of specialized programs, including IT curriculum development, classroom teaching and award sponsorships. We also recruit and hire laterally from leading IT service and software product companies and use employee referrals as a significant part of our recruitment process.

Performance management. We have a sophisticated performance assessment process that evaluates team members and enables us to tailor individual development programs. Through this process, we assess performance levels, along with each team member's potential. We create and manage development plans, adjust compensation and promote team members based on these assessments.

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Training and development. We devote significant resources to train and integrate all new hires into our global team. We conduct a training program for all lateral hires that teaches them our culture and value system. We provide a comprehensive training program for our campus hires that combines classroom training with on-the-job learning and mentoring. We strive to continually measure and improve the effectiveness of our training and development programs based on team member feedback.

Employee engagement and communication. We believe open communication is essential to our team-oriented culture. We maintain multiple communication forums, such as regular company-wide updates from senior management, complemented by team member sessions at the regional, local and account levels, as well as regular town hall sessions to provide team members a voice with management.

Compensation. We consistently benchmark our compensation and benefits with relevant market data and make adjustments based on market trends and individual performance. Our compensation philosophy rewards performance by linking both variable compensation and salary increases to performance.

Retention. To attract, retain and motivate our team members, we seek to provide an environment that rewards entrepreneurial initiative, thought leadership and performance. During the twelve months ended March 31, 2012, we experienced voluntary team member attrition at a rate of 15.5% and involuntary team member attrition at a rate of 5.0%. We remain committed to improving and sustaining our voluntary attrition levels in-line with our long-term stated goals. We define attrition as the ratio of the number of team members who have left us during a defined period to the total number of team members that were on our payroll at the end of the period. Our human resources team, working with our business units, proactively manages voluntary team member attrition by addressing many factors that improve retention, including:

- providing team members with opportunities to handle challenging technical and organizational problems and learn our platforming approach
- providing team members with clear career paths, rotation opportunities across clients and domains and opportunities to advance rapidly
- providing team members opportunities to interact with our clients and help shape their IT strategy and solutioning
- creating a strong peer group work environment that pushes our team members to succeed
- creating a climate where there is a free exchange of ideas cutting across organizational hierarchy
- creating a family-oriented work environment that is fun and engaging
- recognizing team performance through highly-visible team recognition awards

At March 31, 2012, we had 5,672 team members worldwide. We also retain outside contractors from time to time to supplement our services on an as needed basis. None of our team members are covered by a collective bargaining agreement or represented by a labor union. We consider our relations with our team members to be good.

Network and infrastructure

Our global IT infrastructure is designed to provide uninterrupted service to our clients. We use a secure, high-performance communications network to enable our clients' systems to connect seamlessly to each of our offshore global delivery centers. We provide flexibility for our clients to operate their engagements from any of our offshore global delivery centers by using mainstream network topologies, including site-to-site Virtual Private Networks, International Private Leased Circuits and MultiProtocol Label Switching. We also provide videoconferencing, voice conferencing and Voice over Internet Protocol

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capabilities to our global delivery teams and clients to enable clear and uninterrupted communication in our engagements, be it intra-company or with our clients.

We monitor our network performance on a 24x7 basis to ensure high levels of network availability and periodically upgrade our network to enhance and optimize network efficiency across all operating locations. We use leased telecommunication lines to provide redundant data and voice communication with our clients' facilities and among all of our facilities in Asia, the United States and Europe. We also maintain multiple sites across our global delivery centers in India, Sri Lanka and Hungary as back-up centers to provide for continuity of infrastructure and resources in the case of natural disasters or other events that may cause a business interruption.

We have also implemented numerous security measures in our network to protect our and our clients' data, including multiple layers of anti-virus solutions, network intrusion detection, host intrusions detection and information monitoring. We are ISO 27001 certified and believe that we meet all of our clients' stringent security requirements for ongoing business with them.

Intellectual property

We believe that our continued success depends in part on the skills of our team members, the ability of our team members to continue to innovate and our intellectual property rights. We rely on a combination of copyright, trademark and design laws, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property rights and proprietary methodologies. It is our policy to enter into confidentiality agreements with our team members and consultants and we generally control access to and distribution of our proprietary information. These agreements generally provide that any confidential or proprietary information developed by us or on our behalf be kept confidential. We pursue the registration of certain of our trademarks and service marks in the United States and other countries. We have registered the mark "Virtusa" in the United States, the European Community and India and have filed for registration of "Virtusa" in Sri Lanka. We have a registered service mark in the United States, "Productization", which we use to describe our methodology and approach to delivery services. We have also registered in the United States the service marks "BPM Test Drive" which we use to describe our consulting service offering involving business process management or BPM project implementation and "ACCELERATING BUSINESS OUTCOMES," which we use to describe the benefits of our services. We have no issued patents.

Our business also involves the development of IT applications and other technology deliverables for our clients. Our clients usually own the intellectual property in the software applications we develop for them. We generally implement safeguards designed to protect our clients' intellectual property in accordance with their needs and specifications. Our means of protecting our and our clients' proprietary rights, however, may not be adequate. Despite our efforts, we may be unable to prevent or deter infringement or other unauthorized use of our and our clients' intellectual property. Legal protections afford only limited protection for intellectual property rights and the laws of India and Sri Lanka do not protect intellectual property rights to the same extent as those in the United States and the United Kingdom. Time-consuming and expensive litigation may be necessary in the future to enforce these intellectual property rights.

In addition, we cannot assure you that our intellectual property or the intellectual property that we develop for our clients does not infringe the intellectual property rights of others, or will not in the future. If we become liable to third parties for infringing upon their intellectual property rights, we could be required to indemnify our client and pay substantial damage awards and be forced to develop non-infringing technology, obtain licenses or cease delivery of the applications that contain the infringing technology.

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Business segments and geographic information

We view our operations and manage our business as one operating segment. For information regarding net revenue by geographic regions for each of the last three fiscal years, see note 19 to our consolidated financial statements for the fiscal year ended March 31, 2012 contained in this Annual Report.

For information regarding risks and dependencies associated with foreign operations, see our risk factors listed in "Item 1A. Risk Factors" contained in this Annual Report.

Our corporate and available information

We were originally incorporated in Massachusetts in November 1996 as Technology Providers, Inc. We reincorporated in Delaware as eRunway, Inc. in May 2000 and subsequently changed our name to Virtusa Corporation in April 2002. Our principal executive offices are located at 2000 West Park Drive, Westborough, Massachusetts 01581, and our telephone number at this location is (508) 389-7300. Our website address is www.virtusa.com. We have included our website address as an inactive textual reference only. The information on, or that can be accessed through, our website is not part of this Annual Report. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through the investor relations page of our internet website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. In addition, we make available our Code of Business Conduct and Ethics free of charge through our website. We intend to disclose any amendments to, or waivers from, our Code of Business Conduct and Ethics that are required to be publicly disclosed pursuant to rules of the SEC and the NASDAQ Stock Market by filing such amendment or waiver with the SEC and posting it on our website.

No information on our Internet website is incorporated by reference into this Annual Report on Form 10-K.

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Item 1A. Risk Factors.

We operate in a rapidly changing environment that involves a number of risks, some of which are beyond our control. This discussion highlights some of the risks which may affect future operating results. These are the risks and uncertainties we believe are most important for you to consider. Our operating results and financial condition have varied in the past and may vary significantly in the future depending on a number of factors. We cannot be certain that we will successfully address these risks. If we are unable to address these risks, our business may not grow, our stock price may suffer and/or we may be unable to stay in business. Additional risks and uncertainties not presently known to us, which we currently deem immaterial or which are similar to those faced by other companies in our industry or business in general, may also impair our business operations.

Except for the historical information in this Annual Report, various matters contained in this Annual Report include forward-looking statements that involve risks and uncertainties. The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Annual Report and presented elsewhere by management from time to time. Such factors, among others, may have a material adverse effect upon our business, results of operations and financial condition. You should consider carefully the following risk factors, together with all of the other information included in this Annual Report. Each of these risk factors could adversely affect our business, operating results and financial condition, as well as adversely affect the value of an investment in our common stock.

Risks relating to our business

Our revenue is highly dependent on a small number of clients and the loss of, or material reduction in, revenue from any one of our major clients could significantly harm our results of operations and financial condition.

We have historically earned, and believe that over the next few years we will continue to earn, a significant portion of our revenue from a limited number of clients. For instance, we generated approximately 45%, 44% and 51% of our revenue in our fiscal years ended March 31, 2012, 2011 and 2010, respectively, from our top five clients during those periods. For the fiscal year ended March 31, 2012, JPMC and BT accounted for 16% and 12% of our total revenue, respectively. In addition, during the fiscal years ended March 31, 2012 and 2011, 90% and 89% of our revenue, respectively, came from clients to whom we had been providing services for at least one year. The loss of, or material reduction in, revenue from any one of our major clients could materially reduce our total revenue, harm our reputation in the industry and/or reduce our ability to accurately predict our revenue, net income and cash flow. The loss of, or material reduction in revenue from any one of our major clients could also adversely affect our gross profit and utilization as we seek to redeploy resources previously dedicated to that client. Generally, our clients retain us on a non-exclusive, engagement-by-engagement basis, rather than under exclusive long-term contracts and may typically terminate or reduce our engagements without termination related penalties. Accordingly, we cannot assure you that revenue from our major clients will not be significantly reduced in the future, including from factors unrelated to our performance or work product such as consolidation by or among our clients or the acquisition of a client. Further, the loss of, or material reduction in revenue from any one of our major clients has required, and could in the future require, us to increase involuntary attrition. This could have a material adverse effect on our attrition rate and make it more difficult for us to attract and retain IT professionals in the future.

We may not be able to maintain our client relationships with our major clients on existing or on continued favorable terms and our clients may not renew their agreements with us, in which case, our business, financial condition and results of operations would be adversely affected. For instance, on January 31, 2012, Virtusa UK Limited, our UK subsidiary, entered into a Global Frame Contract (the "GFA") with BT which replaces Virtusa UK Limited's previously disclosed master services agreement with BT dated as of March 29, 2007, as amended (the "MSA"), in its entirety. Further, we recently amended our agreement with JPMC to reflect certain rate card pricing terms. Under the terms of the GFA, BT agreed to a minimum aggregate expenditure commitment of approximately £102 million over a term beginning April 1,

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2007 to March 31, 2013, reflecting a continuation of the minimum commitment previously agreed under the MSA. Other pricing and discount provisions provided to BT in the GFA were substantially the same as those previously agreed upon in the MSA. The GFA also added rate cards specific to certain other geographic locations not previously covered by the MSA. In addition, the GFA contains provisions regarding, insurance, indemnities, limitations of liability and confidentiality that are materially similar to those contained in the MSA, as well as other provisions relating to warranty, service levels, liquidated damages and other customary terms and conditions.

There can be no assurance that the GFA or our agreement with JPMC will not be terminated or further amended prior to the end of its term, or that the depreciation of the U.K. pound sterling against the United States dollar will not reduce the aggregate size of the minimum commitment under the GFA which is set forth in the agreement, when translated into U.S. dollars.

In addition, our client concentration may subject us to perceived or actual leverage that our clients may have, given their relative size and importance to us. If our clients seek to negotiate their agreements on terms less favorable to us and we accept such unfavorable terms, such unfavorable terms may have a material adverse effect on our business, financial condition and results of operations. Accordingly, unless and until we diversify and expand our client base, our future success will significantly depend upon the timing and volume of business from our largest clients and the financial and operational success of these clients. If we were to lose one of our major clients or have a major client cancel substantial projects or otherwise significantly reduce its volume of business with us, our revenue and profitability would be materially reduced and our business would be seriously harmed.

If we cannot attract and retain highly-skilled IT professionals, our ability to obtain, manage and staff new projects and expand existing projects may result in loss of revenue and an inability to expand our business.

Our business is labor intensive and our ability to execute and expand existing projects and obtain new clients depends largely on our ability to hire, train and retain highly-skilled IT professionals, particularly project managers, IT engineers and other senior technical personnel. The improvement in demand for global IT services has further increased the need for employees with specialized skills or significant experience in IT services, particularly at senior levels and those with special skills. Further, there is intense worldwide competition for IT professionals with the skills necessary to perform the services we offer. If we cannot hire and retain such additional qualified personnel, our ability to acquire, manage and staff new projects and to expand, manage and staff existing projects, may be materially impaired. We may then lose revenue and our ability to expand our business may be harmed. For example, in our fiscal year ended March 31, 2012, our voluntary attrition rate was 15.5%. We and the industry in which we operate generally experience high employee attrition and we cannot assure you that we will be able to hire or retain the number and quality of technical personnel necessary to satisfy our current and future client needs. We also may not be able to hire and retain enough skilled and experienced IT professionals to replace those who leave. Additionally, if we have to replace personnel who have left our company, we will incur increased costs not only in hiring replacements but also in training such replacements until they can become productive and billable to our clients. In addition, we may not be able to redeploy and retrain our IT professionals in anticipation of continuing changes in technology, evolving standards and changing client preferences. Our inability to attract and retain IT professionals, or delays or inability to staff needed resources on client engagements may cause client dissatisfaction, project and staffing delays in new and existing engagements, project cancellations, project losses, higher project costs and loss of revenue, resulting in decreases in profits and a material adverse effect on our business, results of operations, financial condition and cash flows.

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The IT services market is highly competitive and our competitors may have advantages that may allow them to compete more effectively than we do to secure client contracts and attract skilled IT professionals.

The IT services market in which we operate includes a large number of participants and is highly competitive. Our primary competitors include offshore IT outsourcing firms and consulting and systems integration firms. We also occasionally compete with in-house IT departments, smaller vertically-focused IT service providers and local IT service providers based in the geographic areas where we compete. We expect additional competition from offshore IT outsourcing firms in emerging locations such as Eastern Europe, Latin America and China, as well as offshore IT service providers with facilities in less expensive geographies within India.

The IT services industry in which we compete is experiencing rapid changes in its competitive landscape. Some of the large consulting firms and offshore IT service providers with which we compete have significant resources and financial capabilities combined with a greater number of IT professionals. Many of our competitors are significantly larger and some have gained access to public and private capital or have merged or consolidated with better capitalized partners, which events have created and may in the future create, larger and better capitalized competitors. Our competitors may have superior abilities to compete for market share, and compete against us for our existing and prospective clients. Our competitors may also have larger engagements with our existing or prospective clients which, due to our size and scale, may provide our competitors with significant advantages in any competitive bidding process. Our competitors may also be better able to use significant economic incentives, such as lower billing rates or non-billable resources, to secure contracts with our existing and prospective clients or gain a competitive advantage by being able to staff engagements that we are unable to staff, due to our shortage of resources or our lack of special skill sets. Our competitors may also be better able to compete for and retain skilled professionals by offering them more attractive compensation or other incentives. These factors may allow our competitors to have advantages over us to meet client demands in an engagement requiring large numbers and varied types of resources with specific experience or skill-sets that we may not have readily available in the short-term or the long-term. We cannot assure you that we can maintain or enhance our competitive position against current and future competitors. Our failure to compete effectively could have a material adverse effect on our business, financial condition or results of operations.

We depend on clients primarily located in the United States and Europe (primarily, the United Kingdom), and are therefore subject to the risks and events affecting these geographies and economies that may cause our clients to reduce or postpone their IT spending.

For our fiscal year ended March 31, 2012, we derived substantially all of our revenue from clients located in the United States and Europe (primarily, the United Kingdom). During the fiscal year ended March 31, 2012, we generated 78% of our revenue from clients in the United States, 18% of our revenue from clients in the Europe (primarily, the United Kingdom) and 4% from clients in the rest of the world. While the United States economy has marginally improved recently, the European economy remains weakened. If a weakening or slowing of these economies continues or accelerates, or deterioration in these financial markets occurs, pricing for our services may be depressed and our clients may reduce or postpone their technology spending significantly, which may in turn lower the demand for our services and negatively affect our revenue and profitability. Additionally, any prolonged recession or weakening of the growth rates and economies in the United States and/or Europe could have a material adverse impact on IT budgets, erode our client base and our target markets and have a material adverse impact on our revenue.

We depend on clients concentrated in specific industries, such as BFSI, and are therefore subject to risks relating to developments affecting these clients and industries that may cause them to reduce or postpone their IT spending.

In our fiscal year ended March 31, 2012, we derived substantially all of our revenue from clients in three industries: BFSI, C&T, and M&I. During our fiscal year ended March 31, 2012, we earned approximately 58% of our revenue from clients in the BFSI industries and our revenue from this industry vertical grew by

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approximately 37% from the prior fiscal year. If any decline in the growth of the BFSI industries, particularly the financial services industry, occurs, or if there is a significant consolidation in these industries or a decrease in growth or consolidation in other industry verticals on which we focus, such events could materially reduce the demand for our services and negatively affect our revenue and profitability. If economic conditions weaken or slow particularly in the industries in which we focus, our clients may significantly reduce or postpone their IT spending. Reductions in IT budgets, increased consolidation or increased competition in these industries could result in an erosion of our client base and a reduction in our target market. Any reductions in the IT spending of companies in any one of these industries may reduce the demand for our services and negatively affect our revenue and profitability.

Restrictions on immigration may affect our ability to compete for and provide services to clients in the United States, the United Kingdom, or other countries, which could result in lost revenue and delays in client engagements and otherwise adversely affect our ability to meet our growth and revenue projections.

The vast majority of our team members are Indian and Sri Lankan nationals. The ability of our IT professionals to work in the United States, the United Kingdom and other countries depends on our ability to obtain the necessary visas and entry permits. In recent years, the United States has increased the level of scrutiny in granting H-1(B), L-1 and ordinary business visas. The H-1(B) visa classification enables U.S. employers to hire qualified foreign workers in positions that require an education at least equal to a four-year bachelor degree in the United States in specialty occupations such as IT systems engineering and systems analysis. The H-1(B) visa usually permits an individual to work and live in the United States for a period of up to six years. Under certain circumstances, H-1(B) visa extensions after the six-year period may be available. In addition, there are strict labor regulations associated with the H-1(B) visa classification. Larger users of the H-1(B) visa program are often subject to investigations by the Wage and Hour Division of the United States Department of Labor. A finding by the United States Department of Labor of willful or substantial failure by us to comply with existing regulations on the H-1(B) classification may result in back-pay liability, substantial fines, and/or a ban on future use of the H-1(B) program and other immigration benefits. We are users of the H-1(B) visa classification with respect to some of our key offshore workers who have relocated onsite to perform services for our clients.

We also regularly transfer employees from India and Sri Lanka to the United States to work on projects and at client sites using the L-1 visa classification. The L-1 visa allows companies abroad to transfer certain managers, executives and employees with specialized company knowledge to related United States companies such as a parent, subsidiary, affiliate, joint venture, or branch office. We have an approved "Blanket L Program," under which the corporate relationships of our transferring and receiving entities have been pre-approved by the United States Citizenship and Immigration Services, or USCIS, thus enabling individual L-1 visa applications to be presented directly to a visa-issuing United States consular post abroad rather than undergoing the pre-approval process through USCIS in the United States. In recent years, both the United States consular posts that review initial L-1 applications and USCIS, which adjudicates petitions for initial grants and extensions of L-1 status, have become increasingly restrictive with respect to this category and all applications are subject to increased scrutiny. For example, all L-1 applicants, including those brought to the United States under a Blanket L Program, must have worked abroad with the related company for one full year in the prior three years. In addition, L-1B "specialized knowledge" visa holders may not be primarily stationed at the work site of another employer if the L-1B visa holder will be principally controlled and supervised by an employer other than the petitioning employer. Finally, L-1B status may not be granted where placement of the L-1B visa holder at a third party site is part of an arrangement to provide labor for the third party, rather than placement at the site in connection with the provision of a product or service involving specialized knowledge specific to the petitioning employer. As a result, the rate of refusals of initial L-1 petitions and of extensions has materially increased. In addition, even where L-1 visas are ultimately granted and issued, security measures undertaken by United States consular posts around the world have substantially delayed visa issuances as they are allowed the right to further scrutinize the visa and request for additional supporting

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documentation. Any inability to bring, or delays in bringing, qualified technical personnel into the United States to staff on-site customer locations would have a material adverse effect on our client engagements, our business, results of operations and financial condition.

We also process immigrant visas for lawful permanent residence (green cards) in the United States for employees to fill positions for which there is an insufficient number of able, willing, and qualified United States workers available to fill the positions. Compliance with existing United States immigration and labor laws, or changes in those laws making it more difficult to hire foreign nationals or limiting our ability to successfully obtain permanent residence for our foreign employees in the United States, could require us to incur additional unexpected labor costs and expenses or could restrain our ability to retain the skilled professionals we need for our operations in the United States. Any of these restrictions or limitations on our hiring practices could have a material adverse effect on our business, results of operations and financial condition.

In response to terrorist attacks and global unrest, U.S. and U.K. immigration authorities, as well as other countries, have not only increased the level of scrutiny and conditions to granting visas, but have also introduced new security procedures, which include extensive background checks, personal interviews and the use of biometrics, as conditions to granting visas and work permits. A number of European countries are considering changes in immigration policies as well. The inability of key project personnel to obtain necessary visas or work permits could delay or prevent our fulfillment of client projects, which could hamper our growth and cause our revenue to decline. These restrictions and additional procedures may delay, or even prevent the issuance of a visa or work permit to our IT professionals and affect our ability to staff projects in a timely manner. Any delays in staffing a project can result in project postponement, delays or cancellation, which could result in lost revenue and decreased profitability and have a material adverse effect on our business, revenue, profitability and utilization rates.

Immigration laws in countries in which we seek to obtain visas or work permits may require us to meet certain other legal requirements as conditions to obtaining or maintaining entry visas. These immigration laws are subject to legislative change and varying standards of application and enforcement due to political forces, economic conditions or other events, including terrorist attacks. For instance, there are certain restrictions on transferring employees to work in the United Kingdom, where we have experienced growth. The United Kingdom requires that all employees who are not nationals of European Union countries (plus Bulgaria and Romania) to obtain work permission before obtaining a visa/entry clearance to travel to the United Kingdom. New European nationals from countries such as Hungary, Poland, Lithuania, Slovakia, and the Czech Republic do not have a work permit requirement but do need to obtain a worker registration within 30 days of arrival. The United Kingdom has introduced a points-based system under which certain certificates of sponsorship are issued by licensed employer sponsors, provided the employees they seek to employ in the United Kingdom can demonstrate that the employee can accumulate 50 points based on certain attributes, which include academic qualifications, intended salary and other factors plus 10 points for English language (not necessary where the employee is an intra company transferee) and 10 points for maintenance. Where the employee has not worked for a Virtusa group company outside the United Kingdom for at least 12 months, we will need to carry out a resident labor market test to confirm that the intended role cannot be filled by a European Economic Area national. While we are an A-rated sponsor and have been able to obtain certificates of sponsorship to satisfy our demand for transfers to the United Kingdom, we can make no assurance that we can continue to do so.

Further, we cannot predict the political or economic events that could affect immigration laws or any restrictive impact those events could have on obtaining or monitoring entry visas for our personnel. Our reliance on work visas and work permits for a significant number of our IT professionals makes us particularly vulnerable to such changes and variations, particularly in the United States and Europe, because these immigration and legislative changes affect our ability to staff projects with IT professionals who are not citizens of the country where the onsite work is to be performed. We may not be able to obtain a sufficient number of visas for our IT professionals or may encounter delays or additional costs in

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obtaining or maintaining such visas. To the extent we experience delays due to such immigration restrictions, we may encounter client dissatisfaction, project and staffing delays in new and existing engagements, project cancellations, project losses, higher project costs and loss of revenue, resulting in decreases in profits and a material adverse effect on our business, results of operations, financial condition and cash flows.

Changes, and proposed changes, in U.S. immigration law, if approved into law, may increase our cost of revenue and may substantially restrict or eliminate our ability to obtain visas to use offshore resources onsite, which could have a material adverse impact on our business, revenue, profitability and utilization rates.

The issue of companies outsourcing services to organizations operating in other countries is a topic of political discussion in many countries, including the United States, which is our largest market. For example, measures aimed at limiting or restricting outsourcing by United States companies are periodically considered in the U.S. Congress and in numerous state legislatures to address concerns over the perceived association between offshore outsourcing and the loss of jobs domestically. On August 13, 2010, President Barack Obama signed legislation, which contained provisions to impose additional fees of \$2,000 for certain H-1(B) petitions and \$2,250 for certain L-1A and L-1B petitions beginning in August 2010 through September 20, 2014. These fees were extended through September 20, 2015 and already have had a negative impact on our gross profits and overall cost of operations, given especially the very competitive environment in which we operate, and despite our efforts to recoup these costs either directly from our clients or indirectly through our billing rates. Legislators have also discussed comprehensive immigration reform. While the comprehensive immigration reform legislation focuses primarily on the millions of illegal immigrants in the United States, there is speculation that it may include some content regarding H-1(B) and L-1 visas as described in the recently proposed legislation. The potential risks and impact to our business if some or all of the proposed immigration legislation relating to use of H-1(B) and L-1 visas is approved include:

- Reduced ability to bring in Level 1 foreign workers on a L-1 or H-1(B) visa
- Increased scrutiny and requests for proof of eligibility on the use of L-1 and H-1(B) visas, including a requirement to pay prevailing wages for L-1 visa holders from the first day of transfer
- Elimination of a company's ability to pay the living expenses of an L-1 visa holder on a tax free basis
- Increased oversight by the Department of Labor ("DOL") over issuance, use and administration of L-1 visas, just as the DOL currently oversees H-1(B) visas

In addition, new proposed legislation may restrict companies with more than 50% of the U.S. based work force comprised of employees with an L-1 or H-1(B) visa from filing additional visa petitions, including visa petitions for H-1(B) or L-1 visas. Finally, the new legislation being discussed may require companies seeking H-1(B) and L-1 visas to undertake a good faith recruitment process to prove that there is no displacement of U.S. workers. If some or all of the legislation discussed above were passed into law, we may not be able to apply for or obtain necessary visas or work permits for key offshore personnel or other offshore resources needed for onsite assignments. Even if we are able to apply for, or obtain, such visas, we could incur substantial delays and costs in processing. Any inability to obtain, or extended delays in obtaining, these visas could materially delay or prevent our commencement or fulfillment of client projects, which could hamper our growth and cause our revenue to decline. In addition, we may have to hire or use local onsite resources rather than using existing offshore resources to staff onsite engagements. Even if we use our offshore resources, we may have to put offshore resources on U.S. payroll at U.S. prevailing wage levels and full benefits, rather than the existing practice of being able to provide a per diem reimbursement to the offshore resource on a tax free basis to cover living expenses while onsite. Our costs of revenue could then substantially increase and our gross profit and our gross margins could then be materially and adversely affected. Finally, if the legislation requires additional "good faith" recruiting processes to occur locally before applying for H-1(B) visas, our costs of hiring could increase, and our ability to staff

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appropriately skilled resources on client projects could be restricted or substantially delayed. Any such delays or inability to staff needed resources on client engagements may cause client dissatisfaction, project and staffing delays in new and existing engagements, project cancellations, higher project costs and loss of revenue, resulting in decreases in profits and a material adverse effect on our business, results of operations, financial condition and cash flows.

The international nature of our business exposes us to several risks, such as significant currency fluctuations and unexpected changes in the regulatory requirements of multiple jurisdictions.

We have operations in the United States, the United Kingdom, the Netherlands, India, Sri Lanka, Germany, Singapore and Hungary and we serve clients across North America, Europe, the Middle East and Asia. For the fiscal years ended March 31, 2012, 2011 and 2010, revenue generated outside of the United States accounted for 22%, 26% and 26% of total revenue, respectively. Our corporate structure also spans multiple jurisdictions, with Virtusa Corporation incorporated in Delaware and its operating subsidiaries organized in India, Sri Lanka, the United Kingdom, Hungary, Germany, Singapore, and the Netherlands. As a result, our international revenue and operations are exposed to risks typically associated with conducting business internationally, many of which are beyond our control. These risks include:

- negative currency fluctuations between the U.S. dollar and the currencies in which we conduct transactions, including most significantly, the U.K. pound sterling (in which our foreign revenue is principally denominated) and the Indian and Sri Lankan rupees (in which our foreign costs are primarily denominated)
- adverse income tax consequences resulting from foreign income tax examination, such as challenges to our transfer pricing arrangements and challenges to our ability to claim tax holiday benefits in the countries in which we operate
- difficulties in staffing, managing and supporting operations in multiple countries
- potential fluctuation or decline in foreign economies
- unexpected changes in regulatory requirements, including immigration restrictions, potential tariffs and other trade barriers
- legal uncertainty owing to the overlap of different legal regimes and problems in asserting contractual or other rights across international borders, including compliance with local laws of which we may be unaware
- government currency control and restrictions on repatriation of earnings
- the burden and expense of complying with the laws and regulations of various jurisdictions
- domestic and international economic or political changes, hostilities, terrorist attacks and other acts of violence or war

Negative developments in any of these areas in one or more countries could result in a reduction in revenue or demand for our services, the cancellation or delay of client contracts, business interruption, threats to our intellectual property, difficulty in collecting receivables and a higher cost of doing business, including higher taxes, any of which could negatively affect our business, financial condition or results of operations.

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Currency exchange rate fluctuations may materially and negatively affect our revenue, gross margin, operating margin, net income and cash flows.

The exchange rates among the Indian and Sri Lankan rupees and the U.S. dollar and the U.K. pound sterling, as well as the exchange rates between the U.S. dollar and the U.K. pound sterling, have changed substantially in recent periods and may continue to fluctuate substantially in the future. We expect that a majority of our revenue will continue to be generated in the U.S. dollar and U.K. pound sterling for the foreseeable future. During the fiscal year ended March 31, 2012, the U.K. pound sterling has shown less volatility than in previous years, however, future fluctuations in the exchange rate could have a materially negative impact on our revenue generated in the U.K. pound sterling, as well as on our operating income and net income. Any appreciation of the U.S. dollar against the U.K. pound sterling will likely have a negative impact on our revenue, operating income and net income. For the foreseeable future, we also expect that a significant portion of our expenses, including personnel costs and operating expenditures, will continue to be denominated in Indian and Sri Lankan rupees. Accordingly, any material appreciation of the Indian rupee or the Sri Lankan rupee against the U.S. dollar or U.K. pound sterling could have a material adverse effect on our cost of revenue, gross margin and net income, which may in turn have a negative impact on our business, operating results and financial condition and results of operations. Although we have entered into, and may continue to enter into, derivative contracts to mitigate the impact of the fluctuation in the U.K. pound sterling and the Indian rupee, we cannot assure you that these hedges will be effective. These hedges may also cause us to forego certain benefits including benefits caused by depreciation of the Indian rupee with respect to our expenses or by a depreciation of the U.K. pound sterling with respect to our revenue. We have also initiated an investment program (short to medium term currency deposits) in Asia where we hold investments in local currency. Accordingly, any material depreciation of the UK pound sterling, the Indian rupee or the Sri Lankan rupee against the U.S. dollar could have a material adverse impact on our cash balances when consolidated and translated into U.S. dollars.

Our operating results may be adversely affected by our use of derivative financial instruments.

There is no guarantee that our financial results will not be adversely affected by currency exchange rate fluctuations or that any efforts by us to engage in currency hedging activities will be effective. In addition, in some countries we could be subject to strict restrictions on the movement of cash and the exchange of foreign currencies, which could limit our ability to use this cash across our global operations.

Although we have adopted an eight quarter cash flow hedging program to minimize the effect of any Indian rupee fluctuation on our financial condition, these hedges may not be effective or may cause us to forego benefits, especially given the volatility of the currency. In addition, to the extent that these hedges cease to qualify for hedge accounting, we may have to recognize the derivative instruments unrealized gains or losses in earnings prior to maturity. If we are unable to accurately forecast our Indian-rupee denominated costs, we may lose our ability to qualify for hedge accounting. We cannot guarantee our ability to accurately forecast such expenses. Furthermore, we are exposed to foreign currency volatility related to the Canadian dollar, the euro, and the Sri Lankan rupee, which are not currently hedged. Any significant change as compared to the U.S. dollar could have a negative impact on our revenue, operating profit, and net income. Finally, as we continue to leverage our global delivery model, more of our expenses will be incurred in currencies other than those in which we bill for the related services. An increase in the value of these currencies, such as the Indian rupee or Sri Lankan rupee, against the U.S. dollar or U.K. pound sterling could increase costs for delivery of services at off-shore sites by increasing labor and other costs that are denominated in the respective local currency.

In July 2010, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") which seeks to regulate, among other matters, the manner in which companies and their financial institutions engage in hedging activities. In addition, the Commodity Futures Trading Commission (the "CFTC") and the Securities and Exchange Commission have recently proposed rules to

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implement certain provisions of the of Dodd-Frank Act which, if enacted, may have a material and negative impact on the manner in which we are able to engage in hedging activities. For instance, certain proposed rules may require us to use cash or liquid investments (rather than a line of credit) to collateralize our hedging activities, which may require us to shift cash and cash equivalents freely available to us into restricted cash. Such requirement could become prohibitive and prevent us from continuing with our hedging program. Other proposed rules may also increase the costs of our hedging program, or may prevent us from working with our preferred banking institutions to effect these forward contracts or require us to clear these trades through a third party, each of which could materially increase our costs of operating our hedging program. While the proposed rules may change before enactment, if some of these rules are enacted, we can make no assurance that we will be able to continue to operate our hedging program, or if we are, on terms that are commercially viable to us.

We may face damage to our professional reputation if our services do not meet our clients' expectations.

Many of our projects involve technology applications or systems that are critical to the operations of our clients' businesses and handle very large volumes of transactions. If we fail to perform our services correctly, we may be unable to deliver applications or systems to our clients with the promised functionality or within the promised time frame, or to satisfy the required service levels for support and maintenance. If a client is not satisfied with our services or products, including those of subcontractors we employ, we may not be able to invoice for our services, or if we do invoice, we may not be able to collect the fees due on such engagement, and our business may suffer. Moreover, if we fail to meet our contractual obligations, our clients may terminate their contracts and we could face legal liabilities and increased costs, including warranty claims against us. Any failure in a client's project could result in a claim for substantial damages, our inability to recognize all or some of the revenue for the client project, non-payment of outstanding invoices, increased expenses due to increase in reserves for doubtful accounts, loss of future business with such client and increased costs due to non-billable time of our resources dedicated to address any performance or client satisfaction issues, regardless of our responsibility for such failure.

Acquisitions that we have completed and any future acquisitions, strategic investments, partnerships or alliances could be difficult to integrate and/or identify, divert the attention of key management personnel, disrupt our business, dilute stockholder value and adversely affect our financial results, including impairment of goodwill and other intangible assets.

We have acquired, and in the future may acquire or make strategic investments in complementary businesses, technologies or services or enter into strategic partnerships or alliances with third parties to enhance our business. If we do identify suitable candidates, we may not be able to complete transactions on terms commercially acceptable to us, if at all. These types of transactions involve numerous risks, including:

- difficulties in integrating operations, technologies, accounting and personnel
- difficulties in supporting and transitioning clients of our acquired companies or strategic partners
- diversion of financial and management resources from existing operations
- risks of entering new markets
- potential loss of key team members
- inability to generate sufficient revenue to offset transaction costs
- unknown liabilities

Our organizational structure could make it difficult for us to efficiently integrate acquired businesses or technologies into our ongoing operations and assimilate employees of those businesses into our culture and operations. Accordingly, we might fail to realize the expected benefits or strategic objectives of any acquisition we undertake. Acquisitions also frequently result in the recording of goodwill and other

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intangible assets that are subject to potential impairments in the future that could harm our financial results. For instance, in November 2009, we completed the acquisition of InSource, a consulting company focused on the insurance and healthcare industries, for approximately \$7.8 million. In February 2010, we acquired the business of ConVista Consulting LLC, a consulting company focused on implementing high volume collection, disbursement claims and billing systems using SAP software, for an aggregate of approximately \$26.8 million cash consideration. In July 2011, we acquired the business of ALaS, for an aggregate consideration of \$27.8 million to extend our consulting capabilities and service offerings within the BFSI industries. In connection with these acquisitions, we are carrying \$35.5 million in goodwill on our consolidated balance sheets at March 31, 2012. If we fail to successfully integrate these companies and maintain their value, or if these acquired companies materially fail to perform in a manner consistent with our valuations or forecasts, we may suffer an impairment of our assets, resulting in an immediate charge to our consolidated statement of income. Any such failure to integrate an acquired company or impairment of intangible assets or goodwill of any such company could have a material adverse impact on our consolidated balance sheet and consolidated statements of income.

It is also possible that we may not identify suitable acquisition, strategic investment or partnership or alliance candidates. Our inability to identify suitable acquisition targets, strategic investments, partners or alliances, or our inability to complete such transactions, may negatively affect our competitiveness and growth prospects. Moreover, if we fail to properly evaluate acquisitions, alliances or investments, we may not achieve the anticipated benefits of any such transaction and we may incur costs in excess of what we anticipate.

Future acquisitions financed with our own cash could deplete the cash and working capital available to adequately fund our operations. We may also need to finance future transactions through debt financing, the issuance of our equity securities, existing cash, cash equivalents or investments or a combination of the foregoing. Acquisitions financed with the issuance of our equity securities could be dilutive, which could affect the market price of our stock. Acquisitions financed with debt could require us to dedicate a substantial portion of our cash flow to principal and interest payments and could subject us to restrictive covenants. We cannot assure you that equity or debt financing would be available to us, or if so, on commercially reasonable terms.

We may be subject to certain liabilities assumed in connection with our acquisitions that could harm our operating results.

Although we conduct due diligence in connection with each of our acquisitions, there may be liabilities that we fail to discover or that we inadequately assess in our due diligence efforts. In particular, to the extent that any acquired businesses or properties failed to comply with or otherwise violated applicable laws or regulations, or failed to fulfill their contractual obligations to clients, we, as the successor owner, may be financially responsible for these violations and failures and may suffer reputational harm or otherwise be adversely affected. While we generally require the selling party to indemnify us for any and all liabilities associated with such liabilities, if for any reason the seller does not perform their indemnification obligation, we may be held responsible for such liabilities. In addition, as part of an acquisition, we may assume responsibilities and obligations of the acquired business pursuant to the terms and conditions of services agreements entered into by the acquired entity that are not consistent with the terms and conditions that we typically accept and require. Although we attempt to structure acquisitions in such a manner as to minimize the liability that could arise from such contractual commitments, we cannot assure you that any of our efforts to minimize the liability will be effective in all instances or will otherwise protect us from liability for damages under such agreements. The discovery of any material liabilities associated with our acquisitions for which we are unable to receive indemnification could harm our operating results.

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Our ability to raise capital in the future may be limited and our failure to raise capital or have access to cash in the geography where or when needed could prevent us from growing.

We anticipate that our current cash and cash equivalents and short-term investments, together with cash generated from operations, will be sufficient to meet our current needs for general corporate purposes for the foreseeable future. However, we may also need additional financing to execute our current or future business strategies, including to:

- acquire businesses or technologies
- add additional global delivery centers
- procure additional capacity and facilities
- hire additional personnel
- enhance our operating infrastructure
- otherwise respond to competitive pressures

In addition, as a global company, we may not have ready access to cash in geographies where we need to make investments. For instance, at March 31, 2012, we had approximately \$85.4 million of cash, cash equivalents, short term investments and long term investments of which we hold approximately \$48.6 million of cash and short-term investments in non-U.S. locations, particularly in India and Sri Lanka. Cash in these non-U.S. locations may otherwise be available for potential investment in those locations, if not indefinitely reinvested. However, if we were to repatriate this cash back to the United States for use in U.S. investments, this cash would be subject to substantial taxes.

For these reasons, we may need to raise additional capital for U.S. or other global investments. If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our stockholders could be significantly diluted and these newly issued securities may have rights, preferences or privileges senior to those of existing stockholders. If we incur additional debt financing, a substantial portion of our operating cash flow may be dedicated to the payment of principal and interest on such indebtedness, thus limiting funds available for our business activities. Any such debt financing could require us to comply with restrictive financial and operating covenants, which could have a material adverse impact on our business, results of operations or financial condition. We cannot assure you that additional financing will be available on terms favorable to us, or at all. If adequate funds are not available or are not available on acceptable terms, when we desire them, our ability to fund our operations and growth, take advantage of unanticipated opportunities or otherwise respond to competitive pressures may be significantly limited.

We are investing substantial cash in new facilities and our profitability could be reduced if our business does not grow proportionately.

We have spent \$24.4 million through March 31, 2012 and currently plan to spend approximately an additional \$1.3 million in the fiscal year ending March 31, 2013, in connection with the construction and build-out of a facility on our campus in Hyderabad, India. We also intend to make increased investments in our existing global delivery centers in Chennai, India and Colombo, Sri Lanka. We may face cost overruns and project delays in connection with these facilities or other facilities we may construct or seek to lease in the future. Such delays may also cause us to incur additional leasing costs to extend the terms of existing facility leases or to enter into new short-term leases if we cannot move into the new facilities in a timely manner. Such investment may also significantly increase our fixed costs, including an increase in depreciation expense. If we are unable to expand our business and revenue proportionately, our profitability would be reduced.

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We may lose revenue if our clients terminate, reduce, or delay their contracts with us.

Our clients typically retain us on a non-exclusive, engagement-by-engagement basis, rather than under exclusive long-term contracts. Many of our contracts for services have terms of less than 12 months and permit our clients to terminate or reduce our engagements on prior written notice of 90 days or less for convenience, and without termination-related penalties. Further, many large client projects typically involve multiple independently defined stages, and clients may choose not to retain us for additional stages of a project or cancel or delay their start dates. These terminations, reductions, cancellations or delays could result from factors unrelated to our work product or the progress of the project, including:

- client financial difficulties or general or industry specific economic downturns
- a change in a client's strategic priorities, resulting in a reduced level of IT spending
- a client's demand for price reductions
- a change in a client's outsourcing strategy that shifts work to in-house IT departments or to our competitors
- consolidation by or among clients or an acquisition of a client
- replacement by our client of existing software to packaged software supported by licensors

If our contracts were terminated early, materially delayed or reduced in size or scope, our business and operating results could be materially harmed and the value of our common stock could be impaired. Unexpected terminations, reductions, cancellation or delays in our client engagements could also result in increased operating expenses as we transition our team members to other engagements.

We may not be able to continue to maintain or increase the profitability, and growth rates of previous fiscal years.

We may not succeed in maintaining our profitability and could incur losses in future periods. If we experience declines in demand, declines in, or inability to raise, pricing for our services, or if wages in India or Sri Lanka continue to increase at a faster rate than in the United States and the United Kingdom, we will be faced with continued growing costs for our IT professionals, including wage increases. We also expect to continue to make investments in infrastructure, facilities, sales and marketing and other resources as we expand, thus incurring additional costs and potentially reducing our operating margins. If our revenue does not increase to offset these increases in costs or operating expenses, our operating results would be negatively affected. In fact, in future quarters we may not have any revenue growth and our revenue and net income could decline. You should not consider our historic revenue and net income growth rates as indicative of future growth rates. Accordingly, we cannot assure you that we will be able to maintain or increase our profitability in the future.

Our inability to manage to a desired onsite-to-offshore service delivery mix may negatively affect our gross margins and costs and our ability to offer competitive pricing.

We may not succeed in maintaining or increasing our profitability and could incur losses in future periods if we are not able to manage to a desired onsite-to-offshore service delivery mix. To the extent that our engagements involve an increasing number of consulting, production support, software package implementation or other services typically requiring a higher percentage of onsite resources, we may not be able to manage to our desired service delivery mix. Additionally, other factors like client constraint or preferences or our inability to manage engagements effectively with limited resources onsite, or difficulty in staffing onsite projects due to immigration issues, resource constraints or otherwise, may result in a higher percentage of onsite resources than our desired service delivery mix. However, for the fiscal year ended March 31, 2013, we anticipate the onsite ratio to slightly increase due to new client engagements, existing work on larger, more complex programs, as well as the full fiscal year impact of the AlaS acquisition. Accordingly, we cannot assure you that we will be able to manage to our desired onsite-to-offshore service delivery mix. If we are unable to manage to our targeted service delivery mix, our

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gross margins may decline and our profitability may be reduced. Additionally, our costs will increase and we may not be able to offer competitive pricing to our clients.

Our profitability is dependent on our billing and utilization rates, which may be negatively affected by various factors.

Our profit margin is largely a function of the rates we are able to charge for our services and the utilization rate of our IT professionals. The rates we are able to charge for our services are affected by a number of factors, including:

- our clients' perception of our ability to add value through our services
- the introduction of new services or products by us or our competitors
- the size and/or duration of the engagement
- the pricing policies of our competitors
- our ability to charge premium prices when justified by market demand or type of skill set or service
- general economic conditions

In addition, the factors impacting our utilization rate, include:

- our ability to transition team members quickly from completed or terminated projects to new engagements
- our ability to maintain continuity of existing resources on existing projects
- our ability to obtain visas or applicable work permits for offshore personnel to commence projects at a client site for new or existing engagements
- the amount of time spent by our team members on non-billable training activities
- our ability to maintain resources who are appropriately skilled for specific projects
- our ability to forecast demand for our services and thereby maintain an appropriate number of team members
- our ability to manage team member attrition seasonal trends, primarily our hiring cycle, holidays and vacations
- the number of campus hires

If we are not able to maintain the rates we charge for our services or maintain an appropriate utilization rate for our IT professionals, our revenue will decline, our costs will increase and we will not be able to sustain or increase our gross or operating profit margins, any of which could have a material adverse effect on our profitability.

We may be required to spend substantial time and expense in a fiscal period before we can recognize revenue in such fiscal period, if any, from a client contract.

The period between our initial contact with a potential client and the execution of a client contract for our services is lengthy, and can extend over one or more fiscal quarters. To sell our services successfully and obtain an executed client contract, we generally have to educate our potential clients about the use and benefits of our services, which can require significant time, expense and capital without the ability to realize revenue, if any. If our sales cycle unexpectedly lengthens for one or more large projects, it would negatively affect the timing of our revenue, and hinder our revenue growth. Furthermore, a delay in our ability to obtain a signed agreement or other persuasive evidence of an arrangement or to complete certain contract requirements in a particular fiscal quarter could reduce our revenue in that period. These delays or failures can cause our gross margin and profitability to fluctuate significantly from quarter to quarter. Overall, any significant failure to generate or recognize revenue or delays in recognizing revenue after

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incurring costs related to our sales processes or services performed in a particular fiscal period, due to factors such as lack of a fully executed agreement with the client, failure to satisfy other elements of generally accepted accounting standards for revenue recognition or otherwise, could have a material adverse effect on our business, financial condition and results of operations in such fiscal period or otherwise.

We may not be able to recognize revenue in the period in which our services are performed, which may cause our revenue and margins to fluctuate.

Our services are performed under both time-and-material and fixed-price arrangements. All revenue is recognized pursuant to generally accepted accounting standards. These standards require us to recognize revenue once evidence of an arrangement has been obtained, services are delivered, fees are fixed or determinable and collectability is reasonably assured. If we perform our services prior to the period when we are able to recognize the associated revenue, which may be due to our failure to obtain fully executed contracts from our clients during the performance period of our services, our revenue and margins may fluctuate significantly from quarter to quarter.

Additionally, a portion of our revenue is obtained from fixed price arrangements with our clients. Payment of our fees on fixed-price contracts is based on our ability to provide deliverables on certain dates or meet certain defined milestones. Our failure to produce the deliverables or meet the project milestones in accordance with agreed upon specifications or timelines, or otherwise meet a client's expectations, may result in non-payment of invoices, termination of engagements and our having to record the cost related to the performance of services in the period that services were rendered, but delay the timing of revenue recognition to a future period in which the milestone is met, if we are able to achieve such milestone at all.

Unexpected costs or delays could make our contracts unprofitable.

A portion of our client engagements represent fixed price engagements. When making proposals for engagements, especially our fixed price engagements, we estimate the costs and timing for completion of the projects. These estimates reflect our best judgment regarding the efficiencies of our methodologies, staffing of resources, complexities of the engagement and costs. The profitability of our engagements, and in particular our fixed-price contracts, may be adversely affected by our ability to accurately estimate effort and resources needed to complete the project, increased or unexpected costs or unanticipated delays in connection with the performance of these engagements, including delays caused by factors outside our control, which could make these contracts less profitable or unprofitable. If we underestimate the effort and resources required to complete a project and cannot recoup additional costs from our client, or if we endure additional costs or delays, and cannot complete the project, our utilization rates may lower as we remediate project issues, our profit from these engagements may be adversely affected and we may be subject to litigation claims.

Our quarterly financial position, revenue, operating results and profitability are challenging to predict and may vary from quarter to quarter, which could cause our share price to decline significantly.

Our quarterly revenue, operating results and profitability have varied in the past and are likely to vary significantly from quarter to quarter in the future. The factors that are likely to cause these variations include:

- unanticipated contract or project terminations, or reductions in scope or size of IT engagements
- the continuing financial stability and growth prospects of our clients
- our ability to recognize the revenue associated with the services performed in the applicable fiscal period due to factors, including having fully signed contractual agreements with our clients for such periods or our ability to produce the deliverables or meet the project milestones in accordance with agreed upon specifications or timelines in the applicable fiscal period

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- general economic conditions
- the number, timing, scope and contractual terms of IT projects in which we are engaged
- delays in project commencement or staffing delays due to immigration issues or our inability to assign appropriately skilled or experienced personnel
- the accuracy of estimates of resources, time and fees required to complete fixed-price projects and costs incurred in the performance of each project
- changes in pricing in response to client demand and competitive pressures
- the mix of onsite and offshore staffing
- the mix of leadership and senior technical resources to junior engineering resources staffed on each project
- unexpected changes in the utilization rate of our IT professionals
- seasonal trends, primarily our hiring cycle and the budget and work cycles of our clients
- the ratio of fixed-price contracts to time-and-materials contracts
- employee wage levels and increases in compensation costs, including timing of promotions and annual pay increases, particularly in India and Sri Lanka
- our ability to have the client reimburse us for travel and living expenses, especially the airfare and related expenses of our Indian and Sri Lankan offshore personnel traveling and working onsite in the United States or the United Kingdom
- one-time, non-recurring projects

As a result, our revenue and our operating results for a particular period are challenging to predict and may decline in comparison to corresponding prior periods regardless of the strength of our business. Our future revenue is also challenging to predict because we derive a substantial portion of our revenue from fees for services generated from short-term contracts that may be terminated or delayed by our clients without penalty. In addition, a high percentage of our operating expenses, particularly related to personnel and facilities, are relatively fixed in advance of any particular quarter and are based, in part, on our expectations as to future revenue. If we are unable to predict the timing or amounts of future revenue accurately, we may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall and fail to meet our forecasts. Unexpected revenue shortfalls may also decrease our gross margins and could cause significant changes in our operating results from quarter to quarter. As a result, and in addition to the factors listed above, any of the following factors could have a significant and adverse impact on our operating results, could result in a shortfall of revenue and could result in losses to us:

- a client's decision not to pursue a new project or proceed to succeeding stages of a current project
- the completion during a quarter of several major client projects resulting in our having to pay underutilized team members in subsequent periods
- adverse business decisions of our clients regarding the use of our services
- our inability to transition team members quickly from completed projects to new engagements
- our inability to manage costs, including personnel, infrastructure, facility and support services costs
- exchange rate fluctuations

Due to the foregoing factors, it is possible that in some future periods our revenue and operating results may not meet the expectations of securities analysts or investors. If this occurs, the trading price of our common stock could fall substantially either suddenly, or over time, and our business, financial condition and results of operations would be adversely affected.

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Adverse or uncertain conditions in the global economy and disruption of financial markets could negatively impact our clients and therefore our results of operations.

Recent global economic conditions have negatively impacted financial markets in the United States, Europe and Asia, resulting in extreme disruption and volatility in recent periods of financial markets, including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of certain investments. These adverse economic developments affect our clients in a number of ways and could result in decreased global IT spending which, in turn, could result in delays, reductions in, or cancellation of engagements for our services. Regional and global economic weakness and uncertainty have also resulted in some companies reassessing their spending for technology and IT related projects and services. Our revenue and profitability depend on the overall demand for IT services from our clients, including discretionary IT spending. Portions of our expenses are fixed and other expenses are tied to expected levels of utilization. To the extent that we do not achieve anticipated levels of revenue growth, our gross profit and net income could be adversely affected until such expenses are reduced to an appropriate level.

A significant or prolonged economic downturn in the IT services industry, or industries in which we focus, may result in our clients reducing or postponing spending on the services we offer.

Our revenue is dependent on us entering into large contracts for our services with a limited number of clients each year. As we are not the exclusive IT service provider for our clients, the volume of work that we perform for any specific client is likely to vary from year to year. There are a number of factors, other than our performance, that could affect the size, frequency and renewal rates of our client contracts. For instance, if economic conditions weaken or deteriorate in the IT services industry, or in any industry in which we focus, our clients may reduce or postpone their IT spending significantly which may, in turn, lower the demand for our services and negatively affect our revenue and profitability. As a way of dealing with a challenging economic environment, clients may change their outsourcing strategy by performing more work in-house or replacing their existing software with packaged software supported by the licensor. The loss of, or any significant decline in business from, one or more of our major clients likely would lead to a significant decline in our revenue and operating margins, particularly if we are unable to make corresponding reductions in our expenses in the event of any such loss or decline. Moreover, a significant change in the liquidity or financial position of any of these clients could have a material adverse effect on the collectability of our accounts receivable, liquidity and future operating results.

We may be audited by software vendors from whom we license or use their software to train our resources or serve our clients, which may result in claims for infringement, violations of license provisions or other damages

From time to time, we are subject to audit by our vendors from whom we license and use software to confirm compliance with usage and deployment requirements. If as a result of these audits or otherwise, vendors believe that we have committed usage or deployment violations, we may be required to purchase software from these vendors, and we may be subject to claims of infringement or wrongful usage which may result in legal liability to us, including damages, legal fees and expenses. In addition to legal liability and related expense of any litigation, which may include damages and the obligations to purchase software from such software vendor, we may be prevented from using the vendor's software in the future which may have a material and negative impact on our ability to service our customers, conduct training of our IT professionals and generally perform our services.

Negative public perception in the markets in which we sell services regarding offshore IT service providers and proposed anti-outsourcing legislation may adversely affect demand for our services.

We have based our growth strategy on certain assumptions regarding our industry, services and future demand in the market for such services. However, the trend to outsource IT services may not continue and could reverse. Offshore outsourcing is a politically sensitive topic in the United States and the United Kingdom. For example, recently many organizations and public figures in the United States and the United

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Kingdom have publicly expressed concern about a perceived association between offshore outsourcing providers and the loss of jobs in their home countries. In addition, there has been recent publicity about the negative experience of certain companies that use offshore outsourcing, particularly in India. Current or prospective clients may elect to perform such services themselves or may be discouraged from transferring these services from onshore to offshore providers to avoid negative perceptions that may be associated with using an offshore provider. Any slowdown or reversal of existing industry trends towards offshore outsourcing would seriously harm our ability to compete effectively with competitors that operate out of facilities located in the United States or the United Kingdom. Legislation in the United States or in certain European countries may be enacted that is intended to discourage or restrict outsourcing. Any changes to existing laws or the enactment of new legislation restricting offshore outsourcing in the United States or the United Kingdom may adversely affect our ability to do business in the United States or in the United Kingdom, particularly if these changes are widespread, and could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Our failure to anticipate rapid changes in technology may negatively affect demand for our services in the marketplace.

Our success will depend, in part, on our ability to develop and implement business and technology solutions that anticipate rapid and continuing changes in technology, industry standards and client preferences. We may not be successful in anticipating or responding to these developments on a timely basis, which may negatively affect demand for our solutions in the marketplace. Also, if our competitors respond faster than we do to changes in technology, industry standards and client preferences, we may lose business and our services may become less competitive or obsolete. Any one or a combination of these circumstances could have a material adverse effect on our ability to obtain and successfully complete client engagements.

We may not be able to obtain, develop or implement new systems, infrastructure, procedures and controls that are required to support our operations, maintain cost controls, market our services and manage our relationships with our clients.

To manage our operations effectively, we must continue to maintain and may need to enhance our IT infrastructure, financial and accounting systems and controls and manage expanded operations in several locations. We also must attract, integrate, train and retain qualified personnel, especially in the areas of accounting, internal audit and financial disclosure. Further, we will need to manage our relationships with various clients, vendors and other third parties. We may not be able to develop and implement on a timely basis, if at all, the systems, infrastructure procedures and controls required to support our operations, including infrastructure management, and controls regarding usage and deployment of hardware and software, for performance of our services. Any failure by us to comply with these controls or our contractual obligations could result in legal liability to us, which would have a negative impact on our consolidated statements of income and consolidated balance sheets. Additionally, some factors, like changes in immigration laws or visa processing restrictions that limit our ability to engage offshore resources at client locations in the United States, the United Kingdom or other countries, are outside of our control. Our future operating results will also depend on our ability to develop and maintain a successful sales organization and processes that can ensure our ability to effectively monitor, manage and forecast our sales activities and resource needs. If we are unable to manage our operations effectively, our operating results could fluctuate from quarter to quarter and our financial condition could be materially adversely affected.

The failure to successfully and timely implement certain financial system changes to improve operating efficiency and enhance our reporting controls could harm our business.

We have implemented and continue to install several upgrades and enhancements to our financial systems. We expect these initiatives to enable us to achieve greater operating and financial reporting efficiency and

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also enhance our existing control environment through increased levels of automation of certain processes. Failure to successfully implement and execute these initiatives in a timely, effective and efficient manner could significantly increase our costs, distract our management and could result in the disruption of our operations, the inability to comply with our Sarbanes-Oxley obligations and the inability to report our financial results in a timely and accurate manner.

Interruptions or delays in service from our third-party providers could impair our global delivery model, which could result in client dissatisfaction and a reduction of our revenue.

We depend upon third parties to provide a high speed network of active voice and data communications 24 hours per day and various satellite and optical links between our global delivery centers and our clients. Consequently, the occurrence of a natural disaster or other unanticipated problems with the equipment or at the facilities of these third-party providers could result in unanticipated interruptions in the delivery of our services. For example, we may not be able to maintain active voice and data communications between our global delivery centers and our clients' sites at all times due to disruptions in these networks, system failures or virus attacks. Any significant loss in our ability to communicate or any impediments to any IT professional's ability to provide services to our clients could result in a disruption to our business, which could hinder our performance or our ability to complete client projects in a timely manner. This, in turn, could lead to substantial liability to our clients, client dissatisfaction, loss of revenue and a material adverse effect on our business, our operating results and financial condition. We cannot assure you that our business interruption insurance will adequately compensate our clients or us for losses that may occur. Even if covered by insurance, any failure or breach of security of our systems could damage our reputation and cause us to lose clients.

Some of our client contracts contain restrictions or penalty provisions that, if triggered, could result in lower future revenue and decrease our profitability.

We have entered in the past, and may in the future enter, into contracts that contain restrictions or penalty provisions that, if triggered, may adversely affect our operating results. For instance, some of our client contracts provide that, during the term of the contract and for a certain period thereafter ranging from six to twelve months, we may not use the same personnel to provide similar services to any of the client's competitors. This restriction may hamper our ability to compete for and provide services to clients in the same industry. In addition, some contracts contain provisions that would require us to pay penalties or liquidated damages to our clients if we do not meet pre-agreed service level requirements. If any of the foregoing were to occur, our future revenue and profitability under these contracts could be materially harmed.

Our services may infringe on the intellectual property rights of others, which may subject us to legal liability, harm our reputation, prevent us from offering some services to our clients or distract management.

We cannot be sure that our services or the deliverables that we develop and create for our clients do not infringe on the intellectual property rights of third parties and infringement claims may be asserted against us or our clients. These claims may harm our reputation, distract management, increase costs and prevent us from offering some services to our clients. Historically, we have generally agreed to indemnify our clients for all expenses and liabilities resulting from infringement of intellectual property rights of third parties based on the services and deliverables that we have performed and provided to our clients. In some instances, the amount of these indemnities may be greater than the revenue we receive from the client. In addition, as a result of intellectual property litigation, we may be required to stop selling, incorporating or using products that use or incorporate the infringed intellectual property. We may be required to obtain a license or pay a royalty to make, sell or use the relevant technology from the owner of the infringed intellectual property. Such licenses or royalties may not be available on commercially reasonable terms, or at all. We may also be required to redesign our services or change our methodologies so as not to use the infringed intellectual property, which may not be technically or commercially feasible and may cause us to

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expend significant resources. Subject to certain limitations, under our indemnification obligations to our clients, we may also have to provide refunds to our clients to the extent that we must require them to cease using an infringing deliverable if we are unable to provide a work around or acquire a license to permit use of the infringing deliverable that we had provided to them as part of a service engagement. If we are obligated to make any such refunds or dedicate time to provide alternatives or acquire a license to the infringing intellectual property, our business and financial condition could be materially adversely affected.

Any claims or litigation involving intellectual property, whether we ultimately win or lose, could be extremely time-consuming, costly and injure our reputation.

As the number of patents, copyrights and other intellectual property rights in our industry increases, we believe that companies in our industry will face more frequent infringement claims. Defending against these claims, even if the claims have no merit, may not be covered by or could exceed the protection offered by our insurance and could divert management's attention and resources from operating our company.

We may face liability if we inappropriately disclose confidential client information.

In the course of providing services to our clients, we may have access to confidential client information. We are bound by certain agreements to use and disclose this information in a manner consistent with the privacy standards under regulations applicable to our clients. Although these privacy standards may not apply directly to us, if any person, including a team member of ours, misappropriates client confidential information, or if client confidential information is inappropriately disclosed due to a breach of our computer systems, system failures or otherwise, or if a security breach occurs on a project on which we are engaged, we may have substantial liabilities to our clients or our clients' customers. In addition, in the event of any breach or alleged breach of our confidentiality agreements with our clients, these clients may terminate their engagements with us or sue us for breach of contract, resulting in the associated loss of revenue and increased costs. We may also be subject to civil or criminal liability if we are deemed to have violated applicable regulations. We cannot assure you that we will adequately address the risks created by the regulations to which we may be contractually obligated to abide.

Regulatory compliance may divert our attention from the day-to-day management of our business.

Our management team and other personnel will need to devote a substantial amount of time to compliance initiatives. In particular, these obligations will require substantial attention from our senior management and divert its attention away from the day-to-day management of our business, which could materially and adversely affect our business operations.

We are committed to maintaining high standards of corporate governance and public disclosure, and our efforts to comply with evolving laws, regulations and standards in this regard have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In addition, the laws, regulations and standards regarding corporate governance may make it more difficult for us to obtain director and officer liability insurance. Further, our board members, chief executive officer and chief financial officer could face an increased risk of personal liability in connection with their performance of duties. As a result, we may face difficulties attracting and retaining qualified board members and executive officers, which could harm our business. If we fail to comply with new or changed laws, regulations or standards of corporate governance, our business and reputation may be harmed.

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The loss of key members of our senior management team may prevent us from executing our business strategy.

Our future success depends to a significant extent on the continued service and performance of key members of our senior management team. Our growth and success depends to a significant extent on our ability to retain Kris Canekeeratne, our chief executive officer, who is a founder of our company and has led the growth, operation, culture and strategic direction of our business since its inception. The loss of his services or the services of other key members of our senior management could seriously harm our ability to execute our business strategy. Although we have entered into agreements with our executive officers providing for severance and change in control benefits to them, each of our executive officers or other key employees could terminate employment with us at any time. We also may have to incur significant costs in identifying, hiring, training and retaining replacements for key employees. The loss of any member of our senior management team might significantly delay or prevent the achievement of our business or development objectives and could materially harm our business. We do not maintain key man life insurance on any of our team members.

Risks related to our Indian and Sri Lankan operations

Political instability or changes in the central or state government in India could result in the change of several policies relating to foreign direct investment and repatriation of capital and dividends. Further, changes in the monetary and economic policies could adversely affect economic conditions in India generally and our business in particular.

We have three subsidiaries in India and a significant portion of our business, fixed assets and human resources are located in India. As a result, our business is affected by foreign exchange rates and controls, interest rates, local regulations, changes in government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India. Since 1991, successive Indian governments have pursued policies of economic liberalization. In the past, the Indian economy has experienced many of the problems that commonly confront the economies of developing countries, including high inflation, erratic gross domestic product growth and shortages of foreign exchange. The Indian government has exercised, and continues to exercise, significant influence over many aspects of the Indian economy and Indian government actions concerning the economy could have a material adverse effect on private sector entities like us. In the past, the Indian government has provided significant tax incentives and relaxed certain regulatory restrictions in order to encourage foreign investment in specified sectors of the economy, including the software development services industry. Programs that have benefited us include, among others, tax holidays, liberalized import and export duties and preferential rules on foreign investment and repatriation. Notwithstanding these benefits, as noted above, India's central and state governments remain significantly involved in the Indian economy as regulators. In recent years, the Indian government has introduced non-income related taxes, including the fringe benefit tax (which was repealed as of April 1, 2009) and new service taxes, and income-related taxes, including the Minimum Alternative Tax. In addition, a change in government leadership in India or change in policies of the existing government in India that results in the elimination of any of the benefits realized by us from our Indian operations or the imposition of new taxes applicable to such operations could have a material adverse effect on our business, results of operations and financial condition. For instance, certain changes to the application of the Minimum Alternative Tax with respect to SEZ units may negatively impact our cash flows and other benefits enjoyed by us which could have a material adverse effect on our business, results of operations and financial condition.

Changes in the policies or political stability of the government of Sri Lanka adversely affect economic conditions in Sri Lanka, which could adversely affect our business.

Our subsidiary in Sri Lanka has been approved as an export computer software developer by the Board of Investment in Sri Lanka, which is a statutory body organized to facilitate foreign investment into Sri Lanka and grant concessions and benefits to entities with which it has entered into agreements. Pursuant to our

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current agreement with the Board of Investment, our subsidiary is entitled to an exemption from income taxation on export revenue for a period of 12 years expiring on March 31, 2019 provided that certain job creation requirements are met within a certain time period. If we cannot achieve the required job creation by such date, we will have to forego part of the 12-year tax holiday. Further, government policies relating to taxation other than on income would also have an impact on the subsidiary, and the political, economic or social factors in Sri Lanka may affect these policies. Historically, past incumbent governments have followed policies of economic liberalization. However, we cannot assure you that the current government or future governments will continue these liberal policies.

Regional conflicts or terrorist attacks and other acts of violence or war in the United States, the United Kingdom, India and Sri Lanka, or other regions could adversely affect financial markets, resulting in loss of client confidence and our ability to serve our clients which, in turn, could adversely affect our business, results of operations and financial condition.

The Asian region has from time to time experienced instances of civil unrest and hostilities among neighboring countries, including between India and Pakistan. Since May 1999, military confrontations between India and Pakistan have occurred in Kashmir. Also, there have been military hostilities and civil unrest in Iraq and Afghanistan. Terrorist attacks, such as the ones that occurred in New York and Washington, D.C., on September 11, 2001, New Delhi on December 13, 2001, Bali on October 12, 2002, London on July 7, 2005, and Mumbai on November 26, 2008, civil or political unrest and military hostilities in Sri Lanka and other acts of violence or war, including those involving India, Sri Lanka, the United States, the United Kingdom or other countries, may adversely affect U.S., U.K. and worldwide financial markets. Prospective clients may wish to visit several of our facilities, including our global delivery centers in India or Sri Lanka, prior to reaching a decision on vendor selection. Terrorist threats, attacks and international conflicts could make travel more difficult and cause potential clients to delay, postpone or cancel decisions to use our services. In addition, such attacks may have an adverse impact on our ability to operate effectively and interrupt lines of communication and restrict our offshore resources from traveling onsite to client locations, effectively curtailing our ability to deliver our services to our clients. These obstacles may increase our expenses and negatively affect our operating results. In addition, military activity, terrorist attacks, political tensions between India and Pakistan and, historically, conflicts within Sri Lanka, despite the current cessation of hostilities, could create a greater perception that the acquisition of services from companies with significant Indian or Sri Lankan operations involves a higher degree of risk that could adversely affect client confidence in India or Sri Lanka as a software development center, each of which would have a material adverse effect on our business.

In May 2009, the Sri Lankan government claimed victory in the ethnic conflict against the Tamil Tigers in Sri Lanka. The many years of the ethnic conflict have substantially affected the political and economic climate of Sri Lanka. With the military conflict now ended, the Sri Lankan economy may benefit from increased tourism, foreign investment and overall political stability. With economic growth and stability, the Sri Lankan currency may appreciate and there may be increased diversification in job opportunities for the Sri Lankan workforce. If the Sri Lankan rupee appreciates, our costs of operations may increase. In addition, if the Sri Lankan labor pool gains a growing number of alternatives due to an expanding and diversifying local economy, we may encounter increased competition and costs in recruiting, hiring and retaining qualified resources as well as the impact of wage inflation, each of which could have a negative impact on our costs of revenue and margins.

Our net income may decrease if the governments of the United States, the United Kingdom, the Netherlands, India, Sri Lanka, Germany or Hungary adjust the amount of our taxable income by challenging our transfer pricing policies.

Our subsidiaries conduct intercompany transactions among themselves and with the U.S. parent company on an arm's-length basis in accordance with U.S. and local country transfer pricing regulations. The

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jurisdictions in which we operate could challenge our determination of arm's-length profit and issue tax assessments. Although the United States has income tax treaties with all countries in which we have operations, which should alleviate the risk of double taxation, the costs to appeal any such tax assessment and potential interest and penalties could decrease our earnings and cash flows.

The Indian taxing authorities issued assessment orders for the fiscal years ended March 31, 2004 to March 31, 2008 of our Indian subsidiary, Virtusa (India) Private Ltd. ("Virtusa India"). At issue in these assessments were several matters, the most significant of which was the re-determination of the arm's-length profit related to intercompany transactions. For fiscal year ended March 31, 2004 and 2005, we contested both assessments and also filed appeals with Indian tax authorities and U.S. Competent Authorities. Although we have settled certain tax obligations for the fiscal years ended March 31, 2004 and 2005, we have appealed certain other tax related matters effecting our fiscal year ended March 31, 2004 and 2005 with the Indian tax authorities. During the fiscal year ended March 31, 2005, we have appealed the redetermination of arm length pricing for transactions with our U.K subsidiary. We continue to appeal the remaining fiscal years assessments with the Indian tax authorities. If we do not prevail in our appeals, we may incur an additional legal liability and obligations to pay additional interest, penalties and costs related to such matters.

Our net income may decrease if the governments of India or Sri Lanka levy new taxes or reduce or withdraw tax benefits and other incentives provided to us.

Virtusa India is an export-oriented company under the Indian Income Tax Act of 1961 and is entitled to claim tax exemption for each Software Technology Park ("STP"), which it operates. Virtusa India historically has operated STPs in Hyderabad and in Chennai. The income tax benefits of the STP in Hyderabad and Chennai expired on March 31, 2010 and 2011, respectively. Historically, however, substantially all of the earnings of both STPs qualified as tax-exempt export profits. Although we believe we have complied with and were eligible for the STP holidays, the government of India may deem us ineligible for the STP holiday or make adjustments to the profit level in previous tax years, subject to the applicable statute of limitations, which could result in additional legal liability, including obligations to pay additional taxes, penalties, interest and other costs arising out of such matter. For instance, the Indian taxing authorities issued an assessment order for the fiscal years ended March 31, 2006 and 2007 of Virtusa India related to the denial of all STP benefits for our Chennai STP on the basis that it was formed by the splitting up or the reconstruction of our Hyderabad STP. Although we have filed appeals with the appropriate Indian tax authorities, we may incur additional legal liability and obligations to pay additional interest, penalties and costs related to such matter. We have appealed such assessment but we can make no assurance that our appeal will be successful.

We have located a portion of our Indian operations in areas designated as a Special Economic Zone ("SEZ"), under the SEZ Act of 2005. In particular, we are continuing our construction of a facility on a 6.3 acre parcel of land in Hyderabad, India that has been designated as a SEZ. In addition, we have leased space and operate in a SEZ designated location in Chennai, India. Although our profits from the SEZ operations would be eligible for certain income tax exemptions for a period up to 15 years, we may not be able to take full advantage of the tax holidays in each SEZ if we are not able to grow our operations, including the hiring of IT professionals into the SEZ facilities and there is no guarantee that we will secure SEZ status for any other future locations in India. Additionally, the government of India may deem us ineligible for a SEZ holiday or make adjustments to the transfer pricing profit levels resulting in an overall increase in our effective tax rate.

In addition, our Sri Lankan subsidiary, Virtusa Private Ltd. ("Virtusa SL"), was approved as an export computer software developer by the Sri Lanka Board of Investment ("BOI") in 1998 and has been granted a tax holiday. Virtusa SL has negotiated various extensions and new arrangements of the original holiday period in exchange for further capital investments in Sri Lanka facilities. The most recent 12-year tax holiday agreement, which is set to expire on March 31, 2019, requires that we meet certain new job

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creation and investment criteria. As of March 31, 2012, we have not yet met the job creation target. However, the BOI has recently confirmed that in the event of not being able to meet the required head count by the set date, the BOI would grant a prorated tax holiday. At March 31, 2012, we are eligible for 7 years of the 12-year tax holiday. Further, in relation to the two year tax holiday extension granted for the period ending March 31, 2007, we received notice that the BOI is unable to certify the tax holiday. While we will contest such findings, we cannot provide assurance that we will prevail or, if we settle, it will be on terms favorable to us. If any such tax assessment were ruled against us, such a ruling may materially harm our business, operating results, financial results and materially reduce our profitability.

Wage pressures and increases in government mandated benefits in India and Sri Lanka may reduce our profit margins.

Wage costs in India and Sri Lanka have historically been significantly lower than wage costs in the United States and Europe for comparably-skilled professionals. However, wages in India and Sri Lanka are increasing, which will result in increased costs for IT professionals, particularly project managers and other mid-level professionals. We may need to increase the levels of our team member compensation more rapidly than in the past to remain competitive without the ability to make corresponding increases to our billing rates. Compensation increases may reduce our profit margins, make us less competitive in pricing potential projects against those companies with lower cost resources and otherwise harm our business, operating results and financial condition.

In addition, we contribute to benefit funds covering our employees in India and Sri Lanka as mandated by the Indian and Sri Lankan governments. Benefits are based on the team member's, years of service and compensation. If the governments of India and/or Sri Lanka were to legislate increases to the benefits required under these plans or mandate additional benefits, our profitability and cash flows would be reduced.

Our facilities are at risk of damage by earthquakes, tsunamis and other natural disasters.

In December 2004, Sri Lanka and India were struck by multiple tsunamis that devastated certain areas of both countries. Our Indian and Sri Lankan facilities are located in regions that are susceptible to tsunamis and other natural disasters, which may increase the risk of disruption of information systems and telephone service for sustained periods. Damage or destruction that interrupts our ability to deliver our services could damage our relationships with our clients and may cause us to incur substantial additional expense to repair or replace damaged equipment or facilities. Our insurance coverage may not be sufficient to cover all such expenses. Furthermore, we may be unable to secure such insurance coverage or to secure such insurance coverage at premiums acceptable to us in the future. Prolonged disruption of our services as a result of natural disasters may cause our clients to terminate their contracts with us and may result in project delays, project cancellations and loss of substantial revenue to us. Prolonged disruptions may also harm our team members or cause them to relocate, which could have a material adverse effect on our business.

The laws of India and Sri Lanka do not protect intellectual property rights to the same extent as those of the United States and we may be unsuccessful in protecting our intellectual property rights. Unauthorized use of our intellectual property rights may result in loss of clients and increased competition.

Our success depends, in part, upon our ability to protect our proprietary methodologies, trade secrets and other intellectual property. We rely upon a combination of trade secrets, confidentiality policies, non-disclosure agreements, other contractual arrangements and copyright, patent, and trademark laws to protect our intellectual property rights. However, existing laws of India and Sri Lanka do not provide protection of intellectual property rights to the same extent as provided in the United States. The steps we take to protect our intellectual property may not be adequate to prevent or deter infringement or other unauthorized use of our intellectual property. Thus, we may not be able to detect unauthorized use or take

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appropriate and timely steps to enforce our intellectual property rights. Our competitors may be able to imitate or duplicate our services or methodologies. The unauthorized use or duplication of our intellectual property could disrupt our ongoing business, distract our management and team members, reduce our revenue and increase our costs and expenses. We may need to litigate to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any such litigation could be extremely time-consuming and costly and could materially adversely impact our business.

Any changes in U.S. corporate income tax law to impose U.S. tax on untaxed foreign profits could result in a higher effective income tax rate for us and adversely impact net income.

The current administration has indicated it would support a tax policy that would limit certain incentives for U.S. companies which invest and reinvest overseas. If the current exemption for permanently reinvested foreign profits were to be repealed, it would have a material adverse impact on our effective tax rate and net income. We permanently reinvest our profits in and through our non-U.S. subsidiaries located in India and Sri Lanka where certain of such profits are not currently subject to tax under tax holidays in these countries. We can provide no assurance that a far reaching tax proposal impacting permanently reinvested foreign profits could be enacted which would reduce our net income and cash flows.

Risks related to our common stock

The market price of our common stock continues to be volatile.

The market price of our common stock has at times experienced substantial price volatility as a result of variations between our actual and anticipated financial results, announcements by us and our competitors, projections or speculation about our business or that of our competitors by the media or investment analysts or uncertainty about current global economic conditions. The stock market, as a whole, also has experienced extreme price and volume fluctuations that have affected the market price of the common stock of many technology companies in ways that may have been unrelated to such companies' operating performance. Furthermore, we believe the market price of our common stock should reflect future growth and profitability expectations. If we fail to meet these expectations, the market price of our common stock may significantly decline.

In addition, there are many other factors that may cause the market price of our common stock to fluctuate, including:

- actual or anticipated variations in our quarterly operating results or the quarterly financial results of companies perceived to be similar to us
- deterioration and decline in general economic, industry and/or market conditions
- announcements of technological innovations or new services by us or our competitors
- changes in estimates of our financial results or recommendations by market analysts
- announcements by us or our competitors of significant projects, contracts, acquisitions, strategic alliances or joint ventures
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt
- regulatory developments in the United States, the United Kingdom, India, Sri Lanka or other countries in which we operate or have clients
- litigation involving our company, our general industry or both
- additions or departures of key team members
- investors' general perception of us
- changes in the market valuations of other IT service providers

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If any of the foregoing occurs or continues to occur, it could cause our stock price to fall and may expose us to securities class action litigation. Any securities class action litigation could result in substantial costs and the diversion of management's attention and resources. Many of these factors are beyond our control.

Provisions in our charter documents and under Delaware law may prevent or delay a change of control of us and could also limit the market price of our common stock.

Certain provisions of Delaware law and of our certificate of incorporation and by-laws could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of us, even if such a change in control would be beneficial to our stockholders or result in a premium for your shares of our common stock. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management. These provisions include:

- a classified board of directors
- limitations on the removal of directors
- advance notice requirements for stockholder proposals and nominations
- the inability of stockholders to act by written consent or to call special meetings
- the ability of our board of directors to make, alter or repeal our by-laws

The affirmative vote of the holders of at least 75% of our shares of capital stock entitled to vote is necessary to amend or repeal the above provisions that are contained in our certificate of incorporation. In addition, our board of directors has the ability to designate the terms of and issue new series of preferred stock without stockholder approval. Also, absent approval of our board of directors, our by-laws may only be amended or repealed by the affirmative vote of the holders of at least 75% of our shares of capital stock entitled to vote.

In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law, which limits business combination transactions with stockholders of 15% or more of our outstanding voting stock that our board of directors has not approved. These provisions and other similar provisions make it more difficult for stockholders or potential acquirers to acquire us without negotiation. These provisions may apply even if some stockholders may consider the transaction beneficial to them.

These provisions could limit the price that investors are willing to pay in the future for shares of our common stock. These provisions might also discourage a potential acquisition proposal or tender offer, even if the acquisition proposal or tender offer is at a premium over the then current market price for our common stock.

Our existing stockholders and management control a substantial interest in us and thus may influence certain actions requiring stockholder vote.

Our executive officers, directors and stockholders affiliated with our directors beneficially own, in the aggregate, shares representing approximately 22.3% of our outstanding capital stock. Although we are not aware of any voting arrangements that are in place among these stockholders, if these stockholders were to choose to act together, as a result of their stock ownership, they would be able to exert substantial influence in the matters submitted to our stockholders for approval, including the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of our company on terms that other stockholders may desire.

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Item 1B. *Unresolved Staff Comments.*

None.

Item 2. *Properties.*

Our principal executive offices are located in Westborough, Massachusetts, where pursuant to an amendment to our existing lease dated as of March 31, 2010, we lease approximately 22,147 square feet for a term expiring February 28, 2018. We also have sales and business development offices located in Maidenhead and London in the United Kingdom. We also have a lease in Connecticut totaling approximately 8,535 square feet expiring in the fiscal year ending March 31, 2018. We also have two leases in New York totaling approximately 9,884 square feet expiring in the fiscal year ending March 31, 2015 and March 31, 2023.

We have global delivery centers located in Bangalore, Hyderabad and Chennai, India as well as in Colombo, Sri Lanka and Budapest, Hungary. We lease space at one facility in Hyderabad, India, totaling approximately 17,673 square feet, and at two facilities in Chennai, India, totaling approximately 206,432 square feet. In Colombo, Sri Lanka, we lease space at two facilities totaling approximately 165,312 square feet. Our leases in India and Sri Lanka vary in duration and term, have varying renewable terms and have expiration dates extending from 2012 to 2018. In addition, in March 2008, we entered into a 99-year lease, as amended in August 2008, with an option for an additional 99 years for approximately 6.3 acres of land in Hyderabad, India, where we are presently building a campus. We are in the process of constructing a facility on such campus which, when completed, will total approximately 325,000 square feet.

We also have sales and business development offices located in New York, California, the Netherlands, Germany and Singapore. These are short term leases with maturities not longer than one year.

We believe that our existing and planned facilities are adequate to support our existing operations and that, as needed, we will be able to obtain suitable additional facilities on commercially reasonable terms.

Item 3. *Legal Proceedings.*

We are involved in various claims and legal actions arising in the ordinary course of business. In the opinion of our management, the outcome of such claims and legal actions, if decided adversely, is not currently expected to have a material adverse effect on our operating results, cash flows or consolidated financial position.

Item 4. *Mine Safety Disclosures.*

Not applicable.

PART II

Item 5. *Market for Our Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.*

Our common stock commenced trading on the NASDAQ Global Market on August 3, 2007 under the symbol "VRTU". The following table sets forth, for the periods indicated, the high and low sale prices for our common stock for our fiscal years ended March 31, 2012 and March 31, 2011, respectively, as reported on the NASDAQ Global Market.

	High	Low
Fiscal 2011:		
First quarter	\$ 11.45	\$ 8.09
Second quarter	\$ 11.20	\$ 8.12
Third quarter	\$ 16.82	\$ 9.57
Fourth quarter	\$ 18.86	\$ 15.92
Fiscal 2012:		
First quarter	\$ 21.11	\$ 16.75
Second quarter	\$ 21.79	\$ 12.31
Third quarter	\$ 16.95	\$ 11.87
Fourth quarter	\$ 17.41	\$ 14.20

As of May 21, 2012, there were approximately 25,645,144 shares of our common stock outstanding held by approximately 191 stockholders of record and the last reported sale price of our common stock on the NASDAQ Global Market on May 21, 2012 was \$14.36 per share.

Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We currently expect to retain future earnings, if any, to finance the growth and development of our business and we do not anticipate paying any cash dividends in the foreseeable future. We intend to permanently reinvest our foreign earnings. Our line of credit with a bank could restrict our ability to declare or make any dividends or similar distributions.

Equity Compensation Plan Information

The following table provides information as of March 31, 2012 with respect to the shares of our common stock that may be issued under our existing equity compensation plans. We have three equity compensation plans, each of which has been approved by our stockholders: (1) the Amended and Restated 2000 Stock Option Plan, which we refer to as the 2000 Plan; (2) the 2005 Stock Appreciation Rights Plan, which we refer to as the SAR Plan; and (3) the 2007 Stock Option and Incentive Plan, which we refer to as the 2007 Plan. For additional information on our equity compensation plans, including the material

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features of plans not approved by our stockholders, please see note 12 to the consolidated financial statements included elsewhere in this Annual Report.

<u>Plan Category</u>	<u>Number of Securities to be Issued Upon Vesting of Awards or Exercise of Outstanding Options, Warrants and Rights</u>	<u>Weighted Average Exercise Price of Awards or Outstanding Options Warrants and Rights</u>	<u>Number of Securities Available for Future Issuance Under Equity Compensation Plans</u>
Equity compensation plans that have been approved by security holders—stock options(1)	1,587,324	\$ 9.97	1,045,319(2)(3)
Equity compensation plans that have been approved by security holders—stock appreciation rights(4)	31,146	\$ 4.36	—(2)
Equity compensation plans not approved by security holders(5)	70,333	\$ 6.89	—
Total	1,688,803		1,045,319

(1) Consists of the 2000 Plan and the 2007 Plan.

(2) In the event that any stock option issued under the 2000 Plan or any stock appreciation right issued under the SAR Plan terminates without being exercised, the number of shares underlying such option or stock appreciation right becomes available for grant under the 2007 Plan. No further awards are authorized to be granted under the 2000 Plan or the SAR Plan.

(3) Under the 2007 Plan, the number of shares reserved and available for issuance under the 2007 Plan is automatically increased each April 1 by 2.9% of the outstanding number of shares of common stock outstanding on the immediately preceding March 31 or such lower number of shares of common stock as determined by our board of directors.

(4) Consists of the SAR Plan.

(5) Consists of 70,333 shares issuable upon exercise of options granted to Mr. Martin Trust, a board member. These options vested over a four-year period, are now fully vested and were granted on terms substantially similar to options granted under the 2000 Plan.

Issuer Purchases of Equity Securities

Under the terms of our 2007 Plan, we have issued shares of restricted stock to our employees. On the date that these restricted shares vest, we automatically withhold, via a net exercise provision pursuant to our applicable restricted stock agreements and the 2007 Plan, the number of vested shares (based on the closing price of our common stock on such vesting date) equal to tax liability owed by such grantee. The shares withheld from the grantees to settle their tax liability are reallocated to the number of shares available for issuance under the 2007 Plan. For the three month period ended March 31, 2012, we withheld an aggregate of 7,270 shares of restricted stock at a price of \$15.08 per share.

On May 8, 2012, our Board of Directors authorized a share repurchase program of up to \$15 million of our common stock over the next 12 months. Share repurchases under the program may be made through open market purchases or privately negotiated transactions in accordance with applicable federal securities laws, including Rule 10b-18 of the Exchange Act. While the board of directors has approved the share purchasing guidelines, the timing of repurchases and the exact number of shares of common stock to be purchased will be determined by our management, at its discretion, and will depend upon market conditions and other factors. The program will be funded using our cash on hand and cash generated from operations. The program may be extended, suspended or discontinued at any time.

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

None

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Item 6. Selected Financial Data.

The selected historical financial data set forth below at March 31, 2012 and 2011 and for the fiscal years ended March 31, 2012, 2011 and 2010 are derived from our consolidated financial statements which are included elsewhere in this Annual Report on Form 10-K. The selected historical financial data at March 31, 2010, 2009 and 2008 and for the fiscal years ended March 31, 2009 and 2008 are derived from our consolidated financial statements which are not included elsewhere in this Annual Report. The following selected consolidated financial data should be read in conjunction with our consolidated financial statements, the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report. The historical results are not necessarily indicative of the results to be expected for any future period.

Consolidated statements of income data

	Fiscal Year Ended March 31,				
	2012	2011	2010	2009	2008
	(In thousands, except share and per share amounts)				
Revenue	\$ 277,771	\$ 217,979	\$ 164,365	\$ 172,942	\$ 165,198
Costs of revenue	177,434	134,496	94,142	105,100	92,847
Gross profit	100,337	83,483	70,223	67,842	72,351
Operating expenses	76,438	65,697	57,330	57,864	52,972
Income from operations	23,899	17,786	12,893	9,978	19,379
Other income	2,547	441	56	2,888	3,249
Income before income tax expense	26,446	18,227	12,949	12,866	22,628
Income tax expense	6,411	2,027	820	809	4,857
Net income	\$ 20,035	\$ 16,200	\$ 12,129	\$ 12,057	\$ 17,771
Net income per share of common stock					
Basic	\$ 0.81	\$ 0.68	\$ 0.52	\$ 0.53	\$ 0.83
Diluted	\$ 0.79	\$ 0.66	\$ 0.50	\$ 0.50	\$ 0.76
Weighted average number of common shares outstanding					
Basic	24,643,063	23,783,457	23,153,973	22,763,759	21,368,470
Diluted	25,383,650	24,714,808	24,032,675	24,136,716	23,282,663

Consolidated balance sheets data

	At March 31,				
	2012	2011	2010	2009	2008
	(In thousands)				
Cash and cash equivalents	\$ 58,105	\$ 50,218	\$ 43,851	\$ 55,698	\$ 41,047
Working capital	\$ 114,430	\$ 123,264	\$ 92,367	\$ 94,823	\$ 108,808
Total assets	\$ 273,393	\$ 246,177	\$ 215,873	\$ 187,023	\$ 180,770
Redeemable convertible preferred stock	—	—	—	—	—
Total stockholders' equity	\$ 218,174	\$ 207,336	\$ 181,794	\$ 152,586	\$ 155,834

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of our operations should be read together with our consolidated financial statements and related notes to consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The following discussion contains forward-looking statements. Actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ materially from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this Annual Report.

Business overview

We are a global information technology services company. We use an offshore delivery model to provide a broad range of IT services, including IT consulting, technology implementation and application outsourcing. Using our enhanced global delivery model, innovative platforming approach and industry expertise, we provide cost-effective services that enable our clients to use IT to enhance business performance, accelerate time-to-market, increase productivity and improve customer service. Headquartered in Massachusetts, we have offices in the United States, the United Kingdom, the Netherlands, Germany and Singapore and global delivery centers in Hyderabad and Chennai, India, Colombo, Sri Lanka and Budapest, Hungary. At March 31, 2012, we had 5,672 employees, or team members, an increase from 5,056 at March 31, 2011. For the fiscal year ended March 31, 2012, we had revenue of \$277.8 million and income from operations of \$23.9 million. In our fiscal year ended March 31, 2012, our revenue increased by \$59.8 million, or 27.4%, to \$277.8 million, as compared to \$218.0 million in our fiscal year ended March 31, 2011. Our net income increased from \$16.2 million in our fiscal year ended March 31, 2011 to \$20.0 million in our fiscal year ended March 31, 2012.

The key drivers of the increase in revenue in our fiscal year ended March 31, 2012, as compared to our fiscal year ended March 31, 2011, were as follows:

- Broad based growth of our clients existing at March 31, 2011, including our top ten clients collectively
- Broad based revenue growth from clients in our banking, financial services and insurance ("BFSI") and communications and technology ("C&T") industries
- Revenue from clients obtained in connection with the acquisition of ALaS in July 2011

The key drivers of our increase in net income in our fiscal year ended March 31, 2012, as compared to our fiscal year ended March 31, 2011, were as follows:

- Higher revenue, partially offset by higher onsite effort, increased use of subcontractors, increased compensation costs related to our IT professionals and an increase in visa costs
- Increased efficiencies in selling, general and administrative expenses over a larger revenue base, partially offset by higher tax expense due to expiration of certain of our tax holidays in India

High repeat business and client concentration are common in our industry. During our quarter ended March 31, 2012, 90% of our revenue was derived from clients who had been using our services for more than one year. Accordingly, our global account management and service delivery teams focus on expanding client relationships and converting new engagements to long-term relationships to generate repeat revenue and expand revenue streams from existing clients. We also have a dedicated business development team focused on generating engagements with new clients to continue to expand our client base and, over time, reduce client concentration. As a result of our business development efforts, our average revenue per new client closed in the fiscal year ended March 31, 2012 increased as compared to the fiscal year ended March 31, 2011.

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For the fiscal years ended March 31, 2012, 2011 and 2010, we generated 54%, 49%, and 56%, respectively, of revenue from application outsourcing and 46%, 51% and 44%, respectively, of revenue from consulting services.

We perform our services under both time-and-materials and fixed-price contracts. Revenue from fixed-price contracts was 18%, 19%, and 18% of total revenue for the fiscal years ended March 31, 2012, 2011 and 2010, respectively. The revenue earned from fixed-price contracts reflects our clients' preferences during the fiscal years ended March 31, 2012, 2011 and 2010.

At March 31, 2012, we had cash and cash equivalents, short-term and long-term investments of \$85.4 million as compared to \$112.0 million at March 31, 2011. The decrease related primarily to the cash consideration of approximately \$27.8 million we paid on July 1, 2011 to ALaS in connection with the acquisition of the ALaS business. For the fiscal year ending March 31, 2013, we expect the following factors, among others, to affect our business and our operating results:

- Global economic conditions
- Uncertainty in overall demand for global IT services
- Foreign currency volatility
- Continued impact of an increased effective income tax rate as a result of the geographical mix of our profits.

For the fiscal year ending March 31, 2013, we plan to:

- Continue to invest in our talent base, including new onsite campus recruitment programs
- Continue our focus on client generation and expansion of revenue gained from existing clients
- Invest in healthcare solutions as well as leverage our expertise in customer relations management and business process management
- Deepen our domain expertise in our service offerings related to mobile applications, social media and cloud computing
- Broaden our consulting and solutions capabilities related to our service offerings
- Pursue opportunistically acquisitions that would improve or broaden our overall service delivery capabilities, domain expertise and / or service offerings
- Implement resource and operating optimization initiatives to improve operating efficiencies

As an IT services company, our revenue growth has been, and will continue to be, highly dependent on our ability to attract, develop, motivate and retain skilled IT professionals. For the fiscal year ended March 31, 2012, we finished the fiscal year with a total headcount of 5,672, as compared with a total headcount of 5,056 for the fiscal year ended March 31, 2011. There is intense competition for IT professionals with the skills necessary to provide the type of services we offer. We closely monitor our overall attrition rates and patterns to ensure our people management strategy aligns with our growth objectives. For the last twelve months ended March 31, 2012, our voluntary attrition rate was 15.5%, while our involuntary attrition rate was 5.0%. The majority of our attrition occurs in India and Sri Lanka, and is weighted towards the more junior members of our staff. In response to higher attrition and as part of our retention strategies, we have experienced increases in compensation and benefit costs, which may continue in the future. However, we try to absorb such cost increases through price increases or cost management strategies such as managing discretionary costs, the mix of professional staff and utilization levels and achieving other operating efficiencies. If our attrition rate increases or is sustained at higher levels, our growth may slow and our cost of attracting and retaining IT professionals could increase.

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We have continued to maintain an eight quarter hedging program, which we believe has been effective since inception at reducing the impact of fluctuations in local currencies on our operating results, although there is no assurance that this hedging program will continue to be effective. These hedges may also cause us to forego benefits of a positive currency fluctuation, especially given the volatility of these currencies. In addition, to the extent that these hedges cease to qualify for hedge accounting, we may have to recognize gains or losses on the aggregate amount of hedges placed earlier than expected.

We monitor a number of operating metrics to manage and assess our earnings, including:

- *Days sales outstanding ("DSO")* is a measure of the number of days our accounts receivable are outstanding based upon the last 90 days of revenue activity, which indicates the timeliness of our cash collection from clients and our overall credit terms to our clients. DSO was 81 days and 76 days as of March 31, 2012 and March 31, 2011, respectively. Higher DSO reduces our cash balance because the revenue-to-cash conversion process takes longer.
- *Realized billing rates* are the rates we charge our clients for our services, which reflect the value our clients place on our services, market competition and the geographic location in which we perform our services. Our realized billing rates have marginally increased for our fiscal year ended March 31, 2012 as compared to our fiscal year ended March 31, 2011. Any increase in realized billing rates is a result of our ability to successfully preserve or increase our billing rates with existing and/or new clients.
- *Average cost per IT professional* is the sum of team member salaries, including variable compensation, and fringe benefits, divided by the average number of IT professionals during the period. We experienced an increase in our average cost per IT professional in Asia from our fiscal year ended March 31, 2011 to our fiscal year ended March 31, 2012, primarily driven by competition and industry wide wage increases.
- *Utilization rate* is the percentage of time billable IT professionals are deployed on client engagements, which indicates the efficiency of our billable IT resources. Our utilization rate is defined as the number of billable hours in a given period of time divided by the total number of available hours of our IT professionals in a given period of time, excluding trainees. We track our utilization rates to measure revenue potential and gross profit margins. Management's targeted range for the utilization rate is between 70% and 80%. The utilization rate is affected by the rate of quarterly sequential revenue growth, as well as ability to staff existing IT professionals on billable engagements. In growth periods, utilization tends to rise as more resources are deployed to meet rising demand. Utilization rates above the target 80% may also indicate that there are insufficient IT professionals to staff existing or future engagements which may result in loss of revenue or inability to service client engagements.
- *Attrition rate* is the ratio of terminated team members during the latest twelve months to the total number of team members at the end of such period, which measures team member turnover. Increased voluntary attrition rates result in increased hiring, training and on-boarding costs and productivity losses, which may adversely affect our revenue, gross margin and operating profit margin. Our voluntary attrition rate was 15.5%, while our involuntary attrition rate was 5.0%, for the fiscal year ended March 31, 2012. Our voluntary attrition rate was 22.6% for the fiscal year ended March 31, 2011, while our involuntary attrition rate was 5.1% for the same fiscal year.
- *Operating expense efficiency* is a measure of operating expenses as a percentage of revenue. If we continue to successfully grow our revenue, we anticipate that operating expenses will decrease as a percentage of revenue as such expenses are absorbed across a larger revenue base. In the near term, however, any operating expense efficiency may decline if our revenue declines.
- *Effective tax rate* is our worldwide tax expense as a percentage of our consolidated net income before tax, which measures the impact of income taxes worldwide on our operations and net

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income. We monitor and assess our effective tax rate to evaluate whether our tax structure is competitive as compared to our industry. Our effective tax rate was 24.2% and 11.1% for the fiscal years ended March 31, 2012 and 2011 respectively. The expiration of our STP tax holidays in Hyderabad and Chennai, which expired on March 31, 2010 and 2011, respectively, resulted in an increase in our effective tax rate as compared to prior periods. Increases in our effective tax rate or a high effective tax rate will also have a negative effect on our earnings in future periods.

- *Onsite-to-offshore mix* is the measurement of hours billed by resources located offshore to hours billed by our team members onsite over a defined period. We strive to manage both fixed-price contracts and time-and-materials engagements to a 20/80 onsite-to-offshore service delivery team mix, although such delivery mix may be impacted by several factors including our new and existing client delivery requirements as well as the impact of any U.S. based acquisitions. For the fiscal year ending March 31, 2013, we anticipate the onsite ratio to slightly increase due to new client engagements, existing work on larger, more complex programs, as well as the full fiscal year impact of the ALaS acquisition.

Sources of revenue

We generate revenue by providing IT services to our clients located primarily in North America and Europe. We have historically earned, and believe that over the next few fiscal years we will continue to earn a significant portion of our revenue from a limited number of clients. For the fiscal year ended March 31, 2012, collectively, our five largest and ten largest clients accounted for 45% and 59% of our revenue, respectively. Our two largest clients accounted for 16% and 12%, respectively, of our revenue for the fiscal year ended March 31, 2012. The loss of any one of our major clients could reduce our revenue and operating profit and harm our reputation in the industry. During the fiscal year ended March 31, 2012, 78% of our revenue was generated in North America, 18% in Europe and 4% in rest of the world. We provide IT services on either a time-and-materials or a fixed-price basis. For the fiscal year ended March 31, 2012, the percentage of revenue from time-and-materials and fixed-price contracts was 82% and 18%, respectively.

Revenue from services provided on a time-and-materials basis is derived from the number of billable hours in a period multiplied by the contractual rates at which we bill our clients. Revenue from services provided on a fixed-price basis is recognized as efforts are expended pursuant to the percentage-of-completion method. Revenue also includes reimbursements of travel and out-of-pocket expenses with equivalent amounts of expense recorded in costs of revenue. Most of our client contracts, including those that are on a fixed-price basis, can be terminated by our clients with or without cause on 30 to 90 days prior written notice. All fees for services provided by us through the date of cancellation are generally due and payable under the contract terms.

Our unit pricing is driven by business need, delivery timeframes, complexity of the engagement, operating differences (such as onsite/offshore ratio), competitive environment and engagement size or volume. As a pricing strategy to encourage clients to increase the volume of services that we provide to them, we may, on occasion, offer volume discounts. We manage our business carefully to protect our account margins and our overall profit margins. We find that our clients generally purchase on the basis of total value, rather than on minimum cost, considering all of the factors listed above.

While we are subject to the effects of overall market pricing pressure, we believe that there is a fairly broad range of pricing offered by different competitors for each service we provide. We believe that no one competitor, or set of competitors, sets pricing in our industry. We find that our unit pricing, as a result of our global delivery model, is generally competitive with other firms who operate with a predominately offshore operating model.

The proportion of work performed at our offshore facilities and at onsite client locations varies from period-to-period. Effort, in terms of the percentage of hours billed to clients by onsite resources, was 20%

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and 18% of total hours billed in each of the fiscal years ended March 31, 2012 and 2011, respectively, while the revenue from resources located onsite and offshore accounted for 49% and 51% respectively in the fiscal year ended March 31, 2012, and 49% and 51% respectively during the fiscal year ended March 31, 2011. We charge higher rates and incur higher compensation costs and other expenses for work performed at client locations in the United States and the United Kingdom as compared to work performed at our global delivery centers in India, Sri Lanka and Hungary. Services performed at client locations or at our offices in the United States or the United Kingdom generate higher revenue per-capita at lower gross margins than similar services performed at our global delivery centers in India and Sri Lanka. We manage to a 20/80 onsite-to-offshore service delivery mix, although such delivery mix may be impacted by several factors including our new and existing client delivery requirements as well as the impact of any U.S. based acquisitions. For the fiscal year ending March 31, 2013, we anticipate the onsite ratio to slightly increase due to new client engagements, existing work on larger, more complex programs, as well as the full year impact of the ALaS acquisition.

Costs of revenue and gross profit

Costs of revenue consist principally of payroll and related fringe benefits, reimbursable and non-reimbursable costs, immigration-related expenses, fees for subcontractors working on client engagements and share-based compensation expense for IT professionals including account management personnel.

Wage costs in India and Sri Lanka have historically been significantly lower than wage costs in the United States and Europe for comparably-skilled IT professionals. However, wages in India and Sri Lanka are increasing in local currency, which will result in increased costs for IT professionals, particularly project managers and other mid-level professionals. We may need to increase the levels of our team member compensation more rapidly than in the past to remain competitive without the ability to make corresponding increases to our billing rates. Compensation increases may reduce our profit margins, make us less competitive in pricing potential projects against those companies with lower cost resources and otherwise harm our business, operating results and financial condition. We deploy a campus hiring philosophy and encourage internal promotions to minimize the effects of wage inflation pressure and recruiting costs. Additionally, any material appreciation in the Indian rupee or Sri Lankan rupee against the U.S. dollar or U.K. pound sterling could have a material adverse impact on our cost of services.

Our revenue and gross profit are also affected by our ability to efficiently manage and utilize our IT professionals and fluctuations in foreign currency exchange rates. We define utilization rate as the total number of days billed in a given period divided by the total available days of our IT professionals during that same period, excluding trainees. We manage employee utilization by continually monitoring project requirements and timetables to efficiently staff our projects and meet our clients' needs. The number of IT professionals assigned to a project will vary according to the size, complexity, duration and demands of the project. An unanticipated termination or reduction of a significant project could cause us to experience a higher than expected number of unassigned IT professionals, thereby lowering our utilization rate.

Although, we have adopted an eight quarter cash flow hedging program to minimize the effect of the Indian rupee movement on our financial condition, particularly our costs of revenue, these hedges may not be effective or may cause us to forego benefits, especially given the volatility of these currencies. In addition, to the extent that these hedges do not qualify for hedge accounting, we may have to recognize gains or losses on the aggregate amount of hedges remaining outstanding as of the balance sheet date.

Operating expenses

Operating expenses consist primarily of payroll and related fringe benefits, commissions, selling, share-based compensation and non-reimbursable costs, as well as promotion, communications, management, finance, administrative, occupancy, marketing and depreciation and amortization expenses. In the fiscal

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years ended March 31, 2012, 2011, and 2010, we invested in all aspects of our business, including sales, marketing, IT infrastructure, facilities, human resources programs and financial operations. Additionally, any material appreciation in the Indian rupee or Sri Lankan rupee against the U.S. dollar or U.K. pound sterling could have a material adverse impact on our cost of operating expenses.

Other income (expense)

Other income (expense) includes interest income, interest expense, investment gains and losses, foreign currency transaction gains and losses and disposal of fixed assets. We generate interest income by investing in time deposits, money market instruments, short-term investments and long-term investments. The functional currencies of our subsidiaries are their local currencies, except for Hungary which operates in the euro zone. Foreign currency gains and losses are generated primarily by fluctuations of the Indian rupee, Sri Lankan rupee and U.K. pound sterling against the U.S. dollar on intercompany transactions. We place our cash in liquid investments at highly-rated financial institutions based on our investment policy approved by our audit committee and board of directors. We believe that our credit policies reflect normal industry terms and business risk.

Income tax expense

Our net income is subject to income tax in those countries in which we perform services and have operations, including the United States, the United Kingdom, India, Sri Lanka, the Netherlands, Germany, Singapore and Hungary. In the fiscal year ended March 31, 2012, our effective tax rate was impacted by the mix of income by jurisdiction, availability and term of certain tax holidays and certain tax positions identified during the fiscal year ended March 31, 2012. Historically, we have benefited from long-term income tax holiday arrangements in both India and Sri Lanka that are offered to certain export-oriented IT services firms. As a result of these tax holiday arrangements, our worldwide profit has been subject to a relatively low effective tax rate as compared to the statutory rates in the countries in which we operate. The effect of the income tax holidays in India and Sri Lanka decreased our income tax expense in the fiscal years ended March 31, 2012 and 2011 by \$5.1 million and \$4.6 million, respectively. However, our tax expense increased by \$1.2 million in the fiscal year ended March 31, 2012 compared to our tax expense for our fiscal year ended March 31, 2011 due to the expiration of our STP tax holiday in Chennai, India on March 31, 2011. Our effective tax rate in our fiscal year ended March 31, 2011 and March 31, 2012 also reflected the impact of the expiration of our STP tax holiday in Hyderabad on March 31, 2010. Increases in our effective tax rate, or a high effective tax rate, has a negative effect on our earnings in future periods.

Our effective tax rate was 24.2% and 11.1% for each of the fiscal years ended March 31, 2012 and 2011 respectively. Our effective tax rate in future periods will be affected by the geographic distribution of our earnings, as well as the availability of tax holidays in India and Sri Lanka.

Application of critical accounting estimates and risks

Our consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles, or U.S. GAAP. Preparation of these financial statements requires us to make estimates and assumptions that affect the reported amount of revenue and expenses, assets and liabilities and the disclosure of contingent assets and liabilities. We consider an accounting estimate to be critical to the preparation of our consolidated financial statements when both of the following are present:

- the estimate is complex in nature or requires a high degree of judgment; and
- the use of different estimates and assumptions could have a material impact on the consolidated financial statements.

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We have discussed the development and selection of our critical accounting estimates and related disclosures with the audit committee of our board of directors. Those estimates critical to the preparation of our consolidated financial statements are listed below.

Revenue recognition

Our revenue is derived from a variety of IT consulting, technology implementation and application outsourcing services. Our services are performed under both time-and-material and fixed-price arrangements. All revenue is recognized pursuant to U.S. GAAP. Revenue is recognized as work is performed and amounts are earned. We consider amounts to be earned once evidence of an arrangement has been obtained, services are delivered, fees are fixed or determinable and collectability is reasonably assured. For contracts with fees billed on a time-and-materials basis, we generally recognize revenue as the service is performed.

Fixed-price engagements are accounted for under the percentage-of-completion method. Under the percentage-of-completion method, we estimate the percentage-of-completion by comparing the actual number of work days performed to date to the estimated total number of days required to complete each engagement. The use of the percentage-of-completion method requires significant judgment relative to estimating total contract revenue and costs to completion, including assumptions and estimates relative to the length of time to complete the project, the nature and complexity of the work to be performed and anticipated changes in other engagement-related costs. Our analysis of these contracts also contemplates whether contracts should be combined or segmented. We combine closely related contracts when all the applicable criteria under GAAP are met. Similarly, we may segment a project, which may consist of a single contract or a group of contracts, with varying rates of profitability, only if all the applicable criteria under GAAP are met. Estimates of total contract revenue and costs to completion are continually monitored during the term of the contract and are subject to revision as the contract progresses. Unforeseen circumstances may arise during an engagement requiring us to revise our original estimates and may cause the estimated profitability to decrease. When revisions in estimated contract revenue and efforts are determined, such adjustments are recorded in the period in which they are first identified.

Valuation and impairment of investments and/or marketable securities

We classify our marketable securities as available-for-sale or trading securities, and carry them at fair market value. Changes in fair value subsequent to the balance sheet date are recorded in the period in which they occur. The difference between amortized cost and fair market value, net of tax effect, for available-for-sale securities is recorded as a separate component of stockholders' equity. The difference between amortized cost and fair market value for trading securities is reflected in "other income, net" on our consolidated statements of income. Investments and/or marketable securities classified as available-for-sale are considered to be impaired when a decline in fair value below cost basis is determined to be other than temporary. We conduct a periodic review and evaluation of our investment securities to determine if the decline in fair value of any security is deemed to be other-than-temporary. Other-than-temporary impairment losses are recognized on securities when: (i) the holder has an intention to sell the security; (ii) it is more likely than not that the security will be required to be sold prior to recovery; or (iii) the holder does not expect to recover the entire amortized cost basis of the security. Other-than-temporary losses are reflected in earnings as a charge against gain on sale of investments to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income. We have no intention to sell any securities in an unrealized loss position at March 31, 2012 nor is it more likely than not that we would be required to sell such securities prior to the recovery of the unrealized losses. At March 31, 2012, we believe that all impairments of investment securities are temporary in nature.

Our investments in auction rate securities are valued primarily based on an income approach using an estimate of future cash flows because there are currently no active markets or observable market prices.

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We have estimated the fair value using a discounted cash flow analysis which considered the following key inputs: (i) the underlying structure and maturity of each security; (ii) the timing of expected future principal and interest payments; and (iii) discount rates that are believed to reflect current market conditions and the relevant risk associated with each security.

Derivative instruments and hedging activities

We enter into forward foreign exchange contracts to mitigate the risk of changes in foreign exchange rates on intercompany transactions and forecasted transactions denominated in foreign currencies. Certain of these transactions meet the criteria for hedge accounting as cash flow hedges under accounting standards codification. Changes in the fair values of these hedges are deferred and recorded as a component of accumulated other comprehensive income (loss), net of tax, until the hedged transactions occur and are then recognized in the consolidated statements of income. The Company measures the effectiveness of these hedges at the time of inception, as well as on an ongoing basis. If any portion of the hedges is deemed ineffective, the respective portion is recorded in the consolidated statement of earnings in other income (expense). Changes in the fair value for other derivative contracts, if any, are recognized in the same line item as the underlying exposure being hedged in the statements of income. We value our derivatives based on market observable inputs including both forward and spot prices for currencies. Any significant change in the forward or spot prices for currencies would have a significant impact on the value of our derivatives.

Goodwill and Other Intangible Assets

We allocate the cost of an acquired entity to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the purchase price for acquisitions over the fair value of the net assets acquired, including other intangible assets, is recorded as goodwill. Goodwill is not amortized but is tested for impairment at the reporting unit level, defined at the Company level, at least annually in the fourth quarter of each fiscal year or more frequently when events or circumstances occur that indicate that it is more likely than not that an impairment has occurred. Goodwill is tested for impairment using a two-step process that begins with an estimation of the fair value of a reporting unit. Goodwill impairment exists when a reporting unit's carrying value of goodwill exceeds its implied fair value. Significant judgment is applied when goodwill is assessed for impairment.

For the Company's goodwill impairment analysis, the Company operates under one reporting unit. Any impairment would be measured based upon the fair value of the related assets. In performing the first step of the goodwill impairment testing and measurement process, the Company compares its entity-wide estimated fair value to net book value to identify potential impairment. Management estimates the entity-wide fair value utilizing the Company's market capitalization, plus an appropriate control premium. Market capitalization is determined by multiplying the shares outstanding on the assessment date by the market price of the Company's common stock. If the market capitalization is not sufficiently in excess of the Company's book value, the Company will calculate the control premium which considers appropriate industry, market and other pertinent factors. If the fair value of the reporting unit is less than the book value, the second step is performed to determine if goodwill is impaired. If the Company determines through the impairment evaluation process that goodwill has been impaired, an impairment charge would be recorded in the consolidated statement of operations. The Company completed the annual impairment test required during the fourth quarter of the fiscal year ended March 31, 2012 and determined that there was no impairment. The Company continues to closely monitor its market capitalization. If the Company's market capitalization, plus an estimated control premium, is below its carrying value for a period considered to be other-than-temporary, it is possible that the Company may be required to record an impairment of goodwill either as a result of the annual assessment that the Company conducts in the fourth quarter of each fiscal year, or in a future quarter if an indication of potential impairment is evident. The estimated fair value of goodwill on the assessment date exceeded the carrying book value by 74%.

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Other intangible assets with definite lives are tested for impairment when events or circumstances occur that indicate that it is more likely than not that an impairment has occurred. We test other intangible assets with definite lives for impairment by comparing the carrying amount to the sum of the net undiscounted cash flows expected to be generated by the asset whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying amount of the asset exceeds its net undiscounted cash flows, then an impairment loss is recognized for the amount by which the carrying amount exceeds its fair value. We use a discounted cash flow approach or other methods, if appropriate, to assess fair value. The intangible impairment test is performed at the reporting unit level, and the Company is considered a single reporting unit for goodwill and intangible impairment testing purposes.

Income taxes

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations in multiple jurisdictions where the Company has operations. We record liabilities for estimated tax obligations in the United States and other tax jurisdictions. Determining the consolidated provision for income tax expense, tax reserves, deferred tax assets and liabilities and related valuation allowance, if any, involves judgment. We calculate and provide for income taxes in each of the jurisdictions in which we operate, including the United States, the United Kingdom, India, Sri Lanka, the Netherlands, Germany, Singapore and Hungary, and these calculations and determinations can involve complex issues which require an extended period of time to resolve. In the fiscal year of any such resolution, additional adjustments may need to be recorded that result in increases or decreases to income. Our overall effective tax rate fluctuates due to a variety of factors, including arm's-length prices for our intercompany transactions, changes in the geographic mix or estimated level of annual pretax income, as well as newly enacted tax legislation in each of the jurisdictions in which we operate. Applicable transfer pricing regulations require that transactions between and among our subsidiaries be conducted at an arm's-length price. On an ongoing basis, we estimate appropriate arm's-length prices and use such estimates for our intercompany transactions.

At each financial statement date, we evaluate whether a valuation allowance is needed to reduce our deferred tax assets to the amount that is more likely than not to be realized. This evaluation considers the weight of all available evidence, including both future taxable income and ongoing prudent and feasible tax planning strategies. In the event that we determine that we will not be able to realize a recognized deferred tax asset in the future, an adjustment to the valuation allowance would be made, resulting in a decrease in income (or equity in the case of excess stock option tax benefits) in the period such determination was made. Likewise, should we determine that we will be able to realize all or part of an unrecognized deferred tax asset in the future, an adjustment to the valuation allowance would be made, resulting in an increase to income (or equity in the case of excess stock option tax benefits).

We have benefited from long-term income tax holiday arrangements in both India and Sri Lanka. One of our Indian subsidiaries is an export-oriented company that is entitled to claim a tax exemption for a period of ten years for each STP it operates. Our STP holiday for Chennai, India was completely phased out by March 31, 2011 and subsequent to that date, any profits generated in expired STPs will be fully taxable at the Indian statutory rate, which is currently 32.45%. During the fiscal year ended March 31, 2012, most of our profits in India were generated from our STPs. Although we believe we have complied with and are eligible for the STP holiday it is possible that upon examination the government of India may deem us ineligible for the STP holidays or make adjustments to the profit level in previous tax years. We have located new development centers in areas designated as Special Economic Zones ("SEZ") to secure additional tax exemptions for these operations for a period of ten years, which could extend to 15 years if we meet certain reinvestment requirements. Our Sri Lanka subsidiary has been granted an income tax holiday by the Sri Lanka Board of Investment which expires on March 31, 2019. The tax holiday is contingent upon a certain level of job creation by us during a given timetable. Any inability to meet the agreed upon level or timetable for new job creation would jeopardize the benefits from this holiday.

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arrangement. Primarily as a result of these tax holiday arrangements, our worldwide profit has been subject to a relatively low effective tax rate, and the loss of any of these arrangements would increase our overall effective tax rate and reduce our net income.

It is our intent to reinvest all accumulated earnings from foreign operations back into their respective businesses to fund growth. As a component of this strategy, we do not accrue incremental U.S. taxes on foreign earnings as these earnings are considered to be indefinitely reinvested outside of the United States. If such earnings were to be repatriated in the future or are no longer deemed to be indefinitely reinvested, we will accrue the applicable amount of taxes associated with such earnings, which would increase our overall effective tax rate.

Share-based compensation

Under the fair value recognition provisions of accounting standards, share-based compensation cost is measured at the grant date based on the value of the award and is recognized over the vesting period. Determining the fair value of the share-based awards at the grant date requires judgment, including estimating the expected term over which stock options will be outstanding before they are exercised, the expected volatility of our stock and the number of share-based awards that are expected to be forfeited. If actual results differ significantly from our estimates, share-based compensation expense and our results of operations could be materially impacted.

The risk-free interest rate assumptions are based on the interpolation of various U.S. Treasury bill rates in effect during the month in which stock option awards are granted. Our volatility assumption is based on the historical volatility rates of the common stock of its publicly held peers over periods commensurate with the expected term of each grant.

The expected term of employee share-based awards represents the weighted average period of time that awards are expected to remain outstanding. The determination of the expected term of share-based awards assumes that employees' behavior is a function of the awards vested, contractual lives, and the extent to which the award is in the money. Accordingly, we have elected to use the "simplified" method of determining the expected term or life of its share-based awards due to our limited trading history.

Results of operations

Fiscal year ended March 31, 2012 compared to fiscal year ended March 31, 2011

The following table presents an overview of our results of operations for the fiscal years ended March 31, 2012 and 2011:

	Fiscal Year Ended March 31,		\$ Change	% Change
	2012	2011		
	(Dollars in thousands)			
Revenue	\$ 277,771	\$ 217,979	\$ 59,792	27.4%
Costs of revenue	177,434	134,496	42,938	31.9%
Gross profit	100,337	83,483	16,854	20.2%
Operating expenses	76,438	65,697	10,741	16.3%
Income from operations	23,899	17,786	6,113	34.4%
Other income	2,547	441	2,106	477.6%
Income before income tax expense	26,446	18,227	8,219	45.1%
Income tax expense	6,411	2,027	4,384	216.3%
Net income	\$ 20,035	\$ 16,200	\$ 3,835	23.7%

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Revenue

Revenue increased by 27.4%, or \$59.8 million, from \$218.0 million during the fiscal year ended March 31, 2011 to \$277.8 million in the fiscal year ended March 31, 2012, due primarily to higher revenue contribution from all of our industry groups led by BFSI and C&T and revenue contribution of clients acquired in the ALaS acquisition. Revenue from clients existing as of March 31, 2011 increased by \$35.7 million and revenue from new clients added during the fiscal year ended March 31, 2012 was \$24.1 million. Revenue from European clients in the fiscal year ended March 31, 2012 increased by \$4.8 million, or 10.6%, as compared to the fiscal year ended March 31, 2011. Excluding BT, our largest European client, our European revenue increased by \$1.8 million, or 12.2%, in the fiscal year ended March 31, 2012 as compared to the fiscal year ended March 31, 2011. Revenue from North American clients increased by \$53.2 million, or 32.7%, as compared to the fiscal year ended March 31, 2011. Revenue from clients in the BFSI and C&T industries increased by 37% and 23% respectively, in the fiscal year ended March 31, 2012 as compared to the fiscal year ended March 31, 2011. We had 89 active clients at March 31, 2012 as compared to 80 active clients at March 31, 2011.

Costs of revenue

Costs of revenue increased from \$134.5 million in the fiscal year ended March 31, 2011 to \$177.4 million in the fiscal year ended March 31, 2012, an increase of \$42.9 million, or 31.9%. A significant portion of the increase was attributable to an increase in compensation and benefit costs of \$31.1 million due to an increase in headcount, and an increase in base and variable compensation. The increased costs of revenue is also attributable to increased use of subcontractors of \$7.4 million and an increase of \$1.2 million in immigration expenses, as well as a decrease in hedging gains of \$2.2 million recorded as a result of our cash flow hedging program in the fiscal year ended March 31, 2012 as compared to the fiscal year ended March 31, 2011.

Gross profit

Our gross profit increased by \$16.8 million or 20.2%, to \$100.3 million for the fiscal year ended March 31, 2012 as compared to \$83.5 million in the fiscal year ended March 31, 2011 primarily due to our growth in revenue. As a percentage of revenue, our gross margin was 36.1% and 38.3% in the fiscal years ended March 31, 2012 and 2011, respectively. The principal reason for the decrease in gross margin during the fiscal year ended March 31, 2012 as compared to the fiscal year ended March 31, 2011, was higher cost of revenue during the fiscal year ended March 31, 2012 due in part to a higher percentage of onsite effort, increased cost of subcontractors and compensation increases of our IT professionals.

Operating expenses

Operating expenses increased from \$65.7 million in the fiscal year ended March 31, 2011 to \$76.4 million in the fiscal year ended March 31, 2012, an increase of \$10.7 million. The increase in operating expenses was due to an increase of \$5.0 million in base and variable compensation, \$1.8 million in facilities expenses, a \$1.5 million increase in professional services, a \$0.8 million increase in travel expenses and a \$1.1 million reduction in foreign currency forward contract gains as part of our hedging program. These increases were partially offset by a decrease of \$0.3 million in amortization of intangibles during the fiscal year ended March 31, 2012 as compared to the fiscal year ended March 31, 2011. As a percentage of revenue, our operating expenses decreased from 30.1% in the fiscal year ended March 31, 2011 to 27.5% in the fiscal year ended March 31, 2012 due in part to an increase in operating efficiencies and a larger revenue base.

Income from operations

Income from operations increased from \$17.8 million in the fiscal year ended March 31, 2011 to \$23.9 million in the fiscal year ended March 31, 2012, an increase of \$6.1 million or 34.4%. This increase in

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income from operations resulted primarily from higher gross profit and our operating expenses being allocated over a larger revenue base. As a percentage of revenue, income from operations increased from 8.2% in the fiscal year ended March 31, 2011 to 8.6% in the fiscal year ended March 31, 2012.

Other income

Other income increased from \$0.4 million in the fiscal year ended March 31, 2011 to \$2.5 million in the fiscal year ended March 31, 2012. The increase is primarily attributed to an increase in interest income of \$0.5 million and a decrease in foreign currency transaction losses of \$1.7 million in the fiscal year ended March 31, 2012 as compared to the fiscal year ended March 31, 2011.

Income tax expense

We had income tax expense of \$6.4 million and \$2.0 million for the fiscal years ended March 31, 2012 and 2011 respectively. Our effective tax rate was 24.2% and 11.1% for the fiscal years ended March 31, 2012 and 2011 respectively. The increase in the effective tax rate results from the expiration of STP holiday for Chennai, India, geographical income distribution and certain tax positions identified in the fiscal year ended March 31, 2012.

Net income

Net income for the fiscal year ended March 31, 2012 was \$20.0 million, increasing by 23.7% or \$3.8 million compared to net income of \$16.2 million for the fiscal year ended March 31, 2011 due in part to higher revenue partially offset by higher cost of revenue and increased operating expenses, which were leveraged over a larger revenue base.

Fiscal year ended March 31, 2011 compared to fiscal year ended March 31, 2010

The following table presents an overview of our results of operations for the fiscal years ended March 31, 2011 and 2010:

	Fiscal Year Ended March 31,		\$ Change	% Change
	2011	2010		
	(Dollars in thousands)			
Revenue	\$ 217,979	\$ 164,365	\$ 53,614	32.6%
Costs of revenue	134,496	94,142	40,354	42.9%
Gross profit	83,483	70,223	13,260	18.9%
Operating expenses	65,697	57,330	8,367	14.6%
Income from operations	17,786	12,893	4,893	38.0%
Other income	441	56	385	687.5%
Income before income tax expense	18,227	12,949	5,278	40.8%
Income tax expense	2,027	820	1,207	147.2%
Net income	\$ 16,200	\$ 12,129	\$ 4,071	33.6%

Revenue

Revenue increased by 32.6%, or \$53.6 million, from \$164.4 million during the fiscal year ended March 31, 2010 to \$218.0 million in the fiscal year ended March 31, 2011, due primarily to higher revenue contribution from all of our industry groups led by BFSI, larger contributions from clients located in geographies other than North America and Europe and full fiscal year revenue contribution of clients acquired in the ConVista and InSource acquisitions. Revenue from clients existing as of March 31, 2010

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increased by \$34.0 million and revenue from new clients added during the fiscal year ended March 31, 2011 was \$19.6 million. Revenue from European clients in the fiscal year ended March 31, 2011 increased by \$5.7 million, or 14.6%, as compared to the fiscal year ended March 31, 2010. Excluding BT, our largest European client, our European revenue increased by \$0.9 million, or 6.9%, in the fiscal year ended March 31, 2011 as compared to the fiscal year ended March 31, 2010. Revenue from North American clients increased by \$40.8 million, or 33.5%, as compared to the fiscal year ended March 31, 2010. Revenue from clients in each of the BFSI, C&T and M&I industries increased by 52%, 24% and 5% respectively, in the fiscal year ended March 31, 2011 as compared to the fiscal year ended March 31, 2010. We had 80 active clients at March 31, 2011 as compared to 68 active clients at March 31, 2010.

Costs of revenue

Costs of revenue increased from \$94.1 million in the fiscal year ended March 31, 2010 to \$134.5 million in the fiscal year ended March 31, 2011, an increase of \$40.4 million, or 43%. A significant portion of the increase was attributable to an increase in compensation and benefit costs of \$34.9 million due to an increase in headcount, and an increase in base and variable compensation. The increased costs of revenue is also attributable to increased cost of subcontractors of \$6.3 million, increases in travel and related expenses of \$2.8 million, and an increase of \$0.5 million in immigration expenses. These increases were partially offset by a decrease in losses of \$4.2 million recorded as a result of our cash flow hedging program in the fiscal year ended March 31, 2011 as compared to the fiscal year ended March 31, 2010.

Gross profit

Our gross profit increased by \$13.3 million or 19%, to \$83.5 million for the fiscal year ended March 31, 2011 as compared to \$70.2 million in the fiscal year ended March 31, 2010 primarily due to our growth in revenue. As a percentage of revenue, our gross profit margin was 38.3% and 42.7% in the fiscal years ended March 31, 2011 and 2010, respectively. The principal reason for the decrease in gross profit margin during the fiscal year ended March 31, 2011 as compared to the fiscal year ended March 31, 2010, was higher cost of revenue during the fiscal year ended March 31, 2011 due in part to higher percentage of onsite effort, increased used of subcontractors and compensation increases of our IT professionals.

Operating expenses

Operating expenses increased from \$57.3 million in the fiscal year ended March 31, 2010 to \$65.7 million in the fiscal year ended March 31, 2011, an increase of \$8.4 million. The increase in operating expenses was due to an increase of \$4.0 million in facilities expenses, \$2.4 million in amortization expenses, and \$7.1 million in base and variable compensation. This increase was partially offset by a \$2.1 million reduction in foreign currency forward contract losses as part of our hedging program, a decrease of \$0.6 million in consultant fees, and a decrease in \$0.7 million in travel expenses during the fiscal year ended March 31, 2011 as compared to the fiscal year ended March 31, 2010. As a percentage of revenue, our operating expenses decreased from 34.9% in the fiscal year ended March 31, 2010 to 30.1% in the fiscal year ended March 31, 2011.

Income from operations

Income from operations increased from \$12.9 million in the fiscal year ended March 31, 2010 to \$17.8 million in the fiscal year ended March 31, 2011, an increase of \$4.9 million or 38%. This increase in income from operations resulted primarily from higher gross profit and our operating expenses being allocated over a larger revenue base. As a percentage of revenue, income from operations increased from 7.8% in the fiscal year ended March 31, 2010 to 8.2% in the fiscal year ended March 31, 2011.

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Other income

Other income increased from \$0.1 million in the fiscal year ended March 31, 2010 to \$0.4 million in the fiscal year ended March 31, 2011. The increase is primarily attributed to an increase in interest income of \$0.1 million and a decrease of foreign currency transaction losses of \$0.4 million in the fiscal year ended March 31, 2011 as compared to the fiscal year ended March 31, 2010.

Income tax expense

We had income tax expense of \$2.0 million and \$0.8 million for the fiscal years ended March 31, 2011 and 2010 respectively. Our effective tax rate was 11.1% and 6.3% for the fiscal years ended March 31, 2011 and 2010 respectively.

Net income

Net income for the fiscal year ended March 31, 2011 was \$16.2 million, increasing by 34% or \$4.1 million compared to net income of \$12.1 million for the fiscal year ended March 31, 2010 due to higher revenue partially offset by higher cost of revenue and increased operating expenses, which were leveraged over a larger revenue base.

Liquidity and capital resources

We have financed our operations primarily from sales of shares of common stock and from cash from operations. We have not borrowed against our existing or preceding credit facilities.

On July 1, 2011, we acquired substantially all of the assets of ALaS for the purchase price of approximately \$27.8 million in cash, 10% of which is being held back by us for a period of 12 months as security for the indemnification obligations of ALaS and its members, resulting in \$2.8 million in restricted cash at March 31, 2012.

On July 30, 2010, we entered into a \$3,000 credit agreement with J.P. Morgan Chase Bank, N.A. ("JPMC") which expires on July 31, 2013. The primary purpose of this credit agreement is to support our foreign currency hedging programs. The credit agreement is secured by a grant of a security interest in our U.S. assets in favor of JPMC as well as other collateral. The agreement contains financial and reporting covenants and limitations. At March 31, 2011, there were no amounts outstanding under this credit facility and we are in compliance with all covenants.

At March 31, 2012, a significant portion of our cash and short-term investments was held by our foreign subsidiaries. We continually monitor our cash needs and employ tax planning and financing strategies to ensure cash is available in the appropriate jurisdictions to meet operating needs. The cash held by our foreign subsidiaries is considered indefinitely reinvested in local operations. If required, it could be repatriated to the United States however, under current law, would be subject to United States federal income tax less applicable foreign tax credits.

Beginning in fiscal 2009, our U.K. subsidiary entered into an agreement with an unrelated financial institution to sell, without recourse, certain of its European-based accounts receivable balances from one client to such financial institution. During the fiscal year ended March 31, 2012, we sold \$21.5 million of receivables under the terms of the financing agreement. Fees paid pursuant to this agreement were immaterial during the fiscal year ended March 31, 2012. We may elect to use this program again in future periods. However, we cannot provide any assurance that this or any other financing facilities will be available or utilized in the future.

[Table of Contents](#)**Anticipated capital expenditures**

We are constructing a facility as part of a planned campus on a 6.3 acre site in Hyderabad, India. We intend to continue the construction and build out of this facility, which, when completed over the next two fiscal years ending March 31, 2014, will be approximately 325,000 square feet, at a total estimated cost of \$27.5 million. Of this amount, we have spent \$24.4 million as of March 31, 2012 toward the completion of this facility, with approximately \$4.0 million spent during the fiscal year ended March 31, 2012. We anticipate spending approximately \$1.3 million during the fiscal year ending March 31, 2013. Other capital expenditures during the fiscal year ended March 31, 2012 were approximately \$9.6 million. We expect other capital expenditures in the normal course of business during the fiscal year ending March 31, 2013 to be approximately \$14.9 million, primarily for leasehold improvements, capital equipment and purchased software.

Cash flows

The following table summarizes our cash flows for the periods presented:

	Fiscal Year Ended March 31,		
	2012	2011	2010
	(In thousands)		
Net cash provided by operating activities	\$ 20,917	\$ 19,766	\$ 18,577
Net cash used for investing activities	(9,293)	(18,345)	(33,181)
Net cash provided by financing activities	832	4,291	1,547
Effect of exchange rates on cash	(4,569)	655	1,210
Net increase (decrease) in cash and cash equivalents	7,887	6,367	(11,847)
Cash and cash equivalents, beginning of fiscal year	50,218	43,851	55,698
Cash and cash equivalents, end of fiscal year	\$ 58,105	\$ 50,218	\$ 43,851

Net cash provided by operating activities

Net cash provided by operating activities was \$20.9 million during the fiscal year ended March 31, 2012 as compared to \$19.8 million during the fiscal year ended March 31, 2011. This increase was primarily attributable to an increase in liabilities of \$5.9 million, an increase in net income of \$3.8 million, and an increase in depreciation, amortization and share based compensation expenses of \$1.1 million, partially offset by an increase in accounts receivable of \$5.3 million, an increase in other assets of \$1.3 million, an increase in foreign currency gain, of \$1.7 million, an increase in deferred tax benefits of \$0.8 million and a decrease in excess tax benefits of \$0.7 million.

Net cash provided by operating activities was \$19.8 million during the fiscal year ended March 31, 2011 as compared to \$18.6 million during the fiscal year ended March 31, 2010. This increase was primarily attributable to an increased change in liabilities of \$7.3 million, an increase in net income of \$4.1 million, and an increase in depreciation and amortization expenses of \$3.1 million, partially offset by an increase in accounts receivable of \$9.6 million and an increase in other assets of \$3.7 million.

Net cash used for investing activities

Net cash used for investing activities was \$9.3 million during the fiscal year ended March 31, 2012 as compared to \$18.3 million used during the fiscal year ended March 31, 2011. The net cash used during the fiscal year ended March 31, 2012 was due primarily to the net proceeds of short term and long term investments of \$31.9 million, which was used for the acquisition of ALaS of \$27.8 million and capital expenditures on property and equipment of \$13.6 million.

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Net cash used for investing activities was \$18.3 million during the fiscal year ended March 31, 2011 as compared to \$33.2 million used during the fiscal year ended March 31, 2010. The decrease in cash used during the fiscal year ended March 31, 2011 was due primarily to the decrease of cash payments related to acquisitions of \$25.3 million, and a decrease in restricted cash of \$4.3 million, partially offset by an increase of capital expenditures on property and equipment of \$5.7 million and an increase of short term and long term investments of \$9.1 million during the fiscal year ended March 31, 2011 as compared to the fiscal year ended March 31, 2010.

Net cash provided by financing activities

Net cash provided by financing activities was \$0.8 million during the fiscal year ended March 31, 2012, as compared to net cash provided by financing activities of \$4.3 million during the fiscal year ended March 31, 2011. The primary change in net cash provided was due to a decrease in proceeds from stock option exercises of \$2.7 million and payment of ConVista contingent consideration of \$1.6 million, partially offset by a decrease in capital lease obligations of \$0.2 million and a decrease in excess tax benefits from stock options of \$0.7 million.

Net cash provided by financing activities was \$4.3 million during the fiscal year ended March 31, 2011, as compared to net cash provided by financing activities of \$1.5 million during the fiscal year ended March 31, 2010. The primary change in net cash provided was due to an increase in proceeds from stock option exercises of \$2.9 million, partially offset by a decrease in capital lease obligations of \$1.1 million.

Contractual obligations

We have no long term debt and have various contractual obligations and commercial commitments. The following table sets forth our future contractual obligations and commercial commitments at March 31, 2012.

	Payments Due by Period				
	Total	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years
	(In thousands)				
Operating lease obligations(1)	\$ 11,619	\$ 3,662	\$ 3,164	\$ 2,511	\$ 2,282
Capital lease obligation(2)	1,017	1,017	—	—	—
Defined benefit plans(3)	6,575	436	938	1,181	4,020
Capital and other purchase commitments(4)	949	949	—	—	—
Total	\$ 20,160	\$ 6,064	\$ 4,102	\$ 3,692	\$ 6,302

(1) Our obligations under our operating leases consist of future payments related to our real estate leases.

(2) Capital lease relates to purchase of software license.

(3) We accrue and contribute to benefit funds covering our employees in India and Sri Lanka. The amounts in the table represent the expected benefits to be paid out over the next ten years. We are not able to quantify expected benefit payments beyond ten years with any certainty. We make periodic contributions to the plans such that the unfunded amounts are immaterial.

(4) Relates to construction of our campus in Hyderabad, India, and other purchase commitments, net of advances.

As of March 31, 2012, we had \$1,179 of unrecognized tax benefits. This represents the tax benefits associated with certain tax positions on our domestic and international tax returns that have not been recognized on our financial statements due to uncertainty regarding their resolution. Resolution of the related tax positions with the relevant tax authorities may take years to complete, since such timing is not

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entirely within our control. It is reasonably possible that within the next 12 months certain positions will be resolved, which could result in a decrease in unrecognized tax benefits. These decreases may be offset by increases to unrecognized tax benefits if new positions are identified. The resolution or settlement of positions with the relevant taxing authorities is at various stages and therefore it is not practical to estimate the eventual cash flows by period that may be required to settle these matters.

Off-balance sheet arrangements

We do not have any investments in special purpose entities or undisclosed borrowings or debt.

We have entered into foreign currency derivative contracts with the objective of limiting our exposure to changes in the Indian rupee as described below and in "Qualitative and Quantitative Disclosures about Market Risk."

We maintain a foreign currency cash flow hedging program designed to further mitigate the risks of volatility in the Indian rupee against the U.S. dollar and U.K. pound sterling as described below in "Qualitative and Quantitative Disclosures about Market Risk." From time to time, we may also purchase multiple foreign currency forward contracts designed to hedge fluctuation in foreign currencies, such as the U.K. pound sterling, against the U.S. dollar, or the U.K. pound sterling against the Sri Lankan rupee, and multiple foreign currency hedges designed to hedge foreign currency transaction gains and losses on our intercompany balances. Other than these foreign currency derivative contracts, we have not entered into off-balance sheet transactions, arrangements or other relationships with unconsolidated entities or other persons that are likely to affect liquidity or the availability of or requirements for capital resources.

Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB") issued an amendment to the accounting standards related to the disclosures about an entity's use of fair value measurements. Pursuant to this amendment, entities will be required to provide enhanced disclosures about transfers into and out of the Level 1 (fair value determined based on quoted prices in active markets for identical assets and liabilities) and Level 2 (fair value determined based on significant other observable inputs) classifications, provide separate disclosures about purchases, sales, issuances and settlements relating to the tabular reconciliation of beginning and ending balances of the Level 3 (fair value determined based on significant unobservable inputs) classification and provide greater disaggregation for each class of assets and liabilities that use fair value measurements. Except for the detailed Level 3 roll-forward disclosures, the new standard was effective for interim and annual reporting periods beginning after December 31, 2009. The adoption of this accounting standards amendment did not have a material impact on our disclosure or consolidated financial results. The requirement to provide detailed disclosures about the purchases, sales, issuances and settlements in the roll-forward activity for Level 3 fair value measurements is effective for interim and annual reporting periods beginning after December 31, 2010. The adoption of this accounting standard did not have a material impact on our disclosure or consolidated financial results.

In December 2010, the FASB issued a new accounting standard requiring that Step 2 of the goodwill impairment test be performed for reporting units whose carrying value is zero or negative. This guidance is effective for fiscal years beginning after December 15, 2010 and interim periods within those years. The adoption of this accounting standard did not have a material impact on our disclosure or consolidated financial results.

In December 2010, the FASB issued new guidance clarifying some of the disclosure requirements related to business combinations that are material on an individual or aggregate basis. Specifically, the guidance states that, if comparative financial statements are presented, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year occurred as of the beginning of the comparable prior annual reporting period only. Additionally, the new standard expands the supplemental pro forma disclosure required by the authoritative guidance to

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include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination in the reported pro forma revenue and earnings. This guidance became effective January 1, 2011. The adoption of this accounting standard did not have a material impact on our disclosure or consolidated financial results.

In May 2011, the FASB issued new guidance to achieve common fair value measurement and disclosure requirements between GAAP and International Financial Reporting Standards. This new guidance amends current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. This new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. We do not expect that the adoption of this guidance will have a material impact on our consolidated financial position or financial results.

In June 2011, the FASB amended its guidance on the presentation of comprehensive income in financial statements to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items that are recorded in other comprehensive income. The new accounting guidance requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The provisions of this new guidance are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We do not expect the adoption of this new disclosure requirement to have a material impact on our disclosure or consolidated financial position, financial results or cash flows.

In September 2011, FASB issued updated guidance on the periodic testing of goodwill for impairment. The updated guidance gives companies the option to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity determines it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The updated accounting guidance is effective for fiscal years beginning after December 15, 2011. We do not expect that the adoption of this guidance will have a material impact on our consolidated financial position or financial results.

Item 7A. *Quantitative and qualitative disclosures about market risk.*

Foreign currency exchange rate risk

We are exposed to foreign currency exchange rate risk in the ordinary course of business. We have historically entered into, and in the future we may enter into, foreign currency derivative contracts to minimize the impact of foreign currency fluctuations on both foreign currency denominated assets and forecasted expenses. Certain of these contracts meet the criteria for hedge accounting as cash flow hedges. We evaluate our foreign exchange policy on an ongoing basis to assess our ability to address foreign exchange exposures on our consolidated balance sheets, consolidated statements of income and operating cash flows from all foreign currencies, including most significantly the Indian rupee, U.K. pound sterling, and the Sri Lankan rupee.

We have entered into a series of foreign exchange forward contracts that are designated as cash flow hedges, designed to mitigate the impact of volatility in the U.S. dollar equivalent of our Indian rupee denominated expenses over a rolling 24 month period. As of March 31, 2012, the notional value of these contracts was \$102.8 million. The outstanding contracts as of March 31, 2012 are scheduled to mature each month through fiscal years ending March 31, 2013 and 2014. At March 31, 2012, the net unrealized loss on our outstanding cash flow hedge contracts was \$6.8 million. Based upon a sensitivity analysis of our cash flow hedge contracts at March 31, 2012, which estimates the fair value of the contracts based upon market exchange rate fluctuations, a 10% change in the foreign currency exchange rate against the U.S. dollar with all other variables held constant would have resulted in an increase or decrease in fair value of approximately \$8.3 million.

Interest rate risk

We had no debt outstanding at March 31, 2012. We do not believe we are exposed to material direct risks associated with changes in interest rates other than with our cash and cash equivalents, short-term investments and long-term investments. At March 31, 2012, we had \$85.43 million in cash and cash equivalents, short-term investments and long-term investments, the interest income from which is affected by changes in interest rates. Our invested securities primarily consist of government sponsored entity bonds, money market mutual funds, commercial paper, corporate debts and auction-rate securities. Our investments in debt securities are classified as "available-for-sale" and are recorded at fair value. Our "available-for-sale" investments are sensitive to changes in interest rates. Interest rate changes would result in a change in the net fair value of these financial instruments due to the difference between the market interest rate and the market interest rate at the date of purchase of the financial instrument. A 100 basis point increase or decrease in market interest rates at March 31, 2012 would impact the net fair value of such interest-sensitive financial instruments by \$0.1 million.

Concentration of credit risk

Financial instruments which potentially expose us to concentrations of credit risk primarily consist of cash and cash equivalents, short-term investments and long-term investments, accounts receivable, derivative contracts, other financial assets and unbilled accounts receivable. We place our operating cash, investments and derivatives in highly-rated financial institutions. We adhere to a formal investment policy with the primary objective of preservation of principal, which contains credit rating minimums and diversification requirements. We believe that our credit policies reflect normal industry terms and business risk. We do not anticipate non-performance by the counterparties and, accordingly, do not require collateral. Credit losses and write-offs of accounts receivable balances have historically not been material to our consolidated financial statements and have not exceeded our expectations.

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Item 8. *Financial Statements and Supplementary Data.*

Virtusa Corporation and Subsidiaries

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Virtusa Corporation and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Virtusa Corporation and Subsidiaries (the Company) as of March 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended March 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Virtusa Corporation and Subsidiaries as of March 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of March 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated May 25, 2012 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Boston, Massachusetts
May 25, 2012

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Virtusa Corporation and Subsidiaries:

We have audited Virtusa Corporation and Subsidiaries' (the Company) internal control over financial reporting as of March 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of March 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended March 31, 2012, and our report dated May 25, 2012 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Boston, Massachusetts
May 25, 2012

Virtusa Corporation and Subsidiaries

Consolidated Balance Sheets

	March 31, 2012	March 31, 2011
	(In thousands, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 58,105	\$ 50,218
Short-term investments	23,055	45,713
Accounts receivable, net of allowance of \$582 and \$1,160 at March 31, 2012 and 2011, respectively	58,789	41,823
Unbilled accounts receivable	7,634	7,512
Prepaid expenses	6,552	6,074
Deferred income taxes	3,693	1,244
Restricted cash	2,828	163
Other current assets	5,831	6,284
Total current assets	166,487	159,031
Property and equipment, net	32,843	29,183
Long-term investments	4,269	15,819
Deferred income taxes	8,348	7,591
Goodwill	35,472	19,046
Intangible assets, net	18,248	9,666
Other long-term assets	7,726	5,841
Total assets	\$273,393	\$246,177
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 8,649	\$ 7,692
Accrued employee compensation and benefits	17,844	13,447
Accrued expenses and other	22,011	12,976
Income taxes payable	3,553	1,652
Total current liabilities	52,057	35,767
Long-term liabilities	3,162	3,074
Total liabilities	55,219	38,841
Stockholders' equity:		
Undesignated preferred stock, \$0.01 par value; Authorized 5,000,000 shares at March 31, 2012 and 2011, respectively; Issued zero shares at March 31, 2012 and 2011, respectively	—	—
Common stock, \$0.01 par value; Authorized 120,000,000 shares at March 31, 2012 and 2011, respectively; Issued 26,553,299 and 26,094,418 shares at March 31, 2012 and 2011, respectively; Outstanding 24,793,911 and 24,335,030 shares at March 31, 2012 and 2011, respectively	266	261
Treasury stock, 1,759,388 common shares, at cost, at March 31, 2012 and 2011	(8,244)	(8,244)
Additional paid-in capital	165,646	158,338
Retained earnings	78,849	58,814
Accumulated other comprehensive loss	(18,343)	(1,833)
Total stockholders' equity	218,174	207,336
Total liabilities, redeemable convertible preferred stock and stockholders' equity	\$273,393	\$246,177

See accompanying notes to consolidated financial statements

Virtusa Corporation and Subsidiaries
Consolidated Statements of Income

	Year Ended March 31,		
	2012	2011	2010
	(In thousands, except per share amounts)		
Revenue	\$ 277,771	\$ 217,979	\$ 164,365
Costs of revenue	177,434	134,496	94,142
Gross profit	100,337	83,483	70,223
Operating expenses:			
Selling, general and administrative expenses	76,438	65,697	57,330
Income from operations	23,899	17,786	12,893
Other income (expense):			
Interest income, net	2,478	1,974	1,895
Foreign currency transaction gains (losses)	227	(1,436)	(1,830)
Other, net	(158)	(97)	(9)
Total other income	2,547	441	56
Income before income tax expense	26,446	18,227	12,949
Income tax expense	6,411	2,027	820
Net income	\$ 20,035	\$ 16,200	\$ 12,129
Net income per share of common stock:			
Basic	\$ 0.81	\$ 0.68	\$ 0.52
Diluted	\$ 0.79	\$ 0.66	\$ 0.50

See accompanying notes to consolidated financial statements

Virtusa Corporation and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity and

Comprehensive Income (Loss)

	<u>Common Stock</u>		<u>Treasury Stock</u>		<u>Additional</u>	<u>Retained</u>	<u>Accumulated</u>	<u>Total</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Earnings</u>	<u>Other</u>	<u>Stockholder's</u>	<u>Comprehensive</u>
					<u>Capital</u>	<u>Loss</u>	<u>Comprehensive</u>	<u>Equity</u>	<u>Income</u>
							<u>Loss</u>		<u>(Loss)</u>
	(In thousands, except share amounts)								
Balance at March 31, 2009	24,417,272	\$ 244	(1,759,388)	\$ (8,244)	\$ 144,286	\$ 30,485	\$ (14,185)	\$ 152,586	\$ (1,968)
Proceeds from the exercise of stock options and restricted stock releases	780,518	8	—	—	1,787	—	—	1,795	
Restricted stock awards withheld for tax	—	—	—	—	(225)	—	—	(225)	
Share based compensation	—	—	—	—	3,377	—	—	3,377	
Unrealized gain (loss) on available-for-sale securities, net of taxes of \$(61)	—	—	—	—	—	—	141	141	141
Unrealized gain (loss) on effective cash flow hedges, net of taxes of \$(4,446)	—	—	—	—	—	—	7,140	7,140	7,140
Pension benefit adjustment	—	—	—	—	—	—	(173)	(173)	(173)
Reimbursement of fringe benefit tax on stock awards	—	—	—	—	(37)	—	—	(37)	
Excess tax benefits from stock option exercises	—	—	—	—	206	—	—	206	
Cumulative translation adjustment, net of taxes of \$(157)	—	—	—	—	—	—	4,855	4,855	4,855
Net income	—	—	—	—	—	12,129	—	12,129	12,129
Balance at March 31, 2010	25,197,790	\$ 252	(1,759,388)	\$ (8,244)	\$ 149,394	\$ 42,614	\$ (2,222)	\$ 181,794	\$ 24,092
Proceeds from the exercise of stock options and restricted stock releases	896,628	9	—	—	4,640	—	—	4,649	
Restricted stock awards withheld for tax	—	—	—	—	(375)	—	—	(375)	
Share based compensation	—	—	—	—	3,921	—	—	3,921	
Unrealized gain (loss) on available-for-sale securities, net of taxes of \$48	—	—	—	—	—	—	(90)	(90)	(90)
Unrealized gain (loss) on effective cash flow hedges, net of taxes of \$675	—	—	—	—	—	—	(1,210)	(1,210)	(1,210)
Pension benefit adjustment	—	—	—	—	—	—	(479)	(479)	(479)
Excess tax benefits from stock option exercises	—	—	—	—	758	—	—	758	
Cumulative translation adjustment,	—	—	—	—	—	—	2,168	2,168	2,168

net of taxes of \$178										
Net income	—	—	—	—	—	16,200	—	16,200	16,200	
Balance at March 31, 2011	26,094,418	\$ 261	(1,759,388)	\$ (8,244)	\$ 158,338	\$ 58,814	\$ (1,833)	\$ 207,336	\$ 16,589	
Proceeds from the exercise of stock options and restricted stock releases	458,881	5	—	—	1,960	—	—	1,965		
Restricted stock awards withheld for tax	—	—	—	—	(1,176)	—	—	(1,176)		
Share based compensation	—	—	—	—	5,102	—	—	5,102		
Unrealized gain (loss) on available-for- sale securities, net of taxes of \$3	—	—	—	—	—	—	(6)	(6)	(6)	
Unrealized gain (loss) on effective cash flow hedges, net of taxes of \$2,720	—	—	—	—	—	—	(5,200)	(5,200)	(5,200)	
Pension benefit adjustment	—	—	—	—	—	—	153	153	153	
Excess tax benefits from stock option exercises	—	—	—	—	1,422	—	—	1,422		
Cumulative translation adjustment, net of taxes of \$7	—	—	—	—	—	—	(11,457)	(11,457)	(11,457)	
Net income	—	—	—	—	—	20,035	—	20,035	20,035	
Balance at March 31, 2012	26,553,299	\$ 266	(1,759,388)	\$ (8,244)	\$ 165,646	\$ 78,849	\$ (18,343)	\$ 218,174	\$ 3,525	

See accompanying notes to consolidated financial statements

Virtusa Corporation and Subsidiaries
Consolidated Statements of Cash Flows

	Year Ended March 31,		
	2012	2011	2010
	(In thousands)		
Cash provided by operating activities:			
Net income	\$ 20,035	\$ 16,200	\$ 12,129
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8,305	8,398	5,286
Share-based compensation expense	5,102	3,921	3,377
Loss (gain) on disposal of property and equipment	16	(33)	(27)
Deferred income taxes, net	(1,778)	(986)	(1,435)
Foreign currency (gain) loss, net	(227)	1,436	1,830
Excess tax benefits from stock option exercises	(1,422)	(758)	(206)
Net changes in operating assets and liabilities:			
Accounts receivable, net	(17,281)	(11,978)	(2,349)
Prepaid expenses and other current assets	(1,989)	(2,783)	2,580
Other long-term assets	(2,805)	(677)	(2,381)
Accounts payable	1,579	245	(9)
Accrued employee compensation and benefits	4,088	3,496	(916)
Accrued expenses—other	3,983	2,612	(210)
Income taxes payable	3,981	1,774	459
Other long-term liabilities	(670)	(1,101)	449
Net cash provided by operating activities	20,917	19,766	18,577
Cash flows used for investing activities:			
Proceeds from sale of property and equipment	114	101	40
Purchase of short-term investments	(9,481)	(20,647)	(7,696)
Proceeds from sale or maturity of short-term investments	36,825	30,441	32,353
Purchase of long-term investments	(5,900)	(30,815)	(39,524)
Proceeds from sale or maturity of long-term investments	10,406	11,808	14,740
Business acquisition, net of cash acquired	(25,055)	(3,219)	(28,483)
Decrease (increase) in restricted cash	(2,645)	3,704	(575)
Purchase of property and equipment	(13,557)	(9,718)	(4,036)
Net cash used for investing activities	(9,293)	(18,345)	(33,181)
Cash flows provided by financing activities:			
Proceeds from exercise of common stock options	1,962	4,649	1,795
Payment of contingent consideration related to acquisitions	(1,620)	—	(450)
Principal payments on capital lease obligation	(932)	(1,116)	(4)
Excess tax benefits from stock option exercises	1,422	758	206
Net cash provided by financing activities	832	4,291	1,547
Effect of exchange rate changes on cash and cash equivalents	(4,569)	655	1,210
Net increase (decrease) in cash and cash equivalents	7,887	6,367	(11,847)
Cash and cash equivalents, beginning of year	50,218	43,851	55,698
Cash and cash equivalents, end of year	\$ 58,105	\$ 50,218	\$ 43,851
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ 146	\$ 19	\$ —
Cash receipts from interest	\$ 2,683	\$ 1,800	\$ 1,970
Cash paid for income tax	\$ 6,814	\$ 4,281	\$ 1,950
Non cash investing activities			
Assets acquired under capital lease	\$ —	\$ —	\$ 3,056

See accompanying notes to consolidated financial statements

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements

(thousands, except share and per share amounts)

(1) Nature of the Business

Virtusa Corporation (the "Company" or "Virtusa") is a global information technology services company. The Company uses an offshore delivery model to provide a broad range of information technology, or IT, services, including IT consulting, technology implementation and application outsourcing. Using its enhanced global delivery model, innovative platforming approach and industry expertise, the Company provides cost-effective services that enable its clients to accelerate time to market, improve service and enhance productivity. Headquartered in Massachusetts, Virtusa has offices in the United States, the United Kingdom, the Netherlands, Germany and Singapore, and global delivery centers in Hyderabad, Bangalore and Chennai, India, Colombo, Sri Lanka and Budapest, Hungary.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements reflect the accounts of the Company and its direct and indirect subsidiaries, Virtusa (India) Private Limited, Virtusa Consulting Services Private Limited and Virtusa Software Services Private Limited, each organized and located in India, Virtusa (Private) Limited, organized and located in Sri Lanka, Virtusa UK Limited, organized and located in the United Kingdom, Virtusa Securities Corporation, a Massachusetts securities corporation, InSource Holdings, Inc., a company incorporated in the State of Connecticut, InSource LLC, a Connecticut limited liability company located in Connecticut, Virtusa International, B.V., organized and located in the Netherlands, Virtusa Hungary Kft., incorporated and located in Hungary, Virtusa Germany GmbH, organized and located in Germany, and Virtusa Singapore Private Limited, organized and located in Singapore. All intercompany transactions and balances have been eliminated in consolidation.

(b) Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including the recoverability of tangible assets, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Management re-evaluates these estimates on an ongoing basis. The most significant estimates relate to the recognition of revenue and profits based on the percentage of completion method of accounting for fixed-price contracts, share-based compensation, income taxes, including reserves for uncertain tax positions, deferred taxes and liabilities and valuation of financial instruments including derivative contracts and investments. Management bases its estimates on historical experience and on various other factors and assumptions that are believed to be reasonable under the circumstances. The actual amounts may vary from the estimates used in the preparation of the accompanying consolidated financial statements.

(c) Foreign Currency Translation

The functional currencies of the Company's non-U.S. subsidiaries are the local currency of the country in which they operate except for Hungary, which operates in the euro. Operating and capital expenditures of the Company's subsidiaries located in India, Sri Lanka, the Netherlands, Singapore and the United Kingdom, are denominated in their local currency which is the currency most compatible with their expected economic results. India and Sri Lanka local expenditures form the underlying basis for

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(2) Summary of Significant Accounting Policies (Continued)

intercompany transactions which are subsequently conducted in both U.S. dollars and U.K. pounds sterling. U.K. client sales contracts are primarily conducted in U.K. pounds sterling.

All transactions and account balances are recorded in the functional currency. The Company translates the value of these non-U.S. subsidiaries' local currency denominated assets and liabilities into U.S. dollars at the rates in effect at the balance sheet date. Resulting translation adjustments are recorded in stockholders' equity as a component of accumulated other comprehensive income (loss). The local currency denominated statement of income amounts are translated into U.S. dollars using the average exchange rates in effect during the period. Realized foreign currency transaction gains and losses are included in the consolidated statements of income. The Company's non-U.S. subsidiaries do not operate in "highly inflationary" countries.

(d) Derivative Instruments and Hedging Activities

The Company enters into forward foreign exchange contracts to mitigate the risk of changes in foreign exchange rates on intercompany transactions and forecasted transactions denominated in foreign currencies. The Company designates derivative contracts as cash flow hedges if they satisfy the criteria for hedge accounting. Changes in fair values of derivatives designated as cash flow hedges are deferred and recorded as a component of accumulated other comprehensive income net of taxes until the hedged transactions occur and are then recognized in the consolidated statements of income. Changes in fair value of derivatives not designated as hedging instruments and the ineffective portion of derivatives designated as cash flow hedges are recognized immediately in the consolidated statements of income.

With respect to derivatives designated as cash flow hedges, the Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Company also formally assesses both at the inception of the hedge and on an ongoing basis, whether each derivative will be highly effective in offsetting changes in fair values or cash flows of the hedged item. If the Company determines that a derivative or a portion thereof is not highly effective as a hedge, or if a derivative ceases to qualify for hedge accounting, the Company prospectively discontinues hedge accounting with respect to that derivative.

(e) Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with a remaining maturity of three months or less from the date of purchase to be cash equivalents. At March 31, 2012, cash equivalents consisted of money market instruments and certificates of deposit. The Company had short-term and long-term restricted cash totaling \$3,000 and \$397 at March 31, 2012 and 2011, respectively. Restricted cash at March 31, 2012 included \$2,775 related to the Company's acquisition of substantially all the assets of ALaS Consulting LLC ("ALaS"). Restricted cash also includes restricted deposits with banks to secure the import of computer and other equipment, bank guarantees associated with the construction of the Company's facility in India, and also a bank guarantee related to value added tax, or VAT, with the government of Sri Lanka.

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(2) Summary of Significant Accounting Policies (Continued)

(f) *Investment Securities*

The Company classifies all debt securities as "available for sale". These securities are classified as short-term investments and long-term investments on the consolidated balance sheet and are carried at fair market value. Any unrealized gains and losses on available for sale securities are reported in other comprehensive income (loss), net of tax, as a separate component of stockholders' equity unless the decline in value is deemed to be other-than-temporary, in which case, investments are written down to fair value and the loss is charged to the consolidated statement of income. Any realized gains and losses on trading securities are charged to the consolidated statement of income. The Company determines the cost of the securities sold based on the specific identification method.

The Company conducts a periodic review and evaluation of its investment securities to determine if the decline in fair value of any security is deemed to be other-than-temporary. Other-than-temporary impairment losses are recognized on securities when: (i) the holder has an intention to sell the security; (ii) it is more likely than not that the security will be required to be sold prior to recovery; or (iii) the holder does not expect to recover the entire amortized cost basis of the security. Other-than-temporary losses are reflected in earnings as a charge against gain on sale of investments to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income. The Company has no intention to sell any securities in an unrealized loss position at March 31, 2012 nor is it more likely than not that the Company would be required to sell such securities prior to the recovery of the unrealized losses. As of March 31, 2012, the Company believes that all impairments of investment securities are temporary in nature.

(g) *Goodwill and Other Intangible Assets*

The Company allocates the cost of an acquired entity to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the purchase price for acquisitions over the fair value of the net assets acquired, including other intangible assets, is recorded as goodwill. Goodwill is not amortized but is tested for impairment at the reporting unit level, defined as the Company level, at least annually in the fourth quarter of each fiscal year or more frequently when events or circumstances occur that indicate that it is more likely than not that an impairment has occurred. Goodwill is tested for impairment using a two-step process that begins with an estimation of the fair value of a reporting unit. Goodwill impairment exists when a reporting unit's carrying value of goodwill exceeds its implied fair value. Significant judgment is applied when goodwill is assessed for impairment.

For the Company's goodwill impairment analysis, the Company operates under one reporting unit. Any impairment would be measured based upon the fair value of the related assets. In performing the first step of the goodwill impairment testing and measurement process, the Company compares its entity-wide estimated fair value to net book value to identify potential impairment. Management estimates the entity-wide fair value utilizing the Company's market capitalization, plus an appropriate control premium. Market capitalization is determined by multiplying the shares outstanding on the assessment date by the market price of the Company's common stock. If the market capitalization is not sufficiently in excess of the Company's book value, the Company will calculate the control premium which considers appropriate industry, market and other pertinent factors. If the fair value of the reporting unit is less than the book value, the second step is performed to determine if goodwill is impaired. If the Company determines through the impairment evaluation process that goodwill has been impaired, an impairment charge would

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(2) Summary of Significant Accounting Policies (Continued)

be recorded in the consolidated statement of income. The Company completed the annual impairment test required during the fourth quarter of the fiscal year ended March 31, 2012 and determined that there was no impairment. The Company continues to closely monitor its market capitalization. If the Company's market capitalization, plus an estimated control premium, is below its carrying value for a period considered to be other-than-temporary, it is possible that the Company may be required to record an impairment of goodwill either as a result of the annual assessment that the Company conducts in the fourth quarter of each fiscal year, or in a future quarter if an indication of potential impairment is evident. The estimated fair value of goodwill on the assessment date exceeded the carrying book value by 74%.

Other intangible assets with definite lives are tested for impairment when events or circumstances occur that indicate that it is more likely than not that an impairment has occurred. The Company tests other intangible assets with definite lives for impairment by comparing the carrying amount to the sum of the net undiscounted cash flows expected to be generated by the asset whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying amount of the asset exceeds its net undiscounted cash flows, then an impairment loss is recognized for the amount by which the carrying amount exceeds its fair value. The Company uses a discounted cash flow approach or other methods, if appropriate, to assess fair value. The intangible impairment test is performed at the reporting unit level, and the Company is considered a single reporting unit for goodwill and intangible impairment testing purposes.

(h) Fair Value of Financial Instruments

At March 31, 2012 and 2011, the carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, unbilled accounts receivable, restricted cash, accounts payable, accrued employee compensation and benefits and other accrued expenses, approximated their fair values due to the nature of the items. See note 7 for a discussion of the fair value of the Company's other financial instruments.

(i) Concentration of Credit Risk and Significant Customers

Financial instruments which potentially expose the Company to concentrations of credit risk are primarily comprised of cash and cash equivalents, investments, derivatives, accounts receivable and unbilled accounts receivable. The Company places its cash, investments and derivatives in highly-rated financial institutions. The Company adheres to a formal investment policy with the primary objective of preservation of principal, which contains credit rating minimums and diversification requirements. Management believes its credit policies reflect normal industry terms and business risk. The Company does not anticipate non-performance by the counterparties and, accordingly, does not require collateral.

Virtusa Corporation and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(thousands, except share and per share amounts)****(2) Summary of Significant Accounting Policies (Continued)**

At March 31, 2012, two clients accounted for 11% and 10%, respectively, of gross accounts receivable. At March 31, 2011, two clients accounted for 13% and 11%, respectively, of gross accounts receivable. Revenue from significant clients as a percentage of the Company's consolidated revenue was as follows:

	Year Ended March 31,		
	2012	2011	2010
Customer A	16%	12%	10%
Customer B	12%	14%	16%
Customer C	—	—	11%
Customer D	—	—	10%

(j) Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Leasehold improvements are amortized over the shorter of their lease term or the estimated useful life of the related asset. Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to income. Repair and maintenance costs are expensed as incurred.

(k) Long-Lived Assets

The Company reviews the carrying value of its long-lived assets or asset groups with definite useful lives to be held and used for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying value of an asset to the future net cash flows directly associated with the asset. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying value exceeds the fair value of the asset. The Company uses a discounted cash flow approach or other methods, if appropriate, to assess fair value.

Long-lived assets to be disposed of by sale are reported at the lower of carrying value or fair value less cost to sell and depreciation is ceased. Long-lived assets to be disposed of other than by sale are considered to be held and used until disposal.

(l) Internally-Developed Software

The Company capitalizes costs incurred during the application development stage, which include costs to design the software configuration and interfaces, coding, installation and testing. Costs incurred during the preliminary project stage along with post-implementation stages of internal use computer software are expensed as incurred. Capitalized development costs are typically amortized over the estimated life of the software, typically three to six years, using the straight line method, beginning with the date that an asset is ready for its intended use. At March 31, 2012 and 2011, capitalized software development costs, which includes software development work in progress were approximately \$3,198 and \$2,095, respectively. These costs were recorded in property and equipment. For the fiscal years ended March 31, 2012, 2011 and 2010, amortization of capitalized software development costs amounted to approximately \$174, \$270 and \$240, respectively.

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(2) Summary of Significant Accounting Policies (Continued)

(m) Income Taxes

Income taxes are accounted for using the asset and liability method whereby deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in multiple jurisdictions. The Company records liabilities for estimated tax obligations in the United States and other tax jurisdictions in which it has operations (see note 13).

(n) Revenue Recognition

The Company derives its revenue from a variety of IT consulting, technology implementation and application outsourcing services. Contracts for these services have different terms and conditions based on the scope, deliverables, and complexity of the engagement which require management to make judgments and estimates in determining the overall cost to the customer. Fees for these contracts may be in the form of time-and-materials or fixed price arrangements and volume discounts are recorded as a reduction of revenue over the contractual period as services are performed.

Revenue on time-and-material contracts is recognized as the services are performed and amounts are earned. The Company considers amounts to be earned once evidence of an arrangement has been obtained, services are delivered, fees are fixed or determinable, and collectability is reasonably assured. For contracts with fees based on time-and-materials, the Company recognizes revenue over the period of performance.

Revenue from fixed price contracts is accounted for under the percentage-of-completion method. Under the percentage-of-completion method, management estimates the percentage of completion based upon efforts incurred as a percentage of the total estimated efforts for the specified engagement. When total cost estimates exceed revenue, the Company accrues for the estimated losses immediately. The use of the percentage-of-completion method requires significant judgment relative to estimating total contract revenue and efforts, including assumptions relative to the length of time to complete the project, the nature and complexity of the work to be performed, and anticipated changes in other engagement-related costs. Our analysis of these contracts also contemplates whether contracts should be combined or segmented. We combine closely related contracts when all the applicable criteria under GAAP are met. Similarly, we may segment a project, which may consist of a single contract or a group of contracts, with varying rates of profitability, only if all the applicable criteria under GAAP are met. Estimates of total contract revenue and efforts are continuously monitored during the term of the contract and are subject to revision as the contract progresses. When revisions in estimated contract revenue and efforts are determined, such adjustments are recorded in the period in which they are first identified.

Revenue includes reimbursements of travel and out-of-pocket expenses, with equivalent amounts of expense recorded in costs of revenue, of \$6,226, \$5,837 and \$3,971 for the fiscal years ended March 31, 2012, 2011 and 2010, respectively.

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(2) Summary of Significant Accounting Policies (Continued)

Any tax assessed by a governmental authority that is incurred as a result of a revenue transaction (e.g. sales tax) is excluded from revenue and reported on a net basis.

(o) Costs of Revenue and Operating Expenses

Costs of revenue consist principally of salaries, employee benefits and stock compensation expense, reimbursable and non-reimbursable travel costs, subcontractor fees, and immigration related expenses for IT professionals. Selling and marketing expenses are charged to operating expenses as incurred. Selling and marketing expenses are those expenses associated with promoting and selling the Company's services and include such items as sales and marketing personnel salaries, stock compensation expense and related fringe benefits, commissions, travel, and the cost of advertising and other promotional activities. Advertising and promotional expenses incurred were approximately \$253, \$243 and \$215 for the fiscal years ended March 31, 2012, 2011 and 2010, respectively.

General and administrative expenses include other operating items such as officers' and administrative personnel salaries, stock compensation expense and related fringe benefits, legal and audit expenses, public company related expenses, insurance, provision for doubtful accounts, depreciation and operating lease expenses.

(p) Share-Based Compensation

Share-based compensation cost is determined by estimating the fair value at the grant date of the Company's common stock using the Black-Scholes option pricing model, and expensing the total compensation cost on a straight line basis (net of estimated forfeitures) over the requisite employee service period. The allocation of total share-based compensation expense between costs of revenue and selling, general and administrative expenses were as follows:

	Year Ended March 31,		
	2012	2011	2010
Costs of revenue	\$ 924	\$ 422	\$ 417
Selling, general and administrative expenses	4,178	3,499	2,960
Total share-based compensation expense	\$ 5,102	\$ 3,921	\$ 3,377

The fair value of each stock option is estimated on the date of grant using the Black-Scholes option pricing valuation model with the following assumptions:

Weighted Average Fair Value Options Pricing Model Assumptions	Year Ended March 31,		
	2012	2011	2010
Risk-free interest rate	1.12%	2.23%	2.75%
Expected term (in years)	6.37	6.16	6.10
Anticipated common stock volatility	62.14%	61.74%	54.75%
Expected dividend yield	—	—	—

Virtusa Corporation and Subsidiaries**Notes to Consolidated Financial Statements (Continued)**

(thousands, except share and per share amounts)

(2) Summary of Significant Accounting Policies (Continued)

The risk-free interest rate assumptions are based on the interpolation of various U.S. Treasury bill rates in effect during the month in which stock option awards are granted. The Company's volatility assumption is based on the historical volatility rates of the common stock of its publicly held peers over periods commensurate with the expected term of each grant.

The expected term of employee share-based awards represents the weighted average period of time that awards are expected to remain outstanding. The determination of the expected term of share-based awards assumes that employees' behavior is a function of the awards vested, contractual lives, and the extent to which the award is in the money. Accordingly, the Company has elected to use the "simplified" method of determining the expected term or life of its share-based awards due to the Company's limited trading history.

As of March 31, 2012, there was \$9,574 of total unrecognized compensation cost related to unvested stock options and restricted stock awards granted under the Company's Amended and Restated 2000 Option Plan and the Company's 2007 Stock Option and Incentive Plan (see note 12 for a more complete description of these plans). That cost is expected to be recognized over a remaining weighted average period of 2.73 years.

The allocation of compensation expense related to stock appreciation rights between costs of revenue and selling, general and administrative expenses as well as the related income tax benefit were as follows:

	Year Ended March 31,		
	2012	2011	2010
Costs of revenue	\$ 20	\$ 51	\$ 90
Selling, general and administrative expenses	5	15	14
Total compensation expense related to stock appreciation rights	\$ 25	\$ 66	\$ 104

(q) Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of clients to make required payments. The allowance for doubtful accounts is determined by evaluating the relative credit worthiness of each client, historical collections experience and other information, including the aging of the receivables.

(r) Unbilled Accounts Receivable

Unbilled accounts receivable represent revenue on contracts to be billed, in subsequent periods, as per the terms of the related contracts.

(s) Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB") issued an amendment to the accounting standards related to the disclosures about an entity's use of fair value measurements. Pursuant to this amendment, entities will be required to provide enhanced disclosures about transfers into and out of the Level 1 (fair value determined based on quoted prices in active markets for identical assets and liabilities) and Level 2 (fair value determined based on significant other observable inputs) classifications,

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(2) Summary of Significant Accounting Policies (Continued)

provide separate disclosures about purchases, sales, issuances and settlements relating to the tabular reconciliation of beginning and ending balances of the Level 3 (fair value determined based on significant unobservable inputs) classification and provide greater disaggregation for each class of assets and liabilities that use fair value measurements. Except for the detailed Level 3 roll-forward disclosures, the new standard was effective for interim and annual reporting periods beginning after December 31, 2009. The adoption of this accounting standards amendment did not have a material impact on the Company's disclosure or consolidated financial results. The requirement to provide detailed disclosures about the purchases, sales, issuances and settlements in the roll-forward activity for Level 3 fair value measurements is effective for interim and annual reporting periods beginning after December 31, 2010. The adoption of this accounting standard did not have a material impact on the Company's disclosure or consolidated financial results.

In December 2010, the FASB issued a new accounting standard requiring that Step 2 of the goodwill impairment test be performed for reporting units whose carrying value is zero or negative. This guidance is effective for fiscal years beginning after December 15, 2010 and interim periods within those years. The adoption of this accounting standard did not have a material impact on the Company's disclosure or consolidated financial results.

In December 2010, the FASB issued new guidance clarifying some of the disclosure requirements related to business combinations that are material on an individual or aggregate basis. Specifically, the guidance states that, if comparative financial statements are presented, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year occurred as of the beginning of the comparable prior annual reporting period only. Additionally, the new standard expands the supplemental pro forma disclosure required by the authoritative guidance to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination in the reported pro forma revenue and earnings. This guidance became effective January 1, 2011. The adoption of this accounting standard did not have a material impact on the Company's disclosure or consolidated financial results.

In May 2011, the FASB issued new guidance to achieve common fair value measurement and disclosure requirements between GAAP and International Financial Reporting Standards. This new guidance amends current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. This new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. The Company does not expect that the adoption of this guidance will have a material impact on the Company's consolidated financial position or financial results.

In June 2011, the FASB amended its guidance on the presentation of comprehensive income in financial statements to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items that are recorded in other comprehensive income. The new accounting guidance requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The provisions of this new guidance are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We do not expect the adoption of this new disclosure requirement to have a material impact on the Company's disclosure or consolidated financial position, financial results or cash flows.

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(2) Summary of Significant Accounting Policies (Continued)

In September 2011, FASB issued updated guidance on the periodic testing of goodwill for impairment. The updated guidance gives companies the option to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity determines it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The updated accounting guidance is effective for fiscal years beginning after December 15, 2011. We do not expect that the adoption of this guidance will have a material impact on the Company's consolidated financial position or financial results.

(t) Reclassifications

Certain prior-year amounts have been reclassified to conform to the fiscal year ended March 31, 2012 presentation.

(3) Net Income per Share

Basic net income per share is computed by dividing net income by the weighted average number of shares of common stock outstanding for the period, and diluted earnings per share is computed by including the dilutive impact of common stock equivalents outstanding for the period in the denominator. Common stock equivalents include shares issuable upon the exercise of outstanding stock options, SARs, unvested restricted stock, net of shares assumed to have been purchased with the proceeds, using the treasury stock method. The following table sets forth the computation of basic and diluted net income per share for the periods set forth below:

	Year Ended March 31,		
	2012	2011	2010
Numerators:			
Net income available to common stockholders	\$ 20,035	\$ 16,200	\$ 12,129
Denominators:			
Weighted average common shares outstanding	24,643,063	23,783,457	23,153,973
Dilutive effect of employee stock options and unvested restricted stock awards	714,316	894,729	828,916
Dilutive effect of stock appreciation rights	26,271	36,622	49,786
Weighted average shares—diluted	25,383,650	24,714,808	24,032,675
Net income per share—basic	\$ 0.81	\$ 0.68	\$ 0.52
Net income per share—diluted	\$ 0.79	\$ 0.66	\$ 0.50

During the fiscal years ended March 31, 2012, 2011, and 2010, unvested restricted stock and options to purchase 489,987, 726,499 and 1,227,316 shares of common stock, respectively, were excluded from the calculations of diluted earnings per share as their effect would have been anti-dilutive.

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(4) Acquisitions

On November 4, 2009, the Company entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") with InSource Holdings, Inc., a privately held Connecticut corporation ("InSource") and its shareholders, to acquire all of the issued and outstanding stock of InSource and each of its subsidiaries (the "InSource Acquisition"). The Company completed the InSource Acquisition on November 4, 2009, and InSource is now a wholly-owned subsidiary of the Company. The InSource Acquisition was consummated to expand Virtusa's service offerings in the insurance and health care industries.

The InSource Acquisition has been accounted for using the purchase method of accounting. Under the terms of the Stock Purchase Agreement, the purchase price for the InSource Acquisition was \$7,250 in cash, subject to post-closing adjustments. Ten percent (10%), or \$725, of the purchase price was subject to a holdback by the Company for a period of 12 months as security for the sellers' indemnification obligations under the Stock Purchase Agreement. During the three months ended December 31, 2010, the Company released \$710 to the InSource sellers with respect to the holdback and retained \$15 related to certain indemnification obligations resulting in a decrease to short term restricted cash of \$725 at December 31, 2010.

The purchase price was subject to adjustment after the closing for up to an additional \$500 in earn-out consideration based on the achievement of certain revenue and operating margin targets for InSource's calendar year and fourth quarter 2009. At December 31, 2009, the Company determined that InSource met 100% of the performance targets. The earn-out consideration was paid as of March 31, 2010. The purchase price was also subject to an adjustment that would reimburse the InSource sellers if their tax burden from a specified tax election made by the Company exceeds \$120. Upon the closing of the InSource Acquisition, the Company estimated the fair value of the purchase price adjustment related to this tax election to be \$208. During the three months ended September 30, 2010, the Company and InSource sellers agreed upon a final purchase price adjustment of \$164 and the resulting decrease in fair value of the purchase price adjustment of \$44 was recorded to goodwill.

On February 1, 2010, the Company entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with ConVista Consulting LLC, a privately held Virginia limited liability company ("ConVista"), to acquire substantially all of the assets of ConVista (the "ConVista Acquisition"). The Company completed the ConVista Acquisition on February 1, 2010. The ConVista Acquisition was consummated to expand the Company's enterprise service offerings.

The ConVista Acquisition has been accounted for using the purchase method of accounting. Under the terms of the Asset Purchase Agreement, the purchase price for the ConVista Acquisition was \$24,846 in cash, subject to post-closing adjustments. Ten percent (10%) or \$2,500 including interest, of the purchase price was subject to a holdback by the Company for a period of 12 months as security for the sellers' indemnification obligations under the Asset Purchase Agreement. During the three months ended December 31, 2010, the Company released the entire amount of the holdback, plus interest to the ConVista sellers, resulting in a decrease to short-term restricted cash of \$2,509.

The purchase price was also subject to adjustment after the closing for up to an additional \$2,000 in earn-out consideration based on the achievement of certain revenue and operating margin targets for the fiscal year ended March 31, 2011. The Company determined the fair value of the contingent consideration upon the closing of the ConVista Acquisition based on the probability of ConVista attaining the specified performance targets and assigned a fair value of \$1,620 to the purchase price. As of March 31, 2010 and

Virtusa Corporation and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(thousands, except share and per share amounts)****(4) Acquisitions (Continued)**

2011, the present value of the contingent consideration was \$1,664 and \$2,000 respectively. The change in the present value of \$336 was recorded to selling, general and administration expenses during the fiscal year ended March 31, 2011. During the three months ended June 30, 2011, the earn-out consideration of \$2,000 was paid.

On July 1, 2011, the Company acquired substantially all of the assets of ALaS, pursuant to an asset purchase agreement (the "Purchase Agreement") with ALaS and the members of ALaS (the "Members"), dated as of July 1, 2011. The acquisition is intended to extend the Company's position within the banking, financial services and insurance industries by adding capital markets domain expertise, consulting, and program management skills.

The purchase price was approximately \$27,838 in cash, 10% of which is subject to a holdback by the Company for a period of 12 months as security for the indemnification obligations of ALaS and the Members under the Purchase Agreement. The asset and liability related to the holdback are included in the consolidated balance sheet in "restricted cash" and "accrued expenses and other current liabilities", respectively. As part of the transaction, substantially all of the employees of ALaS accepted employment with the Company. The Company issued 227,253 shares of restricted stock, valued at \$4,000 at the time of grant, from the Company's 2007 Stock Option and Incentive Plan to these new Company employees. The shares will vest annually over a four-year period.

A summary of the purchase price allocation for the ALaS acquisition is as follows:

	<u>Amount</u>
Consideration Transferred:	
Cash paid on July 1, 2011	\$ 25,055
Holdback (10%)	2,775
Transfer tax	8
Total purchase price	<u>\$ 27,838</u>
Acquisition-related costs	<u>\$ 438</u>
Purchase Price Allocation:	
Customer relationships	\$ 10,900
Backlog	300
Trademark	100
Fixed assets	33
Prepaid expenses	79
Goodwill	16,426
Total purchase price	<u>\$ 27,838</u>

The following unaudited, pro forma information assumes the ALaS acquisition occurred on April 1, 2010. The unaudited pro forma consolidated results of operations are provided for informational purposes only and do not purport to represent the Company's actual consolidated results of operations had the

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(4) Acquisitions (Continued)

acquisition occurred on the dates assumed, nor are these necessarily indicative of the Company's future consolidated results of operations.

	<u>Year Ended</u> <u>March 31, 2012</u> <u>(Unaudited)</u>	<u>Year Ended</u> <u>March 31, 2011</u> <u>(Unaudited)</u>
Revenue	\$ 285,813	\$ 242,614
Net income	\$ 20,193	\$ 18,077

Revenue and net loss relating to ALaS since the acquisition date, amounting to \$17,936 and \$1,288, respectively, have been included in the consolidated statement of income for the year ended March 31, 2012. The net loss for the fiscal year ended March 31, 2012 included \$1,332, which relates to amortization of intangible assets, share-based compensation expense and acquisition related costs.

(5) Goodwill and Intangible Assets

Goodwill:

The Company has one reportable segment at March 31, 2012. The following are details of the changes in goodwill balance at March 31, 2012:

	<u>Amount</u>
Balance at April 1, 2011	\$ 19,046
Goodwill arising from ALaS acquisition	16,426
Balance at March 31, 2012	\$ 35,472

The acquisition costs and goodwill balance deductible for tax purposes is \$36,464.

The Company performed the annual assessment of its goodwill during the fourth quarter of the fiscal year ended March 31, 2012 and determined that the estimated fair value of the Company's reporting unit exceeded its carrying value and therefore goodwill was not impaired. The Company will continue to complete goodwill impairment assessment at least annually during the fourth quarter of each ensuing fiscal year. The Company will continue to evaluate whether events or circumstances have occurred that indicate that the estimated remaining useful life of its long-lived assets, including intangible assets, may warrant revision or that the carrying value of these assets may be impaired. Any write downs are treated as permanent reductions in the carrying amount of the assets.

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(5) Goodwill and Intangible Assets (Continued)

Intangible Assets:

The following are details of the Company's intangible asset carrying amounts acquired and amortization for the fiscal year ended March 31, 2012 and March 31, 2011.

March 31, 2012				
	Weighted Average Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:				
Customer relationships	9.0	\$ 21,600	\$ 3,800	\$ 17,800
Partner relationships	6.5	700	252	448
Trademark	1.0	200	200	—
Backlog	1.4	2,100	2,100	—
	8.1	\$ 24,600	\$ 6,352	\$ 18,248

March 31, 2011				
	Weighted Average Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:				
Customer relationships	7.9	\$ 10,700	\$ 1,629	\$ 9,071
Partner relationships	6.0	700	135	565
Trademark	2.0	100	70	30
Backlog	1.0	1,800	1,800	—
	6.9	\$ 13,300	\$ 3,634	\$ 9,666

The amortization expense was \$2,718, \$3,031 and \$603 for the fiscal years ended March 31, 2012, 2011 and 2010, respectively. The components included in the gross carrying amounts reflect the InSource Acquisition on November 4, 2009, the ConVista Acquisition on February 1, 2010 and the ALaS acquisition on July 1, 2011. The intangible assets are being amortized on a straight-line basis over their estimated useful lives.

The estimated amortization expense for the following fiscal years related to the purchased intangible assets at March 31, 2012 are as follows:

	Amount
2013	\$ 2,556
2014	2,556
2015	2,556
2016	2,543
2017	2,399
Thereafter	5,638
Total	\$ 18,248

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(6) Investment Securities

At March 31, 2012 and 2011, all of the Company's investment securities were classified as available-for-sale and were carried on its balance sheet at their fair market value. A fair market value hierarchy based on three levels of inputs was used to measure each security (see note 7).

The following is a summary of investment securities at March 31, 2012:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Corporate bonds:				
Current	\$ 5,999	\$ 8	\$ (2)	\$ 6,005
Non-current	2,388	3	(3)	2,388
Auction-rate securities:				
Non-current	900	—	(20)	880
Agency and short-term notes:				
Non-current	1,001	—	—	1,001
Time deposits:				
Current	17,050	—	—	17,050
Total available-for-sale securities	<u>\$ 27,338</u>	<u>\$ 11</u>	<u>\$ (25)</u>	<u>\$ 27,324</u>

The following is a summary of investment securities at March 31, 2011:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Corporate bonds:				
Current	\$ 21,688	\$ 50	\$ (3)	\$ 21,735
Non-current	6,567	2	(14)	6,555
Auction-rate securities:				
Non-current	900	—	(25)	875
Agency bonds:				
Current	500	—	—	500
Non-current	8,401	1	(13)	8,389
Municipal bonds:				
Current	2,385	3	(6)	2,382
Time deposits:				
Current	21,096	—	—	21,096
Total available-for-sale securities	<u>\$ 61,537</u>	<u>\$ 56</u>	<u>\$ (61)</u>	<u>\$ 61,532</u>

The Company evaluates investments with unrealized losses to determine if the losses are other than temporary. The Company has determined that the gross unrealized losses on its available-for-sale securities at March 31, 2012 are temporary. The Company conducts a periodic review and evaluation of its investment securities to determine if the decline in fair value of any security is deemed to be

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(6) Investment Securities (Continued)

other-than-temporary. Other-than-temporary losses are reflected in earnings as a charge against gain on sale of investments to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income.

The following tables show the gross unrealized losses and fair value of the Company's investment securities with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of March 31, 2012 and March 31, 2011:

Less Than 12 Months

	Fair Value	Gross Unrealized Loss
Available-for-sale securities at March 31, 2012:		
Corporate bonds	\$ 4,045	\$ (3)
Available-for-sale securities at March 31, 2011:		
Corporate bonds	\$ 2,579	\$ (3)
Municipal bonds	1,219	(6)
Total	\$ 3,798	\$ (9)

Greater Than 12 Months

	Fair Value	Gross Unrealized Loss
Available-for-sale securities at March 31, 2012:		
Corporate bonds	\$ 1,003	\$ (2)
Auction-rate securities	880	(20)
Total	\$ 1,883	\$ (22)
Available-for-sale securities at March 31, 2011:		
Corporate bonds	\$ 4,087	\$ (14)
Auction-rate securities	875	(25)
Agency bonds	5,912	(13)
Total	\$ 10,874	\$ (52)

At March 31, 2012, there was no investment securities owned by the Company for which the fair value was less than the carrying value for a period greater than 12 months.

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(6) Investment Securities (Continued)

Available-for-sale securities by contractual maturity were as follows:

	March 31, 2012
Due in one year or less	\$ 23,055
Due after 1 year through 5 years	3,389
Due after 5 years	880
Total	\$ 27,324

The Company previously invested in auction-rate securities whose underlying assets are generally student loans which are substantially backed by the U.S. federal government. In February 2008, auctions began to fail for these securities and each auction since then has failed. As of March 31, 2008, due to the auction failures, the Company reclassified its investment in auction-rate securities from short-term investments to long-term investments, reflecting the fact that the Company's auction-rate securities had underlying final maturities of greater than one year and the Company's intent and ability to hold the securities beyond one year. These investments were recorded at fair value at March 31, 2012 and 2011, respectively.

In November 2008, the Company entered into an agreement (the "Agreement") with UBS AG, the investment firm that had sold the Company auction-rate securities at a par value of \$6,675. Under the Agreement, the Company (1) received the right to sell (the "Put Option") these auction-rate securities back to the investment firm at par ("Put Option"), at the Company's sole discretion, any time during the period from June 30, 2010 through July 2, 2012, and (2) provided the investment firm the right to purchase these auction-rate securities or sell these securities on the Company's behalf at par any time after the execution of the Agreement through July 2, 2012. During the year ended March 31, 2011, the Company sold certain auction rate securities, subject to the Put Option under the Agreement, in the amount of \$6,675 at par value.

During the fiscal year ended March 31, 2012, the Company recorded net realized loss on investments of \$29. During the fiscal year ended March 31, 2011, the Company recorded net realized loss on investments of \$10 on sales of marketable securities.

(7) Fair Value of Financial Instruments

The Company uses a framework for measuring fair value under U.S. generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The Company's financial assets and liabilities reflected in the consolidated financial statements at carrying value include marketable securities and other financial instruments which approximate fair value. Fair value for marketable securities is determined using a market approach based on quoted market prices at period end in active markets. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

- Level 1—Quoted prices in active markets for identical assets or liabilities.

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(7) Fair Value of Financial Instruments (Continued)

- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

An entity is allowed to elect to record financial assets and financial liabilities at fair value upon their initial recognition on a contract-by-contract basis. In the fiscal year ended March 31, 2009, the Company elected the fair value option to account for the Put Option (as defined and described in note 6 above) related to certain of the Company's auction-rate securities.

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis at March 31, 2012:

	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market mutual funds	\$ 6,402	\$ —	\$ —	\$ 6,402
Investments:				
Available-for-sales securities—current	23,055	—	—	23,055
Available-for-sales securities—non-current	3,389	—	880	4,269
Foreign currency derivative contracts	—	431	—	431
Total assets	\$ 32,846	\$ 431	\$ 880	\$ 34,157
Liabilities:				
Foreign currency derivative contracts	\$ —	\$ 7,237	\$ —	\$ 7,237
Total liabilities	\$ —	\$ 7,237	\$ —	\$ 7,237

The Company's investments in auction-rate securities are classified within Level 3 because there are currently no active markets or observable market prices. Therefore, the auction-rate securities were valued primarily based on an income approach using an estimate of future cash flows. The Company has estimated the fair value using a discounted cash flow analysis which considered the following key inputs:

- (i) the underlying structure and maturity of each security;
- (ii) the timing of expected future principal and interest payments; and
- (iii) discount rates that are believed to reflect current market conditions and the relevant risk associated with each security.

Level 3 assets as listed in the table above include auction-rate securities whose underlying assets are generally student loans which are substantially backed by the U.S. federal government.

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(7) Fair Value of Financial Instruments (Continued)

The following table provides a summary of changes in fair value of the Company's Level 3 financial assets at March 31, 2012:

	Level 3 Assets
Balance at April 1, 2011	\$ 875
Total unrealized gains (losses):	
Included in accumulated other comprehensive income	5
Balance at March 31, 2012	\$ 880

The Company determined the fair value of the contingent consideration related to the ConVista acquisition based on the probability of ConVista attaining certain revenue and operating margin targets for the fiscal year ended March 31, 2011 using an appropriate discount rate to present value the liability. The following table provides a summary of the payment of contingent consideration:

	Level 3 Liabilities
Balance at April 1, 2011	\$ 2,000
Less: Payment of contingent consideration	(2,000)
Balance at March 31, 2012	\$ —

(8) Property and Equipment

Property and equipment and their estimated useful lives in years consist of the following:

	Estimated Useful Life (Years)	March 31,	
		2012	2011
Computer and other equipment	3 - 5	\$ 20,293	\$ 21,377
Furniture and fixtures	7	6,144	5,356
Vehicles	4	558	630
Software	3 - 6	8,365	9,544
Leasehold improvements	Lesser of estimated useful life or lease term	3,595	2,707
Buildings	15 - 30	12,848	13,677
Land		389	446
Capital work-in-progress		4,454	2,117
		56,646	55,854
Less—accumulated depreciation and amortization		23,803	26,671
Property and equipment, net		\$ 32,843	\$ 29,183

Depreciation and amortization expense for the fiscal years ended March 31, 2012, 2011 and 2010 was \$5,586, \$5,367 and \$4,683, respectively. Capital work-in-progress represents advances paid towards the

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(8) Property and Equipment (Continued)

acquisition of property and equipment, and the cost of property and equipment including internally developed software not put to use before the balance sheet date. The cost and accumulated amortization of assets under capital leases at March 31, 2012 were \$3,132 and \$1,061, respectively. The cost and accumulated amortization of assets under capital leases at March 31, 2011 were \$3,056 and \$578 respectively.

(9) Accrued Expenses and Other

Accrued expenses and other consisted of the following:

	March 31, 2012	March 31, 2011
Accrued taxes	\$ 2,528	\$ 2,081
Accrued professional fees	2,524	1,938
Acquisition related liabilities	2,775	2,000
Capital lease liability, short term	1,017	1,958
Hedge liability	5,418	297
Accrued other	7,749	4,702
Total	\$ 22,011	\$ 12,976

(10) Debt

On July 30, 2010, the Company entered into a \$3,000 credit agreement with J.P. Morgan Chase Bank, N.A. ("JPMC") which expires on July 31, 2013. The primary purpose of this credit agreement is to support the Company's foreign currency hedging programs. The agreement contains financial and reporting covenants and limitations. The Company is currently in compliance with all covenants contained in its credit facility and believes that the credit facility provides sufficient flexibility so that it will remain in compliance with its terms. Advances under this credit facility accrue interest at an annual rate equal to LIBOR plus 2.5% or Prime Rate plus 2.5%, at the option of the Company. In connection with the execution of this credit facility, the Company terminated its prior \$3,000 amended and restated line of credit agreement. At March 31, 2012 and 2011, there were no outstanding borrowings under this credit facility.

Beginning in fiscal 2009, the Company's U.K. subsidiary entered into an agreement with an unrelated financial institution to sell, without recourse or continuing involvement, certain of its European-based accounts receivable balances from one client to such third party financial institution. During the course of the fiscal year ended March 31, 2012, \$21,502 of receivables were sold under the terms of the financing agreement. Fees paid pursuant to this agreement were immaterial during the fiscal year ended March 31, 2012. No amounts were due as of March 31, 2012, but the Company may elect to utilize this program again in future periods. However, the Company cannot provide any assurances that this or any other financing facilities will be available or utilized in the future. The Company has no letter of credit outstanding at March 31, 2012 or 2011.

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(11) Treasury Stock

In July 2008, the Company adopted a stock repurchase program for the purchase of up to \$15,000 of shares of the Company's outstanding common stock which expired on July 28, 2009. On August 5, 2009, the Company's board of directors approved a new stock repurchase program that authorized the purchase of up to \$15,000 of shares of the Company's outstanding common stock on or prior to August 5, 2010, subject to certain price and other trading restrictions. The stock repurchase program expired on August 5, 2010. No shares were purchased by the Company under this program.

(12) Stock Options, Restricted Stock Awards and Stock Appreciation Rights

The Company's Amended and Restated 2000 Stock Option Plan (the "2000 Plan"), was adopted in the fiscal year ended March 31, 2001. Under the 2000 Plan, shares were reserved for issuance to the Company's employees, directors, and consultants. The 2000 Plan was amended over the years to reduce the number of shares reserved for issuance to a total of 373,732 as of March 31, 2012. Options granted under the 2000 Plan may be incentive stock options, nonqualified stock options or restricted stock. Incentive stock options may only be granted to employees. Options granted have a term of ten years and generally vest over four years. The Company settles employee stock option exercises with newly issued shares. The compensation committee of the board of directors determines (upon board of director approval) the term of awards on an individual case basis. The exercise price of incentive stock options shall be no less than 100% of the fair market value per share of the Company's common stock on the grant date. If an individual owns stock representing more than 10% of the outstanding shares, the price of each share shall be at least 110% of fair market value.

In July 2005, the Company adopted the Virtusa Corporation 2005 Stock Appreciation Rights Plan (the "SAR Plan"). Under the SAR Plan, the Company may grant up to 479,233 SARs to employees and consultants of Virtusa and its foreign subsidiaries, and settles the SARs in cash or common stock, as set forth in the SAR Plan. Prior to the Company's IPO, the SARs could only be settled in cash. After the Company's IPO, the cash settlement feature of the SARs ceased and exercises may only be settled in shares of the Company's common stock. In May 2007, the Company's board of directors determined that no further grants would be made under the SAR Plan. Additionally, the number of available shares under the Company's SAR Plan, which are not needed to fulfill the Company's obligations for awards issued under the SAR Plan, as a result of the forfeiture, expiration, cancellation, termination or net issuances of awards, are automatically made available for issuance under the 2007 Plan.

The Company's board of directors and its stockholders approved the Company's 2007 Stock Option and Incentive Plan (the "2007 Plan"), in May 2007, and the stockholders of the Company again approved the 2007 Plan in September 2008. The 2007 Plan permits the Company to make grants of incentive stock options, non-qualified stock options, SARs, deferred stock awards, restricted stock awards, unrestricted stock awards, and dividend equivalent rights. The Company reserved 830,670 shares of its common stock for the issuance of awards under the 2007 Plan. The 2007 Plan provides that the number of shares reserved and available for issuance under the plan will be automatically increased each April 1, beginning in 2008, by 2.9% of the outstanding number of shares of common stock on the immediately preceding March 31 or such lower number of shares of common stock as determined by the board of directors. This number is subject to adjustment in the event of a stock split, stock dividend or other change in the Company's capitalization. Generally, shares that are forfeited, canceled or withheld to settle tax liabilities from awards under the 2007 Plan also will be available for future awards. In addition, available shares under the 2000

Virtusa Corporation and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(thousands, except share and per share amounts)****(12) Stock Options, Restricted Stock Awards and Stock Appreciation Rights (Continued)**

Plan and the SAR Plan, as a result of the forfeiture, expiration, cancellation, termination or net issuances of awards, are automatically made available for issuance under the 2007 Plan. At March 31, 2012, the number of shares reserved for issuance under the 2007 Plan is 2,258,913. In May 2007, the Company's board of directors determined that no further grants would be made under the 2000 Plan or the SAR Plan.

The Company has 70,333 stock options outstanding at a weighted average exercise price of \$6.89 and a weighted average contractual term of 2.48 years under equity compensation plans not approved by security holders. During the fiscal year ended March 31, 2012, 295,253 stock options were exercised at a weighted average exercise price of \$6.73. The following tables summarize stock option and restricted stock award activity under the 2000 Plan and the 2007 Plan for the fiscal years ended March 31, 2012, 2011 and 2010:

	Number of Options to Purchase Common Shares	Weighted Average Exercise Price
Outstanding at March 31, 2009	2,349,481	\$ 6.71
Granted	546,084	8.83
Exercised	(309,783)	3.01
Forfeited	(98,461)	10.60
Outstanding at March 31, 2010	2,487,321	7.48
Granted	110,408	12.12
Exercised	(795,189)	5.86
Forfeited	(139,827)	10.15
Outstanding at March 31, 2011	1,662,713	8.34
Granted	287,150	15.93
Exercised	(295,253)	6.73
Forfeited	(67,286)	9.18
Outstanding at March 31, 2012	1,587,324	\$ 9.97

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(12) Stock Options, Restricted Stock Awards and Stock Appreciation Rights (Continued)

	Restricted Stock Activity	
	Number of Restricted Stock Awards	Weighted Average Issuance Price
Outstanding at March 31, 2009	480,880	\$ 7.59
Awarded	71,497	9.55
Released	(103,048)	8.84
Forfeited	(40,440)	8.21
Outstanding at March 31, 2010	408,889	7.56
Awarded	282,079	10.01
Released	(115,243)	8.56
Forfeited	(79,965)	8.10
Outstanding at March 31, 2011	495,760	8.63
Awarded	652,826	18.75
Released	(222,017)	10.59
Forfeited	(94,913)	14.02
Outstanding at March 31, 2012	831,656	\$ 15.43

In addition, the Company issued and had outstanding 49,416 restricted stock units at a weighted average issuance price of \$16.59. There were no releases or forfeitures during the year ended March 31, 2012.

The following table summarizes options exercisable and shares available for future grant under the 2000 Plan and 2007 Plan at March 31, 2012:

	March 31, 2012
Options exercisable	1,079,884
Shares available for future grant under the 2007 Plan	1,045,319

The aggregate intrinsic value and weighted average remaining contractual life of all stock options outstanding at March 31, 2012 were approximately \$11,603 and 6.42 years, respectively. The aggregate intrinsic value, weighted average remaining contractual life and weighted average exercise price of stock options exercisable at March 31, 2012 were \$9,433, 5.29 years and \$8.54, respectively. The aggregate intrinsic value of options vested and expected to vest during the fiscal year ended March 31, 2012 was \$10,685. The aggregate intrinsic value of options exercised during the fiscal years ended March 31, 2012, 2011 and 2010 was \$3,447, \$6,191 and \$1,832, respectively. The weighted average fair value of options granted during the fiscal year ended March 31, 2012, 2011 and 2010 was \$15.93, \$12.12 and \$8.83, respectively. During the fiscal year ended March 31, 2012, the Company realized \$1,422 of income tax benefit from the exercise of stock options as a windfall credit.

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Thousands, except share and per share amounts)

(12) Stock Options, Restricted Stock Awards and Stock Appreciation Rights (Continued)

The tables below summarize information about the SAR Plan activity for the fiscal years ended March 31, 2012, 2011 and 2010 as follows:

	SAR Plan Activity	
	Number of SARs	Weighted Average Exercise Price
Outstanding at March 31, 2009	112,886	\$ 4.11
Granted	—	—
Exercised	(19,733)	3.67
Forfeited or expired	(11,945)	5.76
Outstanding at March 31, 2010	81,208	3.98
Granted	—	—
Exercised	(26,378)	3.76
Forfeited or expired	(6,469)	3.18
Outstanding at March 31, 2011	48,361	4.21
Granted	—	—
Exercised	(14,689)	4.10
Forfeited or expired	(2,526)	2.91
Outstanding at March 31, 2012	31,146	\$ 4.36

SARs exercisable and available for future grant at March 31, 2012:

	March 31, 2012
SARs exercisable	31,146
SARs available for future grant	—

The aggregate intrinsic value and weighted average remaining contractual life of outstanding SARs were approximately \$402 and 2.68 years at March 31, 2012. The aggregate intrinsic value and weighted average remaining contractual life of the exercisable SARs at March 31, 2011 were approximately \$702 and 3.59 years, respectively. The aggregate intrinsic value of SARs exercised during the fiscal years ended March 31, 2012 and 2011 was \$189 and \$238, respectively.

There were no SARs granted during the fiscal years ended March 31, 2012, 2011 or 2010.

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(13) Income Taxes

The income (loss) before income tax expense (benefit) shown below is based on the geographic location to which such income (loss) is attributed for each of the fiscal years ended March 31, 2012, 2011 and 2010:

	Year Ended March 31,		
	2012	2011	2010
United States	\$ 676	\$ (5,130)	\$ 1,014
Foreign	25,770	23,357	11,935
Total	\$ 26,446	\$ 18,227	\$ 12,949

The provision for income taxes for each of the fiscal years ended March 31, 2012, 2011 and 2010 consisted of the following:

	Year Ended March 31,		
	2012	2011	2010
Current provision:			
Federal	\$ 2,852	\$ (64)	\$ 804
State	607	149	130
Foreign	4,730	2,930	1,315
Total current provision	\$ 8,189	\$ 3,015	\$ 2,249
Deferred (benefit) provision:			
Federal	\$ (1,265)	\$ (887)	\$ (223)
State	(194)	(134)	(21)
Foreign	(319)	33	(1,185)
Total deferred (benefit) provision	\$ (1,778)	\$ (988)	\$ (1,429)
Total provision for income taxes	\$ 6,411	\$ 2,027	\$ 820

The items which gave rise to differences between the income taxes in the statements of income and the income taxes computed at the U.S. statutory rate are summarized as follows:

	Year Ended March 31,		
	2012	2011	2010
Statutory tax rate	34.0%	34.0%	34.0%
U.S. state and local taxes, net of U.S federal income tax effects	1.0	(0.4)	1.2
Benefit from foreign subsidiaries' tax holidays	(19.2)	(25.1)	(25.9)
Foreign rate difference	0.9	—	—
Permanent items	3.8	2.0	2.1
Other adjustments	3.7	0.6	(5.1)
Effective income tax rate	24.2%	11.1%	6.3%

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(13) Income Taxes (Continued)

Deferred tax assets (liabilities) at March 31, 2012 and 2011 were as follows:

	March 31,	
	2012	2011
Deferred revenue	\$ 131	\$ 126
Bad debt reserve	151	48
Depreciation	—	193
Tax credit carry forwards	3,830	3,298
Accrued expenses and reserves	2,461	1,612
Share-based compensation expense	2,905	2,283
Intangibles	1,887	1,000
Unrealized losses	2,286	15
Total deferred tax assets	\$ 13,651	\$ 8,575
Unrealized gains	—	(451)
Depreciation	(482)	—
Goodwill	(1,128)	(154)
Total deferred tax liabilities	(1,610)	(605)
Net deferred tax assets/liabilities	\$ 12,041	\$ 7,970

At March 31, 2012 and 2011, all deferred tax liabilities are netted with the deferred tax assets by tax jurisdiction.

The ultimate realization of deferred tax assets is dependent upon management's assessment of the Company's ability to generate sufficient taxable income to realize the deferred tax assets during the periods in which the temporary differences become deductible. Management considers the historical level of taxable income, projections for future taxable income, and tax planning strategies in making this assessment. The Company has determined that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets.

During the fiscal year ended March 31, 2012, the Company recorded \$2,730 of net income tax benefit directly in other comprehensive income related to the unrealized gain/loss on available for sale securities, and the unrealized gain/loss on effective cash flow hedges and the foreign currency loss on certain long term intercompany balances. During the fiscal year ended March 31, 2012, the Company recognized \$1,422 of net income tax benefit directly in additional paid in capital related to net excess tax benefits of share-based compensation. Additionally, the Company has state net operating loss carry forwards of approximately \$69 resulting from excess tax benefits of share-based compensation which will be recognized in additional paid in capital when utilized.

The Company's Indian subsidiaries are export-oriented companies under the Indian Income Tax Act of 1961 and are entitled to claim tax exemption for a period of ten consecutive years for export profits related to each Software Technology Park ("STP"), which they operate. The Indian subsidiaries currently operate two STPs, one in Chennai and one in Hyderabad. The STP holiday for the Hyderabad unit expired on March 31, 2010 and the STP tax holiday for the Chennai unit expired on March 31, 2011. The taxable profit is taxed at the full statutory rate, currently at 32.45%. Further, the Company created a new unit in

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(13) Income Taxes (Continued)

Bangalore (Export Oriented Unit) during the fiscal year ended March 31, 2011 and in Hyderabad (Special Economic Zone or "SEZ") during the fiscal year ended March 31, 2010 for which no income tax exemptions were availed. At March 31, 2012, the Indian subsidiaries have an Indian Minimum Alternative Tax ("MAT") credit carry forward of \$3,503, which is available to reduce certain future Indian income tax liabilities, and which expires at various dates through 2022. The Indian subsidiaries also operate two development centers in areas designated as a SEZ, under the SEZ Act of 2005. In particular, the Company was approved as an SEZ Co-developer and is building a campus on a 6.3 acre parcel of land in Hyderabad, India that has been designated as an SEZ. As an SEZ Co-developer, the Company is entitled to certain tax benefits for any consecutive period of 10 years during the 15 year period starting in fiscal year March 2009. The Company has not yet claimed any SEZ Co-developer income tax benefits. In addition, the Company has leased facilities in an SEZ designated location in Chennai, India. The Company's profits from the Hyderabad and Chennai SEZ operations are eligible for certain income tax exemptions for a period of up to 15 years beginning in fiscal March 2009. Based on the latest changes in tax laws, book profits of SEZ units are subject to MAT, commencing April 1, 2011, which will continue to negatively impact the Company's cash flows.

In addition, the Company's Sri Lankan subsidiary, Virtusa (Private) Limited, is operating under a 12-year income tax holiday arrangement that is set to expire on March 31, 2019 and requires Virtusa (Private) Limited to meet certain job creation and investment criteria by March 31, 2013. The Company continues to assess investments in Sri Lanka and anticipates it will meet its commitment requirements under the current tax holiday. The current agreement provides income tax exemption for all export business income. As of March 31, 2012, we have not yet met the job creation target. However, the Sri Lanka Board of Investment ("BOI") has recently confirmed that in the event of not being able to meet the required head count by the set date, the BOI would grant a prorated tax holiday. At March 31, 2012, the Company is eligible for 7 years of the 12-year tax holiday.

The effect of the India and Sri Lanka income tax holidays was to reduce the overall tax provision and increase both net income and diluted net income per share in the fiscal years ended March 31, 2012, 2011 and 2010 by \$5,064, \$4,565 and \$3,359, respectively, and by \$0.20, \$0.18 and \$0.14, respectively. The India STP tax holiday, which expired on March 31, 2011 for the Chennai STP and expired on March 31, 2010 for the Hyderabad STP, increased net income and diluted net income per share in the fiscal years ended March 31, 2011 and 2010 by \$954 and \$1,564 and by \$0.04 and \$0.07 respectively.

The Company intends to indefinitely reinvest all of its accumulated and future foreign earnings outside the United States. At March 31, 2012, the Company had \$104.3 million of unremitted earnings from foreign subsidiaries and approximately \$48.6 million of cash and short-term investments that would otherwise be available for potential distribution, if not indefinitely reinvested. Due to the various methods by which such earnings could be repatriated in the future, the amount of taxes attributable to the undistributed earnings is not practicably determinable.

Due to the geographical scope of the Company's operations, the Company is subject to tax examinations in various jurisdictions. The Company's ongoing assessments of the more-likely-than-not outcomes of these examinations and related tax positions require judgment and can increase or decrease the Company's effective tax rate, as well as impact the Company's operating results. The specific timing of when the resolution of each tax position will be reached is uncertain. The Company does not believe that the outcome of any ongoing examination will have a material effect on its consolidated financial statements

Virtusa Corporation and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(thousands, except share and per share amounts)****(13) Income Taxes (Continued)**

within the next twelve months. The Company's major taxing jurisdictions include the United States, the United Kingdom, India and Sri Lanka. In the United States, the Company remains subject to examination for all tax years ended after March 31, 2007. In the foreign jurisdictions, the Company generally remains subject to examination for tax years ended after March 31, 2005.

The total amount of unrecognized tax benefits would reduce income tax expense and the effective income tax rate, if recognized, are \$1,179, \$293 and \$1,015 as of March 31, 2012, 2011 and 2010, respectively. The Company anticipates that a significant portion of the unrecognized tax benefits will reverse during the twelve month period ending March 31, 2013 due to settlement or expiration of statute of limitations on open tax years.

The following summarizes the activity related to the gross unrecognized tax benefits:

	Year Ended March 31,		
	2012	2011	2010
Balance as of beginning of the year	\$ 293	\$ 1,015	\$ 680
Foreign currency translation related to prior year tax positions	7	43	(9)
Decreases related to prior year tax positions	—	(827)	—
Decreases related to prior year tax positions due to lapse in applicable statute of limitations	—	(66)	(13)
Increases related to prior year tax positions	879	128	357
Balance at end of the year	<u>\$ 1,179</u>	<u>\$ 293</u>	<u>\$ 1,015</u>

The Company continues to classify accrued interest and penalties related to unrecognized tax benefits in income tax expense. During fiscal year ended March 31, 2012, the Company expensed accrued interest and penalties of \$711 through income tax expense consistent with prior adoptions, to reflect interest and penalties on certain unrecognized tax benefits as part of income tax. The amount of interest and penalties expensed in fiscal years 2011 and 2010 were not material. The total accrued interest and penalties, including foreign currency translation relating to certain foreign and domestic tax matters at March 31, 2012 and March 31, 2011 were \$817 and \$98, respectively. Each year, unrecognized tax benefits may be adjusted upon the closing of the statute of limitations for income tax returns filed in various jurisdictions. During the next twelve months, the Company expects approximately \$690 of unrecognized tax benefits to be realized through settlement with tax authorities or expiration of statute of limitations. All of these benefits are expected to have an impact on the effective tax rate as they are realized.

The Company has been under income tax examination in India. The Indian taxing authorities issued an assessment order with respect to their examination of the tax returns for the fiscal years ended March 31, 2004 to March 31, 2007 of the Company's Indian subsidiary, Virtusa (India) Private Ltd., or Virtusa India. At issue were several matters, the most significant of which was the redetermination of the arm's-length profit which should be recorded by Virtusa India on the intercompany transactions with its affiliates. During the fiscal year ended March 31, 2011, the Company entered into a competent authority settlement and settled the uncertain tax position for the fiscal years ended March 31, 2004 and 2005. However, the redetermination of arm's-length profit on transactions with respect to the Company's subsidiaries and Virtusa UK Limited has not been resolved and remains under appeal for the fiscal year ended March 31, 2005. The Company is currently appealing assessments for fiscal years ended March 31, 2006 and 2007.

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(14) Post-retirement Benefits

The Company has noncontributory defined benefit plans (the "Benefit Plans") covering its employees in India and Sri Lanka as mandated by the Indian and Sri Lankan governments. Benefits are based on the employee's years of service and compensation at the time of termination. The Company uses March 31 as the measurement date for its plans.

Cost of pension plans

	Year Ended March 31,		
	2012	2011	2010
Components of net periodic pension expense			
Expected return on plan assets	\$ (210)	\$ (147)	\$ (102)
Service costs for benefits earned	502	363	329
Interest cost on projected benefit obligation	176	124	110
Recognized net actuarial loss	105	52	38
Net periodic pension expense	\$ 573	\$ 392	\$ 375

Actuarial assumptions

	Year Ended March 31,		
	2012	2011	2010
Discount rate	8.50% - 11.00%	8.00% - 10.50%	6.75% - 12.50%
Compensation increases (annual)	7.00% - 7.50%	7.00% - 7.50%	5.50% - 7.50%
Expected return on assets	8.50% - 12.00%	8.50% - 14.00%	8.50% - 14.00%

The discount rate is based upon high quality fixed income investments in India and Sri Lanka. The discount rates at March 31, 2012 were used to measure the year-end benefit obligations and the pension cost for the subsequent year.

To determine the expected long-term rate of return on pension plan assets, the Company considers the current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. The Company amortizes unrecognized actuarial gains or losses over a period no longer than the average future service of employees.

The Company's benefit obligations are described in the following tables. Accumulated and projected benefit obligations ("ABO" and "PBO", respectively) represent the obligations of a pension plan for past service as of the measurement date. ABO is the present value of benefits earned to date with benefits computed based on current compensation levels. PBO is ABO increased to reflect expected future compensation.

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(14) Post-retirement Benefits (Continued)

Accumulated benefit obligation and projected benefit obligation

	March 31,	
	2012	2011
Accumulated benefit obligation	\$ 1,404	\$ 1,385
Projected benefit obligation:		
Balance at April 1, 2011	\$ 2,178	\$ 1,404
Service cost	502	363
Interest cost	176	124
Actuarial (gain) loss	70	487
Benefits paid	(427)	(362)
Other adjustments	—	129
Exchange rate adjustments	(317)	33
Balance at March 31, 2012	\$ 2,182	\$ 2,178

Fair value of plan assets

	March 31, 2012
Balance at April 1, 2011	\$ 1,707
Employer contributions	831
Actual gain on plan assets	210
Benefits paid	(438)
Exchange rate adjustments	(300)
Balance at March 31, 2012	\$ 2,010

The net projected benefit obligation is recorded on the consolidated balance sheets as "accrued employee compensation and benefits" at March 31, 2012 and March 31, 2011.

Plan asset allocation

	March 31, 2012	
	Target Allocation	Actual Allocation
Government securities	60 - 70%	67%
Corporate debt	20 - 30%	28%
Other	1 - 10%	5%

The Company's plan assets are being managed by insurance companies in India and Sri Lanka.

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(14) Post-retirement Benefits (Continued)

Plan Assets

The following table presents the fair values of the Company's pension plan assets.

<u>Asset Category</u>	<u>Fair Value Measurements</u>		
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>
At March 31, 2012			
Government Bonds(1)	\$ 1,341	\$ —	\$ 1,341
Corporate Bonds(2)	562	—	562
Equity Shares and Others(3)	107	38	69
	<u>\$ 2,010</u>	<u>\$ 38</u>	<u>\$ 1,972</u>
At March 31, 2011			
Government Bonds(1)	\$ 1,144	\$ —	\$ 1,144
Corporate Bonds(2)	427	—	427
Equity Shares and Others(3)	136	28	108
	<u>\$ 1,707</u>	<u>\$ 28</u>	<u>\$ 1,679</u>

(1) This category comprises government fixed income investments with investments in India and Sri Lanka.

(2) This category represents investment in bonds and debentures from diverse industries.

(3) This category represents equity shares, money market investments and other investments.

The fair values of the government bonds are measured based on market quotes. Corporate bonds and other bonds are valued based on market quotes as of the balance sheet date. Equity share funds are valued at their market prices as of the balance sheet date. Money market funds are valued at their market price.

The Company's pension plan assets invested in India are guaranteed a minimum return of 6% per annum by the insurance company managing the Company's plan assets.

Pension liability

	<u>March 31,</u>	
	<u>2012</u>	<u>2011</u>
PBO	\$ 2,182	\$ 2,178
Fair value of plan assets	2,010	1,707
Funded status recognized	\$ 172	\$ 471
Amount recorded in accumulated other comprehensive income	\$ 702	\$ 854

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(thousands, except share and per share amounts)

(14) Post-retirement Benefits (Continued)

The amount in accumulated other comprehensive income (loss) that is expected to be recognized as a component of net periodic benefit cost over the fiscal year ended March 31, 2013 is \$105. The Company expects to contribute \$204 to its gratuity plans during the fiscal year ending March 31, 2013.

The pretax amounts of prior service cost recognized in accumulated other comprehensive income consists of:

	March 31,		
	2012	2011	2010
Prior service cost (credit)	\$ —	\$ 101	\$ —
Net amortization gain (loss)	—	—	—
Total	\$ —	\$ 101	\$ —

Estimated future benefits payments

Fiscal year ending March 31:		
2013	\$	436
2014		451
2015		487
2016		557
2017		624
2018 - 2022		4,020

(15) 401(k) Plan

The Company sponsors a defined contribution retirement savings plan, qualified under Section 401(k) of the Internal Revenue Code (the "401(k) Plan"). Eligible employees may defer a portion of their compensation into the Company's 401(k) Plan on a pre-tax and/or Roth basis. The Company's 401(k) Plan currently offers a safe harbor match feature that provides Company matching contributions for certain employee contributions. For the periods ended March 31, 2012 and 2011, the Company recorded \$614 and \$456 for the employer match, respectively. The Company's 401(k) Plan may be amended at the direction of the Company's Board of Directors to discontinue the safe harbor match program at any time.

Effective January 1, 2011, the Company's subsidiary, InSource, froze their 401(k) Plan and all eligible employees can now participate in the Company's 401(k) Plan.

(16) Related Party Transactions

During the fiscal year ended March 31, 2010, there were no related party transactions. During the fiscal year ended March 31, 2011, the Company executed an agreement for approximately \$119 in services to Nadastra, Inc. as a subcontractor for the benefit of an end user client. The managing director of Nadastra, Inc. is the spouse of the chief executive officer of the Company. During the fiscal year ended March 31, 2012 there were no related party transactions.

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(17) Commitments, Contingencies and Guarantees

The Company leases office space under operating leases, which expire at various dates through the year 2022. Certain leases contain renewal provisions and generally require the Company to pay utilities, insurance, taxes, and other operating expenses.

Future minimum lease payments under non-cancelable leases for the five fiscal years following March 31, 2012 and thereafter are:

	Operating Leases	Capital Lease
Fiscal year ending March 31:		
2013	\$ 3,662	\$ 1,090
2014	1,700	—
2015	1,464	—
2016	1,487	—
2017	1,024	—
2018 and thereafter	2,282	—
Total minimum lease payments	<u>\$ 11,619</u>	<u>\$ 1,090</u>
Less: amount representing interest		73
Present value of future lease payments		\$ 1,017
Less: current portion		1,017
Long term capital lease obligation		<u>\$ —</u>

Total rental expense for operating leases was approximately \$5,323 \$4,798 and \$4,206 for the fiscal years ended March 31, 2012, 2011 and 2010, respectively. Total amortization expenses for the assets purchased under capital leases were \$483 for the fiscal year ended March 31, 2012. Amortization expenses for assets purchased under capital leases for the fiscal year ended March 31, 2011, 2010 were \$517 and \$61, respectively.

The Company acquired a software license under a capital lease agreement during the fiscal year ended March 31, 2010. Estimated useful life of the asset acquired is 6 years. The Company expects to pay \$1,017 as principal payment in this lease.

The Company continues to construct a facility as part of a planned campus on a 6.3 acre site in Hyderabad, India which includes planned construction of approximately 325,000 square feet, over the next two fiscal years at a total estimated cost of \$27,522, of which \$24,445 has been expended as of March 31, 2012. At March 31, 2012 the Company had outstanding fixed capital commitments of \$105, net of advances, related to this facility construction.

The Company has deposits under lien of \$49 against a bank guarantee issued by a bank in favor of Andhra Pradesh Industrial Infrastructure Corporation Limited which would be forfeited if the Company fails to meet certain hiring criteria with established timelines at its Hyderabad facility.

The Company indemnifies its officers and directors for certain events or occurrences under its charter or by-laws and under indemnification agreements while the officer or director is, or was, serving at its request in a defined capacity. The term of the indemnification period is with respect to the period that such person

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(17) Commitments, Contingencies and Guarantees (Continued)

was an officer or director of the Company. The maximum potential amount of future payments the Company could be required to make under these indemnification obligations is unlimited. The costs incurred to defend lawsuits or settle claims related to these indemnification obligations have not been material. As a result, the Company believes that its estimated exposure on these obligations is minimal. Accordingly, the Company had no liabilities recorded for these obligations as of March 31, 2012.

The Company is insured against any actual or alleged act, error, omission, neglect, misstatement or misleading statement or breach of duty by any current or former officer, director or employee while rendering information technology services. The Company believes that its financial exposure from such actual or alleged actions, should they arise, is minimal and no liability was recorded at March 31, 2012.

The Company is not a party to any pending litigation or other legal proceedings that are likely to have a material adverse effect on its consolidated financial statements.

(18) Derivative Financial Instruments and Trading Activities

The Company evaluates its foreign exchange policy on an ongoing basis to assess its ability to address foreign exchange exposures on its consolidated balance sheets, statements of income and consolidated statement of cash flows from all foreign currencies, including most significantly the U.K. pound sterling, Indian rupee and Sri Lankan rupee. The Company enters into hedging programs with highly rated financial institutions in accordance with its foreign exchange policy (as approved by the Company's audit committee and board of directors) which permits hedging of material, known foreign currency exposures. Currently, the Company maintains three hedging programs, each with varying contract types, duration and purposes. The Company's "Cash Flow Program" is designed to mitigate the impact of volatility in the U.S. dollar equivalent of the Company's Indian rupee denominated expenses over a rolling 24-month period. The Cash Flow Program transactions currently meet the criteria for hedge accounting as cash flow hedges. The Company's "Balance Sheet Program" involves the use of 30-day derivative instruments designed to mitigate the monthly impact of foreign exchange gains/losses on certain intercompany balances and payments. The Company's "U.K. Revenue and Cost Program" involves the purchase of derivative instruments with maturities of up to 92 days, and is designed to mitigate the impact of foreign exchange on U.K. pound sterling denominated revenue and costs with respect to the quarter for which such instruments are purchased. The Balance Sheet Program and the U.K. Revenue and Cost Program are treated as economic hedges as these programs do not meet the criteria for hedge accounting and all gains and losses are recognized in Consolidated Statement of Income under the same line item as the underlying exposure being hedged.

Changes in fair value of the designated cash flow hedges for our Cash Flow Program are recorded as a component of accumulated other comprehensive income (loss) ("AOCI"), net of tax until the forecasted hedged transactions occur and are then recognized in the consolidated statement of income. The Company evaluates hedge effectiveness at the time a contract is entered into, as well as on an ongoing basis. If and when hedge relationships are discontinued, and should the forecasted transaction be deemed probable of not occurring by the end of the originally specified period or within an additional two-month period of time thereafter, any related derivative amounts recorded in equity are reclassified to earnings. There were no amounts reclassified to earnings as a result of hedge ineffectiveness for the fiscal years ended March 31, 2012 and 2011.

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(18) Derivative Financial Instruments and Trading Activities (Continued)

Changes in the fair value for all other derivative contracts, if any, are recognized in the same line item as the underlying exposure being hedged and the ineffective portion of cash flow hedges, if any, are recognized as other income. The Company values its derivatives based on market observable inputs including both forward and spot prices for currencies. Any significant change in the forward or spot prices for hedged currencies would have a significant impact on the value of the Company's derivatives.

The Company also uses derivatives not designated as hedging instruments to hedge intercompany balances and certain other revenue and expenses denominated in currencies other than the functional currency. Changes in the fair value of these derivatives purchased under the Balance Sheet Program or the U.K. Revenue and Cost Program are recognized in the consolidated statement of income and are included in foreign exchange gains (losses).

The U.S. dollar equivalent market value, which consists of the notional value and net unrealized gain or loss, of all outstanding foreign currency derivative contracts was \$95,950 and \$112,468 at March 31, 2012 and March 31, 2011, respectively. Unrealized net losses related to these contracts which are expected to be reclassified from AOCI to earnings during the next 12 months are \$5,317 at March 31, 2012. At March 31, 2012, the maximum outstanding term of any derivative instrument was 24 months.

The following tables set forth the fair value of derivative instruments included in the consolidated balance sheets at March 31, 2012 and March 31, 2011:

Derivatives designated as hedging instruments

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Foreign currency exchange contracts:		
Other current assets	\$ 101	\$ 1,327
Other long-term assets	\$ 330	\$ 205
Accrued expenses and others	\$ 5,418	\$ 297
Long-term liabilities	\$ 1,819	\$ 121

The following tables set forth the effect of the Company's foreign currency exchange contracts on the consolidated financial statements of the Company for the fiscal years ended March 31, 2012 and 2011:

	<u>Amount of Gain or (Loss) Recognized in AOCI on Derivatives (Effective Portion)</u>	
<u>Derivatives Designated as Cash Flow Hedging Relationships</u>	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Foreign currency exchange contracts	\$ (9,341)	\$ (2)

	<u>Amount of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)</u>	
<u>Location of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)</u>	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Costs of revenue	\$ (920)	\$ 1,262
Operating expenses	\$ (501)	\$ 616

Virtusa Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(18) Derivative Financial Instruments and Trading Activities (Continued)

Derivatives not Designated as Hedging Instruments	Location of Gain Or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in Income on Derivatives	
		March 31, 2012	March 31, 2011
Foreign currency exchange contracts	Foreign currency transaction gains (losses)	\$ (1,774)	\$ (517)
	Revenue	\$ (382)	\$ (444)
	Costs of revenue	\$ 223	\$ 202
	Selling, general and administrative expenses	\$ 14	\$ 15

(19) Business Segment Information

Accounting pronouncements establish standards for the manner in which public companies report information about operating segments in annual and interim financial statements. Operating segments are component of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker ("CODM") on deciding on how to allocate resources and in assessing performance. The Company's CODM is considered to be the Company's chief executive officer ("CEO"). The CEO reviews financial information presented on an entity level basis for purposes of making operating decisions and assessing financial performance. Therefore, the Company has determined that it operates in a single operating and reportable segment.

Geographic information:

Total revenue is attributed to geographic areas based on location of the client. Geographic information is summarized as follows:

	Year Ended March 31,		
	2012	2011	2010
Customer revenue:			
North America	\$ 215,723	\$ 162,528	\$ 121,727
Europe	49,839	45,065	39,322
Other	12,209	10,386	3,316
Consolidated revenue	\$ 277,771	\$ 217,979	\$ 164,365

	March 31,	
	2012	2011
Long-lived assets, net of accumulated depreciation and amortization:		
North America	\$ 20,270	\$ 10,807
India	26,674	25,386
Sri Lanka	4,048	2,600
Europe	99	56
Consolidated long-lived assets, net	\$ 51,091	\$ 38,849

Virtusa Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

(thousands, except share and per share amounts)

(20) Quarterly Results of Operations (unaudited)

	Three Months Ended							
	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010
Revenue	\$ 74,231	\$ 72,184	\$ 70,311	\$ 61,045	\$ 58,294	\$ 55,606	\$ 52,676	\$ 51,403
Costs of revenue	47,786	46,271	45,395	37,982	36,105	34,169	32,335	31,887
Gross profit	26,445	25,913	24,916	23,063	22,189	21,437	20,341	19,516
Operating expenses	19,378	19,335	19,449	18,276	16,532	16,453	16,292	16,420
Income from operations	7,067	6,578	5,467	4,787	5,657	4,984	4,049	3,096
Other income (expense)	922	780	445	400	308	(6)	(23)	162
Income before income tax expense (benefit)	7,989	7,358	5,912	5,187	5,965	4,978	4,026	3,258
Income tax expense (benefit)	2,191	1,764	1,224	1,232	739	772	310	206
Net income	\$ 5,798	\$ 5,594	\$ 4,688	\$ 3,955	\$ 5,226	\$ 4,206	\$ 3,716	\$ 3,052
Net income per share —Basic	\$ 0.23	\$ 0.23	\$ 0.19	\$ 0.16	\$ 0.22	\$ 0.18	\$ 0.16	\$ 0.13
Net income per share —Diluted	\$ 0.23	\$ 0.22	\$ 0.18	\$ 0.16	\$ 0.21	\$ 0.17	\$ 0.15	\$ 0.13

(21) Subsequent Events

On April 6, 2012, the Company purchased multiple foreign currency forward contracts designed to hedge fluctuation in the U.K. pound sterling against the U.S. dollar. The contracts have an aggregate notional amount of approximately £1,277 (approximately \$2,014) and will expire on various dates through June 30, 2012. The weighted average U.K. pound sterling settlement rate associated with these contracts is approximately \$1.577.

On May 8, 2012, the Company's Board of Directors authorized a share repurchase program of up to \$15 million of the Company's common stock over the next 12 months. Share repurchases under the program may be made through open market purchases or privately negotiated transactions in accordance with applicable federal securities laws, including Rule 10b-18 of the Exchange Act. While the board of directors has approved the share purchasing guidelines, the timing of repurchases and the exact number of shares of common stock to be purchased will be determined by the Company's management, at its discretion, and will depend upon market conditions and other factors. The program will be funded using the Company's cash on hand and cash generated from operations. The program may be extended, suspended or discontinued at any time.

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Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.*

None.

Item 9A. *Controls and Procedures.*

(1) Evaluation of Disclosure Controls and Procedures

We have carried out an evaluation, under the supervision and the participation of our management of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Securities Exchange Act), as of March 31, 2012. Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of the end of that period, our disclosure controls and procedures are effective in providing reasonable assurance that (a) the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (b) such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

(2) Report of Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act as a process designed by, or under the supervision of, the issuers principal executive and principal financial officers or other persons performing similar functions and effected by the issuers board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the receipts and expenditures of the issuers are being made only in accordance with authorizations of the management and directors of the issuer; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of March 31, 2012. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control—Integrated Framework.

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Based on this assessment, our management has concluded that, as of March 31, 2012, our internal control over financial reporting was effective based on those criteria.

The effectiveness of our internal control over financial reporting as of March 31, 2012 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

(3) Changes in Internal Controls over Financial Reporting

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate annually the effectiveness of our internal controls over financial reporting as of the end of each fiscal year, and to include a management report assessing the effectiveness of our internal control over financial reporting in all annual reports. There were no changes in our internal control over financial reporting during the fiscal year ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance.*

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement is expected to be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended March 31, 2012.

Item 11. *Executive Compensation.*

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement is expected to be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended March 31, 2012.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement is expected to be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended March 31, 2012.

Item 13. *Certain Relationships and Related Transactions, and Director Independence.*

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement is expected to be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended March 31, 2012.

Item 14. *Principal Accountant Fees and Services.*

The information required under this item is incorporated herein by reference to the Company's definitive proxy statement pursuant to Regulation 14A, which proxy statement is expected to be filed with the Securities and Exchange Commission not later than 120 days after the close of the Company's fiscal year ended March 31, 2012.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

The following are filed as part of this Annual Report on Form 10-K:

1. Financial Statements

The following consolidated financial statements are included in Item 8:

Reports of Independent Registered Public Accounting Firm	63
Consolidated Balance Sheets at March 31, 2012 and 2011	65
Consolidated Statements of Income for the Years Ended March 31, 2012, 2011 and 2010	66
Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income (Loss) for the Years ended March 31, 2012, 2011 and 2010	67
Consolidated Statements of Cash Flows for the Years Ended March 31, 2012, 2011 and 2010	68
Notes to Consolidated Financial Statements	69

2. Financial Statement Schedules

The financial statement schedule entitled "Schedule II—Valuation and Qualifying Accounts" is filed as part of this Annual Report on Form 10-K under this Item 15.

All other schedules have been omitted since the required information is not present, or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements or the Notes thereto.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Virtusa Corporation and Subsidiaries:

Under date of May 25, 2012, we reported on the consolidated balance sheets of Virtusa Corporation and Subsidiaries (the Company) as of March 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended March 31, 2012, which are contained in the Company's March 31, 2012 annual report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule of Valuation and Qualifying Accounts in this Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Boston, Massachusetts
May 25, 2012

Virtusa Corporation and Subsidiaries
Schedule II—Valuation and Qualifying Accounts
For the years ended March 31, 2012, 2011, and 2010

<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Charged to Costs and Expenses</u>	<u>Deductions/ Other</u>	<u>Balance at End of Period</u>
	(In thousands)			
Accounts receivable allowance for doubtful accounts:				
Year ended March 31, 2010	\$ 1,041	\$ 261	\$ (602)	\$ 700
Year ended March 31, 2011	\$ 700	\$ 690	\$ (230)	\$ 1,160
Year ended March 31, 2012	\$ 1,160	\$ 602	\$ (1,180)	\$ 582

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3. Exhibits

The following exhibits are filed as part of and incorporated by reference into this Annual Report:

<u>Exhibit No.</u>	<u>Exhibit Title</u>
2.1	Asset Purchase Agreement by and among the Company, ConVista Consulting, LLC., a Virginia limited liability company, and the members thereof dated as of February 1, 2010 (previously filed as Exhibit 2.1 to Registrant's Current Report on Form 8-K, filed February 1, 2010, and incorporated herein by reference).
2.2	Asset Purchase Agreement by and among the Company, ALaS Consulting LLC, a New York limited liability company, and the members thereof, dated as of July 1, 2011 (previously filed as Exhibit 2.1 to Registrant's Current Report on Form 8-K, filed July 5, 2011, and incorporated herein by reference).
3.1	Amended and Restated By-laws of the Registrant (previously filed as Exhibit 3.2 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
3.2	Form of Seventh Amended and Restated Certificate of Incorporation of the Registrant (previously filed as Exhibit 3.3 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
4.1	Specimen certificate evidence shares of the Registrant's common stock (previously filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
4.2	Fourth Amended and Restated Registration Rights Agreement by and among the Registrant and the Investors named therein, dated as of March 29, 2007 (previously filed as Exhibit 4.2 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.1	Lease Agreement by and between the Registrant and W9/TIB Real Estate Limited Partnership, dated June 2000, as amended (previously filed as Exhibit 10.3 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.2	Third Amendment to Lease by and between the Registrant and Westborough Investors Limited Partnership dated as of March 31, 2010 (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed April 6, 2010, and incorporated herein by reference).
10.3+	Amended and Restated 2000 Stock Option Plan and forms of agreements thereunder (previously filed as Exhibit 10.4 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.4+	2005 Stock Appreciation Rights Plan and form of agreements thereunder (previously filed as Exhibit 10.5 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.5†	Master Services Agreement by and between the Registrant and Thomson Healthcare dated as of September 9, 2004, as amended by Amendment No. 1 dated as of January 23, 2007, Amendment No. 2 dated as of May 9, 2008, Amendment No. 3 dated as of August 6, 2008 and effective as of March 1, 2008, Amendment No. 3 dated as of May 27, 2009, and Amendment No. 5 dated as of September 3, 2009 (previously filed as Exhibit 10.35 to Amendment No. 1 to the Registrant's Annual Report on Form 10-K, filed July 28, 2010, and incorporated herein by reference).

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<u>Exhibit No.</u>	<u>Exhibit Title</u>
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10.7†	Amendment number 7 to the Master Service Agreement dated December 21, 2009 between the registrant and Metavante Corporation (previously filed as Exhibit 10.36 to Amendment No. 1 to the Registrant's Annual Report on Form 10-K, filed July 28, 2010, and incorporated herein by reference).
10.8†	Material Service Provider Agreement by and between the Registrant and JPMorgan Chase Bank, N.A., dated as of December 6, 2004, as amended (previously filed as Exhibit 10.6 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.9	Amendment No. 236169, dated as of March 1, 2008 to the Master Service Provider Agreement by and between the Registrant and JPMorgan Chase Bank, N.A. (previously filed as Exhibit 10.6 to the Registrant's Annual Report on Form 10-K, filed May 29, 2009, and incorporated herein by reference).
10.10†	Amendment No. 3, dated as of January 1, 2009 to the Master Service Provider Agreement by and between the Registrant and JPMorgan Chase Bank, N.A. (previously filed as Exhibit 10.7 to the Registrant's Annual Report on Form 10-K, filed May 29, 2009, and incorporated herein by reference).
10.11†*	Amendment—CW483516, dated as of March 29, 2012 to the Master Service Provider Agreement by and between the Registrant and JPMorgan Chase Bank, N.A.
10.12+	Form of Indemnification Agreement between the Registrant and each of its directors (previously filed as Exhibit 10.7 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.13†	BT Contract for the Provision of IT Services by and between Virtusa UK Limited and British Telecommunications plc, dated as of March 29, 2007, as amended by Amendment Nos. 1-4 (previously filed as Exhibit 10.7 to the Registrant's Annual Report on Form 10-K, filed June 3, 2008, and incorporated herein by reference).
10.14†	Amendment No. 5 to the BT Contract for the Provision of IT Services by and between Virtusa UK Limited and British Telecommunications plc, dated as of March 31, 2009 (previously filed as Exhibit 10.10 to the Registrant's Annual Report on Form 10-K, filed May 29, 2009, and incorporated herein by reference).
10.15†	Amendment No. 6 to the BT Contract for the Provision of IT Services by and between Virtusa UK Limited and British Telecommunications plc, dated as of October 30, 2009 (previously filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q, filed February 3, 2010, and incorporated herein by reference).
10.16†*	Global Frame Contract by and between Virtusa UK Limited and British Telecommunications plc, dated as of January 31, 2012.
10.17+	Executive Agreement between the Registrant and Kris Canekaratne, dated as of April 5, 2007 (previously filed as Exhibit 10.10 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).

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<u>Exhibit No.</u>	<u>Exhibit Title</u>
10.18+	Executive Agreement between the Registrant and Ranjan Kalia, dated as of July 15, 2009 (previously filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed July 17, 2009 and incorporated herein by reference).
10.19+	Executive Agreement between the Registrant and Thomas R. Holler, dated as of April 5, 2007 (previously filed as Exhibit 10.12 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.20+	Executive Agreement between the Registrant and Roger Keith Modder, dated as of April 5, 2007 (previously filed as Exhibit 10.13 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.21+	Executive Agreement between the Registrant and Raj Rajgopal, dated as of July 15, 2009 (previously filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed July 17, 2009 and incorporated herein by reference).
10.22+	Executive Agreement between the Registrant and Samir Dhir dated as of May 16, 2011 (previously filed as Exhibit 10.33 to the Registrant's Annual Report on Form 10-K filed May 27, 2011 and incorporated herein by reference).
10.23	Co-Developer Agreement and Lease Deed between the Registrant and APIICL, a state government agency in India, dated as of March 2007 (previously filed as Exhibit 10.15 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.24+	2007 Stock Option and Incentive Plan, including Form of Incentive Stock Option Agreement, Form of Non-Qualified Stock Option Agreement for Company Employees, Form of Non-Qualified Stock Option Agreement for Non-Employee Directors, and Form of Employee Restricted Stock Agreement (previously filed as Exhibit 10.15 to the Registrant's Annual Report on Form 10-K, filed June 3, 2008, and incorporated herein by reference).
10.25+	Form of Deferred Stock Award Agreement under the 2007 Stock Option and Incentive Plan (previously filed as Exhibit 10.34 to the Registrant's Annual Report on Form 10-K filed May 27, 2011 and incorporated herein by reference).
10.26	Fifth Amended and Restated Stockholders Agreement by and among the Registrant and the Stockholders named therein, dated as of March 29, 2007 (previously filed as Exhibit 10.17 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.27	Agreement for Civil and Structural Works, including the General Conditions of the Contract by and between Virtusa (India) Private Limited and Shapoorji Pallonji & Company Limited, dated as of July 2, 2007 (previously filed as Exhibit 10.18 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.28+	Amended and Restated Non-Employee Director Compensation Policy (previously filed as Exhibit 10.28 to the Registrant's Annual Report on Form 10-K, filed May 27, 2010, and incorporated herein by reference).
10.29	Lease Deed by and between DLF Assets Private Limited and Virtusa Software Services Pvt. Ltd. dated as of July 21, 2008 (previously filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, filed August 1, 2008, and incorporated herein by reference).

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Exhibit No.	Exhibit Title
10.30	LEASE DEED by and between Andhra Pradesh Industrial Infrastructure Corporation Limited and Virtusa (India) Private Limited dated as of August 22, 2007 (previously filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q, filed September 7, 2007, and incorporated herein by reference).
10.31	Lease Deed by and between DLF Assets Private Limited and Virtusa Software Services, Inc. dated as of May 26, 2011 (previously filed as Exhibit 10.35 to the Registrant's Annual Report on Form 10-K filed May 27, 2011 and incorporated herein by reference).
10.32	Stock Purchase Agreement by and among Registrant, InSource Holdings, Inc, David Shalaby and Michelle Shalaby, dated as of November 4, 2009 (previously filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K, filed November 5, 2009, and incorporated herein by reference).
10.33+	FY2011 Virtusa Corporation Executive Variable Cash Compensation Plan (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed May 11, 2010, and incorporated herein by reference).
10.34+	Virtusa Corporation Executive Variable Cash Compensation Plan (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed May 11, 2011, and incorporated herein by reference).
10.35	Credit Agreement dated as of July 30, 2010 by and among Registrant as Borrower, InSource Holdings, Inc. and InSource, LLC, as Loan Parties, JPMORGAN CHASE BANK, N.A., and JPMORGAN CHASE BANK, N.A as Administrative Agent (previously filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, filed July 30, 2010, and incorporated herein by reference).
10.36	Negative Pledge Agreement dated as of July 30, 2010 by Registrant in favor of JPMORGAN CHASE BANK, N.A, as administrative agent for itself and for the Lenders a party to the Credit Agreement (previously filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q, filed July 30, 2010, and incorporated herein by reference).
10.37	Pledge Agreement dated as of July 30, 2010 by and between Registrant and JPMORGAN CHASE BANK, N.A, as administrative agent for itself and for the Lenders which are parties to the Credit Agreement (previously filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q, filed July 30, 2010, and incorporated herein by reference).
10.38	Security Agreement dated as of July 30, 2010 by Registrant in favor of JPMORGAN CHASE BANK, N.A, as administrative agent for itself and for the Lenders a party to the Credit Agreement (previously filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q, filed July 30, 2010, and incorporated herein by reference).
21.1*	Subsidiaries of Registrant.
23.1*	Consent of KPMG LLP
24.1*	Power of Attorney (included on signature page)
31.1*	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of principal accounting and financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350

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<u>Exhibit No.</u>	<u>Exhibit Title</u>
32.2**	Certification of principal accounting and financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350
99.1	Financial Statements of ALaS Consulting LLC as of June 30, 2011 and December 31, 2010 and for the three and six months ended June 30, 2011 and 2010 and for the year ended December 31, 2010 (previously filed as Exhibit 99.1 to Registrant's Current Report on Form 8-K, filed September 15, 2011, and incorporated herein by reference).
99.2	Unaudited Pro Forma Condensed Combined Balance Sheet as of June 30, 2011 and Unaudited Pro Forma Condensed Combined Statements of Income for the three months ended June 30, 2011 and for the year ended March 31, 2011 (previously filed as Exhibit 99.2 to Registrant's Current Report on Form 8-K, filed September 15, 2011, and incorporated herein by reference).
101**	The following materials from the Registrant's Annual Report on Form 10-K for the year ended March 31, 2012 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income (Loss), (iv) the Consolidated Statements of Cash Flows, and (v) related notes to these financial statements.
+	Indicates a management contract or compensation plan, contract or arrangement.
†	Confidential treatment has been requested for certain provisions of this Exhibit.
*	Filed herewith.
**	Furnished herewith. This certification shall not be deemed filed for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, amended or the Exchange Act of 1934, as amended.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 25th day of May, 2012.

VIRTUSA CORPORATION

By:

/s/ KRIS CANEKERATNE

Kris Canekaratne
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: May 25, 2012

POWER OF ATTORNEY AND SIGNATURES

We the undersigned officers and directors of Virtusa Corporation, hereby severally constitute and appoint Kris Canekeeratne and Ranjan Kalia, and each of them singly, our true and lawful attorneys, with full power to them and each of them singly, to sign for us and in our names in the capacities indicated below, any amendments to this Annual Report on Form 10-K, and generally to do all things in our names and on our behalf in such capacities to enable Virtusa Corporation to comply with the provisions of the Securities Act of 1934, as amended, and all the requirements of the Securities Exchange Commission.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 25th day of May, 2012.

Signature

Title

/s/ KRIS CANEKERATNE

Chairman and Chief Executive Officer
(Principal Executive Officer)

Kris Canekkeratne

/s/ RANJAN KALIA

Senior Vice President of Finance and
Chief Financial Officer
(Principal Financial and Accounting Officer)

Ranjan Kalia

/s/ ROBERT E. DAVOLI

Director

Robert E. Davoli

/s/ IZHAR ARMONY

Director

Izhar Armony

/s/ RONALD T. MAHEU

Director

Ronald T. Maheu

/s/ MARTIN TRUST

Director

Martin Trust

/s/ ROWLAND MORIARTY

Director

Rowland Moriarty

/s/ WILLIAM K. O'BRIEN

Director

William K. O'Brien

/s/ AL-NOOR RAMJI

Director

Al-Noor Ramji

EXHIBIT INDEX

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10.9	Amendment No. 236169, dated as of March 1, 2008 to the Master Service Provider Agreement by and between the Registrant and JPMorgan Chase Bank, N.A. (previously filed as Exhibit 10.6 to the Registrant's Annual Report on Form 10-K, filed May 29, 2009, and incorporated herein by reference).
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10.15†	Amendment No. 6 to the BT Contract for the Provision of IT Services by and between Virtusa UK Limited and British Telecommunications plc, dated as of October 30, 2009 (previously filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q, filed February 3, 2010, and incorporated herein by reference).
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10.25+	Form of Deferred Stock Award Agreement under the 2007 Stock Option and Incentive Plan (previously filed as Exhibit 10.34 to the Registrant's Annual Report on Form 10-K filed May 27, 2011 and incorporated herein by reference).
10.26	Fifth Amended and Restated Stockholders Agreement by and among the Registrant and the Stockholders named therein, dated as of March 29, 2007 (previously filed as Exhibit 10.17 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.27	Agreement for Civil and Structural Works, including the General Conditions of the Contract by and between Virtusa (India) Private Limited and Shapoorji Pallonji & Company Limited, dated as of July 2, 2007 (previously filed as Exhibit 10.18 to the Registrant's Registration Statement on Form S-1, as amended (Registration No. 333-141952) and incorporated herein by reference).
10.28+	Amended and Restated Non-Employee Director Compensation Policy (previously filed as Exhibit 10.28 to the Registrant's Annual Report on Form 10-K, filed May 27, 2010, and incorporated herein by reference).

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<u>Exhibit No.</u>	<u>Exhibit Title</u>
10.29	Lease Deed by and between DLF Assets Private Limited and Virtusa Software Services Pvt. Ltd. dated as of July 21, 2008 (previously filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, filed August 1, 2008, and incorporated herein by reference).
10.30	LEASE DEED by and between Andhra Pradesh Industrial Infrastructure Corporation Limited and Virtusa (India) Private Limited dated as of August 22, 2007 (previously filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q, filed September 7, 2007, and incorporated herein by reference).
10.31	Lease Deed by and between DLF Assets Private Limited and Virtusa Software Services, Inc. dated as of May 26, 2011 (previously filed as Exhibit 10.35 to the Registrant's Annual Report on Form 10-K filed May 27, 2011 and incorporated herein by reference).
10.32	Stock Purchase Agreement by and among Registrant, InSource Holdings, Inc, David Shalaby and Michelle Shalaby, dated as of November 4, 2009 (previously filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K, filed November 5, 2009, and incorporated herein by reference).
10.33+FY2011	Virtusa Corporation Executive Variable Cash Compensation Plan (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed May 11, 2010, and incorporated herein by reference).
10.34+	Virtusa Corporation Executive Variable Cash Compensation Plan (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed May 11, 2011, and incorporated herein by reference).
10.35	Credit Agreement dated as of July 30, 2010 by and among Registrant as Borrower, InSource Holdings, Inc. and InSource, LLC, as Loan Parties, JPMORGAN CHASE BANK, N.A., and JPMORGAN CHASE BANK, N.A as Administrative Agent (previously filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, filed July 30, 2010, and incorporated herein by reference).
10.36	Negative Pledge Agreement dated as of July 30, 2010 by Registrant in favor of JPMORGAN CHASE BANK, N.A, as administrative agent for itself and for the Lenders a party to the Credit Agreement (previously filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q, filed July 30, 2010, and incorporated herein by reference).
10.37	Pledge Agreement dated as of July 30, 2010 by and between Registrant and JPMORGAN CHASE BANK, N.A, as administrative agent for itself and for the Lenders which are parties to the Credit Agreement (previously filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q, filed July 30, 2010, and incorporated herein by reference).
10.38	Security Agreement dated as of July 30, 2010 by Registrant in favor of JPMORGAN CHASE BANK, N.A, as administrative agent for itself and for the Lenders a party to the Credit Agreement (previously filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q, filed July 30, 2010, and incorporated herein by reference).
21.1*	Subsidiaries of Registrant.
23.1*	Consent of KPMG LLP
24.1*	Power of Attorney (included on signature page)
31.1*	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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Exhibit No.	Exhibit Title
31.2*	Certification of principal accounting and financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350
32.2**	Certification of principal accounting and financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350
99.1	Financial Statements of ALaS Consulting LLC as of June 30, 2011 and December 31, 2010 and for the three and six months ended June 30, 2011 and 2010 and for the year ended December 31, 2010 (previously filed as Exhibit 99.1 to Registrant's Current Report on Form 8-K, filed September 15, 2011, and incorporated herein by reference).
99.2	Unaudited Pro Forma Condensed Combined Balance Sheet as of June 30, 2011 and Unaudited Pro Forma Condensed Combined Statements of Income for the three months ended June 30, 2011 and for the year ended March 31, 2011 (previously filed as Exhibit 99.2 to Registrant's Current Report on Form 8-K, filed September 15, 2011, and incorporated herein by reference).
101**	The following materials from the Registrant's Annual Report on Form 10-K for the year ended March 31, 2012 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income (Loss), (iv) the Consolidated Statements of Cash Flows, and (v) related notes to these financial statements.
+	Indicates a management contract or compensation plan, contract or arrangement.
†	Confidential treatment has been requested for certain provisions of this Exhibit.
*	Filed herewith.
**	Furnished herewith. This certification shall not be deemed filed for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, amended or the Exchange Act of 1934, as amended.

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

Contract ID No. CW483516

**Amendment — CW483516
To Master Service Provider Agreement
(Contract ID No. JPMC 70575)**

This Amendment ("Amendment") to the Master Service Provider Agreement, dated December 6, 2004, as amended (the "Agreement") is made and entered into as of the 29th day of March 2012 ("Amendment Effective Date") among JPMorgan Chase Bank, National Association ("JPMC"), with an office located at 270 Park Avenue, New York, New York, 10017 and Virtusa Corporation located at 2000 West Park Drive, Westborough, MA 01581 ("US Supplier") and Virtusa India Pvt. Ltd., 3rd Floor, My Home Tycoon, Begumpet, Hyderabad 500-016, India ("Offshore Supplier").

WHEREAS, JPMC and Supplier have entered into the Agreement, as amended, and

WHEREAS, JPMC and Supplier now wish to further amend the Agreement as set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises and the promises, terms and conditions set forth below and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows.

1. Effective April 1, 2012, to amend the Exhibit G to the Agreement as follows:

(a) **The Title of Exhibit G is hereby amended and restated to be "Pricing and Rate Card"**

(b) The pricing set forth on Exhibit G, including the associated terms (collectively, the "Rate Card"), is effective April 1, 2012 for all new time and material engagements between the parties hereto executed on or after January 1, 2012 but to be performed on or after April 1, 2012, but excluding any agreements executed prior to January 1, 2012, JPMC reserves the right to review and adjust said Rate Card periodically (the frequency and results of such a review will be based upon supply, demand and/or other internal/external economic forces, but in no such case shall such review be less than annually.

(c) In addition, Supplier will [***]

(i) [*****] Supplier pursuant to time and material engagements performed from [*****];

(ii) [*****] Supplier pursuant to time and material engagements performed from [*****];

and

(iii) [*****] Supplier pursuant to time and material engagements performed from [*****].

2. Except as expressly amended herein, the Agreement remains in full force and effect for the period from April 1, 2012 to December 31, 2013.

3. Terms not defined herein shall be as defined in the Agreement.

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

Contract ID No. CW483516

4. By executing this Amendment, the parties hereto ratify and confirm the terms of the Agreement, as modified by the terms of this Amendment.

5. This Amendment may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute the same instrument.

6. If there shall be any conflict in the terms and conditions of the Agreement and the terms and conditions of this Amendment, the terms and conditions of this Amendment shall control and be binding.

7. All references in the Agreement in and/or to "this Agreement" and words of a like nature shall be deemed to refer to the Agreement, as amended and supplemented by this Amendment.

IN WITNESS WHEREOF, JPMC and Supplier have caused duly authorized representatives of their respective companies to execute this Amendment as of the Amendment Effective Date.

**JPMORGAN CHASE BANK,
NATIONAL ASSOCIATION**

VIRTUSA CORPORATION

By:	<u>/s/Peter Van Allsburg</u>	By:	<u>/s/Paul D. Tutun</u>
Printed Name:	<u>Peter Van Allsburg</u>	Printed Name:	<u>Paul D. Tutun</u>
Title:	<u></u>	Title:	<u>S.V.P. & General Counsel</u>
Date:	<u>3/30/2012</u>	Date:	<u>3/31/2012</u>

VIRTUSA INDIA PVT. LTD.

By:	<u>/s/Kris Canekaratne</u>
Printed Name:	<u>Kris Canekaratne</u>
Title:	<u>CEO</u>
Date:	<u>3/31/2012</u>

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

Contract ID No. CW483516

Exhibit G

[*****]

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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20th January 2012



GLOBAL FRAME CONTRACT

Between

BRITISH TELECOMMUNICATIONS plc

And

VIRTUSA UK LIMITED

CONTRACT NUMBER: 8006340

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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Contract Number: 8006340

Estimated Value:

Global Frame Contract relating to:

Supply of IT Services to BT

GLOBAL FRAME CONTRACT dated 20th January 2012 made between the Parties:

(1) **British Telecommunications plc**, with registered office at 81 Newgate Street, London EC1A 7AJ and Company Number 1800000 ("BT"); and

(2) **Virtusa UK Limited**, with registered office at 1 Callaghan Square, Cardiff, CF10 5BT] and Company Number 05640127 ("**Supplier**")

RECITALS

- (A) BT is an established world leader in the design, development, delivery and management of communications services. Its principal activities include local, national and international telecommunications services, higher value broadband, internet products and services and IT solutions.
- (B) The Supplier is a global supplier of IT services and has experience and expertise in the provision of a broad range of IT services, including, application outsourcing, IT consultant and implementation services.
- (C) BT requires, and Supplier desires to provide, the services described in the Contract on the terms and conditions as set out in the Contract.
- (D) BT and Supplier had entered into Master Services Agreement dated as of 29 March 2007, as amended (the "Previous Agreement"), by and between BT and Virtusa UK Limited and the parties seek to amend and restate the Previous Agreement and have the Previous Agreement replaced in its entirety by this Global Frame Contract.

In consideration of £1 payable by BT to the Supplier: BT and Supplier agree as follows:

This Contract comprises this front sheet and the following appended documents:

- Requirements
- Conditions
- Schedule 1 — Services
- Schedule 2 — Charges and Pricing Principles
- Schedule 3 — Affiliates Agreement
- Schedule 4 — Security & Business Compliance
- Schedule 5 — Data Protection
- Schedule 6 — Governance & Change Control Procedure
- Schedule 7 — Transition and Transformation & Exit Plan
- Schedule 8 — Generic Standards

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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- Schedule 9 — Supplier Site Locations & Supplier Affiliates
- Schedule 10 — List of BT Affiliates
- Schedule 11 — Business Continuity

In the case of any conflict, the documents above shall have precedence in the order listed.

Unless otherwise expressly stated in the Contract, BT shall be under no obligation to purchase any particular value or quantity of the Supplies, or at all.

SIGNED for and on behalf of BT

SIGNED for and on behalf of the Supplier

/s/ David Cole
Signature

/s/ Shanaka Jayawardena
Signature

David Cole
Name

Shanaka Jayawardena
Name

Senior Procurement Manager
Position

Finance Director
Position

6

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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1. DEFINITIONS AND INTERPRETATIONS

1.1 Unless otherwise stated, in the Contract, the following expressions, where used, shall have the meanings respectively ascribed to them:

"**Acceptance**" means written acknowledgement by BT that Work and/or Services, or part of them, have been completed in accordance with the Contract, subject to any deficiencies stated in such acknowledgement. "**Accept**" and "**Accepted**" shall be construed accordingly.

"**Acceptance Test**" means formal testing conducted to determine if the Work and/or Services satisfy the criteria for Acceptance to enable BT to Accept the Work and/or Services or any part of them.

"**Affiliate Service Agreement**" means the Agreement entered into between BT and the Supplier Affiliate or between BT Affiliate and the Supplier Affiliate or Supplier in accordance with the terms of the Contract; "**ASA**" shall be construed accordingly.

"**Agile Development Technique**" means the technique described in Schedule 2 (Charges and Payment) Appendix 1.

"**Appendix**" means an appendix to the Schedule having the ascribed number or title; "**Appendices**" shall be construed accordingly.

"**ARD**" means Acquired Rights Directive 2001/23/EC of the European Council.

"**ARD Territories**" means those Territories in which the ARD applies.

"**BT**" means British Telecommunications plc, its successors and assigns.

"**BT Affiliate**" means any BT Group Company listed in Schedule 10 (List of BT Affiliates) of the Contract as amended from time to time.

"**BT's Commercial Contact**" means Dave Walker (dave.s.walker@bt.com Tel: +44 7917 022152) or such other person as BT may notify from time to time in writing to the Supplier.

"**BT Data**" or "**BT's Data**" means all data, information, addresses, telephone numbers, text, drawings, diagrams, images or sound embodied in any electronic or tangible medium which (i) are supplied or in respect of which access is granted to the Supplier by BT pursuant to the Contract, or (ii) the Supplier is required to generate under the Contract, or (iii) are obtained by the Supplier on behalf of BT for the purposes of the Contract.

"**BT Data Protection Specialist**" means such person as BT may notify from time to time in writing to the Supplier.

"BT Human Resources Recruitment Policy" means the policy as set out in Schedule 4 (Security & Business Continuity) Appendix 1.

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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"**BT Items**" means all items provided by BT to the Supplier and all items held by the Supplier which belong to BT in connection with the Contract.

"**BT Personal Data**" means any personal data of BT's personnel or contractors or Customers as defined in the Data Protection Legislation.

"**BT Project Manager**" means BT personnel responsible for the in-life operational management of the Contract or specific Orders.

"**BT Retained Employees**" means those persons employed by BT in the United Kingdom or employed by a BT Affiliate in the ARD Territories in the provision of services similar to the Services immediately prior to the Effective Date.

"**BT Systems**" means any BT computer, application or network or such other systems as may be agreed in writing from time to time by BT and the Supplier.

"**BT's Travel and Expense Policy**" means the policy set out in Schedule 2 (Charges and Payment) Appendix 3.

"**Best Industry Practice**" means a standard of performance (taking into account practices, methods and procedures) required of an IT, Network and BPO service provider in the United Kingdom and if requested by BT in the relevant Territory and includes using reasonable skill, diligence, prudence and foresight in the conduct of the relevant risk.

"**BPO Work Package**" means a form of Specification in the form substantially of that set out in Schedule 2 (Charges and Payment) Appendix 2 Exhibit B, issued by BT to the Supplier pursuant to which the Supplier is to provide Services to BT in accordance with the Capped Time and Material or Output Based Work or input based pricing model for BPO Services.

"**Business Day(s)**" means any day(s) on which banks are open for business in the UK, (except in the case of Services performed under an Affiliate Agreement in another territory, where it means a day on which banks are open for business in the relevant Territory).

"**Business Process Outsourcing**" means the services outlined in Schedule 1 (Services) Appendix 2. "**BPO**" shall be construed accordingly.

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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"Capped Time and Material" means Work to be performed in accordance with the pricing model set out in Schedule 2 (Charges and Payment).

"Change Control Procedure" means the procedure under which BT or the Supplier may make a request for a change to the Contract, excluding a change by the Supplier to the Services, all as described in Schedule 6 (Governance & Change Control); **"Change(s)"** shall be construed accordingly.

"Charges" means the charges for the provision of the Services as set out in and/or calculated in accordance with the relevant basis of Charge described in Schedule 2 (Charges and Payment) and subsequently agreed in individual Order(s).

"Commencement Date" means 1st January 2012

"Conditions" means the conditions of the Contract.

"Contract" means this global frame contract, its attached Schedules, Appendices, Exhibits Order.

"Contract Period" means, initially, three years from the Commencement Date.

"Contract Personnel" means the Supplier's employees, Sub-Contractors, subcontractors and agents (and their employees, subcontractors and agents) engaged in the performance of the Contract.

"Critical Service Failure" means any breach by the Supplier to meet any Critical Service Levels in respect of any Service under an Order.

"Critical Service Levels" means service levels identified as Critical Service Levels in an Order or if BT exercises its rights to claim the maximum Liquidated Damages for each claim or a series of connected claims under an Order.

"Customer" means BT's external customer from time to time.

"Customer Requirements" means the specific variations to the Conditions as required by BT to reflect the requirements of its Customers and which are set out in the relevant Order or as otherwise notified in writing by BT to the Supplier from time to time.

"Data Protection Legislation" means in the United Kingdom, the Data Protection Act 1998 or in any other Territory, any equivalent applicable local legislation.

"Deliverables" means anything tangible or intangible delivered or to be delivered by or on behalf of the Supplier for BT (including, without limitation, any Information, materials, or Software) pursuant to the Supplier's obligations to provide the Services as set out in the Contract.

"Design Information" means any Information provided by BT concerning the purpose, manufacture, design or configuration of Services.

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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"**Disaster**" means any disaster or event that either Party declares to be a disaster for the purposes of the DRP.

"**Disaster Recovery Plan**" means the disaster recovery and business continuity plan as agreed under Schedule 11. "**DRP**" shall be construed accordingly.

"**Effective Date**" means the date on which the Supplier acknowledges receipt of a Purchase Order from BT in respect of the relevant Specification.

"**Employment Liability**" includes all claims, demands, actions, proceedings and any award, compensation, damages, tribunal or court awards, fine, loss, liability, order, penalty, payment made by way of settlement and costs and expenses reasonably incurred in connection with a claim or investigation; legal costs and expenses are assessed on an indemnity basis; "**Employment Liabilities**" shall be construed accordingly.

"**Exhibit**" means an exhibit to the Appendix having the ascribed number or title.

"**Exit Period**" means the period set out in Schedule 7 (Transition and Transformation & Exit Plan).

"**Financial Year**" means the period beginning on April 1st and ending on the following March 31st.

"**Functional Specification**" means the Supplier's design document for the Software as supplied to BT or as published by the Supplier

"**Group Company**" means BT or Supplier or any company from time to time in the same group (as defined by s.474(1) Companies Act 2006) as BT or the Supplier.

"**Information**" means information whether in tangible or any other form, including, without limitation, specifications, reports, data, notes, documentation, drawings, software, computer outputs, designs, circuit diagrams, models, patterns, samples, inventions, (whether capable of being patented or not) and know-how, and the media (if any) upon which such information is supplied.

"**Intellectual Property Right(s)**" means any patent, petty patent, copyright, database right, design right, community design right, semiconductor topography right, registered design, rights in know-how, or any similar right in any part of the world and shall include any applications for the registration of any patents or registered designs or similar rights capable of registration in any part of the world.

"**International Development**" means the services set out as such in Schedule 1 (Services).

"**IT and Network Services**" means the services listed as such in Schedule 1 (Services).

"**Key Performance Indicators**" means the performance indicators which BT shall use as a means of measuring and monitoring the performance of the Supplier under the Contract at strategic relationship level initially set out in Schedule 6 (Governance &

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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Change Control), which may be amended by agreement in writing from time to time; "**KPIs**" shall be construed accordingly.

"**Legislation**" means in the United Kingdom, any Act of Parliament or sub-ordinate legislation within the meaning of Section 21(1) of the Interpretation Act 1978, any exercise of the Royal Prerogative, and any enforceable community rights within the meaning of Section 2 of the European Communities Act 1972 or in any other Territory, any equivalent applicable local legislation.

"**Liquidated Damages**" means the liquidated damages described and referred to in the Condition headed "Liquidated Damages".

"**Local Services**" means the Services set out in Schedule 1(Services) performed and/or to be performed pursuant to any Affiliate Service Agreement as the same may be amended from time to time in accordance with the Contract and/or the Local Requirements.

"**Local Requirements**" means specific variations to the Conditions in the Contract as required by BT Affiliate to reflect local law or regulatory requirements and which are set out in the relevant ASA.

"**Material Breach**" means:

- (a) any Critical Service Failure;
- (b) any material failure by the Supplier to perform Supplier's obligations in Schedule 4 (Security and Business Compliance);
- (c) any failure to comply with Condition headed "Protection of Personal Data"
- (d) any failure by the Supplier to fully and properly implement the remedial plan in Condition headed "Audit, Access and Progress Report"
- (e) any material breach by Supplier of any provisions of the Contract including but not limited to those listed in paragraphs in (a) to (d) above.

"**Offshore Working Day**" means the eight (8) hour period (excluding breaks) in any twenty four (24) hour period when the Services are performed or are required to be performed, by the Supplier in the relevant Supplier or Supplier Affiliate non-UK or non-Territory location, which locations are listed in Schedule 9 (Supplier Site Locations & Supplier Affiliate).

"**Onshore Working Day**" means the eight (8) hour period excluding breaks between the hours of 0700 and 1930 in the UK or the relevant Territory.

"**Order**" means the Purchase Order with details of the Charges, the Specification and any other relevant information relating to the Services.

"**Output Based Work**" means Work to be performed in accordance with the pricing model set out in Schedule 2 (Charges and Payment).

"**Persistent Breach**" means either:

- (a) more than one (1) non-material breach of the Contract by the Supplier which taken together constitute a material breach; or
- (b) failure by the Supplier to exceed the weighted target in 50% or more of the

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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measured KPIs in any two (2) consecutive months.

"**Post Implementation Review**" means the definition set out in Schedule 6 (Governance & Change Control); "**PIR**" shall be construed accordingly.

"**Purchase Order**" means a formal request binding on both Parties to commence the provision of Services which request is generated from electronic ordering system, and received by the Supplier in the form of fax, email, electronic interface or paper to signify a financial commitment or a call-off against this Contract by BT.

"**Quality Management System**" means BS/ISO9000 (or equivalent) or BS 15000 or any other relevant certificates as amended from time to time in accordance with the Contract which certificates issued by bodies approved any National Accreditation Council.

"**Quarter**" means each of the periods from 1st April to 30th June, 1st July to 30th September, 1st October to 31st December and 1st January to 31st March.

"**SFIA**" means the Skills Framework for the Information Age (SFIA) matrix found at SFIA web-site at: <http://www.SFIA.org.uk>.

"**Schedule**" means a schedule to the Contract having the ascribed number or title.

"**Services**" means the service(s) or part of the services described in Schedule 1(Services) and subsequently confirmed in the relevant Order including all Deliverables, Information and Work supplied or performed or to be supplied or performed to or for BT by the Supplier.

"**Service Credits**" means the credit to Charges due from the Supplier to BT from the Supplier in the event of the Supplier's failure to meet certain Service Levels as detailed in and/or calculated in accordance with Schedule 1(Services) and individual Order(s).

"**Service Levels**" means the provisions of Schedule 1(Services) outlining the service levels principles applicable to the Services and detailed in individual Order(s); "**Service Level Agreement(s)**" and "**SLA(s)**" shall be construed accordingly.

"**Site**" means any location(s) or premise(s) specified by BT, upon which the Supplier is to provide Services or perform Work.

"**Software**" means all computer programs including but not limited to all source code and object code whether in machine readable, optically readable or any other format comprised in Services and the media on which it is supplied.

"**Specification**" means a description of Services which may include Service Levels and Service Credits for individual BT requirements in the form set out in Time and Material Pricing Template, Work Package, BPO Work Package, statement of requirements or in any other format in which Services are described and referred to in the Order.

"**Steering Committee**" means collectively the individuals identified in Schedule 6 (Governance and Change Control).

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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"Subcontractor" means any person, partnership or corporation with whom the Supplier places a contract and/or an order for the supply of any equipment, item, service or for any work in relation to the Contract; **"Subcontract"** shall be construed accordingly.

"Successor Contractor" has the meaning set out in the Condition headed "Transfer of Undertakings".

"Supplier" means Virtusa UK Limited with registered office at 1 Callaghan Square, Cardiff, CF10 5BT and Company Number who will be responsible for providing Services in the Contract to BT and Customers.

"Supplier's Background Information" means any Information owned or controlled by the Supplier.

"Supplier's Commercial Contact" such person whose identity and contact details may be notified to BT's Commercial Contact from time to time.

"Tax" means all taxes, levies, imposts, duties, charges or withholdings in the nature of taxes imposed by any Tax Authority including (without limitation):

- (a) income tax (including PAYE), national insurance contributions (or any similar contributions);
- (b) foreign taxes;
- (c) all VAT and/or other sales taxes;
- (d) all interest, penalties, surcharges, fines and other charges relating to any of the above or to a failure to make any return, comply with any reporting requirements or supply any information in connection with any of the above and the cost of removing any charge or other encumbrance imposed by a Tax Authority.

"Tax Authority" means any government, state or municipality or any local, state, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world having functions in relation to Tax.

"Termination" means termination of the Contract or the Order(s) accordance with the provisions of the Condition headed "Termination" or the expiry of the Contract.

"Territory" means any one of the territories set out in Schedule 10 (List of BT Affiliates) . **"Territories"** shall be construed accordingly.

"Time and Material" means Work to be performed in accordance with the pricing model set out in Schedule 2 (Charges and Payment); **"T&M"** shall be construed accordingly.

"Time and Material Pricing Template" means the form substantially of that set out in Schedule 2 (Charges and Payment) Appendix 1 Exhibit B, issued by BT to the Supplier pursuant to which the Supplier is to provide Services to BT in accordance with the Time and Material pricing model.

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"Time and Materials Rate Card" means the rate card for IT and Network Services as set out in Schedule 2 (Charges and Payment) Appendix 1 Exhibit C or for BPO Services as set out in Schedule 2 (Charges and Payment) Appendix 2 Exhibit A.

"Transition" means the activities set out in Schedule 7 (Transition and Transformation & Exit Plan).

"TUPE" means the Transfer of Undertakings (Protection of Employment) Regulations 2006, (as amended, re-enacted or extended from time to time).

"Work" means work the Contract requires to be undertaken by the Supplier for BT.

"Work Package" means a form of Specification in the form substantially of that set out in Schedule 2 (Charges and Payment) Appendix 1 Exhibit A, issued by BT to the Supplier pursuant to which the Supplier is to provide Services to BT in accordance with Capped Time and Material or Output Based Work or input based pricing models for IT and Network Services.

1.2 Interpretation

(a) In the Contract unless the context otherwise requires, all references to:

- (i) Conditions, Schedules, Appendices and Exhibits are to conditions of, schedules, appendices and exhibits to the Contract as amended from time to time in accordance with the Contract;
- (ii) Paragraphs are to the paragraphs of the Conditions to the Contract as amended from time to time in accordance with the Contract;
- (iii) Sections are to the sections of the Schedules to the Contract as amended from time to time in accordance with the Contract;
- (iv) the word "includes" or "including" shall be construed without limitation to the generality of the preceding words;
- (v) this or the " Contract " are to the Contract as amended from time to time in accordance with its terms;
- (vi) the "rights" of any person (including of either Party) shall mean the rights and remedies available to that person under the Contract;
- (vii) a "person" includes any individual, firm, corporation, unincorporated association, government, state or agency of state, association, partnership or joint venture (whether or not having a separate legal personality);
- (viii) "writing" shall include any modes of reproducing words in a legible and non-transitory form; and

- (ix) "Sterling" or "£" or "pounds" is to the lawful currency of the United Kingdom as of the Commencement Date.
- (b) The headings shall be ignored in construing the Contract.
- (c) Unless the context otherwise requires, words or phrases importing the singular shall be interpreted to include the plural and vice versa.
- (d) If there is any conflict or inconsistency between:
 - (i) the Conditions and any Schedule, Appendices or Exhibit, the general Conditions will prevail; unless the Schedule, Appendices or Exhibit states that the Schedule, Appendices or Exhibit shall prevail over any other inconsistent or conflicting terms in which case the Schedule, Appendices or Exhibit shall prevail or
 - (ii) the Conditions, any Schedule, Appendices or Exhibit and Order, the terms of the Order will prevail in relation to the activity that is explicitly identified as covered by or affected by the Order.
- (e) The Schedules, Appendices and Exhibits and each Order form part of the Contract and references to "the Contract" include its general provisions, Schedules, Appendices and Exhibits and each Order, as amended from time to time by the Parties (including by means of Change Control Procedure).

2. ORDERING PROCESS

2.1 The Contract governs the relationship between the Parties for the supply of Services by the Supplier to BT. It is a broad framework agreement between the Parties under which BT shall, via an Order, procure Services from the Supplier. The Services shall be performed in accordance with the applicable Order, which shall be subject to and governed by the provisions (mutatis mutandis in the case of Order issued by a BT Affiliate and/or received by a Supplier Affiliate) of the Contract. Nothing in the Contract shall be deemed to oblige the Supplier to provide Services to BT unless they are agreed in writing by the acceptance of a Specification and Supplier is in receipt of a Purchase Order specifically in relation to the Specification.

2.2 To commence an engagement, BT shall issue to the Supplier or work with the Supplier to create a Specification detailing BT's requirements (mutatis mutandis in the case of Specification issued by a BT Affiliate and/or received by a Supplier Affiliate). The Supplier will review the Specification and respond to BT with a quote for the proposed Services within twenty four (24) hours (or such time periods as agreed by the Parties) of receipt of Specification. If BT wishes to purchase the proposed Services, BT shall issue to the Supplier a Purchase Order confirming that the Supplier's quote has been accepted and that BT wishes the Supplier to commence the Services.

2.3 This Purchase Order shall make reference to the Contract, the applicable Specification and the unique identification number of the final offer document accepted by BT. The parties agree that any pre-printed terms and conditions included on or with the Purchase Order, which are in addition to or in conflict with the terms and conditions

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of the Contract and the agreed Specification, as applicable, shall be deemed null and void.

2.4 Where BT determines at its sole discretion that it is appropriate for a BT Affiliate to order particular Services, BT and the Supplier shall each procure that the relevant BT Affiliate and the Supplier and/or the Supplier Affiliate (as applicable) respectively promptly enter into a framework Affiliate Service Agreement in the form substantially set out in Schedule 3 (Affiliate Service Agreement), and if the Affiliate Service Agreement is not already in place between these parties, and following execution of the Affiliate Service Agreement, BT Affiliate and the Supplier or the Supplier Affiliate shall conform to the process set out in Schedule 3 (Affiliate Service Agreement) for individual order of Services by the issuance of Orders.

3. THE SERVICES

3.1 The Supplier agrees to supply the Services, in consideration of the payment of the Charges by BT, upon and in accordance with the provisions of the Contract.

3.2 In respect of each Order, the Services shall commence on the Effective Date and shall continue as specified in the Order, subject to provisions of the Condition headed "Termination".

3.3 The Supplier undertakes:

- (a) that it and the Services shall comply with all Legislation, regulations, codes of practice, guidance notes and other requirements of any relevant government or governmental agency that may be applicable from time to time within UK and the equivalent laws and regulations prevalent in the Territory of the performance of Services, including, but without limitation, Freedom of Information Act 2000, Computer Misuse Act 1990, Copyright Designs and Patents Act 1988, Regulation of Investigatory Powers Act 2000, The Electronic Communications Code (Conditions and Restrictions) Regulations 2003, Human Rights Act 1998, UK policy relating to encryption, the legislation protecting the fundamental rights and freedoms of natural persons and, in particular, their right to privacy specifically as provided in The Privacy and Electronic Communications (EC Directive) Regulations 2003, The Telecommunications (Data Protection and Privacy) Regulations 1999, The Competition Act 1998, Communications Act 2003 and Data Protection Act 1998 to the Supplier or the Services from time to time, and to the extent that such regulations are advisory, compliance with which is advisable but not mandatory, the minimum compliance to be achieved by Supplier shall be the Best Industry Practice;
- (b) to notify BT promptly on becoming aware of any non-compliance or receiving any allegation of non-compliance with any Legislation or the relevant regulation by any person in connection with the Services. Without prejudice to the foregoing, the Supplier shall provide BT with such assistance as BT may reasonably request to investigate any breach or suspected breach or correct any breach of any relevant laws and regulations. The Supplier shall on BT's request, promptly take all

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reasonable action that is necessary and open to the Supplier in order to minimise the impact of the breach and any suspected breach of Legislation or the relevant regulations;

- (c) to provide the Services in accordance with the SLAs, KPIs, "Best Industry Practice" and subject to the agreed upon acceptance criteria in the Order, or when not specified, to BT's reasonable satisfaction based on good faith and reasonable grounds
- (d) as soon as possible to comply with all reasonable written instructions of BT in relation to the provision of the Services;
- (e) to take precautions (having regard to the nature of its obligations under the Contract) to protect the integrity of the BT Data and BT Personal Data and to prevent any corruption or loss of BT Data and BT Personal Data;
- (f) Not Used;
- (g) to co-operate to a reasonable level with BT and relevant third parties working with BT Systems and software and in particular shall provide all relevant interface and access to Supplier's systems (or part thereof) containing BT Data and BT Personal Data as shall be reasonably requested by BT or such third parties and also whatever access to Contract Personnel is reasonably required by BT or such third parties to carry out their obligations to BT ; and
- (h) to comply with the latest applicable issue from time to time of UK, European and International Standards and other documents referred to in the Contract.

3.4 The Supplier shall fulfil or shall procure that any relevant Supplier Affiliate shall fulfil the Local Services pursuant to an Order received by it during the Contract Period from any BT Affiliate for Services of the same or substantially similar description to any of the Services. Such fulfilment shall be on the same terms and conditions (*mutatis mutandis*) (excluding this Paragraph) as are set out and comprised in the Contract. For the avoidance of doubt, the Supplier shall perform or procure the performance of such Services (subject save as aforesaid to the terms and conditions) whether the ultimate beneficiary of the same is BT, BT Affiliate or any third party with whom BT or any BT Affiliate has contracted to supply services including services of the same or substantially similar description to the Services.

3.5 BT shall have no liability (whether for payment or otherwise) to the Supplier or Supplier Affiliate for or in connection with any order placed by any BT Affiliate nor shall BT have its rights under the Contract prejudiced by the acts or omissions of any BT Affiliate.

3.6 Notwithstanding anything to the contrary in the Contract, including the Condition headed "Confidentiality", BT shall have the right to disclose to any BT Group Company all relevant information regarding the Contract.

3.7 For the avoidance of doubt, the Supplier shall be fully liable to BT and the relevant BT Affiliate for the fulfilment of any Order in accordance with the applicable

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ASA notwithstanding that the Supplier may have procured or attempted to procure such fulfilment by a Supplier Affiliate.

3.8 Each ASA shall constitute a separate, legally binding contract between the relevant BT Affiliate and the Supplier or Supplier Affiliate.

3.9 The Services to be provided by the Supplier under the Contract shall include for the avoidance of doubt any incidental or otherwise necessary activities or functions reasonably required to perform the Services and for the purpose of giving BT the full benefit of the provisions of the Contract, in each case notwithstanding that any such activities or functions may not be explicitly detailed in the Order.

3.10 BT shall have no obligation to place any order for Services.

4. CONTRACT PERIOD

4.1 The Contract shall commence on the Commencement Date and shall remain in force for the Contract Period unless extended or terminated in accordance with its provisions.

4.2 BT shall have the option to extend the initial Contract Period by a further consecutive period of one (1) year, such option to be exercised by giving written notice to that effect to the Supplier on or before the end of the initial Contract Period. If this option is exercised by BT the provisions of the Contract shall apply during such extended period but excluding any provision for further extension of the term.

4.3 The Order(s) shall survive the Termination of the Contract in respect of all ongoing work in progress under any such Order(s) until such time as the Work under such Order(s) is completed or terminated in accordance with this Contract.

5. QUALITY OF SERVICE

5.1 Skill and care

The Supplier shall provide the Services with reasonable diligence, skill and care and in accordance with the Best Industry Practice.

5.2 Standards and Policies

The Supplier shall provide the Services, or procure that they are provided, in all respects in accordance with:

- (a) BT Generic Standards in Schedule 8 (Generic Standards);
- (b) the requirements of the latest current issue of the Working With BT (Distribution Guidelines)' booklet available at www.selling2bt.bt.com/working/distribution/default.asp
- (c) a certified Quality Management System;

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- (d) to the extent that the Supplier represents BT (or third parties may reasonably believe that the Supplier represents BT) in relation to the Supplier's performance of the Contract, comply with BT's business principles', as set out in BT's publication 'The Way We Work' at <http://www.btplc.com/society/values>, as though such principles (mutatis mutandis) applied to and had been adopted by the Supplier;
- (e) cause no adverse publicity, public criticism or damage to the reputation of BT, any BT group company and/or its customers and also not cause any material disruption to the business of BT, any BT group company and/or its customers;
- (f) without prejudice to the generality of paragraph 3(a) Condition headed "Services" above, comply with all applicable anti-corruption and anti-bribery laws and BT's Anti-Corruption and Bribery Policies at <http://www.selling2bt.bt.com/Anti-CorruptionandBribery/index.htm> as though such policies applied to and had been adopted by the Supplier, and promptly provide to BT on request from time to time all Information BT may reasonably require in respect of such compliance; and
- (g) comply as a minimum with the requirements of level L2 within the Third Party Pre-Employment Checks Policy' at <http://www.selling2bt.bt.com/working/3rdpartyCheckPolicy/default.htm> or level L3 as appropriate given the Services being performed by the Supplier; and
- (h) all applicable health, safety and Site security regulations.

5.3 Quality assessment

- (a) If the Supplier (and, where relevant, any Subcontractor), having had at the Commencement Date a Quality Management System ceases to maintain the certification, then the Supplier, for avoidance of doubt, shall be in breach of the Contract.
- (b) The Supplier shall co-operate in any quality assessment required by BT from time to time and allow BT or its representatives access to its premises (and those of any Subcontractor) for this purpose.
- (c) The Supplier shall carry out (and, on request, supply evidence to BT of) periodic quality checks (at least quarterly) to ensure the consistency of delivery of the Services, and the provision of management information as agreed from time to time.

5.4. Anti-Corruption

5.4.1 In this paragraph "Affiliate" means, in relation to the Supplier, (i) any person or entity under its control; and (ii) any person or entity controlling it, and (iii) any other person or entity under the control of a controlling person or entity under (ii).

5.4.2 Without prejudice to the generality of the paragraph 2 of this Condition, the Supplier represents, warrants, affirms and agrees that:

- (a) it shall, and shall ensure that its Affiliates shall, engage in only legitimate business and ethical practices and shall adhere to and comply with all

applicable laws, including but not limited to the anti-corruption laws of any country in which the Contract is being performed, the United Kingdom and the United States;

(b) it shall not, and shall ensure that its Affiliates shall not, either directly or indirectly, give, offer, agree or promise to give any money or other thing of value to anyone, nor seek or receive any money or other thing of value from anyone, as an inducement or reward for favourable action or forbearance from action or the exercise of influence. This applies to any gift, offer, agreement or promise made to or with any official of any national or regional government, any director or manager of any body corporate or any other person;

(c) neither it nor its Affiliates, Contract Personnel, officers, directors, employees, shareholders (where the shares are not publicly traded), members or agents is a "Politically Exposed Person". This is defined as: a person who has within the last twelve (12) months been entrusted with a prominent public function in any state and their family members and close associates. Prominent public function includes: heads of state, heads of government and ministers; members of parliament; members of high-level judicial bodies; ambassadors, charges d'affaires and high-ranking military officers; and members of administrative, management or supervisory bodies of state owned enterprises;

(d) all of the information that the Supplier has provided to BT and its representatives in connection with its obligations under this Condition is current, accurate and complete. If there are any material changes to this information, the Supplier shall notify BT of such changes as soon as possible. BT may terminate the Contract if it disapproves of such changes;

(e) before hiring a sub-agent to perform services on behalf of BT under the Contract, the Supplier shall obtain BT's written approval and procure that each such sub-agent agrees in writing to the provisions set out in this Condition (mutatis mutandis);

(f) at BT's request, the Supplier shall provide documents and information to BT confirming the Supplier's and its Affiliates' compliance with this Condition and will allow BT (or its agents) to review at any time its and its Affiliates' books and records with respect to the work performed on behalf of BT;

(g) if there are any changes in its ownership, the Supplier shall notify BT of such changes as soon as possible. BT may terminate the Contract if BT disapproves of such changes. For publicly traded companies, this paragraph 2(g) applies only if a new owner or group of owners acquires 10% or more of the voting share capital of the Supplier;

(h) maintain a separate account of all amounts received by it under the Contract and of all payments made by it in connection with its role in providing services to BT under the Contract; and

(i) maintain such account in sufficient detail so that the transactions and the destination of any payments can be verified to the satisfaction of BT and make such account available to BT or its agents from time to time on request for such verification.

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5.4.3 Notwithstanding any provision in the Contract to the contrary, upon any admission or finding that the Supplier or any of its Affiliates has failed to comply with sub-paragraph 2 of this paragraph or that any representations or statements made by the Supplier or any of its Affiliates in connection with this Condition are materially incorrect:

- (a) BT shall have the option to terminate the Contract immediately;
- (b) the Supplier shall forfeit any commissions owed by BT; and
- (c) subject to Section 45 herein, the Supplier shall indemnify BT for any resulting liability directly caused by the breach, which determination of any breach and related liability shall be subject to the dispute resolution procedures in this Contract

5.4.4 The provisions of sub-paragraphs 2 and 3 of this paragraph shall survive the termination or expiry of the Contract.

6. ASSIGNMENT AND SUBCONTRACTING

6.1 The Supplier shall not assign or Subcontract the whole or any part of the Contract without BT's prior written consent, which, if given, shall not affect the Supplier's obligations or liabilities under the Contract.

6.2 The Supplier shall allow BT or its nominated representative(s) access to its Subcontractors for discussions in relation to the Contract provided that the Supplier is informed of the proposed agenda and the outcome of the discussions.

6.3 Without the generality of the foregoing, BT reserves the right to instruct the Supplier to de-select a Subcontractor or Supplier Affiliate identified in Schedule 9 (List of Supplier Site Locations & Supplier Affiliate) at any time during the Contract Period upon written notice given by the BT Commercial Contact to the Supplier where BT in its sole discretion considers circumstances justify it.

7. WARRANTIES

7.1 The Supplier warrants, where applicable as a continuing warranty, that:

- (a) it has all requisite corporate power and authority to enter into the Contract and to carry out the transactions contemplated hereby;
- (b) the entering into and performance of its obligations under the Contract has been duly authorised by all corporate action on its part;
- (c) it has obtained all consents, permissions and licences necessary to enable it to perform its obligations under the Contract and its performance of the Contract in accordance with its terms will not place it in breach of any Legislation; and
- (d) that it has obtained all necessary licences, authorities, consents and permits for the unrestricted export of Services to BT, and export or re-export to such countries as BT shall have notified to the Supplier at any time before delivery to BT.

7.2 BT warrants, where applicable as a continuing warranty, that:

- (a) it has all requisite corporate power and authority to enter into the Contract and to carry out the transactions contemplated hereby;
- (b) subject to the Supplier complying with Condition headed "Work Site and Security", it will upon reasonable notice provide reasonable access to BT Site and the personnel, equipment and systems indicated in the Order as Supplier may reasonably require for the purpose of its obligations hereunder, provided that BT shall not be required to incur any extra cost without its prior agreement which may be refused at its sole discretion; and
- (c) it has obtained all consents, permissions and licences necessary to enable it to perform its obligations under the Contract and its performance of the Contract in accordance with its terms will not place it in breach of any Legislation.

8. SERVICE LEVELS AND SERVICE CREDITS

8.1 Where any Service is stated in the Order to be subject to a specific Service Level, the Supplier shall provide that Service in such a manner as will ensure that the Service Level achieved in respect of that Service is equal to or higher than such specific Service Level.

8.2 The Service Levels shall be structured to demonstrate the levels of performance required of the Supplier in the provision of the Services and shall be used to determine whether, and the extent to which, actual performance standards in the provision of the Services have fallen short of the overall Service Levels required.

8.3 The Supplier shall provide records summarising the Service Levels achieved. The format of the records and the frequency of the records contemplated herein are described in Schedule 1(Services).

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8.4 Interruptions to the Services not expressly set out in the Service Levels shall only be made with the prior agreement of BT when in its reasonable opinion they are necessary to improve or maintain the Services and compliance with the Service Levels.

8.5 If at any time after the Effective Date the Services are not supplied in accordance with the Service Levels, Supplier shall, without prejudice to BT's other rights and remedies:

- (a) credit BT with the relevant Service Credits (which shall take effect as an adjustment to the Charges);
- (b) where appropriate, arrange all additional resources necessary to perform the Services in accordance with the Service Levels as soon as possible and at no additional charge to BT;
- (c) use best endeavours to promptly remedy and remove the cause of non-performance ; and
- (d) use best endeavours to promptly remedy any default or re-perform any non-conforming Services at the request of BT at no additional charge.

8.6 If the actual direct loss incurred by BT as a result of Supplier's failure to supply the Services in accordance with the Order exceeds the relevant Service Credit the Supplier shall, without prejudice to BT's other rights and remedies pay to BT a sum equal to such direct loss, and, in case of dispute about whether the Services have failed to be provided in accordance with the Order or, if such a failure, the amount of such loss, the matter shall be determined in accordance with Condition 34.

8.7 If at any time after the Effective Date the Supplier fails to perform Services in accordance with the relevant Service Levels and either:

- (a) such failure is not remediable;
- (b) such failure is outside the limits set in the Order;
- (c) such failure is remediable but is not remedied within the time limits specified in the Order; or
- (d) such failure is outside the scope of the provision for Service Credits

then BT shall be entitled to terminate the Contract in accordance with the Condition headed "Termination" and/or obtain such other remedies as may be available to it either under the Contract or otherwise at equity or law, including but not limited to the right to recover from the Supplier the Charges or any portion thereof that are allocable to the default and/or non-continuing Services, provided that disputes as to whether the Services have failed to be provided in accordance with the Order or the amount subject to recovery shall be subject to Condition 34.

8.8 [not used]

8.9 Without prejudice to any other provision of this Condition or to any other rights that BT has under the Contract or at law, in the event of Critical Service Failure or the provision of the Services (or any part thereof) fails to meet the relevant performance standards set out in the Service Levels in the Order for a minimum of two(2) consecutive months ("Service Non-Compliance") then BT may issue to the Supplier a

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notice requiring Supplier to rectify the Service Non- Compliance (a "Compliance Notice").

8.10 If a Compliance Notice is issued pursuant to paragraph 9 the Supplier shall rectify the Service Non-Compliance within the reasonable period specified in the Compliance Notice or by the end of the next calendar month whichever is the later.

8.11 If the Supplier fails to comply with its obligations under the preceding paragraph to rectify a Service Non-Compliance, BT:

- (a) may suspend the provision of the whole or any part of the Services by sending the Supplier a written notice to that effect;
- (b) may elect to receive services substantially similar to the affected Services at the affected Sites (in whole or in part) and suspend the receipt of such Services from the Supplier;
- (c) shall have the option to take control of the Services or to authorise its agents to take control of that part of the Services that is affected by the circumstances giving rise to the right to terminate and, in doing so, may take such other action as BT believes is reasonably necessary to restore the Services, including engaging a third party service provider. If BT does so, the Charges shall be reduced pro-rata accordingly and the Supplier shall promptly pay to BT a sum equal to the additional costs incurred by BT in obtaining the Services from a third party or providing the Services itself until Supplier can demonstrate to the reasonable satisfaction of BT that the Supplier is able to perform the Services in accordance with the Contract ("Step-In"); or
- (d) may immediately terminate in whole or in part the Contract by further notice to Supplier.

8.12 If BT serves a written notice in accordance with Paragraph 11 (a) to Step-In then:

- (a) BT shall be permitted to use any assets, whether or not of a capital nature, in the control of Supplier including any information technology and computer hardware free of charge as BT shall consider necessary to permit BT to continue to provide the Services or part of the Services;
- (b) the Supplier shall co-operate and shall ensure that the Contract Personnel and Subcontractors co-operate with BT and/or any other contractor of BT (including but not limited to providing all Information that BT or its contractors may request) to ameliorate the deficient Services and facilitate the proper performance of the Services as a whole; and
- (c) the Supplier shall procure that BT is granted a free licence to use any bespoke or third party Intellectual Property Rights used in the provision of the Services.

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8.13 The Step-In rights in accordance with the foregoing paragraphs shall not relieve Supplier of any obligations under the Contract in respect of those Services unaffected by the Step-In.

8.14 For the avoidance of doubt, the Condition headed "Confidentiality" and Condition headed "Termination" will apply on any termination in accordance with this Condition.

8.15 The remedies provided in this Condition are without prejudice or limitation to any other remedies BT or the Supplier may have under the Contract or at common law or equity in connection with Service Non-Compliance.

9. CONTRACT PERSONNEL

9.1 The Supplier shall ensure that all Contract Personnel are competent, appropriately qualified and meet with BT's reasonable satisfaction.

9.2 The Supplier shall not (and shall ensure so far as possible that Contract Personnel shall not) during the Contract Period or during a period of six (6) months immediately after, either on its own behalf or on behalf of any other person, firm, company or organisation directly or indirectly induce or seek to induce any person, firm or company who at any time during the Contract Period is or was a BT customer or in the habit of dealing with BT, and with whom the Supplier has had dealings because of or in connection with the performance of the Contract, to remove his or its business from BT.

9.3 Neither Supplier nor BT shall directly or indirectly induce, encourage, or seek to induce any employee of the other Party to leave such Party's employment during the Term or during a period of six months immediately after, either on its own behalf or on behalf of any other person, firm, company or organisation.

9.4 Neither party shall be in breach of Condition 9.3 if it recruits any of other party's employees pursuant to an advertisement or a recruitment campaign not specifically targeted at any such party's employee(s).

10. INDUCTION AND TRAINING

10.1 The Supplier shall provide the necessary induction and introductory training before new Contract Personnel are actively deployed in relation to any Services to the reasonable satisfaction of BT. The training shall include the modules listed in BT Regulatory Compliance Site. The Supplier shall ensure that any additional training provision included during the Contract Period in BT Regulatory Compliance Site is immediately rolled out to the Contract Personnel.

10.2 The Supplier shall ensure that if any Contract Personnel is deployed to replace an outgoing Contract Personnel in connection with any Services, such replacement Contract Personnel will be of a comparable and appropriate skill set to ensure the continued delivery of the Services. The Supplier will ensure there is seamless knowledge transfer to the replacement Contract Personnel at no cost to BT per individual for four weeks of training.

11. KEY PERSONNEL

11.1 The BT Commercial Contact may at the outset of or from time to time during the currency of any Order inform the Supplier in writing of the names of any Contract Personnel BT considers are to perform key roles in relation to the assignment ("Key Personnel").

11.2 The Supplier shall not change or remove or permit the change or removal of any Key Personnel without obtaining the prior written consent of the BT Commercial Contact, provided this obligation shall not apply to a case of retirement, long term sickness, resignation or termination of employment of any Key Personnel for whatever reason from or by the Supplier.

11.3 The Supplier shall remove from any assignment such Contract Personnel as BT may from time to time require forthwith upon written notice given by the BT Commercial Contact to the Supplier where BT in its sole discretion considers it necessary, stating reasonable grounds, including without limitation breach of BT policies or ethical standards.

12. AUDIT, ACCESS AND PROGRESS REPORTS

12.1 BT may perform financial, security or service audit in each case to verify the Supplier's compliance with this Contract including BT's internal audit.

12.2 The Supplier shall maintain full and accurate records ("the Records") relating to the provision of all Services performed in connection with the Contract, the ascertaining costs incurred in performance of the Services and other operating expense and/or the performance of Supplier Affiliates of its obligations under the Contract. The Supplier shall retain the Records for a period of at least six (6) years after Termination of the Contract.

12.3 The Supplier shall and shall procure that each Subcontractor shall grant to BT, any auditors (internal and/or external) of BT and/or their respective authorised agents the right of access to the Records and/or any Premises and/or the Materials and/or the

Infrastructure and/or Contract Personnel and all supporting documentation and shall provide all reasonable assistance at all times during the Contract Period and for eighteen (18) months following Termination for the purposes of carrying out an audit of Supplier's compliance with this Contract or in accordance with reasonable request from BT including but not limited to all activities, quality, charges, performance, security and integrity in connection therewith. Supplier shall provide all necessary facilities free of charge. All such access is reasonably limited to the purpose the access is requested for by BT. For the avoidance of doubt, prior to the proposed audit and during the audit process, the Supplier shall provide a reasonable number of suitable and experienced Contract Personnel to assist BT in undertaking the audit in the end to end process which process shall be directed and controlled by BT to enable the deployment of audit methodology and the process for follow-up of any resulting actions from the audit.

12.4 The Supplier shall provide such reports to BT and attend such meetings on the performance of the Contract as may be reasonably required by BT and nominate a representative, familiar with all relevant aspects of the Contract, to attend all such meetings.

12.5 Without prejudice to BT's other rights under the Contract, if any audit reveals that the Supplier's performance of its obligations under the Contract is unsatisfactory, BT shall inform the Supplier and BT and the Supplier shall agree on a remedial plan and a timetable for achievement of the planned improvements. Following the Parties' agreement to the remedial plan, the Supplier shall implement the remedial plan in accordance with the agreed timetable and shall confirm its completion by a notice in writing to BT. In the event that the Supplier fails to implement the remedial plan in accordance with the agreed timetable, the Supplier shall pay BT Liquidated Damages as agreed in the remedial plan, or based on total spend depending on the area of activity to which the audit relates if not specified in the remedial plan. Subject to the Condition headed "Termination", in the event of any dispute arising

between the Supplier and BT as to the above, such dispute shall be dealt with in the manner set out in Condition headed "Escalation and Dispute Resolution Procedure".

12.6 Where a repeat audit is required to verify that the remedial plan and corrective action has taken place and been completed . BT shall discuss in good faith the nature of the scope prior to audit and the Supplier shall pay BT's reasonable costs of such repeat audit.

12.7 In the event of conflict between this Condition and any other Condition in the Contract, the terms of this Condition shall prevail.

12.8 For the purposes of this Condition only, the defined terms are set out below:

"Materials" means any hardware equipment, facilities and/or software necessary for the provision of the Services together with any files or documents pertaining to the Services or management, direction or organisation thereof.

"Premises" means any premises from where the Services are provided or from which the Supplier or its Subcontractors manage, organise or otherwise direct the provision or the use of the Services or where the Materials are situated.

"Infrastructure" means the combination of telecommunications and computer hardware, computer software, computer peripherals and other items which Supplier has and/or may develop and/or supply hereunder in order to perform the Services including the Supplier's business organisation and processes.

13. MISTAKES IN INFORMATION

13.1 The Supplier shall inform BT in writing of any mistakes in Design Information within a reasonable time of receiving it.

13.2 Mistakes in Information owned or controlled mainly by the Supplier or in any Information generated in the course of or arising from the performance of the Contract shall be the Supplier's responsibility to remedy at its cost whether such Information has been approved by BT or not. If such remedial work is undertaken by BT, the Supplier shall bear all costs.

14. BT ITEMS AND PROPERTY

14.1 All BT Items shall remain the property of BT and the Supplier shall:

- (a) return them to BT upon completion of Services or termination of the Contract or earlier reasonable request by BT;
- (b) keep them securely and good condition, segregated and clearly marked as BT property; and
- (c) be fully liable for any loss of or damage to them.

14.2 Upon receipt of any BT Items, the Supplier shall satisfy itself that they are adequate for the purpose for which they are being provided, and within fourteen (14) days of receipt shall notify BT of any defects or deficiencies.

14.3 The Supplier shall not, without the prior written consent of BT, use BT Items for any purpose other than as necessary for the performance of the Contract, or allow any third party to use, take possession of, or have any rights or lien over BT Items.

14.4 The Supplier shall not have, and shall ensure that Subcontractors shall not have, a lien on BT Items for any sum due. The Supplier shall take all reasonable steps to ensure the title of BT and the exclusion of such lien are brought to the notice of all Contract Personnel dealing with any BT Items.

14.5 If there is any threatened seizure of any BT Items, or if the Supplier (or any Subcontractors in possession of such BT Items) goes into receivership, administration or liquidation (or the equivalent of any of these) the Supplier shall:

- (a) notify BT immediately;
- (b) draw to the attention of the relevant official that BT Items belong to BT and do not form part of the Supplier's assets; and
- (c) allow BT to enter the Supplier's premises or those of any Contract Personnel where BT Items are stored and take possession of them.

15. FORCE MAJEURE

15.1 Neither party shall be liable to the other party for any delay in the performance of the Contract directly caused by any event beyond its reasonable control ("the Delay Period") provided such party shall have first given the other party written notice within seven days after becoming aware that such delay was likely to occur.

15.2 If the Supplier is so delayed and the Delay Period exceeds fourteen (14) days, BT shall have the option by written notice to the Supplier to terminate the Contract immediately in whole or in part and have no liability for the whole or part so terminated.

15.3 For the avoidance of doubt, the provisions of this Condition shall not affect any right to terminate the Contract under the Condition headed "Termination".

16. ELECTRONIC TRADING

16.1 Following the expiration of at least thirty (30) days written notice given by BT to the Supplier at any time BT shall send and the Supplier shall accept orders under the Contract only, subject to paragraph 3 of this Condition, by secure e-mail.

16.2 The Supplier shall:

- (a) provide a functional SMTP e-mail account for the receipt of orders;
- (b) ensure its respective e-mail client conforms to S/MIME and other general e-mail standards;
- (c) work with BT towards agreeing a secure method of exchanging emails and processing electronic orders. If the parties are unable to agree on a method then the Supplier shall implement such method(s) as BT shall from time to time reasonably require; and
- (d) use all reasonable commercial efforts to maintain efficient secure e-mail transmission and reception at all times.

16.3 If, despite having used all reasonable commercial efforts, either Party is unable to transmit or receive secure e-mails in accordance with this Condition, it shall promptly inform the other Party, whereupon, for the duration of such inability, BT shall submit orders to the Supplier conventionally.

17. CHARGES, PAYMENT AND INVOICING

17.1 The Charges payable by BT for Services are as set out or as calculated in accordance with Schedule 2 (Charges and Payment), and unless otherwise expressly stated in the Contract or the individual Order, shall be inclusive, where relevant, of all Tax (excluding VAT), packing, delivery to Site, any licence fees, installation, testing and commissioning and all other charges associated with Services.

17.2 BT shall pay each due and valid invoice submitted pursuant to this Condition in accordance with Sections 8, 9 and 10 of Schedule 2 (Charges and Payment) .

17.3 The Supplier confirms either:

- (a) that it has entered into an agreement with the Invoice Processor for the E-Invoicing Solution and shall, subject to paragraph 5 of this Condition, when payment becomes due, submit its invoices using only the E-Invoicing Solution; or
- (b) that it will liaise with the Invoice Processor and BT's Accounts Payable Service Provider and use its commercially reasonable efforts to enter into such an agreement as soon as practicable after the Commencement Date and then, subject to paragraph 5 of this Condition, when payment becomes due, submit its invoices using only the E-Invoicing Solution

and agrees that BT and/or BT's Account Payable Service Provider may reject any invoice not so submitted.

17.4 BT shall, on or before the second Monday (or, if that Monday is a public holiday, on the next day that is not a public holiday) after the expiration of 60 days from the date BT or its Accounts Payable Service Provider (as the case may be) receives each due, valid and undisputed invoice submitted in accordance with this Condition, instruct its bank to pay it, PROVIDED ALWAYS BT shall, if required to do so by any applicable law, make payment earlier to comply with that law.

17.5 The Supplier shall:

- (a) if unable, having so informed BT and despite having used all reasonable commercial efforts, to submit invoices via the E-Invoicing Solution; or
- (b) until such time as the Supplier enters into an agreement for the E-Invoicing Solution pursuant to paragraph 3 of this Condition; or
- (c) if and for the duration so required by written notice from BT's Commercial Contact from time to time

submit invoices in paper form to BT Accounts Payable PO Box 371 Parkway Business Centre Manchester M14 0WA.

17.6 The Supplier shall ensure that each invoice is a valid VAT invoice for the purposes of the Value Added Tax Act 1994 (or any similar or replacement legislation) and shall specify:

- (a) its date; the Contract number; the purchase order reference; line reference; the relevant BT item code(s) if appropriate; the correct price; the full description of the Services to which the invoice relates (as defined in the Contract); the portion of the Services for which payment is due and, if appropriate, the cumulative amount invoiced to date;
- (b) line items in the same order and format as the purchase order to which they relate;
- (c) the agreed payment currency and relevant Incoterm in relation to any non-UK transaction; and
- (d) separately any discount and a clear indication of what the discount is for.

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The Supplier shall raise a separate invoice for each purchase order reference number. BT or BT's Account Payable Service Provider may reject any invoice if it is for multiple purchase order reference numbers or otherwise does not comply with this paragraph 6.

17.7 Except as expressly stated otherwise in the Contract:

- (a) payment shall not become due to the Supplier and the Supplier shall not submit invoices for payment until the Supplier has fully completed its obligations under and in accordance with the Contract; and
- (b) the Supplier shall submit invoices within one year of the date upon which the payment they relate to becomes due to the Supplier. BT shall have no liability to make payments in respect of invoices not so submitted.

17.8 BT shall not be liable to reimburse any costs or expenses incurred by the Supplier (including, without limitation, any costs or expenses incurred in relation to the E-Invoicing Solution), except to the extent expressly provided for in the Contract, and then only where they are reasonably and properly incurred by prior agreement with BT and are validated to BT's reasonable satisfaction.

17.9 For the purposes of this Condition only, the defined terms are set out below:

"BT's Accounts Payable Service Provider" means Steria Limited or such other company as BT may specify upon giving at least one month's written notice to the Supplier.

"E-invoicing Solution" means the processing and transmission of the Supplier's invoices by the Invoice Processor to BT's Accounts Payable Service Provider using either web invoice or structured file methods.

"Invoice Processor" means OB10 Limited or such other company as BT may specify upon giving at least one month's written notice to the Supplier.

18. CHANGE IN TAX LEGISLATION

18.1 If a Change in Tax Legislation occurs, or is shortly to occur from which it becomes apparent that there is:-

- (a) a liability of BT to account for Tax in respect of any matter to which the Contract relates (including, without limitation, the Contract Personnel and/or Subcontractor), where prior to the Change in Tax Legislation, there was no such liability or, in BT's reasonable opinion, there was no such liability; or
- (b) an obligation on BT to comply with any administrative requirements in respect of the Contract Personnel and/or Subcontractor (including, without limitation, in relation to their employment status), where prior to the Change in Tax Legislation, there was no such obligation, or in BT's reasonable opinion, there was no such obligation,

the Parties shall be obliged to use reasonable endeavours to agree a way in which any such liability or obligation (as the case may be) may be mitigated or avoided to the reasonable satisfaction of the Parties to the Contract. In the event that the Parties

cannot reach an agreement which is reasonably satisfactory to BT, the matter shall be referred to the escalation process in Condition headed "Escalation and Dispute Resolution Procedure" for an appropriate resolution. If there is a Change in Tax Legislation which affects BT's business such that a change is required to the Services or the way in which they are provided, the Supplier shall use its reasonable endeavours to make any necessary changes as soon as reasonably practicable subject to BT co-operating generally with the Supplier regarding implementing such changes except that, for the avoidance of doubt, this shall not impose any obligation on the Supplier to alter in any material way the provision of the Services unless such alteration or amendment to the Services pursuant to the Condition headed "Variation" or alteration or amendment to the Contract is properly agreed in accordance with the Change Control Procedure.

18.2 The Parties shall provide regular notification to each other of pending Legislation, guidance, regulations and standards that affect or may affect the manner in which the Services are provided. BT and the Supplier shall discuss, in good faith, any reasonable adjustments that may need to be made by BT and/or the Supplier in respect of such Legislation, guidance, regulations and standards.

For the purposes of this Condition, "**Change in Tax Legislation**" means the coming into effect after the date of this Contract of, or any change after the date of this Contract to Tax Legislation.

19. THE EURO

19.1 Each Party agrees that the occurrence (or non occurrence) of any event associated with the implementation of the Economic and Monetary Union of the European Union, including the introduction of the Euro, shall not :

- (a) operate to affect, terminate or invalidate the Contract;
- (b) give either Party the right unilaterally to challenge, renegotiate, alter or terminate the Contract, in whole or in part; or
- (c) be deemed to constitute an event that would provide grounds for any termination, a case of a Force Majeure Event or any other event beyond the reasonable control of the Parties, that could give rise to any of the events described in (a) or (b).

19.2 For the purpose of this Condition, "Financial Supplies" means those Services that process financial information.

19.3 The Supplier warrants that all Financial Supplies, in processing financial information, comply with:

- (a) all laws and regulations applicable to all relevant currencies (including, without limitation, EC Regulations 1103/97 and 974/98); and
- (b) if the UK becomes a "participating Member State" (as defined in EC Regulation 1103/97), all laws and regulations then applicable to sterling and/or to the euro ("Euro Conformance").

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19.3 Notwithstanding anything to the contrary in the Contract, and without prejudice to any of BT's other rights and remedies, BT shall not be obliged to Accept nor to pay for Financial Supplies if the Supplier is unable to demonstrate their Euro Conformance to BT's reasonable satisfaction.

19.4 If at any time Sterling is replaced by the Euro then the amounts of Sterling referred to in the Contract shall be deemed to be converted into amounts of the Euro at the rate prescribed by any implementing regulation or directive.

20. BT RESTRUCTURING

20.1 For the purpose of this Condition:

"BT Entity" means a company in which BT owns from time to time, directly or indirectly, at least 20% of the voting share capital.

"Nominee" means any:

- (a) company in the BT Group of companies from time to time;
- (b) BT Entity;
- (c) unaffiliated new company that may be formed by BT pursuant to a corporate reorganisation/restructuring, including any company in the same Group Company as such new company; or
- (d) third party which by purchase, lease, outsourcing agreement or otherwise, assumes the operation, administration and/or management of any substantial portion of the business of BT affected by the Contract.

20.2 At BT's written request, the Supplier agrees to the novation of the Contract ("Novation") from BT to any Nominee as may be nominated by BT ("the Transferee").

20.3 The Supplier and BT shall promptly do all acts and things necessary to effect the Novation, including the signing of a novation agreement, in such form as BT shall reasonably require, which agreement shall effect, without limitation:

- (a) an assumption by the Transferee of all rights, obligations and liabilities of BT under the Contract (including rights, licences, obligations and liabilities that are accrued or expressed to be non-transferable, personal or otherwise but excluding the right to novate as conferred by this Condition); and
- (b) a release by the Supplier of BT from all obligations and liabilities (including accrued obligations and liabilities) of BT under the Contract.

20.4 Following the Novation, nothing in the Contract (including, without limitation, any software licences) shall prevent the Transferee as a contractor to BT from using the Services to provide BT with goods and/or services.

20.5 At BT's written request, the Supplier agrees to the replication of the Contract for any Nominee nominated by BT, so creating one or more additional agreements, each between the Supplier and such Nominee and each identified by its own contract

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number, but containing the terms and conditions of the Contract (mutatis mutandis) including, without limitation, the same or lower prices, but excluding the right to replicate as conferred by this Condition. BT shall provide copies of the replicated agreement(s) for execution by the Supplier and shall procure their execution by the relevant Nominee(s).

20.6 If the Contract includes a commitment to purchase a stated or determinable quantity of goods, services or rights, or prices that vary based on the quantities purchased, the total purchases by BT and/or the Nominees under the Contract and/or the replicated agreements will be aggregated in determining the quantity or prices.

20.7 Notwithstanding anything to the contrary in the Contract, BT shall have the right to disclose to any Nominee on a confidential basis all relevant information regarding the Contract.

21. REGULATORY MATTERS

21.1 In this Condition:

"BT Regulatory Contact" means such individual whose identity and contact details are notified by BT to the Supplier Regulatory Contact from time to time.

"Regulatory Matter(s)" means all relevant regulations, laws, rules, guidelines, notifications, determinations, directions, decisions and the like, and any formal or informal Undertakings, governing the conduct of BT's electronic communications business.

"Supplier Regulatory Contact" means such individual whose identity and contact details are notified by the Supplier to the BT Regulatory Contact from time to time.

"Undertaking" means any undertaking or assurance (however described) given by BT to a relevant regulatory authority in response to, or with the object of avoiding being made, any determination, direction, decision or intervention by the authority, and includes, without limitation, the undertakings given by BT to Ofcom under the Enterprise Act 2002 which took effect on 22 September 2005.

21.2 The Supplier shall, at its own cost:

- (a) comply with all Regulatory Matters including, without limitation, any actions that BT may require in connection with any Regulatory Matter, that are notified to the Supplier Regulatory Contact from time to time by the BT Regulatory Contact in so far as they relate to the performance of the Contract by the Supplier;
- (b) within 14 days of the Commencement Date, ensure that the Supplier Regulatory Contact contacts the BT Regulatory Contact to establish the nature and extent of any guidance and training that the BT Regulatory Contact considers it necessary for the Supplier and Contract Personnel to comply with and undertake in relation to Regulatory Matters ("the Required Training");
- (c) ensure that it and Contract Personnel undertake and comply with the Required Training;

(d) create and maintain records of training and any access to BT's electronic systems of all Contract Personnel ("Records"). Records shall include:

- Name of Contract Personnel
- Unique Identification Number (UIN)
- Company Name
- Location
- Project Name
- BT Client
- System Profile
- Training details - including course title and date completed

(e) notwithstanding anything to the contrary in the Contract, not access (and shall ensure that Contract Personnel shall not access) BT's electronic systems without first obtaining the written consent of the BT Regulatory Contact;

(f) promptly provide such information to BT as shall be necessary for BT to respond fully and to the timescale required to any request or requirement for information from a government or any regulatory authority, to the extent that such information relates to the performance of the Contract by the Supplier; and

(g) permit BT and/or its authorised agents such access to the Supplier's premises and such access to and copies of its Information and Records (and to and of those of any Contract Personnel) as is reasonable for BT to assess and/or validate the Supplier's performance of its obligations under or in relation to this Condition.

22. GOVERNANCE

- 22.1 The Supplier acknowledges and agrees that the governance of the Contract is critical to the delivery of Services provision from Supplier to BT. The Supplier acknowledges and agrees that BT will not be liable for any additional charges for Services provided where the Governance and Change Control procedures provided in this Contract for such additional charges have not been followed by Supplier.
- 22.2 The Supplier acknowledges the successful operation of the Contract requires Supplier to invest time and effort from senior personnel in actively governing the Contract.
- 22.3 The Parties shall comply with the governance principles and KPIs set out in Schedule 6 (Governance & Change Control).
- 22.4 The day to day delivery of the Services and related operational issues are the responsibility of Supplier who will manage such provision through its various groups as identified in Schedule 6 (Governance & Change Control).

23. CONFIDENTIALITY

23.1 In this Condition, "Openreach Information" and "BT Wholesale Information" mean respectively Information which BT from time to time identifies to the Supplier as being

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commercially confidential, or is by its nature commercially confidential, to the BT lines of business known as "Openreach" or "BT Wholesale", as the case may be.

23.2 Except with BT's agreement, the Supplier shall not disclose:

- (a) Openreach Information to any BT employee, agent or contractor unless the Supplier knows that such BT employee, agent or contractor is employed within or by Openreach; or
- (b) BT Wholesale Information to any BT employee, agent or contractor unless the Supplier knows that such BT employee, agent or contractor is employed within or by BT Wholesale.

23.3 Subject to the Condition headed "Intellectual Property", either party receiving Information ("the Recipient") from the other shall not without the other's prior written consent use such Information except for Contract purposes or disclose such Information to any person other than BT's employees, agents and contractors or Contract Personnel who have a need to know and who are bound by equivalent obligations of confidentiality. Any breach of such obligations by Contract Personnel or BT's employees, agents or contractors (as the case may be) shall be deemed to be a breach by the Supplier or BT respectively.

23.4 Paragraphs 2 and 3 of this Condition shall not apply to Information that is:

- (a) published except by a breach of the Contract;
- (b) lawfully known to the Recipient at the time of disclosure and is not subject to any obligations of confidentiality;
- (c) lawfully disclosed to the Recipient by a third party without any obligations of confidentiality;
- (d) replicated by development independently carried out by or for the Recipient by an employee or other person without access to or knowledge of the Information;
- (e) required by Legislation; or
- (f) properly required by any securities exchange or regulatory or governmental body to which either party is subject or reasonably submits, wherever situated, including the London Stock Exchange and New York Stock Exchange whether or not the requirement for disclosure has the force of law.

23.5 The Supplier shall not publicise the Contract without BT's prior written consent and shall ensure that any subcontractor is bound by similar confidentiality terms to those in this Condition.

23.6 Either party that has during the course of the Contract received Information in a recorded form from the other (or has recorded received Information) shall return or destroy (at the option of the disclosing party) such records upon:

- (a) expiry or termination of the Contract; or
 - (b) upon earlier request
- unless such records are part of the Services.

23.7 This Condition shall survive the Contract.

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24. CUSTOMER EXPERIENCE

24.1 This Condition 24 will only apply to those Orders which expressly state that this Condition 24 shall apply together with the relevant targets.

In this Condition, the following expressions shall have the meanings respectively ascribed to them:

"Applicable Sum" means, for each Reconciliation Period, an amount equal to [*****] of the price payable by BT for Supplies ordered during that Reconciliation Period under the Order to which such work being measured relates and which was subject to measurement under the Order.

"Average Score" means, for each Reconciliation Period, the average of all Quarterly Scores for each whole Quarter within that Reconciliation Period.

"Average Target" means, for each Reconciliation Period, the average of all Quarterly Targets for each whole Quarter within that Reconciliation Period.

"Average Threshold Target" means, for each Reconciliation Period, the average of all Quarterly Threshold Targets for each whole Quarter within that Reconciliation Period.

"Q1" means the quarter commencing on 1st April and ending on 30th June

"Q2" means the quarter commencing on 1st July and ending on 30th September

"Q3" means the quarter commencing on 1st October and ending on 31st December

"Q4" means the quarter commencing on 1st January and ending on 31st March

"Quarter" means each of Q1, Q2, Q3 and Q4 as the case may be.

"Quarterly Score" means BT's score (as calculated by BT) against the Quarterly Threshold Target and the Quarterly Target for each Quarter.

"Quarterly Target" means BT's customer experience/right first time target as set by BT from time to time.

"Quarterly Threshold Target" means BT's customer experience/right first time threshold target as set by BT from time to time.

"Reconciliation Period" means each of the following periods (as the case may be and as applicable to the Contract): (i) that between the start of the first whole Quarter within the Term and the next following 31 March; (ii) each later period of one year ending on 31st March during the Term; and (iii) the period between the last 31st March during the Term and the end of the last whole Quarter within the Term.

"Target Difference" means the difference between the Average Target and the Average Threshold Target.

24.2 Without prejudice to BT's right to amend as detailed in paragraph 4 below, BT shall within 60 days following the start of each Reconciliation Period provide the Supplier's Commercial Contact with details of the Quarterly Threshold Target and the Quarterly Target for each whole Quarter within such Reconciliation Period, but if BT

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fails to so provide such details for any second or subsequent Reconciliation Period then the last provided Quarterly Threshold Target and Quarterly Target shall apply to each Quarter in such Reconciliation Period.

24.3 BT shall within 60 days following the end of each whole Quarter within each Reconciliation Period provide the Supplier with details of the Quarterly Score against the Quarterly Threshold Target and the Quarterly target for that Quarter.

24.4 BT shall have the right to amend any Quarterly Threshold Target and/or Quarterly Target provided it does so and informs the Supplier's Commercial Contact at least 30 days before the start of the Quarter to which it or they relate.

24.5 Within 60 days following the end of each Reconciliation Period, BT shall inform the Supplier's Commercial Contact of the Average Target, the Average Threshold Target and the Average Score for that Reconciliation Period.

24.6 If the Average Score is less than the Average Threshold Target, the Supplier shall within 30 days of being informed by BT pursuant to paragraph 5 above issue a credit note to BT in the amount of the Applicable Sum,.

24.7 Deleted

24.8 Any credit note issued by the Supplier pursuant to this Condition shall detail all purchase orders to which it relates and how the Applicable Sum has been calculated with reference to each of them. If, after 3 months from its date of issue, BT has not used the whole or part of any such credit note, the Supplier shall, within 30 days of BT requesting the same, pay to BT a sum equal to the whole or unused part (as the case may be) of any such credit note, whereupon such credit note shall be cancelled.

24.9 The Supplier acknowledges and agrees that the provisions of this Condition are fair and reasonable and that they reflect the importance to BT and its customers of BT meeting or surpassing BT's customer experience/right first time stretch target(s) as set by BT from time to time and the role of the Supplier in contributing towards this.

24.10 Payment of, or BT's right to the Applicable Sum under this Condition shall not affect or prejudice any of BT's other rights or remedies under or in connection with the Contract or BT's ability to claim damages in excess of the Applicable Sum in relation to the Supplier's performance or otherwise.

24.11 This Condition shall survive the termination or expiry of the Contract.

24.12 Notwithstanding anything to the contrary herein, (i) in no event shall the amounts payable under this Condition by the Supplier exceed the Applicable Sum as defined above for any Reconciliation Period; and (ii) all amounts paid or payable under this Condition shall be subject to (and not in addition to) any cap or limit applying to liquidated damages or service credits or related pricing adjustments as set forth in this Contract or any Order..

25. VARIATIONS

All amendments and variations to the Contract proposed by either Party shall be in accordance with in Change Control Process described in Schedule 6 (Governance and Change Control Procedure).

26. SUSPENSION OF WORK

BT may suspend Work at any time and will pay to the Supplier all reasonable resulting expenses incurred by the Supplier (other than those arising from the Suppliers own default) provided that;

- (a) no payment shall be made for any period of suspension, prevention or delay of less than two (2) consecutive days; and
- (b) the Supplier has within ten (10) days after the event giving rise to the claim, given written notice to BT of its intention to make such a claim; and
- (c) the Supplier makes such claim giving full details of each item claimed and the reason for such cost within thirty (30) days after the beginning of the period of Suspension. If the Suspension continues for longer than 30 days, the Supplier may claim costs when the Suspension comes to an end.

27. WORK SITE AND SECURITY

27.1 The Supplier shall be deemed to have examined the Site and BT shall not be liable for any claim from the Supplier in relation to its misinterpretation of any Site-related matter, or any other site related matter in respect of which the Supplier could reasonably have satisfied itself by a visit to the Site, reference to BT or otherwise.

27.2 The Supplier shall before the commencement of any relevant Work inform BT of the number of employees to be brought onto the Site.

27.3 The Supplier shall designate one or more competent representatives to supervise the carrying out of the Work on the Site (the "Supplier's Representative"), whose names shall be notified to BT in writing, and who shall be present on the Site continuously between 0900 and 1700 Monday to Friday excluding all relevant UK or local Territory public holidays ("the Working Hours"). Any orders or instructions BT gives to the Supplier's Representative shall be deemed to have been given to the Supplier.

27.4 Where Work is to be carried out on a BT Site, BT shall wherever possible and reasonable provide such facilities during Working Hours or such reasonable working hours as may be applicable to each Site as are agreed between BT and the Supplier. The Supplier shall satisfy BT that the power arrangements meet any safety provisions as may be applicable to the Site and the provision of the Services. Any statement of satisfaction by or on behalf of BT shall be without prejudice to the obligations and liabilities of the Supplier.

27.5 The Supplier shall give at least seven (7) days written notice to BT of the dates and times on which it proposes to deliver any Deliverables or Supplier's equipment to the Site and shall upon despatch of Deliverables or Supplier's equipment to Site notify BT of their details in writing.

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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27.6 No Deliverables or Supplier's equipment shall be removed from any Site without BT's written consent and, if given, the Supplier shall provide a receipt to BT or BT's site representative listing full details of the Deliverables or Supplier's equipment removed. The Supplier shall ensure that no BT Items, facilities or materials are used or removed from any Site without BT's written consent and shall immediately notify BT of any known or suspected breach of security and give BT full co-operation in any investigation.

27.7 The Supplier shall remove Supplier's equipment and any defective Deliverables leaving the Site clean and in good condition, either:

- (a) immediately before submitting Deliverables for Acceptance; or
- (b) at any time before Acceptance, subject to twenty (20) days written notice from BT.

27.8 The Supplier shall hand to BT any existing BT Items or materials recovered as a result of the Work if they are not to be used to meet the requirements of the Contract or deliver them to such place as directed by BT.

27.9 If the Supplier fails to remove Supplier's equipment from Site as specified above, then BT may remove it at the Supplier's risk and expense.

27.10 The Supplier shall ensure that Contract Personnel comply with all security, safety and works regulations and such other local instructions as may be notified by BT or BT's customer whilst on any Site.

27.11 BT may remove from and refuse entry and re-admission to a Site any person who is, in the reasonable opinion of BT, not complying with the requirements of this Condition or not a fit person to be allowed on Site.

27.12 BT may at its discretion, search any Contract Personnel or their vehicles or equipment upon any BT Site or upon entry to and departure from any Site. The Supplier shall use its best endeavours to ensure that Contract Personnel are aware of and comply with these requirements and that no Contract Personnel unwilling to so comply will be employed on any Site.

27.13 The Supplier shall (and shall ensure Contract Personnel shall):

- (a) access only those parts of Sites strictly necessary for the purposes of the Contract;
- (b) comply with the BT Security Access Policy; and
- (c) use any equipment or lines provided by BT only for the purposes of the Contract, and, in particular shall not use BT equipment or lines for personal use.

27.14 The Supplier shall undertake a risk assessment and use appropriate physical and electronic security measures to safeguard any BT Items against loss or theft. BT shall have the right to examine such arrangements and associated security procedures and to inspect all BT Items being held by or on behalf of the Supplier, and the Supplier shall use such additional reasonable security measures as BT shall from time to time require.

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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27.15 The Supplier shall supply on request details (name, address, date of birth) of any Contract Personnel who might have access to a Site.

27.16 BT may examine any Information relating to the handling, processing, transportation and storage of information or property of or supplied by BT and held by the Supplier under the Contract, which Information shall be kept by the Supplier for at least one year after the termination or expiry of the Contract.

27.17 BT shall not be responsible for safeguarding any property or money of Contract Personnel.

27.18 The Supplier shall, upon BT giving reasonable notice, allow BT or its nominated representatives such access to its premises, Information and records as may be reasonably required by BT from time to time to assess the Supplier's and/or Contract Personnel's compliance with this Condition.

28. RISK MANAGEMENT, RISK ASSESSMENT AND INTERNAL AUDIT

28.1 Supplier shall, and shall ensure that its Supplier Affiliates shall, have in place effective and consistent internal risk and contingency planning policies and procedures relating to their performance and observance of the Services. These processes shall include incident reporting including internal escalation within the Supplier, together with immediate escalation defined events to BT in accordance with Schedule 6 (Governance and Change Control).

28.2 Supplier shall, and shall procure that its Supplier Affiliates, conduct annual internal audits to ensure the adequacy of and compliance contingency policies and procedures.

28.3 Supplier shall ensure that all Contract Personnel are appropriately trained in the effective management and contingency planning policies and procedures of Supplier and ensure BT have timely and unrestricted access to such of Supplier's premises and Supplier Affiliate's Sites), staff, books, data, records, documents, equipment, material and property as are necessary or desirable for the purposes of undertaking such internal audits.

29. IT SECURITY AND BUSINESS CONTINUITY

29.1 The Supplier shall comply, and ensure that all Contract Personnel comply, with BT's IT security requirements described in Schedule 4 (Security and Business Compliance).

29.2 The Supplier shall comply, and ensure that all Contract Personnel comply, with BT's business continuity requirements described in Schedule 11 (Business Continuity).

29.3 Disaster Recovery

- (a) The Supplier shall comply at all times with the relevant provisions of the Disaster Recovery Plan on the occurrence of a Force Majeure event that has or is likely to have an effect on the Services, or on the occurrence of any Disaster.
- (b) Following sub-Paragraph (a) above, the Supplier shall:
 - (i) implement the Disaster Recovery Plan;
 - (ii) continue to provide the affected Services to BT in accordance with the Disaster Recovery Plan; and
 - (iii) restore the affected Services to normal within the period laid out in the Disaster Recovery Plan.
- (c) To the extent that the Supplier complies fully with the provisions of sub-Paragraph (b) (and the reason for the declaration of a Disaster was not breach of any of the other terms of the Contract on the part of the Supplier), the Service Levels to which the affected Services are to be provided during the continuation of the Disaster or Force Majeure event shall be the service levels set out in the Disaster Recovery Plan or (if none) the best service levels which are reasonably achievable in the circumstances.

30. PROTECTION OF PERSONAL DATA

30.1 The following expressions are used in this Condition:

"Personal Data" - all data relating to individuals including that which is defined as Personal Data' or Sensitive Personal Data' in the Directive as well as all data relating to legal persons to the extent the same is defined as Personal Data in applicable local legislation provided by BT to the Supplier or acquired by the Supplier from BT's systems during the course of the negotiations leading to or on the execution and during the Contract Personnel of this Contract including, without limitation, data relating to BT employees and BT customers.

"the Directive" - Directive 95/46/EC of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data and on the free movement of such data, or any subsequent legislation in relation thereto.

"the Data Protection Legislation" - collectively the Directive, applicable local legislation, which includes in respect of Personal Data originating in the UK, the Data Protection Act 1998, the Privacy and Electronic Communications (EC Directive) Regulations 2003, the Computer Misuse Act 1990 and the Regulation of Investigatory Powers Act 2000.

"Transfer" - the provision of access to and the physical transfer of Personal Data by the Supplier to any third party.

30.2 In this Condition, the terms processing', data controller', data subject' and data processor' shall have the meanings ascribed to them in the Directive.

30.3 The Parties acknowledge that, in respect of all Personal Data and processed by the Supplier for the purpose of the provision of Services under this Contract, BT alone as data controller shall determine the purposes for which and the manner in which such Personal Data will be processed by the Supplier acting as data processor.

30.4 Other than at BT's request, or where required to provide the Services, or where required by law, the Supplier shall not disclose or allow access to any Personal Data other than, subject to Paragraph 6(d) to a person placed by the Supplier under the same obligations as contained in this Condition who is employed or engaged by the Supplier or within the control of the Supplier in the performance of the Contract.

30.5 The Supplier shall not use Personal Data for any purpose other than the provision of the Services and shall return any Personal Data to BT immediately upon request at any time providing such return does not prevent the Supplier from fulfilling its obligations under this Contract. The Supplier shall retain Personal Data no longer than is necessary for the provision of the Services, in accordance with the relevant Data Protection Legislation and such instructions as BT may provide from time to time. Upon expiry or termination of this Contract for whatever reason, the Supplier shall immediately return to BT all Personal Data and certify that no copies have been made or retained by the Supplier or any third party acting on its behalf.

30.6 The Supplier shall:

- (a) process Personal Data only on the instructions of BT and to the extent necessary for the performance of this Contract; and
- (b) not modify, amend or alter the contents of the Personal Data except as required or permitted by this Contract or with BT's prior written consent; and
- (c) implement the appropriate technical and organisational measures to protect Personal Data against accidental or unlawful destruction or accidental loss, alteration, unauthorised disclosure or access, and against all other unlawful forms of processing, which measures are set out in more detail in Condition headed "Protection of Personal Data" and provide to BT a written description of the measures taken when requested by BT; and
- (d) comply with all relevant provisions of any BT codes of practice (mutatis mutandis) notified to the Supplier from time to time and the Data Protection Legislation; and
- (e) keep all Personal Data secure and confidential, act only on BT's instructions with respect to it, and comply with such further reasonable requirements from time to time of BT for the security of it; and
- (f) ensure that, of the Supplier's staff, only those of the Contract Personnel who need to have access to the Personal Data are granted access to the Personnel Data only for the purposes of the performance of this Contract and the Contract Personnel are informed of the confidential nature of the Personal Data and comply with the obligations set out in this Condition; and
- (g) notify BT forthwith, and in any event, no later than 12 hours from the time it comes to the Supplier's attention, that Personal Data transferred by BT to the Supplier has been the subject of accidental or unlawful destruction or accidental loss, alteration, unauthorised disclosure or access, or any other unlawful forms of processing; and

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- (h) notify BT in the event that it receives a request or notice from any data subject to have access to that person's Personal Data held by it and will provide BT with full co-operation and assistance in relation to any complaint or request including providing BT with any relevant Personal Data it holds within the timescales provided by the request or notice or as otherwise required by BT.

30.7 In respect of Transfer of Personal Data the following conditions shall apply:

- (a) obtain BT's prior written consent before transferring Personal Data to any Subcontractors in connection with the provision of the Services;
- (b) prior to any Transfer of Personal Data, enter into or procure that any Subcontractor delivering the Services will enter into contracts for the transfer of personal data. In respect of Personal Data transferred by BT to the Supplier or acquired by the Supplier from BT's systems in a country in the European Economic Area (the "EEA"), to a country outside the EEA (except if the transfer is to a country that the European Commission has recognised as providing adequate protection) shall be on the basis of the Model Contract Terms as issued by the European Commission pursuant to the Directive or such other data protection model contract terms as may be agreed between the Parties from time to time, except where the relevant Data Protection Legislation provides for a derogation from this requirement.

30.8 In the event any Personal Data is processed in the United States of America, the Supplier warrants that it, and/or, as the case may be, any relevant third party:

- (a) is safe harbour registered as at the Commencement Date; and
- (b) shall maintain its safe harbour registration throughout the Contract Personnel; and
- (c) acknowledges that the processing of any Personal Data by it or any relevant third party in the United States of America is conditional on its and/or their safe harbour registration and that if such registration is not maintained for any reason it shall immediately notify BT in writing and shall immediately discontinue the processing of Personal Data in the United States of America.

30.9 Any breach of this Condition by the Supplier shall be deemed to be a material breach of the Contract and the Supplier shall indemnify BT from and against any costs, losses, damages, proceedings, claims, expenses or demands incurred or suffered by BT which arise as a result of such breach, subject to Condition 45, including Condition 45.2.

30.10 The Supplier shall, upon BT giving reasonable notice, allow BT or its nominated representatives such access to its premises, Information and records and those of its agents subsidiaries and sub contractors, as may be reasonably required by BT from time to time to assess the Supplier's and/or Contract Personnel's compliance with this Condition.

30.11 This Condition shall survive the Contract.

31. TRANSFER OF UNDERTAKINGS

31.1 The following expressions used in this Condition shall have the meanings respectively ascribed to them:

"Affected Services" — the Work and services comprised in Services performed or provided by or on behalf of the Supplier pursuant to the Contract.

"BT Group Company" - any company from time to time in the same group (as defined by s.474(1) Companies Act 2006) as BT.

"Employment Costs" - all salaries, wages, commissions, incentive payments, bonuses, all statutory contributions, holiday pay (including payment for accrued but untaken holiday), national insurance contributions, pension and employer insurance contributions made to or on behalf of an employee, taxation (including all income tax deductible under PAYE), expenses and all other emoluments, benefits and outgoings.

"Liability(ies)" - all awards, compensation, costs, expenses, losses, liabilities, damages, claims, proceedings, awards, fines, orders, demands, actions, payments by way of settlement, penalties, tribunal awards and other liabilities (including legal and other professional fees and expenses on an indemnity basis) whenever or howsoever arising or brought.

"Staffing Information" - includes, where necessary in an anonymised format, the ages, dates of commencement of employment or engagement, relevant notice periods and any other terms relating to termination of employment or engagement, including any redundancy procedures and contractual redundancy payment schemes, the current wages, salaries, profit sharing, incentive and bonus arrangements applicable, details of other employment-related benefits including (without limitation) medical insurance, life assurance, pension or other retirement benefit schemes, share option schemes and car schemes, any outstanding or potential contractual, statutory or other liabilities (including in respect of personal injury claims), details of any individuals on long-term sickness absence, maternity or other statutory leave or otherwise absent from work, details of any actual, threatened or potential litigation, details of any collective bargaining arrangements, details of all terms and conditions of employment and copies of all relevant documents and materials relating to such information including copies of relevant contracts of employment or engagement.

"Successor Supplier" - any person or entity that provides all or part of the Affected Services or services similar or equivalent to all or part the Affected Services in substitution for the Supplier or any Subcontractor.

"TUPE Regulations" - the Transfer of Undertakings (Protection of Employment) Regulations 2006 (as may be amended from time to time).

31.2 The Supplier and BT acknowledge and agree that the provision of or cessation of all or part of the Affected Services at any time and any arrangements contemplated by the Contract are not intended to constitute a relevant transfer for the purposes of the TUPE Regulations.

31.3 The Supplier indemnifies BT, any BT Group Company and any Successor Supplier against any Liabilities arising out of or in connection with any claim that or decision by a Court or Tribunal that the contract of employment of any Contract Personnel or any Liabilities in relation to the Contract Personnel have transferred to BT, any BT Group Company or any Successor Supplier under the TUPE Regulations or otherwise, including (without limitation), any Liability for failure to inform and consult under the TUPE Regulations.

31.4 Without prejudice to paragraph 2 of this Condition, if any contract of employment of any of the Contract Personnel has effect (or is argued to have effect) as if originally made between BT, any BT Group Company or any Successor Supplier and the Contract Personnel as a result of the TUPE Regulations or otherwise at any time (including, without limitation, during the Contract Period or on the termination of the Contract (whether partial or whole) for any reason), BT, any BT Group Company or any Successor Supplier (as the case may be) may, on becoming aware of that effect (or argued effect):

- (a) terminate the contract of employment of the Contract Personnel, in which case the Supplier indemnifies BT, any BT Group Company and any Successor Supplier against any Liabilities arising out of such termination and against any sum payable to or in respect of such Contract Personnel prior to termination of employment; or
- (b) continue to employ such Contract Personnel, in which case the Supplier indemnifies BT, any BT Group Company and any Successor Supplier against any Employment Costs of continuing to employ such Contract Personnel.

31.5 Without prejudice to paragraph 2 of this Condition, the Supplier will use its reasonable endeavours (and will procure that any Subcontractor will use its reasonable endeavours) (including redeploying any Contract Personnel) to ensure that the TUPE Regulations do not apply to the provision of or the cessation of the Affected Services (or any part of the Affected Services) by the Supplier or any Subcontractor or to any arrangements contemplated by the Contract.

31.6 Without prejudice to paragraph 2 of this Condition, if the Supplier reasonably believes or if any Contract Personnel argue that the TUPE Regulations may apply to any arrangements contemplated by the Contract, the Supplier will within 5 Working Days of forming such a belief or becoming aware of such an argument inform the BT Commercial Contact in writing of such a belief or argument and will provide the BT Commercial Contact with such details as BT may require within 5 Working Days of receiving a request from BT for further information.

31.7 Without prejudice to paragraph 2 of this Condition and subject to the Supplier's data protection obligations to provide anonymised data where necessary, BT may, at the Supplier's expense:

- (a) request that the Supplier provide details of which Contract Personnel are employed or engaged in the provision of all or part of the Affected Services and details of the time spent by such individuals working in the provision of the Affected Services for BT and such time as may be spent working for any other party;

- (b) request that the Supplier provides within 5 Working Days of a request any such information in relation to the Contract Personnel (including, without limitation, the Staffing Information) as BT may reasonably require;
- (c) request the Supplier to provide employee liability information in respect of any Contract Personnel in accordance with regulation 11 of the TUPE Regulations;
- (d) require the Supplier to undertake (or procure any Subcontractor undertakes) an information and consultation process with the Contract Personnel in relation to such matters as BT will agree with the Supplier or any Subcontractor in advance of any meetings or communication with the Contract Personnel and allow BT, the BT Group or any Successor Supplier to attend any consultation meetings and make representations to the Contract Personnel; and
- (e) require the Supplier to allow (or procure any Subcontractor to allow) BT, the BT Group or any Successor Supplier to have such reasonable access to the Contract Personnel as BT, the BT Group or any Successor Supplier may require.

and the Supplier shall comply with any such requests and requirements.

31.8 The Supplier warrants that any information provided in accordance with paragraph 7 of this Condition shall be to the best of its knowledge and belief, full, true and accurate in all material respects and up to date (when provided). The Supplier will use its best endeavours to ensure the accuracy, truth and completeness of any information that is provided by any Subcontractor. The Supplier indemnifies BT, any BT Group Company and any Successor Supplier against any Liabilities arising out of or connection with a breach by the Supplier of this paragraph 8. BT will keep any information provided under this paragraph 8 confidential and may pass on such information to any Successor Supplier provided that such Successor Supplier agrees to keep the information confidential.

31.9 Without prejudice to paragraph 2 of this Condition, if the Supplier forms any belief or is informed of any argument under paragraph 6 of this Condition that the TUPE Regulations may apply, from the date of forming that belief or being notified of any such argument, the Supplier will not (and will procure that any Subcontractor will not), save in the ordinary course of business or in order to comply with paragraph 5 of this Condition, make, propose or permit any changes to the terms and conditions of the Contract Personnel who provide all or part of the Affected Services and will not increase the numbers of Contract Personnel providing the Affected Services or increase the proportion of time they spend on the Affected Services. Where the Supplier or any Subcontractor does need to make changes in the ordinary course of business, the Supplier will use its reasonable endeavours to notify BT in advance of any such changes.

31.10 Any BT Group Company or any Successor Supplier may enforce against the Supplier any rights or benefits to which it is entitled under this Condition.

31.11 The provisions of this Condition shall survive the termination or expiry of the Contract.

32 CONTRACT PERSONNEL TAX AND NATIONAL INSURANCE

32.1 The Parties agree that BT has no liability to any Taxes in relation to the Contract Personnel and/or Subcontractor and such liability shall rest solely with the Supplier. Accordingly, the Supplier shall:-

- (a) account to the relevant Tax Authority for any liability it may have to account for Tax in respect of all payments made by it to the Contract Personnel and/or Subcontractor; and
- (b) promptly and accurately complete, file and maintain all records and returns for any Tax purpose which may be required to be completed, filed or maintained (whether by the Supplier or some other person) in respect of all payments made to the Contract Personnel and/or Subcontractor.

32.2 In the event that the Supplier fails to comply with its obligations under paragraph 1, the Supplier shall pay to BT:-

- (a) an amount equal to any liability of BT to account for Tax arising in respect of, by reference to or in consequence of any payments made by the Supplier to the Contract Personnel and/or Subcontractor;
- (b) an amount equal to any liability of BT to account for Tax arising in respect of, by reference to or in consequence of any failure to make any return, comply with any reporting requirements or supply any information in connection with any payments made to the Contract Personnel and/or Subcontractor.

32.3 The Parties acknowledge that the Contract Personnel and/or Subcontractor shall not be employees of BT unless and until expressly and intentionally engaged in that capacity by BT.

32.4 All sums payable by the Supplier under paragraph 2 above shall be paid free and clear of all deductions or withholdings (including Tax) unless the deduction or withholding is required by law, in which event or in the event that BT shall incur any liability for Tax chargeable or assessable in respect of any payment pursuant to the Contract the Supplier shall pay such additional amounts as shall be required to ensure that the net amount received and retained by BT (after Tax) will equal the full amount which would have been received and retained by it had no such deduction or withholding been made and/or no such liability to Tax been incurred and, in applying this paragraph 4, no account shall be taken of the extent to which any liability for Tax may be mitigated or offset by any relief available to BT so that where such relief is available the additional amount payable under this Condition shall be the amount which would have been payable in the absence of such availability.

32.5 The Supplier shall indemnify BT in respect of an amount equal to the Tax demands relating to Contract Personnel and/or Subcontractor in relation to the period after the Commencement Date including for the avoidance of doubt any Tax arising as a result of such Contract Personnel and/or Subcontractor being held to constitute a taxable presence of BT outside the UK.

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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33. INTELLECTUAL PROPERTY

33.1 In this Condition, "New Information" means all Information generated in the course of or arising from the performance of the Contract.

33.2 BT shall exclusively own the New Information and all Intellectual Property Rights in it.

33.3 Whenever the Supplier becomes aware of any invention or design comprised in the New Information as may reasonably be thought patentable or registrable the Supplier shall provide sufficient information to BT's Commercial Contact (or such other person or address as BT may notify) to enable BT both to ascertain its technical and commercial significance, and, if required by BT, to apply for Intellectual Property Right protection.

33.4 The Supplier assigns to BT the copyright, design right and any other Intellectual Property Right in the New Information which shall vest in BT absolutely as and when such copyright, design right or other right comes into existence. All documentation or other items or media consisting of or containing New Information shall belong to BT. The Supplier shall mark each item of the New Information accordingly.

33.5 The Supplier shall, at the request and expense of BT, do or ensure that is done, everything that BT may reasonably require to apply for and to obtain Intellectual Property Rights in any New Information and to vest in BT absolutely any such Intellectual Property Rights, or any application.

33.6 The Supplier shall use reasonable care to ensure that nothing is done to prejudice the grant or creation of any Intellectual Property Right in respect of any of the New Information or to prejudice the exercise of any such Intellectual Property Rights.

33.7 The Supplier warrants that it has the right and power to grant to BT the rights and licences granted under the Contract.

33.8 The Supplier grants a non-exclusive irrevocable licence to BT whether by itself or by third parties on its behalf, free of any payment, to use the Services and to copy, disclose, publish, sell and use (with the right to sublicense any such rights) the Deliverables without restriction. If the exercise of these rights and/or BT's rights in the New Information requires licences to use the Supplier's Background Information or the Intellectual Property Rights of any third party then the Supplier shall be deemed to hereby grant or shall procure such licences for BT at no cost to BT which shall include the rights for BT to copy, install, maintain, modify, enhance and adapt the Supplier's Background Information or the Intellectual Property Rights of any third party.

33.9 The Supplier indemnifies BT against all actions, claims, proceedings, damages, costs, and expenses arising from third party claims for any actual or alleged infringement of Intellectual Property Rights or breach of confidentiality by BT's possession or use or sale, lease or hire of any of the Services anywhere in the world.

33.10 BT shall notify the Supplier in writing of any such allegation received by BT and shall not make any admissions unless the Supplier gives prior written consent.

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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33.11 At the Supplier's request and expense, BT shall permit the Supplier to conduct all negotiations and litigation. BT shall give all reasonable assistance and the Supplier shall pay BT's costs and expenses so incurred.

33.12 The Supplier may, at its expense, modify or replace the Services to avoid any alleged or actual infringement or breach. The modification or replacement must not affect the performance of the Services.

33.13 This indemnity shall not apply to infringements or breaches arising directly from:

- (a) compliance with the Design Information where such compliance inevitably results in the infringement. This exception does not apply to infringements resulting from a BT requirement that the Services comply with a national or international standard; or
- (b) the combination of the Services with other items not supplied under the Contract.
- (c) the modification or alteration of the Services or Work by BT, if the infringement would not have occurred but for the alteration or modification.

33.14 Without prejudice to paragraph 13(a) of this Condition, BT warrants that compliance with the Design Information will not cause infringement or breach.

33.15 This Condition shall survive the Contract.

34. ESCALATION AND DISPUTE RESOLUTION PROCEDURE

34.1 If the parties' respective Commercial Contacts cannot resolve any dispute within five (5) days, it shall be escalated by reference to the persons named or holding the positions (or their equivalents) at the first level stated below. If they are unable to resolve the dispute within five (5) days, it shall be escalated to the next level and so on until the procedure is exhausted. During this time neither party shall resort to litigation unless the other party is unwilling or unable to engage in the escalation process.

	For BT Procurement	For BT lines of business	For the Supplier
Level 1	Commercial Contact	Vendor management / OCCM Contract management	Engagement Manager
Level 2	Head of Domain	Contract Management	Relationship Manager
Level 3	VP Global Sourcing	Key Stakeholder	Client Director
Level 4	Chief Procurement Officer	Business Unit Director	Business Unit Head (CEO)

* This is as the existing BT structure and will be subject to adjustment as the structure of the new units are defined.

34.2 If a dispute is not resolved when the escalation process above has been exhausted the dispute will be resolved in accordance with the dispute resolution procedure set out in Schedule 6 (Governance & Change Control).

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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35. GUARANTEE

35.1 The Supplier shall at its own cost promptly remedy, repair or modify any Supplier Defects in Services notified by BT in writing which become apparent, [*****] ("the Warranty Period") of their respective delivery to BT.

For the purposes of this Condition, Supplier Defect' means a defect which constitutes a Priority 1 Defect or Priority 2 Defect (as defined below), which is substantially and materially due to Supplier's:

- (a) poor or defective workmanship or materials;
 - (b) faulty design which deviates from the Functional Specification, (other than a design made or furnished or specified for which the Supplier has not accepted responsibility in writing within a reasonable time of receipt); or
 - (c) negligent act, neglect or omission by the Supplier or Contract Personnel;
- and excluding any defects caused by the factors set out in Condition 35.5.

If a repair or modification fails to resolve the defect within a reasonable period (which shall be at least 30 days) the Supplier shall, at BT's option, replace the defective Services with Services complying with the original specification.

Any additional warranty beyond what is covered above shall be mutually agreed and set forth in the applicable framework agreement.

Priority 1 (Urgent) Defect is defined below:

Critical system element (hardware or software/on-line or batch) cannot run or runs incorrectly.
Severe degradation to customer service (e.g. extremely poor response time; late production of documentation)
Major data corruption.
Non-Compliance.

Priority 2 (High) Defect is defined below:

May be escalated to Severity One if outage time is lengthened and begins to impact critical business processes.
Major degradation to customer service
High risk of non compliance
Data corruption
Inaccurate data reported to customers (e.g. on statements)

35.2 The Supplier shall:

- (a) ensure that any remedied part of the Services is compatible with all Services; and
- (b) complete the remedy to the reasonable satisfaction of BT within the time-scales specified in the Contract (or, if none are specified, within a reasonable time); and
- (c) ensure that defective Services are not remedied on BT premises without BT's consent, unless, for operational or technical reasons they can only be removed or replaced with difficulty; and

- (d) cause the minimum of disruption to BT and/or its customers in effecting any remedy. The time at which any remedy is to be effected shall be agreed with BT and BT may at its discretion direct the Supplier to work outside normal working hours at no cost to BT.

35.3 All repaired or replacement Services shall benefit from the provisions of this Condition and a new Warranty Period shall apply to them from their respective date of delivery to BT.

35.4 The Supplier shall, upon receipt of Services returned under this Condition, immediately investigate those Services and use all reasonable endeavours to take all necessary corrective action to prevent recurrence of the defects in Services. The Supplier shall report monthly in writing to BT's Commercial Contact the outcome of all such investigations. The report shall contain such additional information and be in such format as BT shall reasonably require from time to time.

35.5 To the extent that a defect is substantially caused by a factor set out below (as shown by root cause analysis or otherwise), such defect shall not be regarded as a Supplier Defect for the purposes of Condition 35.1, and shall not be subject to the provisions of this Condition 35:

- (a) an amendment or customisation made to the Services by or on behalf of BT without the Supplier's prior consent;
- (b) the combination, operation, or use of the Services with any other software, hardware, environment, or materials which Supplier has notified BT in writing are not compatible with the Services, or which are contrary to usage instructions, configuration recommendations, or hardware or software or other specifications provided by Supplier to BT;
- (c) operation or use of the Service otherwise than in accordance with this Contract and documentation provided by the Supplier;
- (d) BT's hardware malfunction; or
- (e) Third party software, to the extent such third party software has caused the defect

35.5 This Condition shall survive the Contract.

36. TITLE AND RISK

36.1 Without prejudice to BT's right to reject under the Contract, the title in Deliverables shall pass to BT upon the earlier of delivery or Acceptance or the passing of risk or payment (including any part payment) and shall be free from any claims or encumbrance whatsoever, with the exception of Software for which a licence is granted in accordance with the Contract.

36.2 If any Deliverables are rejected by BT or the Contract is terminated, title to any Deliverables not accepted by BT and any materials or things which have not been incorporated in any part of accepted Deliverables, shall re-vest in the Supplier on the

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expiration of 30 days from the date on which such termination or rejection takes effect unless BT gives notice to the Supplier within such period that it intends to either issue any certificate of commercial service in respect of the rejected Deliverables or otherwise retain title in them.

36.3 For fixed fee, fixed scope and Deliverable engagements, any pre-payment made by BT for such Deliverables, materials or things (in each case, to the extent not accepted by BT) which re-vest in the Supplier is a sum due to BT from the Supplier.

36.4 The Supplier shall deliver to BT any Deliverables the title in which BT has elected to retain under this Condition and if it shall fail to do so BT may enter the Supplier's premises and remove such Deliverables and recover the cost of so doing from the Supplier, subject to BT paying a fair and reasonable price for such Deliverables.

36.5 The risk of loss of or damage to Deliverables shall pass to BT upon Acceptance.

For the purposes of this Condition, "Deliverables" shall mean only those Deliverables in which no Intellectual Property Rights subsist.

37. RIGHT TO REJECT

37.1 BT shall have the right to reject prior to Acceptance the whole or any part of the Deliverables that it reasonably considers are not in accordance with the Specifications.

37.2 The Supplier shall at its own risk and expense, replace or repair rejected Deliverables with Deliverables that accord with the Specification within fourteen (14) days (or any other additional reasonable period specified by BT) of notice of rejection from BT.

38. ACCEPTANCE

38.1 In this Condition:

"Acceptance Test(s)" means formal testing to determine if the Services satisfy the criteria for Acceptance for BT to Accept the Services or any part of them, including without limitation, any First Repeat Test or Second Repeat Test as defined in this Condition.

"Certificate of Commercial Service" means a certificate issued by BT in respect of Services or any part of the Services, which, although having failed to pass the Acceptance Tests, BT requires to be put into commercial service. "Commercial Service" shall be construed accordingly.

38.2 The Supplier shall provide BT with written Acceptance Test methodology in respect of the Services on or before ten (10) days before Acceptance Test process is due to commence. BT shall approve or reject such methodology within fourteen (14) days of receipt. If rejected, the Supplier shall amend the methodology as necessary until approved by BT (such approval not to be unreasonably withheld).

38.3 The Services shall not undergo any Acceptance Test until:

- (a) Services have passed any required off-site tests;
- (b) the Supplier can demonstrate to BT's reasonable satisfaction following its own testing that the Services should pass the Acceptance Tests;
- (c) BT has approved the Acceptance Test methodology; and
- (d) any required inter-working is achieved and combinations of hardware and software have been fully integrated and proven as a system.

38.4 The Supplier shall give at least fourteen (14) days written notice to BT of Services being ready for Acceptance Tests.

38.5 Acceptance Tests shall take place in the presence of BT's nominated representative(s).

38.6 If Services pass the Acceptance Tests, BT shall issue to the Supplier an Acceptance certificate, which shall, if Services are being tested severally, not constitute an admission that Services have been completed in every respect. The Acceptance procedure shall be repeated for each portion of the Services.

38.7 If any Services fail the Acceptance Test:

- (a) BT shall notify the Supplier in writing accordingly within ten (10) days of completion of the tests, stating the reasons for the failure; and
- (b) the Supplier shall promptly make such alterations to Services as are necessary to pass repeat Acceptance Tests within ten (10) days of such notice ("the First Repeat Test"); and
- (c) if Services fail the First Repeat Test, the Supplier shall promptly make such further alterations to Services as are necessary to pass a further repeat Acceptance Test ("the Second Repeat Test") within ten (10) days of notice of failure of the First Repeat Test.

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38.8 If any Acceptance Test is not completed by the due date as set out in Paragraph 7 above, or Services fail the Second Repeat Test, BT may (at its option):

- (a) bring Services into Commercial Service at any time and/or claim liquidated damages for delayed Services; or
- (b) if the parties agree in writing, accept the Services or part thereof subject to an abatement of fees; or
- (b) terminate the Order from the date specified by written notice to the Supplier.

38.9 If any Acceptance Test is not completed by the due date or Services fail any Acceptance Test, BT shall, upon giving written notice to the Supplier, have access to Services for its own testing and evaluation purposes but shall take reasonable care not to hinder the Supplier in achieving Acceptance, although the Supplier shall be responsible for any delay.

38.10 If Services fail any Acceptance Test, BT may put them into Commercial Service and issue a Certificate of Service, which shall include a list of remaining portions of Services and all relevant deficiencies to be remedied by the Supplier as are then known to BT.

38.11 Services put into Commercial Service on any date:

- (a) benefit from the provisions of the Condition headed 'Guarantee' as if the period of such warranty had commenced on such date and had been extended by the period between such date and Acceptance of all Services; and
- (b) shall be made accessible to the Supplier for remedial work to achieve Acceptance and be at the Supplier's risk.

38.12 During Commercial Service, the Supplier shall, if required by BT, and at the Supplier's own additional cost, work outside its normal working hours in order to remedy any deficiencies.

38.13 Notwithstanding the above and without prejudice to any other rights or remedies BT may have, and to any of the Supplier's obligations, BT shall have the right to reject before Acceptance the whole or any part of the Services submitted for Acceptance that it reasonably considers are not in accordance with the Specifications .

39. PAYMENT CARD DATA SECURITY STANDARDS

Where the Services require processing of data, then the Supplier shall process the data according to this Condition 39.

39.1 In this Condition:

"Cardholder Data" means the Primary Account Number (PAN) together with any or all of the following items which may be retained with the PAN:- Cardholder Name, Service Code and Expiration Date (as those terms are commonly understood in the payment card industry).

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"Cardholder Data Environment" means that part of the network or business operations that possess Cardholder Data or Sensitive Authentication Data.

"PCI DSS" means the Payment Card Industry Data Security Standards issued by the PCI Security Standards Council (the Council) from time to time and set out at <https://www.pcisecuritystandards.org>.

"Processing" means any processing, collection, transmission, managing or storing by any means and in any type of media including paper, or voice recording, or digital images in which Cardholder Data is held, such as hard disk drives, floppy disks, and credit /debit card receipts on which the full PAN is printed.

"Relevant Supplies" means those elements of the Supplies which include the formal or informal Processing of BT Customers' Cardholder Data forming the "cardholder data environment" controlled by the Supplier.

"Sensitive Authentication Data" includes the following:- Full Magnetic Stripe Data, or CAV2/CVC2/CVV2/CID, or PIN/PIN Block (as those terms are commonly understood in the payment card industry).

"Tier 1 or Level-One Merchants" means they process more than six million payment card (debit or credit card) transactions each year, and must meet the 12-step PCI DSS and undergo external attestation.

39.2 The Supplier warrants and represents that, it has complied with all applicable requirements necessary to be considered PCI DSS compliant at Tier 1 status and has performed all steps necessary to validate its compliance with PCI DSS by a certified qualified security assessors (QSA).

39.3 The Supplier agrees that it is responsible for the security of all Cardholder Data in its possession, including responsibility for all actions involved in Processing the Cardholder Data.

39.4 The Supplier agrees that all Relevant Supplies coming within the scope of the Contract will be performed by the Supplier and will be not be sub-contracted to other service providers.

39.5 The Supplier shall ensure that the Relevant Supplies conform to the PCI-DSS set out at: https://www.pcisecuritystandards.org/security_standards/pci_dss.shtml and such later versions or guidance and advisories which the PCI Security Standards Council may issue.

39.6 At BT's request, the Supplier shall at its own cost and expense:

- (a) provide BT with evidence of a current and valid Attestation of Compliance (AOC), prepared by a Qualified Security Assessor Company (QSAC) and Qualified Security Assessor (QSA) approved by the Council and BT; and
- (b) participate in any such review arranged by BT.

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39.7 The Supplier shall promptly notify BT on becoming aware of any non-compliance or receiving any allegation of non-compliance with PCI-DSS and the steps it is taking to remedy such non compliance. In particular, the Supplier shall:

- (a) report all PCI-DSS security incidents to: The Duty Controller: BT Security Incident Management (24x7) Tel No: 0800 321 999 / +44 1908 641100; Email: security@bt.com; and
- (b) notify the Head of BT Group Quality by Email to bt.quality.programme.office@bt.com promptly, and in any event within two days, of the Supplier learning or suspecting that it is no longer PCI DSS compliant.

39.8 Any breach of this Condition by the Supplier shall be deemed to be a material breach of the Contract and the Supplier shall indemnify BT from and against any costs, losses, damages proceedings, claims, expenses or demands incurred or suffered by BT which arise as a result of such breach.

39.9 The Supplier shall allow (and ensure that all relevant Contract Personnel allow) BT or its authorised representatives such access to premises, systems and records containing any relevant Information as is reasonably necessary to assess the Supplier's compliance with this Condition.

39.10 This Condition shall survive the Contract.

40. DELIVERY

40.1 The Supplier shall deliver Deliverables in accordance with the time specified in each Order. If no such time is specified in the Contract, the Supplier shall deliver Deliverables as agreed between the parties or, in the absence of agreement, at such time as BT may specify.

40.2 The Supplier shall deliver Deliverables ordered by BT subject to the terms of the Specification.

40.3 The Supplier shall not, without the prior written consent of BT, deliver any part order (by quantity or by item). If Deliverables are not available for delivery at the due time, the Supplier shall (without prejudice to BT's rights under the Contract) immediately inform BT by telephone, facsimile or e-mail and confirm such communication in writing.

41. LIQUIDATED DAMAGES

41.1 The provisions of this Condition 41 apply only to Orders executed by the parties after the Commencement Date of this Contract and only to Orders to which set out no specific Service Level and/or Service Credit or liquidated damages regime pursuant to Condition headed "Service Levels and Service Credits".

41.2 Subject to the provisions of the Condition headed "Force Majeure", unless otherwise stated in the Order, for fixed fee engagements only, if the Supplier has failed to deliver, install, or complete (as the case may be) any Services in relation to an Order

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by the due date set forth in the Order (subject to the Change Control procedure), BT may notify the Supplier in writing within 30 days after the applicable due date ("FP Notice Period "). In the event BT provides such written notice and Supplier has failed to remedy such breach within 15 days of such written notice ("Cure Period"), the Supplier shall be in breach of the Contract and shall pay to BT on request an amount of liquidated damages in respect of delay starting from the expiration of the Cure Period at the rate of [*****] of delay (up to a maximum of [*****] of the Charges of the delayed Services in relation to the Order,

Failure by BT to so notify Supplier of a breach within the FP Notice Period shall mean no liquidated damages shall apply with respect to the due date in the Order, although BT is not prejudiced with respect to any other rights or remedies BT may have under this Contract.

41.3 Subject to the provisions of the Condition headed "Force Majeure", unless otherwise stated in the Order, for Time and Material engagements only if the Supplier delivers, installs, or completes (as the case may be) any Services in relation to an Order by the due date but the Services fail to comply with the agreed upon specifications in the Order, and which have not been accepted in whole or in part by BT (and subject to the Change Control procedure):

41.3.1 BT may notify the Supplier in writing within 30 days after delivery of the Services ("TM Notice Period"), specifying to Supplier in writing such failure; and

41.3.2 If Supplier has failed to remedy such breach within 15 days of receipt of such written notice (the "TM Remedy Period"), then from and after the TM Remedy Period, BT shall have the right at its option to withhold payment of the Charges under the Order which relate to the non-compliant Service at a maximum cap of [***] of the Order value relating to the Services (and subject to Section 41.3.3 below) which are non-compliant per Section 41.3 until such non-compliance is remedied by Supplier; and

41.3.3 for every 7 days after the expiration of the TM Remedy Period the breach remains unremedied, the Supplier shall pay to BT on request an amount of liquidated damages (from the heldback amount) in respect of such delay at the rate of [*****] of delay (up to a maximum of [*****] of the Charges in relation to the Services that are non-compliant per and under the Order.

Upon the remedy of such breach by Supplier, BT shall then promptly release the remaining held back amounts to Supplier.

Failure by BT to so notify Supplier within the TM Notice Period shall mean that BT may not withhold the Charges per this Section 41.3, although BT is not prejudiced with respect to any other rights or remedies BT may have under this Contract.

41.4 The Supplier acknowledges that the amounts and/or rates of liquidated damages payable to BT are fair and reasonable and, so far as it is aware, represent a genuine pre-estimate of any resulting loss or expense to BT.

41.5 BT may, at its option, have the right at any time to deduct any amount of liquidated damages due from the Supplier to BT from any sums then due from BT to the

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Supplier and any not so deducted may be recovered by BT from the Supplier as a debt in accordance with this Condition.

41.6 Payment of, or BT's right to liquidated damages under this Condition shall not affect any of BT's rights in connection with the relevant breach of contract or BT's ability to claim damages in excess of any liquidated damages paid or BT's ability to withhold payment of Charges.

42. WEB ACCESSIBILITY

42.1 For the purposes of this Condition, "Relevant Supplies" means those elements of the Services having an internet or intranet interface that will be used by any person.

42.2 The Supplier shall ensure that the Relevant Supplies conform to Level "Double-AA" of W3C's current "Web Content Accessibility Guidelines", (the "Accessibility Criteria"), and such later versions as BT shall from time to time notify to the Supplier.

42.3 If requested to do so, the Supplier shall at its own cost and expense:

- (a) provide BT with an independent, third party assessment of the conformance of the Relevant Supplies to the Accessibility Criteria, which shall be prepared by an appropriately qualified person with the necessary skills and expertise; and/or
- (b) participate in such a review arranged by BT.

42.4 Any breach of this Condition by the Supplier shall be deemed to be a material breach of the Contract and the Supplier shall indemnify BT from and against any costs, losses, damages, proceedings, claims, expenses or demands incurred or suffered by BT which arise as a result of such breach.

43. TERMINATION

43.1 BT may at any time by notice in writing to the Supplier terminate the Contract in whole or in part as from the date of service of such notice if:

- (a) there is a change of control, as defined by Section 416 of the Income and Corporation Taxes Act 1988, of Supplier which is in BT's reasonable opinion detrimental to the ongoing provision of the Services hereunder. BT shall not be permitted to exercise such rights where BT has agreed in advance in writing to the particular change of control and such change of control takes place as proposed. Supplier shall notify BT within one (1) month of any change of control taking place;
- (b) the Supplier passes a resolution, or the Court makes an order that Supplier be wound up otherwise than for the purpose of a bona fide reconstruction or amalgamation, or a receiver, manager or administrator on behalf of a creditor is appointed in respect of the business or any part thereof of Supplier, or circumstances arise which entitle the Court or a creditor to appoint a receiver, manager or administrator or which entitle the Court otherwise than for the purpose of a bona fide reconstruction or amalgamation to make a winding-up

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order, or Supplier is unable to pay its debt's within the meaning of Section 123 of the Insolvency Act 1986 or any similar event occurs under the law of any other jurisdiction;

- (c) the Supplier is in Persistent Breach, and in the case of remediable breach fails to remedy the breach within fifteen (15) days of receipt of BT's written notice to do so;
- (d) a Disaster has occurred and the Supplier has failed to implement the Disaster Recovery Plan;
- (e) the Supplier is in Material Breach, and in the case of remediable breach fails to remedy the breach within fifteen (15) days of receipt of BT's written notice to do so;

and any such Termination shall take effect immediately or at such other date as may be specified in the written notice.

- 43.2 BT may terminate the Contract in whole or in part in accordance with the Section headed "Benchmarking" in Schedule 2 (Pricing).
- 43.3 BT shall have the right to terminate the Contract in whole or in part in accordance with the Condition headed "Force Majeure".
- 43.4 BT may at any time by notice in writing terminate an Order forthwith if the Supplier is in Material Breach or Persistent Breach and (in the case of remediable breach) fails to remedy the breach within fifteen (15) days of receipt of BT's written notice to the Supplier to do so.
- 43.5 BT or BT Affiliate may at any time by notice in writing terminate Affiliate Services Agreement forthwith if the Supplier or Supplier Affiliate is in Material Breach or Persistent Breach of the ASA and all corresponding Order(s) and (in the case of remediable breach) fails to remedy the breach within fifteen (15) days of receipt of BT's written notice to the Supplier to do so.
- 43.6 BT's rights under the Condition headed "Service Levels and Service Credits" and "Liquidated Damages" and this Condition shall be without prejudice to any claim that BT may have against the Supplier for all directly resulting losses and expenses arising prior to or on the Termination of the Contract and to recover from the Supplier the additional cost of completing the Services or having Services completed by another supplier to similar standards.
- 43.7 BT may at any time on written notice terminate the whole of the Contract by giving at least 90 days prior written notice, or terminate an Order by giving at least 2 weeks prior written notice, in which case, BT shall remain liable for payments related to Services performed up to the date of termination and BT's obligations and minimum commitments under Schedule 2 hereto.
- 43.8 [not used]
- 43.9 Where BT terminates the Contract or the Order(s) under paragraph 43.7 and does not have any other right to terminate the Contract or the Order(s), the following shall apply:
 - (a) BT shall subject to subparagraph (b) below, pay the Supplier such amounts as

- may be necessary to cover its reasonable costs and outstanding and unavoidable commitments necessarily and solely incurred in properly performing the Contract or the Order(s) in relation to Applicable Services (as defined below) prior to termination;
- (b) BT shall not pay for any such costs or commitments that the Supplier is able to mitigate and shall only pay costs and commitments that BT has validated to its satisfaction. BT shall not be liable to pay for any Applicable Services that, at the date of termination, BT is entitled to reject (but has not yet accepted, if acceptance is applicable) (including any Services for which BT may have put into service) or has already rejected. BT's total liability under sub-paragraph (a) above shall not in any circumstances exceed the price that would have been payable by BT for Applicable Services if the Contract or the Order(s) had not been terminated. For the avoidance of doubt, BT shall pay for all Charges incurred up to the termination, except that for any fixed fee engagements BT shall pay to Supplier a pro-rata fee, based on the fixed fee and the amount of days actually worked by Supplier on the fixed price project and the number of days estimated for the fixed fee project;
- (c) In this Paragraph 43.9, "Applicable Services" means Services in respect of which the Contract or the Order(s) has been terminated under this paragraph, which were ordered by BT under the Contract before the date of termination, and for which payment has not at that date become due from BT.
- (d) Sub-paragraphs (a) and (b) above encompass the total liability of BT for termination pursuant to this paragraph 43.9, and BT shall be liable for no other costs, claims, damages, or expenses resulting from such termination, except for its obligations under Schedule 2 including, related to BT's minimum commitments hereunder.

43.10 Notwithstanding anything to the contrary in this Agreement, in the event of termination of this Contract for any reason except for termination under paragraphs 43.1 (c) and (e) or otherwise for Supplier Material Breach, BT shall be liable to pay the Supplier all undisputed invoices (which must be disputed in good faith and in writing within 15 business days of receipt by BT) for the Services rendered up to the date of such termination and its obligations under Schedule 2 hereto, including, related to BT's minimum commitments hereunder

43.11 Each right of BT under this Condition is without prejudice to any other right of BT under this Condition or otherwise.

44. INTERWORKING WITH OTHER SYSTEMS

44.1 The Supplier shall ensure the successful inter-working and interfacing of Services in or with the any equipment, software, networks and/or systems owned or controlled by BT and/or any third party as specified in the Order ("Related Systems"):

44.2 The Supplier shall ensure that Services do not impair or degrade the performance or operation of Related Systems.

44.3 At BT's request, the Supplier shall promptly (and, in any event, within thirty (30) days of the request) supply to BT, or to any third party nominated by BT, such Information as BT or such third party may reasonably require to enable BT or such third party to interface and fully inter-work Services with the Related Systems from time to

time. The Supplier shall bear the cost of the provision to BT of such Information, except to the extent that such Related Systems either did not exist or were not specified in Paragraph 1 of this Condition, in which case BT shall pay the reasonable costs of the collation, reproduction and despatch of such Information.

44.4 The Supplier hereby grants to BT non-exclusive, royalty free, world-wide rights, by or on behalf of BT, to copy and use Information supplied under this Condition or derived by BT from the Services as necessary for the purpose of interfacing and inter-working the Services with the Related Systems.

45. INDEMNITY

45.1 Without prejudice to any other rights or remedies available to BT, the Supplier shall indemnify BT against all third party claims and proceedings, damages, costs and expenses arising or incurred in respect of.

- (a) death or personal injury of any Contract Personnel in relation to the performance of the Contract;
- (b) death or personal injury of any other person to the extent arising as a result of the negligence or wilful acts or omissions of the Supplier or Contract Personnel in relation to the performance of the Contract;
- (c) loss of or damage to any property to the extent arising as a result of the negligence or wilful acts or omissions of the Supplier or Contract Personnel in relation to the performance of the Contract;
- (d) any complaint made pursuant to the Employment Rights Act 1996 (as amended, replaced, consolidated or re-enacted from time to time) by any Contract Personnel whether in the Employment Tribunal or civil courts or otherwise, or, without limitation, as a result of any claim or demand by any Contract Personnel in respect of any other claim whatsoever within the jurisdiction of an Employment Tribunal or wrongful dismissal, breach of contract or any other claim arising at common law and/or discrimination on grounds of sex, race, disability, religion/belief, marital or civil partnership status, age, sexual orientation, gender and/or equal pay claims (in all cases, whether arising under UK or European law); or
- (e) under Part 1 of the Consumer Protection Act 1987 (or any equivalent product liability legislation) in relation to Deliverables.

45.2 If either Party (the "Indemnified Party") becomes aware of a matter which may give rise to a third party claim under an indemnity given by the other Party (the "Indemnifying Party") in the Contract:

- (a) the Indemnified Party shall notify the Indemnifying Party as soon as is reasonably practicable and in any event within two (2) Business Days of the matter (stating in reasonable detail the nature of the matter and, if practicable, the amount claimed) and consult with the Indemnifying Party with respect to the matter. If the matter has become the subject of proceedings, where reasonably practicable the Indemnified Party shall notify the Indemnifying Party within sufficient time to enable the Indemnifying Party to prepare any statement of case;
- (b) the Indemnified Party shall provide to the Indemnifying Party and its advisers reasonable access to premises and personnel and to all relevant

- assets, documents and records that it possesses or controls for the purposes of investigating the matter and enabling the Indemnifying Party to take the steps referred to in sub-Paragraphs (a) to (c);
- (c) the Indemnifying Party shall provide to the Indemnified Party reasonable access to information and personnel that it possesses or controls for the purposes of understanding the nature and status of the action being taken under sub-Paragraphs (a) to (c) and shall consult with the Indemnified Party in relation to the proposed actions to be taken prior to settlement or compromise of the claim. The Indemnifying Party shall not use the Indemnified Party's name (or the name of any Group Company of the Indemnified Party) without the Indemnified Party's prior written consent (such consent not to be unreasonably withheld or delayed);
- (d) the Indemnifying Party (at its cost) may take copies of the relevant documents or records, and photograph the premises or assets as reasonably required;
- (e) upon receipt of confirmation that the Indemnifying Party will indemnify the Indemnified Party, the Indemnifying Party shall have the right to take sole control of the defence and settlement and litigation of any such claims, and may take any action and institute any proceedings in connection thereto, subject to the following:
- the Indemnifying Party shall, at all times, keep the Indemnified Party informed of the progress of any such negotiations or litigation;
 - the Indemnifying Party shall take due account of the Indemnified Party's representations in the conduct, negotiations and/or settlement of any claim where the Indemnified Party is a party to that claim; and
 - the Indemnifying Party must not make any settlement of or admission of liability or payment obligation (which it cannot assume or pay itself) on behalf of the Indemnified Party relating to the claim without the prior written consent of the Indemnified Party, such consent not to be unreasonably withheld or delayed;
- and the Indemnified Party shall, at the Indemnifying party's cost and expense, give any information and assistance the Indemnifying Party may reasonably request to enable the Indemnifying Party to:
- (i) dispute, resist, appeal, compromise, defend, remedy or mitigate the matter; or
 - (ii) enforce against a person (other than the Indemnifying Party) the Indemnified Party's rights in relation to the matter; and
 - (iii) in connection with proceedings related to the matter (other than against the Indemnifying Party) use advisers chosen by the Indemnifying Party and, if the Indemnifying Party requests, allow the Indemnifying Party the exclusive conduct of the proceedings in each case if the Indemnifying Party indemnifies the Indemnified Party for all costs incurred as a result of a request or choice by the Indemnifying Party;
- (f) the Indemnified Party shall, and shall procure that its relevant employees and professional advisers shall, use the documentation and information obtained pursuant to this Paragraph solely for the purposes described and shall otherwise keep the documentation and information confidential in accordance with the Contract. When a claim subject to an indemnity is

- concluded, documentation provided by either Party to the other for the purposes of the claim shall be returned; and
- (g) notwithstanding anything to the contrary, Supplier will indemnify and pay to BT with respect to such third party claims under this Condition and under this Contract regarding indemnification obligations of Supplier, all such damages, costs and expenses finally awarded against BT to such third party by a court of competent jurisdiction or at the time of a final settlement of such claims or final award or out of court settlement, if applicable.

45.3 This Condition shall survive the Contract.

46. LIMITATION OF LIABILITY

46.1 Subject to Paragraph 2 and 3, neither Party shall be liable to the other for any indirect, consequential or special loss or damage of whatever nature (including business interruption, loss of profits, loss of production, loss of savings, loss of competitive advantage or loss of goodwill) howsoever caused arising out of, or in connection with the any claims and losses whether arising pursuant to contract, tort (including negligence or breach of statutory duty) or otherwise in relation to the Contract or the ASAs (and/or their associated documentation).

46.2 Subject to Paragraph 4, the Supplier shall be liable to BT for any loss of, corruption to, or alteration to BT Data and the costs of restoring such lost, corrupt and / or altered BT Data to the extent caused by the Supplier's acts or omissions, and not the actions or omissions of BT or any other party acting on BT's behalf.

46.3 Nothing in the Contract shall exclude or limit either Party's liability:

- (a) for death or personal injury caused by its (or its agent's or sub-contractor's) negligence;
- (b) for fraud or fraudulent misrepresentation;
- (c) for its deliberate misconduct in performing its contractual obligations;
- (d) under sub-Paragraphs 45.1 (d) or 45.1(e) of the Condition headed "Indemnity"
- (e) under the Conditions headed "Service Credits and Service Levels" "Liquidated Damages", "Confidentiality", "IT Security and Business Continuity" or Paragraph 9 of the Condition headed "Intellectual Property",.
- (f) for Charges that are due from BT to the Supplier pursuant to valid and undisputed invoices.

46.4 Subject to Paragraphs 3 and 6 the entire liability of the Supplier arising out of or in connection with the Contract or ASAs (and/or their associated documentation) whether in contract, tort (including negligence or breach of statutory duty) or otherwise, shall be limited to an aggregate maximum of fifteen million pounds (£15,000,000) or 125% (one hundred and twenty-five per cent) of the total Charges paid or payable under the Contract in the 12 month period preceding the last act or omission giving rise to such liability, whichever is the greater.

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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46.5 Subject to Paragraphs 46.3 and 46.7 the entire liability of BT arising out of or in connection with the Contract or ASAs (and/or their associated documentation) whether in contract, tort (including negligence or breach of statutory duty) or otherwise, shall be limited to an aggregate maximum of fifteen million pounds (£15,000,000).

46.6 Subject to Paragraph 46.3 the entire liability of the Supplier for loss or damage to BT's tangible property arising out of or in connection with this Contract or ASAs (and/or their associated documentation) whether in contract, tort (including negligence or breach of statutory duty) or otherwise, shall be limited to an aggregate maximum of fifteen million pounds (£15,000,000 million).

46.7 Subject to Paragraph 46.3 the entire liability of BT for loss or damage to the Supplier's tangible property arising out of or in connection with this Contract or ASAs (and/or their associated documentation) whether in contract, tort (including negligence or breach of statutory duty) or otherwise, shall be limited to an aggregate maximum of ten million pounds (£10,000,000).

46.8 This Condition shall survive the Contract.

47. INSURANCE

47.1 The Supplier shall at its own expense maintain for the Contract Period such insurance as is legally required and appropriate in respect of its obligations, including, without limitation, third party liability insurance with an indemnity limit of not less than fifteen million pounds (£15,000,000) for each and every claim, and, if Services include specialist or professional services, professional indemnity insurance with an indemnity limit of not less than one million pounds (£1,000,000) for each and every claim.

47.2 If the Supplier cannot evidence such insurance to BT on request, BT may arrange such insurance and recover the cost from the Supplier.

47.3 The Supplier shall notify BT Commercial Contact as soon as it is aware of any event which may give rise to an obligation to indemnify BT under the Contract, or to a claim under any insurance required by the Contract.

47.4 This Condition shall not limit the Supplier's liability under the Contract.

48. PUBLICITY

48.1 Neither Party shall issue any press releases or sales documentation about, or otherwise seek publicity in respect of the Contract or Order or Affiliate Service Agreement without the prior written approval of the other, such approval not to be unreasonably refused or delayed.

48.2 Neither Party shall make use for publicity purposes of the name, or of any trade name or trade mark, of the other Party or of any information obtained under or in connection with the Contract from the other Party without the prior written consent of that Party.

49. SOFTWARE

The Supplier warrants that:

- (a) all Software is free from all forms of:
 - (i) "electronic possession", "logic bombs" "viruses" and "worms" that could have been detected by using the latest (at the date of despatch) commercially available virus detection software ;and
 - (ii) "spyware" and "adware"
(which expressions shall have meanings as they are generally understood within the computing industry);
- (b) after Acceptance by BT, subject to the terms and conditions of Condition 35 as applied to this warranty hereunder, the Software will perform in all material respects in accordance with the Functional Specification for the Warranty Period; and
- (c) it has and shall employ only good quality materials, techniques and standards in performing the Contract and at all times apply the standards of care, skill and diligence required of good computing practice.

50. SOFTWARE LICENCE

The Supplier grants to BT free of additional charge a world-wide, non-exclusive, non-transferable, perpetual, irrevocable licence for BT by itself, or by third parties on its behalf to use, copy, install, maintain, modify, enhance and adapt the Software together with all the rights and freedoms of a lawful user of the Software as set out and defined in sections 50A to 50D of the United Kingdom Copyright Designs and Patents Act 1988 as amended from time to time.

51. ESCROW

51.1 The Supplier shall at BT's request and the Supplier's expense, enter into an escrow deposit arrangement in respect of all Information and documentation in relation to Services (including, without limitation, in respect of hardware, Software, all source code, listings and programmer's notes) ("the Escrow Information") as would enable BT or a competent third party on BT's behalf to:

- (a) complete any outstanding obligations of the Supplier under the Contract, including, without limitation, obligations that would have existed (including the requirement to fulfil any orders that BT would have otherwise placed under the Contract) had the Contract not been terminated by BT (other than pursuant to paragraph 8 of the Condition headed "Termination") before the expiry of its natural term; and
- (b) readily understand and maintain the Software.

51.2 Without affecting any other rights it may have, BT shall have the right, free of charge, to use the Escrow Information, after its release, in order to use or maintain (including to upgrade) the Software, to modify or have modified the Software, and to license such modified Software to or have it maintained by third parties.

52. NOTICES

52.1 Any notice given under or in relation to the Contract will be in writing and signed by or on behalf of the party giving it and may be served by:

- (a) delivering it personally or by sending it by pre-paid first class post, or recorded delivery or registered post (or registered airmail in the case of an address for service outside the United Kingdom); or
- (b) by facsimile transmission; or
- (c) by e-mail provided that the requirement for the notice to be signed will not apply to notices served by e-mail;

(without prejudice to any such other modes of service as may from time to time be permitted by the Civil Procedure Rules 1999 and any Practice Directions applying thereto or any amendment or re-issue thereof to the address and for the attention of the relevant party set out in Paragraph 3 or in the event that another address has been notified by a party hereunder in accordance with and making specific reference to this Condition then to that other address.

52.2 Any such notice will be deemed to have been received:

- (a) if delivered personally, at the time of delivery;
- (b) in the case of pre-paid first class post or recorded delivery or registered post, forty eight (48) hours from the date of posting if from and to an address in the United Kingdom or Northern Ireland and 5 days from the date of posting if from and to an address elsewhere;
- (c) in the case of registered airmail, five (5) days from the date of posting;
- (d) in the case of facsimile twelve (12) hours after the time of transmission provided an error-free transmission has been received by the sender ;and

- (e) in the case of e-mail at the time that the e-mail enters the Designated Information System of the intended recipient provided that no error message indicating failure to deliver has been received by the sender and provided further that within twenty four (24) hours of transmission a hard copy of the e-mail signed by or on behalf of the person giving it is sent by post to the intended recipient in accordance with the provisions of Paragraph 1.

Provided that if deemed receipt occurs before 9am on a Business Day the notice will be deemed to have been received at 9am on that day, and if deemed receipt occurs after 5pm on a Business Day, or on a day which is not a Business Day, the notice will be deemed to have been received at 9am on the next Business Day.

52.3 The addresses and fax number of the parties for the purposes of Paragraph 1 are:

[BT]

Address:

For the attention of:

[Fax number:]

[E-mail:]

[the Supplier]

Address:

For the attention of:

[Fax number:]

[E-mail:]

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52.4 In proving such service it will be sufficient to prove that the envelope containing such notice was addressed to the address of the relevant party set out in Paragraph 2 (or as otherwise notified by that party hereunder) and delivered either to that address or into the custody of the postal authorities as a pre-paid recorded delivery, registered post or airmail letter, [or that the notice was transmitted by fax to the fax number of the relevant party set out in Paragraph 2 (or as otherwise notified by that party hereunder)].

52.5 For the purpose of this Condition, the following words and phrases will have the following meanings unless the context requires otherwise:

"Designated Information System" means the Information System designated by a party hereunder to receive electronic notices pursuant to the Contract as identified by the e-mail address specified in Condition headed "Escalation and Dispute Resolution Procedure" or under Paragraph 1.

"First class post" includes recorded delivery and registered post.

"Information System" means a system for generating, sending, receiving, storing or otherwise processing electronic communications.

53. GENERAL

53.1 If the Contract does not provide for any commitment by BT on the Commencement Date to purchase Services, the Contract shall be deemed to have been entered into by the Supplier in consideration of the sum of one pound (£1) payable by BT to the Supplier.

53.2 The invalidity or unenforceability for any reason of any provision of the Contract shall not prejudice or affect the validity or enforceability of its other provisions.

53.3 No delay, neglect or forbearance by either Party in enforcing any provision of the Contract shall be deemed to be a waiver or in any way prejudice any rights of that Party.

53.4 No waiver by either Party shall be effective unless made in writing or constitute a waiver of rights in relation to any later breach of the Contract.

53.5 In relation to its subject-matter, the Contract is the entire agreement between the Parties and governs their relationship to the exclusion (to the extent permitted by law) of any other terms and conditions (other than those implied by law), including, without limitation, those upon which any quotation or tender response has been given to BT.

53.6 Each of the Parties acknowledges and agrees that it has not been induced to enter into the Contract in reliance upon, and in connection with the Contract does not have any remedy in respect of, any representation or other promise of any nature whatsoever other than as expressly set out in the Contract. Nothing in the Contract shall operate to

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limit or exclude any liability for any fraudulent misrepresentation or for any other matter in respect of which liability cannot lawfully be limited or excluded.

53.7 The Contract and any claims or disputes arising out of contractual and/or non-contractual obligations relating to or in connection with the Contract, or any mediation or dispute resolution procedure under it, shall be governed by and construed in accordance with the laws of England. The Parties submit to the exclusive jurisdiction of the English courts in relation to contractual and/or non-contractual obligations.

53.8 The Supplier shall not be, nor in any way represent itself as, an agent of BT and shall have no authority to enter into any obligation on behalf of BT or to bind BT in any way.

53.9 Except as expressly set out in the Contract no assignment of or licence under any Intellectual Property Right or trade mark or service mark (whether registered or not) is granted by the Contract.

53.10 A person who is not a Party to the Contract may not enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999.

53.11 Any amendment made to the terms of this Contract under an Order shall not be valid unless authorised in writing by BT's Commercial Contact.

53.12 Notwithstanding anything to the contrary under this Contract, in no event shall the liquidated damages, service credits and/or other similar penalties payable under Section 41 and Appendix 5 of Schedule 6 exceed 20% of the Charges under the Work Packages in the quarter in which such measurement is assessed. This provision shall not apply to Work Packages which are subject to a separate framework agreement which expressly defines service levels and a service level cap.

53.13 This Condition shall survive the Contract.

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SCHEDULE 1

SERVICES

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- 7. PROCESS MANUAL AND FLOW DOCUMENTATION**

1. PURPOSE OF THIS SCHEDULE

This Schedule and the Appendices details the Services to be provided by the Supplier under this Contract.

1.1 Description & Scope of Services

In order to support the range of BT products and services, the Supplier shall provide the following Services, but not exclusively:

- IT & Network Services as defined in Appendix 1
- BPO Services as defined in Appendix 2
- International Development as defined in Appendix 3

1.2 The Services

- 1.2.1 This Schedule covers the general principles that apply to IT and Network Services, BPO Services and International Development Services.
- 1.2.2 The Supplier shall provide the Services in accordance with the provisions in individual Order.
- 1.2.3 The Supplier will invoice BT for the provision of the Services at the rates agreed in the Order.
- 1.2.4 The Supplier will provide sufficient infrastructure and support covering 24x7x365 working.

2. SERVICE MODEL

- 2.1 The Services must be aligned to the BT end to end customer processes which are as follows and described in Schedule 6 (Governance & Change Control):
 - i. Lead to Cash
 - ii. Trouble to Resolve
 - iii. Concept to Market

3. SERVICE LEVEL AGREEMENTS

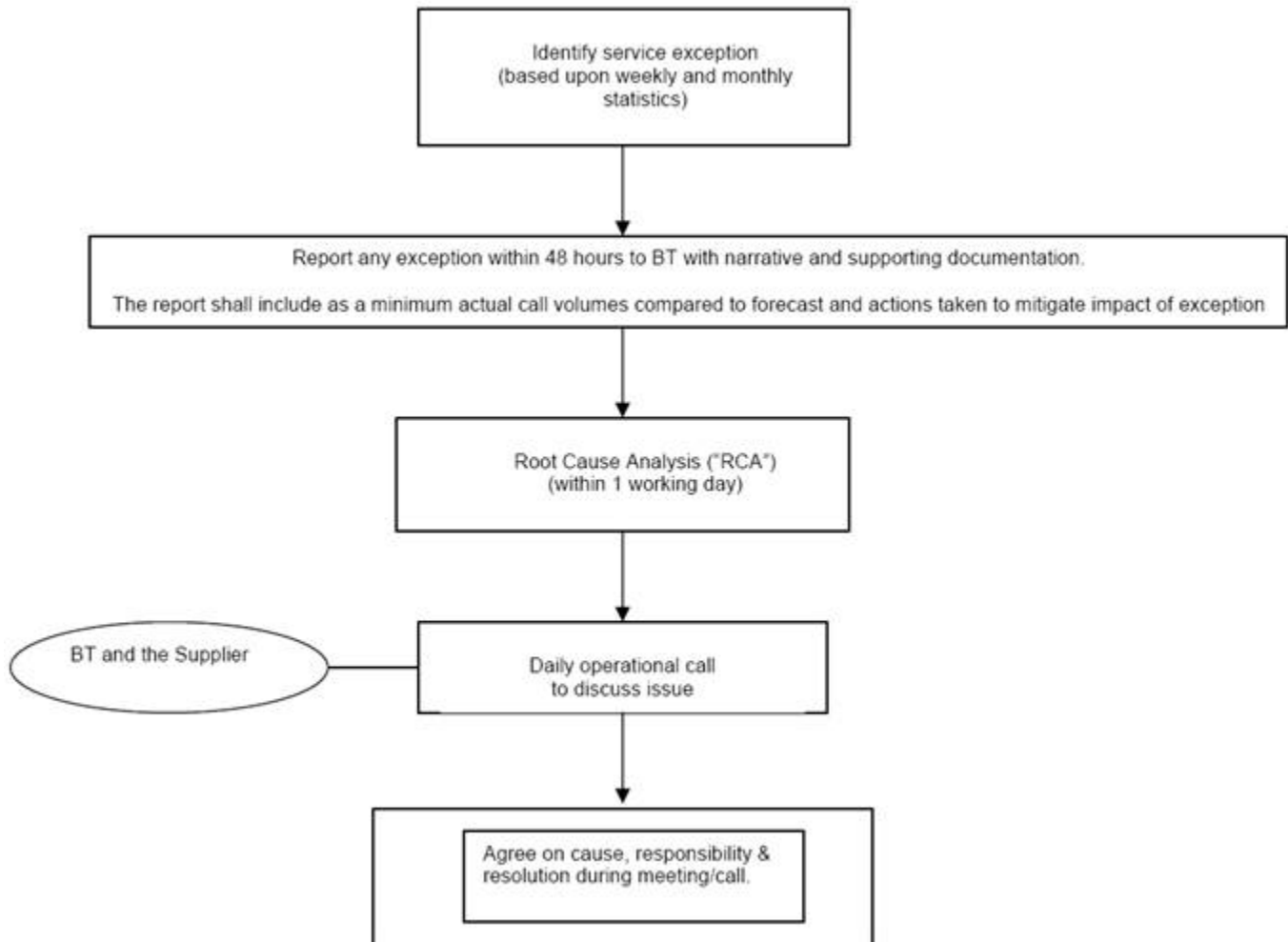
- 3.1 Service specific SLA's will be agreed between the Supplier and BT within individual Specification document in accordance with the Condition headed Service Levels and Service Credits'.
- 3.2 In the event that any SLA's are not met, in addition to the Service Credits that BT may be entitled to in accordance with the preceding paragraph, the Parties shall follow the Exceptions Monitor and Compliance Notice Process as described in Table 1 below.

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- 3.3 Definition of Exception Monitor and Compliance Notice Process: is the process that parties will follow in the event of the agreed Service Levels are not being achieved. As events and exceptions will inevitably vary, the time scales contained within this process are indicative only.

TABLE 1: EXCEPTION MONITOR AND COMPLIANCE NOTICE PROCESS



4. MANAGEMENT INFORMATION

- 4.1 The Supplier will provide real time daily, weekly, monthly reports as specified in the Order and ad-hoc reports as requested by BT from time to time.
- 4.2 It should be noted these are in addition to BT's reporting requirements covered under Schedule 6 (Governance).

5. SYSTEMS

- 5.1 The Supplier will at its cost provide such quantities of desktop and business equipment together with the necessary minimum hardware and software as detailed in paragraph 5.2 below to perform the Services under this Contract.
- 5.2 The minimum PC hardware and software and telephony specification to be provided in relation to Work delivered from offshore Greenside (defined as authenticated through the Strategic India Domain or iUSER).

a) Desktops / laptops with following minimum configuration:

Desktop Hardware

- Intel Dual Core cpu:2.4 GHz
- 2GB Ram
- Trusted Platform Module (TPM) version 1.2 or later
- 250GB disk
- Vpro version 5
- 1600 x 1200 screen
- Desktop should provide sufficient processing and storage for developers and testers to be productive in coding, compiling and testing

This specification is current at the time of writing and applies to any replacement PC made by the Supplier. At the date of replacement, the minimum specification shall comply with the specification of the lowest standard business PC package on the **BT Ordergateway** web site: <http://ordergateway.intra.bt.com/default.cfm>

Desktop OS

- XP or when specified by BT upgrade to Windows 7 license which Supplier will provide the license for. Thereafter, latest released Microsoft OS version or previous version license.

It is BT's intention to migrate from XP to Windows 7 Managed BT Build at a future point in time and such migration requirements shall be communicated to the Supplier at BT's sole discretion. Any and all license costs to the extent listed in section c below of such migration to Windows 7 Managed BT Build shall be met by the Supplier.

BT recommends that the Supplier, under its own Microsoft software licence agreement, ensures that it has Software Assurance to enable it to keep current with new software version releases.

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b) Software on XP Desktops and Laptops:

Base software on all computers (required to be provided by the Supplier):

Microsoft Office Professional (Current Version)
Adobe Acrobat Reader (Current Version)
Adobe Flash Player (Current Version)
Adobe Shockwave Player (Current Version)
Adobe Authorware Player (Current Version)
Microsoft Silverlight Player (Current Version)
Microsoft Lync Client (Current Version)
Microsoft Internet Explorer (Current Version)
Microsoft Live Meeting Client and Outlook Plugin (Current Version)
Sun Java Runtime Environment

Optional base software :

Where BT requests the Supplier to perform work that requires the Supplier to utilise any of the following optional base software, the Supplier shall use commercially reasonable efforts to explicitly highlight in the relevant Work Package whether it will be providing any such software at its cost. The Supplier's failure to so note in the relevant Work Package or to notify BT shall not mean that the Supplier is under any obligation to provide such software free of charge.

Adobe Reader
McAfee (Anti-Virus)
HP Openview RADIA Client
InstallShield (R)
InstallShield® unInstaller
Internet Explorer 6 SP1
MSN Messenger
Microsoft Office 2003 (Excel, Outlook, Word, Powerpoint),
Notepad
Net Meeting
Live Meeting
Zip / Ferit
Paint
System Restore Application

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c) Software on Windows 7 Managed BT Build Desktops and Laptops:

The list below shall be applicable at such point that the Supplier migrates to Windows 7 Managed BT Build following BT's instruction. At the time of instruction, BT shall advise the software version numbers that the Supplier shall comply with. At BT's sole option BT may further amend the applicable software versions from time to time, but no more frequently than once in every 12 month period for each software application. The Supplier shall implement such software version upgrades within one month of notification by BT.

The Supplier shall at all times be responsible for the cost of and obtaining the necessary software licenses.

Base software (required to be provided by the Supplier):

Microsoft Office Professional (Current Version)
Adobe Acrobat Reader (Current Version)
Adobe Flash Player (Current Version)
Adobe Shockwave Player (Current Version)
Adobe Authorware Player (Current Version)
Microsoft Silverlight Player (Current Version)
Microsoft Lync Client (Current Version)
Microsoft Internet Explorer (Current Version)
Microsoft Live Meeting Client and Outlook Plugin (Current Version)
Microsoft System Centre Configuration Manager Client
Sun Java Runtime Environment

Optional base software :

Where BT requests the Supplier to perform work that requires the Supplier to utilise any of the following optional base software, the Supplier shall use commercially reasonable efforts to explicitly highlight in the relevant Work Package whether it will be providing any such software at its cost. The Supplier's failure to so note in the relevant Work Package or to notify BT shall not mean that the Supplier is under any obligation to provide such software free of charge.

Acrobat Reader
Adobe Flash Player
Arcobat
MS Live Meeting
MS Office Communicator
WinZip

Optional base software subject to commercial discussion at time of Order:

Where BT requests the Supplier to perform work that requires the Supplier to utilise any of the following optional base software, BT and the Supplier shall hold commercial discussions at the time of the Order to agree the charges. Supplier is not under any obligation to provide such software free of charge unless expressly agreed to in the Work Package.

Amdocs Clarify

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Attachemate
Citrix Metaframe
MS Visio
MS Project 2007
MS SQL Server Developer / Server Edition
MS Visual Studio
Oracle
Remedy Expedio

d) Standard Tools:

The following tools shall be provided by the Supplier either where BT specifies under a relevant Order or where the Supplier using Best Industry Practice deems them appropriate.

- | | |
|---------------------------------|---|
| Developer Software Tools | <ul style="list-style-type: none">• Java Developer:<ul style="list-style-type: none">• Approved IDE including Eclipse (Open source), or IntelliJ (JetBrains)• Internet Explorer and Firefox• Subversion client and Tortoise SVN |
| Developer Server | <ul style="list-style-type: none">• A BT security approved server environment for developers to perform daily builds (CIT)• Server should have access to Subversion and run Bamboo build agent (Atlassian), Hudson (Opensource) or Cruisecontrol (Opensource) |
| Network Access | <ul style="list-style-type: none">• Greenside Native' BT Network access &• Internet Access• All machines (clients and servers) should have direct access to the following host:port collaborate.bt.com:443 and collaborate.bt.com:80 and collaborate.bt.com:8000-9000 |

e) Optional Standard Tools

Where BT requests the Supplier to perform work that requires the Supplier to utilise any of the following optional standard tools, the Supplier shall use commercially reasonable efforts to explicitly highlight in the relevant Work Package whether it will be providing any such software at its cost. The Supplier's failure to so note in the relevant Work Package or to notify BT shall not mean that the Supplier is under any obligation to provide such software free of charge.

- | | |
|---------------------------------|--|
| Developer Software Tools | <ul style="list-style-type: none">• Microsoft Developer<ul style="list-style-type: none">• Visual Studio (latest version) (Microsoft)• Flex/Flash Developer<ul style="list-style-type: none">• Adobe Flash Catalyst (Adobe)• Maven and Ant build tools• Design tool that support UML XMI 2.1+ (Suggestion IBM Rational Software architect, or Borland Together) |
|---------------------------------|--|

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Tester Software Tools

- Software testing
 - JUnit or nUnit
- Network Device Testing
 - Fanfare iTest

f) Telephony

- (i) BT will provide simple IPBX managed voice services hosted from a distributed Cisco Call Manager solution, or where business justification exists, will provide ACD services from the Harrier SIP architecture.
- (ii) The Supplier shall provide either:
 - Cisco IP phones (and headsets if specified in an Order), associated telephony, and associated end-user licenses, including voice mail licenses, as agreed in an individual Order or
 - for ACD services, the Supplier is responsible for providing suitable headsets (as defined by BT) and Harrier SIP Softphone user licenses, as agreed within an individual order.

Any replacement desktop telephony costs directly attributable to a change in the telephony platform provided by BT shall be chargeable by the Supplier.

- (iii) Specifications will need to be confirmed and agreed with a BT Voice and Multimedia Platform Services representative during the transition phase of a project.

- 5.3 If the requirements for a specific Order necessitate a higher PC specification than stated above, separate commercial discussions will be held between the parties.
- 5.4 The Supplier is to provide email handling systems. Where individual email addresses are required for the purpose of sending responses to BT or Customers BT will provide BT domain email addresses.
- 5.5 BT will provide access for the Contract Personnel to BT Systems as required under the specific Order.
- 5.6 PC's will be renewed when they either reach three (3) years old or when they do not meet the operational requirements of the Order, whichever happens sooner.
- 5.7 Monitors, printers and other peripherals shall be exempt from being refreshed on a three (3) year cycle as there are normally no performance increases to be gained from refreshing these items.
- 5.8 Where the Supplier requests from BT that it requires onshore desktops or laptops then these shall be provided by BT under the terms of Condition 14 of the Agreement at cost to the Supplier.

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6. NETWORK

- 6.1 Scheduled maintenance must be conducted outside of the normal working hours of the desk affected, or within the hours of 11pm to 6am local time for 24x7 desks, unless otherwise agreed between the parties. The Supplier shall provide BT with 14 days advance notice of any scheduled maintenance.
- 6.2 Telephony required scheduled maintenance, within the hours of 11pm to 6am local time for 24x7 desks, will be limited to 24 hours Quarter, unless otherwise agreed between the parties. Infrastructure required scheduled maintenance, within the hours of 11pm to 6am local time for 24x7 desks, will be limited to 24 hours Quarter, unless otherwise agreed between the parties. During periods of scheduled maintenance that may affect end customer access, the Supplier shall take all reasonable steps to minimise such impact. The Supplier shall provide BT with 14 days advance notice of any scheduled maintenance.
- 6.3 A process for emergency maintenance necessary to restore the telephony and infrastructure network will be agreed with BT.
- 6.4 The Supplier IT infrastructure will be managed with pro-active alerting for faults and outages. Such alerts will be the responsibility of the Supplier's service management desk and will be escalated according to agreed pre-determined levels for escalation into BT. For the avoidance of doubt faults include hardware and software failures and mis-configurations within the support control of the Supplier.
- 6.5 The Supplier will have a full support infrastructure in place to service all telephony, network, IT desktop and applications on the Supplier's sites. This will include 24x7 fault escalation and resolution within pre-defined targets for resolution.

7. PROCESS MANUAL AND FLOW DOCUMENTATION

- 7.1 At the start of any Services from the Effective Date and including the Transition phase, the Supplier shall be responsible for collecting and documenting all baseline processes, service levels, procedures which information shall form part of Documentation.
- 7.2 The Supplier will define and create the procedure documentation required to provide the Services.
- 7.3 These procedure documents will be maintained within an agreed approved quality control method.
- 7.4 The Documentation, all updates and all BT related process manual/flow documentation created or developed by the Supplier arising from the performance of the Contract shall be the Intellectual Property Rights of BT.
- 7.5 Where required by BT the Supplier will arrange for copies of such documentation to be provided to BT.

SCHEDULE 1 — APPENDIX 1

IT & NETWORK SERVICES

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- EXHIBIT B - NOT USED**
- EXHIBIT C - THE AGILE MANIFESTO**
- EXHIBIT D - NOT USED**
- EXHIBIT E - SUPPLIER EXPENSE REPORT TEMPLATE**

EXHIBIT F - SPECIFICATION STATUS REPORT
EXHIBIT G - SDK REPORTING TEMPLATE

1. PURPOSE OF THIS APPENDIX

This Appendix outlines the description if IT and Network Services and arrangements for the provision of IT and Network Services.

2. SCOPE OF WORK

2.1 The IT and Network Services shall include but without limitation to the following:

Software Product Maintenance and Support

- 2nd and 3rd line Software support
- Applications support
- Database administration
- Databuild
- Helpdesk
- Software maintenance

IT related Professional Services

- 3rd party software development services
- Applications management
- Business analysis
- IT consultancy
- IT programme management
- IT project managements
- Systems integration
- Technical specialists
- Validation, Verification and testing (VV&T services)

2.2 The Supplier shall provide the specific requirements detailed in individual Orders.

2.3 All Services shall be implemented in accordance with the principles outlined in the documents in:

- (a) Exhibit A : Agile Cookbook
- (b) The BT Customer Experience Principles in Schedule 6 (Governance and Change Control
- (c) Exhibit B : Not used.
- (d) Exhibit C : The Agile Manifesto

3. REPORTING

3.1 Scorecard Input

The Supplier will provide, by the 5th Working Day of each calendar month, appropriate data for the inclusion/creation of a monthly vendor performance scorecard. Data relating to the following categories will be required:

- Adherence to engineering standards
- Commercial performance
- Supplier led innovation
- Delivery and in-life performance metrics

3.2 T&S Reporting

- (a) All provisions in relation to business travel and expenses are set out in Schedule 2, Section 7.1.
- (b) On a monthly basis, the Supplier shall make available to BT, details of monthly expense statements relating to the specific Work Package, within 8 weeks of the end of the month in which such expenses have been incurred.
- (c) In addition, the Supplier shall make available to the BT Commercial Contact, their full monthly expense statements, reconciled, within 8 weeks of the end of the month in which such expenses have been incurred. Details of all expense claims should be provided using the form in Exhibit E, providing a full justification for each item. Deviations from the standard BT expense policy (Appendix 3 of Schedule 3) must be fully explained. Evidence of expenses incurred for all amounts, mandatory for greater than £5, shall be made available for BT's inspection.

3.3 Quote summaries

The Supplier shall provide to BT, a weekly commercial summary report detailing the status of all current and proposed Specification/order engagements (engagements or BT requests). The Supplier will use the Specification status report template, as shown in Exhibit F. The report will be made available to BT by close of business, every Monday (or the next working day if the Monday is a UK, bank holiday)

3.4 Additional Management Information

In addition to Service Level reports in Condition headed "Service Levels and Service Credits" and those identified in Schedule 6 (Governance and Change Control), the Supplier shall provide the following information to BT on a monthly basis in the format advised by BT:

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- (a) Performance against budget - including total billed to date by project and job, balance outstanding against order value by project and job, value of any applicable discounts;
- (b) Number of contractors compared to the Supplier's full time employee by project;
- (c) Meetings with BT project managers and new prospects discussed;
- (d) Resource utilisation - including total number of direct resource deployed by project, in-Contract information for any project aggregated at project and programme level, investments made to improve productivity, non-resource costs;
- (e) Churn of resource against BT projects;
- (f) Projects/Work in delay;
- (g) Status reports on skill-sets register.

4. WORK PACKAGE SPECIFICATIONDISPUTE RESOLUTION

Resolution of all disputes shall be in accordance with the terms and conditions contained in Schedule 6 "Governance & Change Control" Section 8 "Dispute Resolution Procedure ".

5. ORACLE FIRST STRATEGY

5.1 BT has an Oracle First Strategy (to be defined) with the purpose of displacing non-Oracle products used throughout BT with equivalent Oracle applications. The Supplier acknowledges that this is a strategic objective for BT and will support BT in achieving its objective.

5.2 Where the Supplier is bidding for work that includes the development or configuration of Oracle products, the Supplier shall ensure that developers are appropriately skilled and have the respective Oracle Certification (to be defined) relating to that application.

5.3 At BT's request, the Supplier shall engage Oracle Consulting (to be defined) in order to:

- Obtain Oracle enterprise, architectural design and validation of Oracle components.
- Form part of the initial and ongoing governance relating to the Oracle components that form part of a planned delivery.
- Ensure adherence to Oracle best practice relating to Oracle products in the BT environment
- Provide BT project managers with regular product lifecycle and roadmap information relating to Oracle products
- Carry out the implementation and deployment of Oracle components.
- Participate in BT's sign-on and sign-off reviews

5.4 Where the Supplier has been requested by BT to engage Oracle Consulting, the Supplier shall include in the Specification proposal the costs of Oracle Consulting resources, using the BT/Oracle rate card.

6. CO-LOCATION WORKING

6.1 The Supplier recognises that co-location of some of BT's third party contractor ("BT Contractors") teams facilitates the effective delivery of software releases. Where required by BT, the Supplier shall provide specific areas for the co-location of other BT Contractors, at no cost to BT or the other third party contractors.

6.2 These areas will be equipped by the Supplier, with appropriate equipment to enable effective remote working. This shall include, but not limited to

- An interactive whiteboard;
- IP Video cameras;
- An LCD display panel;
- PCs to control the whiteboard and video conferencing;
- Audio conference codec, microphones and speakers; and
- A touch screen control panel to manage the functionality.

6.3 Any access to Supplier premises shall be granted during normal working hours or such other hours as agreed between the Parties and upon a prior written notice (along with knowledge of the names of such BT Contractor requiring such access), provided that:

- BT shall use all reasonable efforts to ensure that the BT Contractors, while on the premises of the Supplier or while handling any Supplier's material comply with and observe all the security and other directives of the Supplier as notified in advance by the Supplier;
- the Supplier and BT Contractor execute reasonable binding confidentiality agreements in favour of the Supplier in a form to be provided by the Supplier, if required by the Supplier.

7. BT ENGINEERING STANDARDS

7.1 The BT SDK standards are based on strong software engineering principles, best practices and seek to improve strategic reuse and quality of software delivered. These standards define the minimal requirements to develop high quality software and once deployed, will have minimal impact to business.

Suppliers shall ensure that all software delivered by the Supplier to BT fully complies with the latest BT specified SDK standards (published at the BT intranet site: <https://collaborate.bt.com/wiki/display/SDK>).

The Supplier must report the level of compliance to BT's SDK standards on a regular basis to BT using the current SDK reporting template set out in Exhibit G. The compliance measurement will have a direct impact to the Supplier's monthly vendor performance scorecard.

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7.2 The BT SDK standards cover broad aspects of engineering disciplines. These include:

(a) Software Architecture

The Supplier will ensure that systems are architected in such a manner that reduces complexity, avoids duplication, promotes more reuse, enables ease of testing and are functionally and non-functionally complete.

(b) Commercial Off — the - Shelf (COTS) Packages

Whilst many of BT's systems are based on COTS packages, BT will often produce code to modify these and integrate to them. The Supplier shall ensure that where possible, code produced by the Supplier is simple and abstracted out from the COTS package, thus enabling the logic and libraries created to be reused. The Supplier shall not write COTS-specific code but maintain generic integration.

(c) Approved Technologies

The Supplier shall ensure that only BT approved technologies are used in the production of code and applications. BT considers technologies such as Microsoft Access, Microsoft Visual Basic, Perl and Stored Procedures to be inappropriate.

(d) Continuous Integration

The Supplier shall perform daily Continuous Integration Testing (CIT) with the code that it has developed prior to release.

(e) Source Control

Source control includes the management of changes to documents, programs, and other information stored as computer files. The Supplier shall adhere to BT's standards on source control, ensuring all work use BT centrally managed repository.

(f) Function Point Information

The Supplier shall ensure that they have an appropriate level of skill and expertise in Function Point (FP) methodology to enable accuracy, consistency and completeness in Function Point reporting.

Function Points should be counted as per the IFPUG counting practices manual.

Function Point Estimations: For every Specification proposal, the Supplier shall provide BT with an estimate of the number of FPs to be delivered as per the expected scope of Work.

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Function Point Reporting: The Supplier shall provide FP calculation information, at least 30 days before a Specification is scheduled to go live, for all agreed and signed-off user requirements. This shall include, but not be limited to, details of FPs produced per day. For Specifications where a FP count is not relevant, the Supplier shall record a FP count of zero.

(g) Agile Working Practices

All Services shall be implemented in accordance with the BT's Agile Manifesto in Exhibits A and C.

(h) Development Environments

(i) The Supplier shall provide an appropriate development environment for their developers to design, code and test their module and applications in accordance to the minimum standards as defined in BT's SDK standards. This shall include, in addition to suitable laptop or desktop hardware, necessary software and IDE tools to enable frequent code compilation, ability to write test cases and unit test, pilot new tools or code and the ability to conduct regular integrated testing (in accordance to standards defined in BT's CIT).

8. BTO & BTI&D — OPERATING MODELS

8.1 BT Operate and BT Innovation and Design's Operating Models are the codification of end-to-end delivery and in-life process for IT and Network Services.

8.2 The BT Innovation and Design Operating Model focuses on a number of key implementation themes. These include story decomposition (via STORM), customer engagement, acceptance into service (AIS), re-use, prioritisation and scheduling, continuous integration testing and business change deployment.

8.3 The BT Operate Operating Model provides a pre-emptive and proactive framework that enables the Supplier to operate efficiently and collaboratively in order to deliver and manage BT or customer services to time and quality.

8.4 Where the Supplier is providing resource to BT Operate and/or BT Innovate and Design, the Supplier shall work in accordance with the appropriate Operating Model set out in Sections 8.2 or 8.3. Any exceptions to this must be obtained in writing from BT.

9. HOURS OF SERVICE

9.1 Unless otherwise specified in the Order, the Supplier may provide the Services during the normal Offshore Working Day.

9.2 Where there is an operational need identified in the Order for Work performed offshore to be performed according to UK Business Day hours this will be at no extra charge to BT.

10. CONTRACT PERSONNEL

10.1 The e Supplier will be responsible for all Contract Personnel aspects relating to the provision of Services. All Contract Personnel providing the Services will be trained to meet the minimum requirements detailed within the Order.

10.2 Specific technical skills will be set out by BT in the Order. Such technical skills shall include network management and network planning skills, internet protocol, data and ICT skills.

11. NOT USED

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12. TIME BOOKING

For Time and Material engagements, at the request of BT, individual Contract Personnel resources may be required to book their time on BT internal systems or to make available time booking information obtained from their systems.

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EXHIBIT A

Agile Cook Book



AgileCookbook.zip
{1MB}

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EXHIBIT B NOT USED

EXHIBIT C

The Agile Manifesto

<http://agilemanifesto.org/>

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SCHEDULE 1 APPENDIX 2

BUSINESS PROCESS OUTSOURCING SERVICES

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- 4. BPO TRAINING**
- 5. TRAINING & PROCESS MATERIAL**
- 6. HOURS OF SERVICE**
- 7. TELEPHONY**
- 8. EMERGENCY SUPPORT**
- 9. FORECASTING PROCESS**

1. PURPOSE OF THIS APPENDIX

- 1.1 This Appendix outlines the description of BPO Services and specific arrangements for the provision of Business Process Outsourcing ("BPO") Services.

2. SCOPE OF WORK

- 2.1 The Supplier shall provide a range of Business Process Outsourcing ("BPO") Services from time to time to BT.
- 2.2 BPO Services includes, all or some of the Services listed below. Specific BPO Services required by BT shall be detailed in individual Order that may be agreed from time to time during the Contract Period.
- Remote service desks
 - Technical help desks
 - Contact centres
 - Service agility
 - Marketing services
 - Financial reporting
 - Billing
 - Debt management
 - Debt recovery
 - Invoice reconciliation
 - HR services
 - OHS
 - Legal services
 - Regulatory support
 - Procurement
 - Reporting & analysis
 - Communications
 - Business change
 - Bid support
- 2.3 Order specific requirements shall be set out by BT in the Specifications which template is in Exhibit A of this Appendix.
- 3. RECRUITMENT AND TRAINING**
- 3.1 The Supplier is responsible for all aspects of the recruitment of appropriate Contract Personnel.

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- 3.2 The Supplier will introduce a robust recruitment process in accordance with the provisions of Schedule 4 Appendix 1 headed 'BT Human Resources Recruitment Policy', which will provide a consistent quality approach across all sites. The standard process will ensure that the Supplier recruits the right people with right talents, skills and knowledge to deliver the Services required by BT as detailed in the Order.
- 3.3 In the event that a specific Order requires the security vetting or clearance of Contract Personnel then this will be agreed between the Parties for that specific requirement.
- 3.4 The Supplier shall provide the necessary induction and introductory training before new personnel undertakes Services. The following training must be undertaken prior to commencement of the Services for BT:
- (a) Induction training
 - Telephone voice skills (including voice and accent neutralisation)
 - Written including email skills
 - Interpersonal skills
 - Customer management skills
 - PC skills (including Windows operating system, the Internet and Microsoft Internet Explorer)
 - (b) technical training: training on the products and services that the Contract Personnel will support;
 - (c) professional training: all training related to professional skills required by the Contract Personnel such as communication, troubleshooting, composure, language training (if not native speaker), service culture and support processes and tools.
- 3.5 BT will ensure that the Supplier receives appropriate briefings, e.g. for product / process / system changes, in a reasonable time period to enable the Supplier to produce and roll-out an adequate training plan. The Supplier will provide all other soft and hard training packages.
- 3.6 The Supplier is responsible for accurate and timely updates of all training material as a result of new briefings. The requirement is that all training material is updated within a maximum of one (1) week or as agreed between the Parties on a reasonable basis.
- 3.7 The Supplier will ensure that all trainers working on this BT contract have achieved a proven standard of excellence either in the writing or documentation of training material or in the delivery of said material.
- 3.8 The Supplier must provide continual evaluation of the ability of the trainers (to both deliver training material and to design training material) based on feedback from training courses, results of graduation bay and evaluations by BT and the Supplier.

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- 3.9 All new training due to changes to BT products and/or processes and/or systems will be charged pro rata by the Supplier to BT at the specified price(s) contained within this Contract.
- 3.10 Training replacement or new Contract Personnel due to attrition will be the responsibility of the Supplier and will not be charged to BT.
- 3.11 Training due to the redeployment of agents across product sets or sites, which has not been agreed in advance with BT will not be a chargeable activity.

4. BPO TRAINING

- 4.1 The Supplier will ensure that all Contract Personnel are trained on, but not limited to, the following training modules provided by BT to the level required to provide the required BPO Services.
- Customer soft skills
 - Call control
 - Complaint handling
 - Written skills — to response to emails and letters
 - BT culture (where engaging with external, non BT, individuals
 - BT and respective line of business structure
 - BT senior management team and respective line of business organisation
 - Insight into the customer base
 - Overview of end-to-end processes experienced by customers to BT
 - Overview of relevant commercial decisions behind the product, their impact on the Customer and the drivers of dissatisfaction (e.g. port restriction activity)
 - BT and respective line of business sub-contractor relationship
 - Performance reporting
 - Diagnostic training
 - Resource Management
 - Call handling techniques
 - Compliance training packages
- 4.2 In addition to the training listed above and in Section 3 of this Schedule the Suppliers Contract Personnel shall also undergo BT specific process training as listed in the Order. Upon completion of BT specific process training BT shall assess the competence of the Contract Personnel against the role to which they are assigned and provide accreditation that the Contract Personnel is ready to provide Services to BT.
- 4.3 On completion of training the Contract Personnel shall work to the standards as detailed in the Specification and as agreed in the relevant Order which for the avoidance of doubt shall be of standards acceptable to BT at an operational level and Best Industry Practice.

5. TRAINING & PROCESS MATERIAL

- 5.1 All BT related and product specific training material will be developed by the Supplier, with the support of BT, at the Suppliers own cost.
- 5.2 All BT related and product specific training material will be issued to BT and approved in writing by BT prior to the commencement of training. BT shall have the right of access to all current BT related and product specific training material and process material and all subsequent material used by the Supplier for the provision of Services to BT to ensure its ongoing accuracy.
- 5.3 All training and process material must be updated to reflect: briefings; changes to procedures and feedback from training courses.
- 5.4 All training and process material shall be reviewed every six (6) months by the Supplier and BT.
- 5.5 Where appropriate, existing training material designed by BT will be utilised and the Supplier's trainers accredited. In these instances, the Supplier must ensure that they deliver the most up to date material, subject to BT's obligation to provide updates.
- 5.6 All BT related and product specific training material and process material relating to the Services, created or developed by the Supplier arising from the performance of the Contract shall be the Intellectual Property Rights of BT. This applies to both existing material created as well as any new material.

6. HOURS OF SERVICE

- 6.1 The Contract Personnel shall work any eight (8) hour period (excluding all breaks) within any twenty four (24) hour period.
- 6.2 The Supplier shall support any shift work required by BT under an Order. The Charges for shift work shall be as per Exhibit A to Appendix 2 of Schedule 2.

7. TELEPHONY

- 7.1 Incoming calls will be routed via dedicated access line numbers owned by BT with these numbers terminating on the Suppliers ACD switch / call routing system.
- 7.2 The Supplier will provide the facility to allow BT to remotely monitor calls from all its facilities except where stated within the Order.
- 7.3 The Supplier, unless otherwise agreed, will provide telephony, the transit of the calls to the agent desktop and the collection of all MIS necessary to control and manage the telephony network as associated with the specific Services provided.

- 7.4 The Supplier's telephony network includes on-site call routing, cross-site call balancing, and deliver to numbers (DTNs).
- 7.5 MIS (as defined in Schedule 6 (Governance & Change Control)) will be made available to BT in order to prove the efficiency of the telephony network and to allow BT to evaluate the efficiency of the call handling.
- 7.6 Where required the Supplier will record and maintain all in-call announcements, switch-based call routing and switch-based out-of-hours messages as required and will make changes to announcements within forty eight (48) hours following receipt of an approved change / message, with the exception of broadcast messaging, which will need to be activated within two (2) business hours following BT's request. All messaging will be signed off and approved by BT.
- 7.7 The Supplier's telephony network must be capable of interfacing with Computer Telephony Integration (CTI), where the functionality is available.
- 7.8 Where the Supplier is to provide any CTI functionality or integration with any other application, this will be by separate agreement between both Parties.
- 7.9 The Supplier will provide all necessary telephony equipment for use by all of their Contract Personnel.

- 7.10 All voice traffic will be conducted to an acceptable standard as reasonably agreed between the Parties, this to be agreed between the Parties for all new connectivity methods.
- 7.11 The Supplier's onsite telephony equipment, defined as the transport of voice calls from the ISDN connection to the agent turret, will be provided with reliability and availability to give an overall availability of 99.9% measured over a calendar month. Scheduled maintenance is excluded from this calculation.
- 7.12 The telephony network availability is defined as the ratio between the times the agents could actually use the telephony network (outside of schedule maintenance windows) divided by the theoretical maximum available time, with a target ratio of 0.999.

8. EMERGENCY SUPPORT

- 8.1 The Supplier may be required to support BT in the event that BT is unable to handle the work volume that is received. The Supplier will endeavour to provide such support provided prior agreement is reached on the following:
- Service required, including scope of systems needed to provide the service
 - Contract Personnel training requirements
 - Time period

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- Volume impact
- Pricing
- For the period of this "emergency" support, all SLA's within the associated Order will be waived.

9. FORECASTING PROCESS

- 9.1 BT will submit to the Supplier each month a rolling three-month forecast detailing the expected levels of orders to enable the Supplier to provide the necessary manpower resource planning and training ("Contract Personnel Forecast"). Any Contract Personnel Forecast is provided for information purposes only and represents no commitment on behalf of BT.
- 9.2 The first month will be a committed forecast, with subsequent months two (2) and three (3) being an indicative uncommitted volume. The order forecast of months two (2) and three (3) shall be governed by the constraints defined within Sections 9.6 and 9.7.
- 9.3 In the event that the Supplier does not receive the order forecast from BT the Supplier shall be entitled to rely upon the previous agreed Contract Personnel Forecast for the purposes of re-sourcing and charging.
- 9.4 The Contract Personnel Forecast will forecast the total Contract Personnel required to provide the Services to the required Service Levels, broken down into all service elements and with any supporting assumptions.
- 9.5 The order and Contract Personnel Forecast will be agreed and signed by both Parties with a commitment by the Supplier to deliver the required resource within the timeframes outlined in Section 9.6 and 9.7.
- 9.6 Where BT and the Supplier agree an increase in the Contract Personnel Forecast the Supplier shall complete the recruitment within a six (6) to eight (8) week period at offshore location unless agreed otherwise between BT and the Supplier. The Supplier shall aim to shorten this period where possible.
- 9.7 Where BT and the Supplier agree a decrease in the Contract Personnel Forecasts the notice periods defined below shall apply:
- | | |
|---------------------------------|--------------------------------------|
| • One (1) month notice period | 25% reduction in Contract Personnel |
| • Two (2) month notice period | 50% reduction in Contract Personnel |
| • Three (3) month notice period | 75% reduction in Contract Personnel |
| • Four (4) month notice period | 100% reduction in Contract Personnel |
- 9.8 Where BT forecasts a ramp down followed by a ramp up (e.g. November / December / January — where December is a low volume month), BT may request the Supplier to

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manage the temporary reduction, up to a maximum of ten (10%), through control of Contract Personnel schedules, leave etc and minimise the need to release and re-recruit Contract Personnel.

The Supplier will make all reasonable efforts to meet BT's request.

- 9.9 BT shall provide the Supplier with a four (4) month notice period where it intends to cease any activity carried out by the Supplier with no additional cost or liability to BT.

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SCHEDULE 1 — APPENDIX 3

INTERNATIONAL DEVELOPMENT SERVICES

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EXHIBITS

EXHIBIT A — TEAMING AGREEMENT

1. PURPOSE

This Appendix sets out the principles of engagement where BT:

- a. has the potential to act as prime contractor in a bidding exercise for work from a private or public organisation; or
- b. in its capacity as a supplier/communication service provider has been awarded a contract by BT Customer to provide BT products and services.

In either circumstance, BT may appoint the Supplier to work with BT either in a teaming arrangement or as BT's subcontractor in a BT and BT Customer contract.

2. INTERNATIONAL DEVELOPMENT PRINCIPLES

2.1 Teaming Arrangement

- (a) The Teaming Agreement assumes that the Supplier will be the subcontractor for BT who is the prime contractor, if a contract is awarded to the prime contractor. This Teaming Agreement is only a form agreement and it must be adapted by the Parties to meet their specific requirements and expectations. Most importantly, any decision to enter into a teaming agreement in a specific case must be justified on the basis of the specific circumstances of that case, in particular the services tendered for and BT's and the Supplier's respective expertise and capabilities in that area.
 - (b) The Teaming Agreement sets out the basis upon which BT and the Supplier will co-operate together to bid for a contract. It deals with pre-contract negotiation, expenses of the parties and the contractual arrangements to be entered into if the bid is successful.
 - (c) From time to time, BT will seek to engage the Supplier in a bidding exercise that requires services of a provider who has the expertise of the Supplier.
 - (d) If the Supplier wishes to participate in the specific bidding exercise, Parties shall enter into the Teaming Agreement attached in the Exhibit herein.
 - (e) This Appendix also sets out a template of Teaming Agreement which Parties would use for individual teaming arrangement.
 - (f) The template in Exhibit A is designed to allow BT to enter into agreement with the Supplier to enable BT and Supplier to respond to an invitation to tender from the private sector or the public sector.
-

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- (g) It is acknowledged that generally BT shall only enter into a teaming agreement with the Supplier when bidding for contracts covering ICT markets, in specific cases where such cooperation is justified on the basis of the parties' relevant complementary expertise and capabilities. In particular, the Parties may decide to enter into a teaming agreement where they do not have overlapping capabilities in the relevant area, or where for technical or commercial reasons such cooperation is necessary to allow the Parties to mount a credible tender for projects they would not be able to fulfil or would not have bid for individually, or where such cooperation is indispensable to achieve the required efficient outcome on a Customer project.
- (h) Any teaming agreements with the Supplier should be limited to the specific scope and duration of the specific tendered project, and must not include any unnecessary restrictions on the parties.
- (i) Parties shall take competition law advice before any teaming agreement is entered into with respect to any workshare.

2.2 Superseding Conditions

- (a) If BT appoints the Supplier as a subcontractor to a BT and BT Customer contract, BT is obliged to flow-down, or where BT deems desirable to flow-down, BT Customer-facing terms into this Contract through a new Order in particular a Work Package.
 - (b) The flow-down shall be achieved by allowing selected BT Customer-facing provisions to be added into a new Order in particular a Work Package unamended and giving them precedence over the terms and conditions in this Contract by including the superseding conditions in Exhibit C to this Appendix.
-

EXHIBIT A

A TEAMING AGREEMENT dated 20

made between the Parties:

(1) **"BT"** - British Telecommunications plc
Registered office: 81, Newgate Street, London EC1A 7AJ
Registered number: 1800000 ;and

(2) **"Supplier"** - [Name of Supplier]
Registered office:
Registered number: Supplier's number

Background

The Parties wish to enter into this Agreement to facilitate any response to an ITT and to develop the best technical and management approaches fully responsive to the requirements of a Customer.

Agreement

In consideration of the sum of one pound (£1) payable by BT to the Supplier and of their respective obligations under this Agreement, the Parties agree as follows:

1. Definitions

In this Agreement, the following expressions, where used, shall have the meanings respectively ascribed to them:

"Agreement" — this Teaming Agreement including the Schedule to it.

"BT"- British Telecommunications plc, its successors and assigns and, where appropriate, companies within the BT Group of companies.

"BT's Commercial Contact" — E-Mail or such other person whose identity and contact details may be notified to [SUPPLIER]'s Commercial Contact from time to time.

"Commencement Date" - []

"Contract"- the contract(s) (if any) to be awarded by the Customer to BT in response to the Proposal.

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"Customer" - the person or entity issuing the ITT.

"Intellectual Property" -intellectual property in which any Intellectual Property Rights exist.

"Intellectual Property Right(s)" or "IPR(s)" - any patent, petty patent, copyright, design right, community design right, semiconductor topography right, registered design, rights in know-how, or any similar right in any part of the world and shall include any applications for the registration of any patents or registered designs or similar rights capable of registration in any part of the world.

"ITT" - invitation to tender in respect of the project issued by the Customer.

"Minimum Commercial Terms" — as set out in Schedule 1 Part 1.

"Party" — either party to the Agreement; and **"Parties"** shall mean both parties to the Agreement.

"Proposal" - Parties' response to ITT.

"Sub-Contract" - the sub-contract(s) (if any) to be awarded by BT to the Supplier predicated on the Proposal; and **"Sub-Contracted"** shall be construed accordingly.

"Supplier's Commercial Contact" — E-Mail _____ or such other person whose identity and contact details may be notified to [BT]'s Commercial Contact from time to time.

"Supplies" — the deliverables and work required to be supplied to or performed for BT under the Sub-Contract.

"Services" - all services to be performed for BT and/or supplied to BT, under the Agreement.

"Term" — xxx (x) year(s) from the Commencement Date

"Work Share" - the Supplier's workshare as identified in Schedule 1 of the Agreement.

2. Term

This Agreement shall commence on the Commencement Date and shall continue until the termination or expiration of the Agreement ("Term") unless extended or terminated in accordance with the provisions of this Agreement.

3. Relationship of parties

3.1 The relationship between BT and the Supplier shall be solely that of independent contractors. Nothing in the Agreement shall be deemed to constitute, create or give effect to or otherwise recognise a joint venture, partnership or formal business entity of any kind and the rights and obligations of the Parties shall be limited to those expressly set forth in the Agreement. Nothing contained in the Agreement shall be construed as authorising either Party to act as an agent or representative of the other.

3.2 Subject to Parties obligation in Condition 13, nothing in the Agreement shall prevent BT from soliciting from any third party the work that the Supplier is intended to perform under the Agreement. Similarly, nothing in the Agreement shall prevent the Supplier from soliciting from any third party the work that BT is intended to perform under the Agreement. The Agreement shall not preclude either Party from competing for, or contracting independently, from the

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other on any other government or industry programme that may develop or arise in the general area of business of the Work Share or Proposal.

3.3 Nothing contained in the Agreement shall be construed as providing for the sharing of profits or losses arising out of the performance of any Sub-Contract. Except as expressly provided for in the Agreement, neither Party will be liable to the other for any costs, expenses, risks, or liabilities arising out of the other Party's participation in the preparation, submission, or sustaining of any Proposal, including, without limitation, costs or expenses incurred in pre-Proposal activities, in the preparation and sustaining of a Proposal, in the clarifications, discussions, or selection process, in benchmark, qualification, operational capability, and/or first software or product testing or demonstrations, or in protests or other litigation challenging any prime contracts awarded, or intended to be awarded, by the Customer.

3.4 All contacts with the Customer with respect to any Proposal shall be the responsibility of BT. Any contacts made by the Supplier with the Customer concerning work proposed to be performed by the Supplier under any contract that may result from the Proposal shall be with the full knowledge and concurrence of BT.

3.5 The Supplier agrees that it shall not sub-contract any part(s) of its Work Share without prior written consent of BT, such consent shall not be unreasonably withheld. If such consent is given the Supplier shall be solely responsible for any actions of any sub-contractor and for ensuring that they abide by the confidentiality provisions (mutatis mutandis) set out in the Agreement.

3.6 For the purposes of the Proposal, BT reserves the right to work with or enter into such contractual relationships with third parties as BT considers necessary to meet Customer requirements in the Proposal for work outside the ambit of Supplier's Work Share.

3.7 BT and the Supplier enter into the agreement subject to any competition law or other relevant legal or statutory requirements affecting the Work Share.

4. Proposal Preparation

4.1 The Supplier shall prepare the relevant Work Share:

- (a) particulars of which shall be appended in Schedule 1 Part 2 of the Agreement;
- (b) as part of any Proposal in accordance with the terms of the Agreement to BT's reasonable satisfaction.

4.2 The Proposal will be submitted to the Customer in the name of BT as prime contractor and identify the Supplier as a nominated sub-contractor for the Sub-Contract work.

4.3 The Supplier shall provide adequate qualified and experienced (including where necessary, with due government security clearance) resources to engage with BT in the due diligence as part of the Proposal and during the Term of the Agreement.

4.4 The Supplier shall provide relevant equipment and software where there is a requirement for demonstration or testing under the ITT to the Customer. If the Supplier is not able to meet the requirement for lack of the equipment or software, BT shall provide the equipment or software on loan to the Supplier subject to execution of a bid-specific loan agreement.

4.5 The Supplier shall act in good faith and meet with BT regularly to plan and prepare the Proposal.

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4.6 The Supplier shall submit to BT all appropriate Intellectual Property and information concerning its Work Share for use in Proposal preparation.

4.7 BT shall prepare the Proposal, integrate the information provided by the Supplier and submit the Proposal to the Customer. BT shall include in the Proposal the Supplier's proposed price for the Supplier's Work Share. BT shall consult with the Supplier, before submission of the Proposal to the Customer on all matters concerning the Supplier's Work Share.

4.8 BT shall be responsible for any communications with the Customer on the Proposal and agrees to give the Supplier an opportunity to be present at meetings, demonstrations and to participate in any due diligence with the Customer that may concern the Supplier's Work Share.

4.9 BT shall consult with and obtain the concurrence of the Supplier (which shall not be unreasonably withheld or delayed), before making any changes in the Proposal which concern the Supplier's Work Share.

4.10 BT agrees to keep the Supplier fully advised of any changes in the ITT or the Customer's requirements and regularly advise the status of the Proposal following its submission to the Customer.

4.11 The Work Share to be undertaken by each Party according to the Parties' respective capabilities and expertise, and shall be as identified in Schedule 1, or as subsequently varied by written agreement between the Parties. The contemplated division of the Work Share in Schedule 1 is predicated on the Parties' understanding of the ITT and/or the Customer's requirements as of the date of the Agreement. Should the Contract, when issued, reflect a change to this understanding, or should the Contract be modified, the Parties shall have the right to modify this contemplated division of the Work Share.

4.12 Each Party shall identify risks associated with their Work Share during the pre-Proposal stage and maintain a risk management strategy and each individual risk shall be managed by the Party taking the risk. The risk register shall be captured as part of Schedule 1 Part 2.

4.13 For the avoidance of doubt, nothing in the Agreement shall be construed to grant the Supplier the right to make commitments of any kind for itself or on behalf of BT during the Work Share preparation save and except where the Supplier has obtained prior written approval to specific commitments from BT.

4.14 The Supplier will cooperate with BT in agreeing an appropriate degree of openness and mutual visibility as regards price benchmarks and price targets, cost builds, risk, overhead and profit levels, demonstrating value for money propositions consistent with the requirements of the ITT and to maximise competitiveness of the Proposal and/or Work Share which shall include in the case of the Supplier a requirement to demonstrate the competitiveness of any of its sub-contractors.

4.15 The Parties shall consult and agree with one another when choosing suppliers consistent with the requirements of the ITT so as to avoid any conflicts of interest or competitive concerns. The Parties recognise that the final choice of suppliers may be subject to customer approval.

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4.16 Upon award of the Contract, BT shall, subject to the terms of the Agreement, award the Sub-Contract to the Supplier.

5. Work Share

The Supplier shall:

- (a) negotiate its Work Share with BT (and at BT's request, with the Customer) when called for by BT, which negotiation may include, but not be limited to, participating in Customer workshops to determine Work Share and viable solutions;
- (b) be solely responsible for the Work Share relating to the parts of the ITT that are, or are to be, Sub-Contracted to the Supplier;
- (c) attend all the workshops and meetings to agree the Work Share; and
- (d) promptly supply the response in accordance with the agreed timescales to meet the Customer's deadline for the Proposal submission.

6. Responsibilities of the Parties

6.1 BT shall:

6.1.1 within a reasonable time, furnish to the Supplier the Customer requirements and/or ITT documents and any amendments to them issued by the Customer from time to time;

6.1.2 keep the Supplier fully informed of significant events, deadlines, and milestones regarding the ITT and/or Customer requirements;

6.1.3 prepare and submit to the Customer, all proposals and other submissions required or requested by the Customer, provided however, that any Proposal submitted by BT to the Customer shall identify Supplier as a principal subcontractor to BT and, provided further, however, that BT, as Proposal lead, shall make the final determination regarding the form and content of the Proposal, including, without limitation:

- a. the cost or pricing proposal or information related to prices submitted to the Customer, subject only to the limitation that BT shall not reduce the price proposed by Supplier for Supplier's Work Share without the prior approval of Supplier; and
- b. the content of the technical, business management or other proposals submitted to the Customer.

6.1.4 maintain responsibility for all contacts and communications with the Customer and for all decisions relating to the Proposal, provided however, that BT shall not unreasonably exclude Supplier from participating in Customer communications regarding the Proposal; and

6.1.5. upon award to BT of any Contract resulting from the Proposal, the Parties will consider whether such Contract justifies their cooperation on the basis of their complementary skills and expertise. Subject to such review and to the Supplier's satisfactory discharge of its antecedent obligations under the Agreement and except as otherwise agreed upon by the Parties, BT may award to Supplier a Sub-Contract for the performance of such Work Share as is called for under the Agreement, provided however:

- a. that the tender is for a project in an area where the parties do not have overlapping capabilities, or that such cooperation is necessary to allow the Parties to mount a credible tender that they would otherwise not be able to fulfil or would not have bid for individually, or that such cooperation is indispensable to achieve the required efficient outcome;
 - b. that such proposed Sub-Contract shall be subject to the approval of the Customer;
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- c. that such proposed Sub-Contract shall include all clauses required by law, regulation and such clauses incorporated in BT's prime contract that, by its terms, must be incorporated in Sub-Contract awarded by BT (terms and conditions of BT's prime contract which Supplier acknowledge will flow down to the Supplier in the Sub-Contract are incorporated here in the Agreement);
- d. that such proposed Sub-Contract shall not include any provision authorising the termination in whole or in part of the Work Share to be performed by Supplier for the convenience of BT or the Customer, or either of them, unless BT's prime contract shall first have been correspondingly terminated, in whole or in part, for convenience, and only if the portion terminated by the Customer corresponds with the Supplier's share of the contract work;
- e. that such proposed Sub-Contract shall require Supplier to indemnify BT for and against any and all claims and losses arising out of the inaccuracy or incompleteness of cost or pricing data or information related to prices submitted or required to be submitted by Customer and/or the failure of Supplier to comply with applicable regulations or law; and
- f. that such proposed Sub-contract shall not be effective until Supplier executes and submits (where required) to BT all certifications required by law, regulation, the terms of BT's prime contract and the Proposal.

6.2 The Supplier shall:

6.2.1 within a reasonable time, respond to all requests by BT for all data and information, including, without limitation, Intellectual Property and any other specifications, designs, process information, cost or pricing information, or information related to prices needed by BT to successfully compete for the work share proposed by the ITT;

6.2.2 participate, to the extent deemed necessary or desirable by BT in negotiations, discussions and other communications with the Customer and/or other BT sub-contractors involved in the Proposal or sub-contractors to another prime-contractor involved in the ITT, it being expressly understood and agreed that Supplier shall not participate in any communications, clarifications, discussions, or negotiations with the Customer or other sub-contractors concerning the Proposal without the prior express approval of BT;

6.2.3 execute and submit to BT all certifications required by law, implementing regulations, the terms of BTs' prime contract, or the Proposal;

6.2.4 upon award to BT of a Contract, accept and perform Sub-Contract(s) for such of the Work Share as is required by the Agreement, provided, however:

- (a) if the ITT or Contract requires BT to comply with requirements for submission of cost or pricing data, or information related to prices (e.g. established catalogue or market prices), Supplier shall provide to BT the data or information. Nothing in the subparagraph or in any other provision of the Agreement shall be construed as giving one Party the right to audit the books and records of the other Party; and

- (b) the Supplier agrees to take responsibility for its cost and pricing data or information related to prices and hold BT harmless to the full extent of any price or cost reduction effected by the Customer that may result from: (i) the cost or pricing data or information related to prices submitted or certified by Supplier; or (ii) the failure by Supplier to disclose and consistently follow agreed cost accounting practices.

6.2.5 extend to BT at all times such cooperation as requested by BT to facilitate successful competition for the ITT;

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6.2.6 not submit any data or information directly to the Customer regarding the ITT without the express written consent of BT;

6.2.7 provide BT with timescales for submission to BT with a detailed response in accordance with the Work Share and the ITT;

6.2.8 if the Contract offered or intended to be offered by the Customer is changed by the Customer in any material respect from Proposal to be submitted by BT and such change materially affects the Work Share then BT and the Supplier shall promptly enter into good faith negotiations to agree an amendment to the Work Share or the Agreement, as may be appropriate, to enable BT to submit a compliant Proposal. BT shall not reach any agreement binding on the Supplier or which materially affects the Sub-Contract without the prior written consent of the Supplier; and

6.2.9 accept that all the key terms and conditions in the Contract that are relevant to the Work Share of the Supplier shall (mutatis mutandis) form part of the Sub-Contract. Similarly, the Supplier shall flow down the relevant terms and conditions in Sub-Contract to its suppliers or sub-contractors. In each Sub-Contract, the Supplier acknowledges and accepts that as a minimum the terms and conditions in Schedule 1 Part 1 shall be integrated into the Sub-Contract.

7. Assignment and Sub-contracting

The Supplier shall not assign or subcontract the whole or any part of the Agreement without BT's prior written consent.

8. Intellectual Property Rights

8.1 Nothing in the Agreement shall be deemed to assume the transfer of ownership of any pre-existing Intellectual Property Rights. Subject to any express provisions contained in any Sub-Contracts (which shall prevail in the event of any conflict with this Condition), all Intellectual Property Rights including, without limitation, copyright in any material produced in pursuance of the Proposal, shall vest in and at all times remain vested in the originator of that Intellectual Property. For the purposes of the Agreement, the Parties shall agree the principles governing ownership of Intellectual Property Rights in the results of any joint development undertaken by the Parties.

8.2 The receiving Party shall at all times respect the Intellectual Property Rights of the other Party and shall ensure that the Intellectual Property is used solely for the purpose of the Agreement.

8.3 If the Supplier terminates the Agreement pursuant to Condition headed "Termination":

(a) the Supplier will grant non-exclusive licences on fair and reasonable terms, permitting BT to use the Supplier's Intellectual Property where reasonably required by BT to prepare the Proposal and fulfil the Contract. Any such licences shall include the right where necessary to grant sub-licences. Amongst other things, such fair and reasonable terms shall take into consideration the value of the contributions of the Parties to the preparation of the Proposal; and

(b) if the exercise of the licences granted to BT pursuant to 8.3(a) above necessitates the use of the Supplier's Intellectual Property or the Intellectual Property of a third party then the Supplier shall procure that the party owning the Intellectual Property shall grant appropriate licences to BT on fair and reasonable terms.

8.4 The Supplier agrees that any licence granted to BT by the Supplier pursuant to this Condition shall entitle BT to sub-licence free of charge any other sub-contractors to use the

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Intellectual Property of the Supplier solely to the extent necessary for the purpose of preparing their parts of the Proposal and fulfilling any Sub-Contract with BT for the Contract. In the event of termination of the Agreement or withdrawal of the Supplier as set out in 8.3 above such licences shall be from that date onwards on fair and reasonable terms.

8.5 The provisions of this Condition shall survive termination or expiry of the Agreement for any reason.

9. Intellectual Property Rights Indemnity

9.1 The Supplier shall indemnify and hold BT harmless from and against any and all claims, demands, proceedings and judgements made against BT (and any costs and expenses incurred by BT with the prior approval of the Supplier) in respect of any infringement or alleged infringement of any Intellectual Property Rights by BT arising directly or indirectly out of the use by BT in accordance with the terms of the Agreement of any information or data or Intellectual Property Rights provided or licensed under the Agreement by the Supplier. This indemnity shall only apply if:

- (a) BT informs the Supplier promptly of any such claim, demand, proceeding or judgement which has come to its notice; and
- (b) BT allows the Supplier to assume the entire direction and control of any such claim, demand, proceeding or judgement at the expense of the Supplier and takes all reasonable steps to co-operate with the Supplier in the defence or settlement thereof, and makes no admission to the claimant or otherwise which might prejudice the Supplier's conduct or of any negotiations for settlement; and
- (c) In particular, but without prejudice to the generality of the above, the above indemnity shall not apply to infringement or alleged infringement attributable to any combination of the information or data or any product derived from it with any other information, data or product except to the extent that such infringement or alleged infringement would have arisen independently of such combination.

10. Award of the Contract and Sub-Contract

10.1 If BT is awarded the Contract by the Customer, the Parties shall, subject to the terms of the Agreement enter into the Sub-Contract, provided their co-operation is justified for the specific project, based on the subject matter and their respective capabilities and expertise.

10.2 The Sub-Contract shall constitute an order under a contract to be drawn up between BT and the Supplier and the following terms shall apply, in relation to its Work Share:

- (a) shall comply and shall ensure all Supplies comply with all BT's obligations and the Customer's requirements (mutatis mutandis) under the Contract such that BT is in a reasonable position (having regard to any required timescales) to comply with its obligations and the Customer's requirements under the Contract;
 - (b) shall not do nor omit to do anything that would put BT in breach of its obligations to the Customer under the Contract;
 - (c) shall comply with all obligations and requirements that the Contract requires BT to impose upon the Supplier as if such obligations had been imposed upon and accepted by the Supplier;
 - (d) grants to BT, to BT's Customer and/or to third parties such rights and licences as BT is required to respectively obtain from the Supplier for BT, BT's Customer and/or third parties under the Contract;
 - (e) shall, where the Contract requires BT to indemnify BT's Customer, similarly indemnify BT; and
 - (f) have the same liabilities to BT as BT has to the Customer under the Contract, but not in relation to any financial cap
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10.3 Without prejudice to 10.2 above, the Sub-Contract, as a minimum, shall also include provisions that reflect the Minimum Commercial Terms.

11. Termination of this Agreement

11.1 The Agreement shall terminate on the occurrence any of the following events:

- (a) Written notice from the Customer to BT that it will not award a Contract;
 - (b) Written notice from the Customer to BT of award of a contract in relation to relevant Work Share subject-matter to a third party;
 - (c) Execution of a Sub-Contract by and between BT and the Supplier for performance of the Work Share;
 - (d) Termination of the Agreement by mutual written agreement of BT and Supplier;
 - (e) If the Supplier become insolvent or cease to trade or compound with its creditors; or a bankruptcy petition or order is presented or made against the Supplier ; or where the Supplier is a partnership, against any one partner, or if a trustee in sequestration is appointed in respect of the assets of the Supplier or (where applicable) any one partner; or a receiver or an administrative receiver is appointed in respect of any of the Supplier s assets; or a petition for an administration order is presented or such an order is made in relation to the Supplier ; or a resolution or petition or order to wind up the Supplier is passed or presented or made or a liquidator is appointed in respect of the Supplier (except for reconstruction or amalgamation);
 - (f) Cancellation of the ITT or substantial changes thereto making it, in BT's opinion, undesirable for BT to submit a Proposal;
 - (g) Debarment or suspension of either Party by a competent authority, if such debarment or suspension precludes the participation by such Party in pursuing the Agreement, or indictment of either Party in any criminal proceeding related to doing business with a public entity as a prime contractor or subcontractor;
 - (h) The expiration of twelve (12) months from the date of the Agreement; provided, however, the Agreement may be extended for a single period of a maximum of twelve (12) additional months by mutual agreement where a Proposal has been made, but no Contract awarded;
 - (i) The Supplier is in breach of any provisions of the Agreement and fails to remedy such breach within thirty (30) days of receipt of written notice from BT requiring such remedy;
 - (j) The business of a Party shall be managed or controlled or shall be carried on wholly or mainly for the benefit of or on behalf of any third party not being a parent, subsidiary or associate company of such Party at the date of the Agreement, unless that Party shall have first obtained the written consent of the other Party;
 - (k) By written notice from BT to the Supplier, upon the failure, or at BT's discretion, the likely failure of the Parties to reach agreement under the requirements of Conditions 4, 5 and 6.2;
 - (l) by written notice from BT to the Supplier, upon the failure, or at BT's discretion, the likely failure of the Parties negotiating in good faith to reach agreement, by the time stipulated by the Customer, to any changes sought by the Customer to a Proposal pursuant to Condition 6.2.7;
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- (m) the Customer directs that one of the Parties shall not be required to participate in the ITT or Proposal either initially or in a subsequent phase of the project; or
- (n) BT's decision not to submit the Proposal or the Supplier's decision to withdraw from the Proposal as provided in Condition 12.

11.2 The termination of the Agreement shall be without prejudice to the rights and remedies which shall have accrued to the Parties prior to the date of such termination.

11.3 Upon termination of the Agreement, each Party shall return to the other at their request all materials or information (along with all copies) belonging to or supplied by the requesting Party pursuant to the Agreement.

12. Right to Withdraw

12.1 At any time before submission of the Proposal, BT may decide not to submit the Proposal, and/or the Supplier may decide to withdraw from its involvement in the ITT.

12.2 BT and the Supplier will notify the other forthwith in writing of its decision to withdraw and will give as much advance warning as reasonably practicable of the likelihood of such decision being made.

13. Confidentiality

13.1 In this Condition, "Openreach Information" and "BT Wholesale Information" mean respectively information which BT from time to time identifies to the Supplier as being commercially confidential, or is by its nature commercially confidential, to the BT lines of business known as "Openreach" or "BT Wholesale", as the case may be.

13.2 Except with written BT's agreement, the Supplier shall not disclose Openreach Information or BT Wholesale Information to any BT employee, agent or contractor who is not employed within or by Openreach or BT Wholesale, as the case may be.

13.3 Subject to the Condition headed "Intellectual Property Rights", either Party receiving information ("the Recipient") from the other shall not without the other's prior written consent use such information except for the purposes of the Agreement or disclose such information to any person other than to their respective employees, agents and contractors who have a need to know and who are bound by equivalent obligations of confidentiality. Any breach of such obligations by such employees, agents or contractors (as the case may be) shall be deemed to be a breach by the Supplier or BT respectively.

13.4 Paragraphs 2 and 3 of this Condition shall not apply to information that is:

- (a) published except by a breach of the Contract; or
- (b) lawfully known to the Recipient at the time of disclosure and is not subject to any obligations of confidentiality; or
- (c) lawfully disclosed to the Recipient by a third party without any obligations of confidentiality; or
- (d) replicated by development independently carried out by or for the Recipient by an employee or other person without access to or knowledge of the Information.

13.5 The Supplier shall not publicise the Agreement without BT's prior written consent.

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13.6 Either Party that has during the course of the Agreement received information in a recorded form from the other (or has recorded received Information) shall return or destroy (at the option of the disclosing Party) such records upon the expiry or termination of the Agreement or any earlier request by the disclosing Party.

13.7 This Condition shall survive the termination or expiry of the Agreement.

14. BID GOVERNANCE AND ESCALATION

14.1 The Parties shall agree promptly upon signature hereof a detailed points of contact list and procedure for governance of the Proposal and Work Share, including their joint engagement with the Customer.

14.2 Any dispute between the Parties in relation to this Agreement shall be referred for resolution to [] and [], respectively the project directors at BT and the Supplier for the Proposal. Failing their agreement, the dispute will be referred to [Name/Title at BT] and [Name/title at Supplier].

15. LIMITATION OF LIABILITY

15.1 The Parties' liabilities in respect of death or personal injury resulting from negligence shall not be limited.

15.2 Each Party's liability for loss of or direct physical damage to the other Party's tangible property resulting from negligence shall not exceed one million pounds sterling in respect of any one event or series of connected events.

15.3 Except as provided in Conditions 15.1 and 15.2, each Party's total liability under this Agreement to the other shall not exceed the lower of xxxxx sterling or the actual and reasonable costs and expenses arising directly from the event and incurred by the other Party under this Agreement.

15.4 Neither Party shall have any liability to the other for:

15.4.1 direct or indirect loss of profits, goodwill, revenue, production, anticipated savings, use or contracts, losses consequent upon loss or corruption of data nor the cost of reconstituting data; or

15.4.2 any type of indirect or consequential loss, damage, injury or expense.

15.5 The exclusions and limitations of liability set out in this Agreement shall exclude and limit all of the Parties' liability to each other in respect of all matters arising out of this Agreement whether in contract, tort (including but not limited to negligence), for breach of statutory duty or otherwise.

15.6 Each provision of this Condition 15 operates separately in itself and survives independently of the others.

16. MATTERS BEYOND THE REASONABLE CONTROL OF EITHER PARTY

16.1 If either Party is unable to perform any obligation under this Agreement because of a matter beyond that Party's reasonable control, such as lightning, flood, exceptionally severe weather, fire, explosion, war, civil disorder, industrial disputes (whether or not involving that Party's employees) or acts of local or central Government or other competent authorities or events beyond the reasonable control of that Party's suppliers, provided that Party gives notice to the other party upon becoming aware of such matters that Party will have no liability to the other for that failure to perform.

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16.2 If any of the events detailed in Condition 16.1 continue for more than 3 months either Party may serve notice on the other terminating this Agreement.

17. General

- 17.1 No variation to the Agreement shall have effect unless agreed by both parties in writing.
 - 17.2 No waiver by either Party shall be effective unless made in writing.
 - 17.3 A person who is not a party to the Agreement may not enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999.
 - 17.4 This Agreement shall be governed by English Law and subject to the exclusive jurisdiction of the English Courts.
 - 17.5 Notices given under this Agreement must be in writing and may be delivered by hand or by courier, or sent by telex or first class post to the addresses at the head of this Agreement.
 - 17.6 This Agreement contains the whole agreement between the Parties and supersedes all previous written or oral agreements relating to its subject matter.
 - 17.7 During the Term and for six (6) months afterwards, neither of the Parties will recruit an employee of the other Party who has worked on the Proposal.
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THE SCHEDULE
Part 1
(Minimum Commercial Terms)

1. INTELLECTUAL PROPERTY RIGHTS

- 1.1 New information generated from the Sub-Contract will be assigned or licensed to BT and/or the Customer when created.
- 1.2 BT will have the right to use Supplier's background information necessary for the provision of the services or work under the Sub-Contract on a non-exclusive, perpetual, worldwide and royalty free basis.
- 1.3 Supplier shall indemnify BT for alleged or actual infringement of third party intellectual property rights through the use, sale, copy or lease of Suppliers intellectual property rights.

2. CHANGE CONTROL

There are different types of changes and procedures to be followed to request, agree, document and implement a change. These will be described in the Sub-Contract. As a minimum the changes shall be dealt as follows:

- 2.1 Service Change which affects the scope of the service but does not include changes which are part of the provision of the services. There are 2 types of service changes:
 - (a) Routine change which has no material impact on the services and/or the Sub-Contract.
 - (b) Normal change which is likely to have material impact on the services under the Sub-Contract.
- 2.2 Contract change which is any change which either results from an independent request for the change in the Sub-Contract or as a consequence of a request for a service change.
- 2.3 Regulatory change being any change requested by either party as a result of regulatory requirement of change in laws.

3. DEFAULT

- 3.1 If Supplier is in default of the Sub-Contract especially where there is direct agreement between Supplier and Customer, Customer may exercise step in rights.
 - 3.2 BT may engage a new supplier to complete the whole or part thereof work under the Sub-Contract at Supplier's cost.
 - 3.3 Payment retention provision.
 - 3.4 Liquidated Damages.
 - 3.5 Compensate BT all directly resulting losses and expenses (including the additional cost of completing the Work Share).
 - 3.6 Increased Performance.
-

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4. GUARANTEE

The Supplier to promptly remedy any defect within the guarantee period at its own cost; once remedied, a new guarantee period will kick in (revolving guarantee).

5. INDEMNITY

Supplier will indemnify BT in relation to the performance of the Sub-Contract for:

- a) death or personal injury of any of its employees, except to the extent caused by BT's negligence; or
- b) death or personal injury of any other person or loss of or damage to any property to the extent arising as a result of the negligence or wilful acts or omissions of the Supplier; or
- c) any complaint made pursuant to the Employment Rights Act 1996 (as amended, replaced, consolidated or re-enacted from time to time) by any of Supplier's employees; or
- d) wilful failure or gross negligence of the Supplier and its Contract Personnel; or
- e) under Part 1 of the Consumer Protection Act 1987 (or any equivalent product liability legislation) in relation to the deliverables.

6. TITLE AND RISK

6.1 Title to Supplies pass to BT and/or customer on the earlier of delivery/payment/acceptance/ when risk passes.

6.2 Risk passes on acceptance.

7. CONTINUED EFFICIENCY

7.1 Supplier to generate efficiency improvements of a minimum 10% in year 1 to be applied from month 13 from contract commencement date, 10% in year 2 to be applied from month 25 from commencement date. *[To be agreed between parties.]*

7.2 Supplier will be responsible to demonstrate to BT's reasonable satisfaction that 10% efficiency improvements have been achieved through annual reviews. *[To be agreed between parties.]*

7.3 Failure to achieve, Supplier will reduce the charges by an amount equivalent to the shortfall.

8. PAYMENT MODELS

8.1 Payment based on performance

8.2 Benchmarking

8.3 Cost Savings

9. LIQUIDATED DAMAGES AND SERVICE CREDITS

Failure to achieve service levels or performance milestones amounts to breach of contract.

10. BENCHMARKING

10.1 Annual benchmarking to be conducted by the Supplier at Supplier's cost.

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10.2 Additional benchmarking requested by BT to be conducted by Supplier and cost to be shared.

10.3 If benchmarking reveals a lower price (.), Supplier shall adjust the price and if the price adjustment is not satisfactory to BT, BT will have the right to terminate the Sub-Contract.

10.4 In order to determine best pricing as part of value for money proposition, to differentiate financial and non-financial factors for consideration in separate strands. Financial criteria will cover the whole-life costs of the contract. Key non-financial criteria will usually include areas of deliverability, service quality, innovation, organisational culture, environmental issues, risk management and partnering/teamworking.

11. FREEDOM OF INFORMATION ACT AND DATA PROTECTION ACT

11.1 On DPA, no transfer of personal data outside of EEA.

11.2 On FOI, to co-operate with BT when information is requested under the legislation from a third party.

12. SUB-CONTRACTING AND ASSIGNMENT

Not permitted except with BT's prior consent.

13. AUDIT RIGHTS

BT shall have the right to conduct audit on the Supplier's premises (including sub-contractor's premises, if any), systems for the following reasons but not limited to those listed below:

13.1 Open Book Accounting principles including BT or customer access to its Supplier's accounts to obtain a whole range of cost information.

13.2 Generic standards. See <http://www.selling2bt.bt.com/working/generic/default.asp>

13.3 Regulatory requirements

13.4 Benchmarking

13.5 Progress of work

13.6 Value for money

13.7 Sarbanes Oxley

14. DUE DILIGENCE

Supplier to provide sufficient resources when BT has to conduct due diligence expediently to prepare service schedules and SLAs on the Customer's requirements.

15. TRANSITION AND EXIT

15.1 Supplier shall:

(a) work closely with BT when BT is establishing the transition plan with the Customer.

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- (b) develop exit management plan within [30] days from the commencement date of the Sub-Contract and to review the plan annually thereafter.

15.2 Failure to achieve transition milestones will amount to breach of contract.

16. TERMINATION

BT has the right to terminate:

- a) Material breach that is not remedied within 7 days and not capable of being remedied.
- b) Persistent breach.
- c) Insolvency.
- d) Breach of IPR, Security and Confidentiality.
- e) Change of control.
- f) Benchmarking.

17. LIMITATION OF LIABILITY

17.1 No limitation of liability for breach of confidentiality, infringement of third party intellectual property rights, liquidated damages, damages arising from the provision on Indemnity above, under section 12 of the Sales of Goods Act 1979 and under section 2 of the Supply of Goods and Services Act 1982.

17.2 As a minimum liability cap for breaches other than 17.1 above, will be £15M or as required by Customer.

18. INSURANCE

As a minimum, £15M or as required by Customer.

19. GOVERNING LAW

English law.

OPTIONAL CONDITIONS [To be included by BT into the Commercial Terms depending on the nature of the ITT]

- 1. Customer and/or BT Security Policy
 - 2. Software Licence
 - 3. ESCROW
 - 4. TUPE (dependent on whether supplier is providing goods or services or goods and services)
 - 5. Compliance with laws, regulation, standards, BT policies and Sarbanes Oxley
 - 6. Dispute Resolution
-

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Part 2
Work Share

[details to be inserted]

SIGNED for and on behalf of
BT

SIGNED for and on behalf of the Supplier

Signature

Signature

Name

Name

Position

Position

EXHIBIT C
Superseding Conditions

1.1 In this Condition:

"BT's Customer" means *[insert full name of BT's Customer as it appears in the Customer Contract]*.

"Customer Contract" means a contract dated *[insert date of Customer Contract]* and made between BT and BT's Customer under which BT (referred to in it as "*[insert expression used to refer to BT in the Customer Contract]*") has agreed to provide goods and/or services to BT's Customer (referred to in it as "*[insert expression that refers to BT's Customer in the customer Contract]*")

"Customer Conditions" means those provisions of the Customer Contract attached at Appendix *[insert relevant appendix number]* to the Contract/Work Package (as applicable) and such variations to them from time to time as are notified by BT in writing to the Supplier.

"Other Provisions" means the provisions of the Contract other than both this Condition and the Customer Conditions.

1.2 Subject to paragraph 3 of this Condition, the Supplier:

- (a) shall comply and shall ensure all Services comply with all BT's obligations and BT's Customer's requirements (mutatis mutandis) under the Customer Conditions such that BT is in a reasonable position (having regard to any required timescales) to comply with its obligations and BT's Customer's requirements under the Customer Conditions;
 - (b) shall not do nor omit to do anything that would put BT in breach of its obligations to BT's Customer under the Customer Conditions;
-

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- (c) shall comply with all obligations and requirements that the Customer Conditions require BT to impose upon the Supplier as if such obligations had been imposed upon and accepted by the Supplier;
- (d) grants to BT, to BT's Customer and/or to third parties such rights and licences as BT is required to respectively obtain from the Supplier for BT, BT's Customer and/or third parties under the Customer Conditions;
- (e) shall, where in the Customer Conditions BT is required to indemnify BT's Customer, similarly indemnify BT; and
- (f) have the same liabilities to BT as BT has to BT's Customer under the Customer Conditions.

1.3 Paragraph 2 of this Condition shall not apply to the extent that:

- (a) the Customer Conditions financially cap liability;
- (b) the Supplier's compliance with this Condition would be less favourable to BT than the Supplier's compliance with conflicting Other Provisions (in which case the Other Provisions shall prevail);
- (c) any variations made to the Customer Conditions after the Commencement Date have not been promptly notified by BT to the Supplier; or
- (d) the Customer Conditions do not relate directly or indirectly to the Services, the Work or other subject-matter of the Contract.

1.4 Except as stated in Paragraph 3(b) of this Condition, this Condition shall take precedence in the case of any conflict with the Other Provisions.

1.5 This Condition shall survive the Contract to the same extent (mutatis mutandis) that the Customer Conditions are expressed to survive the Customer Contract.

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SCHEDULE 2

CHARGES AND PRICING PRINCIPLES

TABLE OF CONTENTS

- 1. PURPOSE OF THIS SCHEDULE**
- 2. PRICING MODELS**
- 3. CALCULATION OF CHARGES FOR INDIVIDUAL ORDER**
- 4. VALUE FOR MONEY PRINCIPLES**
- 5. COST IMPROVEMENT**
- 6. E-AUCTION**
- 7. ADDITIONAL CHARGEABLE OR NON-CHARGEABLE EXPENSES**
- 8. PAYMENT AND INVOICING**
- 9. APPROVAL AND PAYMENT**
- 10. TAX**

Annex 1 — Virtusa hardware/software policy

APPENDICES

APPENDIX 1 — IT AND NETWORK PRICING

APPENDIX 2 — NOT USED

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1. PURPOSE OF THIS SCHEDULE

This Schedule defines how the Charges will be calculated, managed across BT and outlines the invoicing procedure relating to the Services delivered within this Contract. The Appendices herein sets specific principles around Charges that apply explicitly in relation to IT & Network Services:

2. PRICING MODELS

2.1. Purpose

The purpose of this Section is to outline the various ways in which the Charges shall be calculated by the Supplier using one of the methods as selected by BT in its sole discretion in order to enable the Supplier to provide a quote to BT. Subject to Section 2.2 below, the Charges may be structured in one of the following ways:

a. Time and Material

Definition: As described in Appendices 1 and 2.

b. Output based Work

Definition: As described in Appendices 1 and 2.

c. Capped Time and Material

Definition: As described in Appendices 1 and 2.

(hereinafter collectively referred to as "Pricing Model")

2.2 BT may request Supplier to provide quotations pursuant to pricing models outside those set out in this Section 2.1.

2.3 At BT's request, the Supplier shall offer an alternative and better value pricing model for consideration by BT in addition to pricing models in Section 2.1 above.

3. CALCULATION OF CHARGES FOR INDIVIDUAL ORDER

3.1 RATE CARDS

3.1.1 The rate cards attached hereto as Exhibit C of Schedule 2 - Appendix 1 (the Rate Card') shall apply for the calculation of the price of Services under this Contract and shall remain fixed until [*****] (the Rate Card Term').

- 3.1.2 Any increase to charges in the Rate Card(s) under this Section must be agreed by BT in writing through contract amendment, and once agreed, the amended Rate Card(s) shall remain valid for the remaining period of the Rate Card Term.
- 3.1.3 If the Supplier requests to increase the charges in the Rate Card(s) before the end of the Rate Card Term, the Supplier shall demonstrate to BT's reasonable satisfaction that it has incurred such an increase in cost and provide a case that clearly justifies such request, including relevant benchmarking information. BT reserves the right to require that any increase in the charges set out in the Rate Cards subject to the inclusion of appropriate value for money principles
- 3.1.4 If there is a decrease in the Supplier's costs which allows Supplier to decrease the Charges in the Rate Card(s), the Supplier shall make a proposal to BT to amend the Rate Cards with decreased prices.

3.2 VOLUME DISCOUNT

Discount Structures; Minimums; Targets; Pre-Paid Discount

- 3.2.1. The parties have agreed upon a minimum commitment and discount structure based upon a targeted cumulative "spend" by BT of minimum Eligible Annual Fees (defined below) of at least One Hundred Two Million GBP (£102,000,000) in the aggregate over a six year Term (commencing on April 1st 2007 and ending March 31st 2013). BT shall have no Minimum Commitment of spend between March 31st 2013 and 30th September 2014 under this Contract. BT shall also have no Minimum Commitment of Spend in or after any Annual Period during which the Contract is terminated by mutual written agreement, or terminated by BT only pursuant to sub-clauses 43.1, 43.2, 43.3 or 43.5 of the Contract. In the event of any other termination of this Contract, the obligations of BT, including payment of the applicable Liquidated Damages and the provisions of this Schedule shall survive and apply.
- 3.2.2. It being agreed that BT has already spent the aggregate sum listed on Exhibit A with the Supplier for the period of April 1st 2007 to March 31st 2009, effective as of October 1st 2009, the Supplier shall provide an Annual Total Volume Discount for the period from October 1st 2009 to March 31st 2010, and each successive one (1) year period thereafter during the term ending March 31 of each year (each, an "**Annual Period**") until March 31, 2013, against all fees invoiced by Supplier to BT for the time of Supplier resources, including fees charged in fixed fee arrangements attributable to resources performing services thereunder) (but excluding any charges for sales taxes and VAT, third party hardware and/or third party software specified by BT and procured by Supplier pursuant to the Contract or infrastructure charges and travel and other expenses billed to and reimbursed by BT, as pre-approved, or approved by, BT) under the Contract during each such Annual Period ("**Eligible Annual Fees**"). For the avoidance of doubt, each

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Annual Total Volume Discount is calculated in such Annual Period (but for the year ending March 31, 2010, effective from October 1, 2009 to March 31, 2010 only) with respect to those Eligible Annual Fees billed to BT with an invoice date during such Annual Period only; no other fees with invoice dates from a prior or future period shall be included for calculating the Annual Total Volume Discount, except to the extent of any credit applied. The Annual Total Volume Discount is set forth in Exhibit A hereto:

Additional terms applying to Annual Total Volume Discount in any Annual Period are as follows:

- a. The Annual Total Volume Discount applies only to each GBP of Eligible Annual Fee billed to BT with an invoice date during such Annual Period only and is cumulative within such Annual Period (noting that with respect to the Annual Period ending March 31, 2010, such period starts from October 1, 2009 and ends March 31, 2010). The Supplier shall not unreasonably in bad faith delay invoices so as to deny to BT any or any higher Annual Total Volume Discount that it would have otherwise been entitled to.
- b. Charges and billings for the procurement by the Supplier pursuant to the Contract of third party hardware and/or third party software specified by BT and sales taxes and VAT, as well as infrastructure charges and travel and other expenses, billed to and reimbursed by, BT (as pre-approved or approved by BT) are not Eligible Annual Fees and shall be expressly excluded for determining the Annual Total Volume Discount Rate and the applicable Annual Total Volume Discount.
- c. The Supplier, subject to the terms above, shall measure the Eligible Annual Fees at the end of each Annual Period. Within 80 days of the end of each Annual Period, the Supplier will issue to BT a credit under this Contract in an amount equal to the value of the sum of Eligible Annual Fees billed to BT with an invoice date during such Annual Period only multiplied by the applicable Annual Total Volume Discount Rate for such Annual Period ("Credit Sum") (except with respect to the Annual Period ending March 31, 2010; such period starts from October 1, 2009 and ends March 31, 2010). The Supplier will issue such credit against monthly invoices issued by Supplier and agreed with BT in the periods immediately following the applicable Annual Period. Upon expiration or termination of the Contract and the parties do not renew the Contract, to the extent of any remaining Credit Sum, the Supplier shall promptly pay to BT any remaining Credit Sum in respect of the final Annual Period (or part thereof). For the avoidance of doubt the Minimum Commitment amounts for future Annual Periods will be based on the amounts listed in the table in Exhibit A for the applicable future Annual Period although a credit may be applied against such Minimum Commitment amount during such future Annual Period pursuant to Sections below.

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- d. Subject to the terms above, to the extent Eligible Annual Fees in any Annual Period exceed the applicable Minimum Commitment for such Annual Period, in addition to BT's entitlement to the applicable Annual Total Volume Discount, the Prorated Excess Commitment Amount (as defined below) shall be credited against the applicable Minimum Commitments of BT for each of the remaining Annual Periods. For purposes of the Contract:
 - i. "Excess Commitment Amount" means, for each Annual Period, an amount (if any) equal to the actual Eligible Annual Fees billed for such Annual Period minus the Minimum Commitment for such Annual Period; and
 - ii. "Prorated Excess Commitment Amount" means, for any Annual Period for which there is an Excess Commitment Amount, an amount equal to the applicable Excess Commitment Amount divided by the number of Annual Periods remaining in the terms ending March 31, 2013 (i.e., the number of Annual Periods remaining after the Annual Period with respect to which the Prorated Excess Commitment Amount is being calculated).
- e. Subject to the terms above, to the extent Eligible Annual Fees in any Annual Period do not exceed the applicable Minimum Commitment for such Annual Period,
 - i. [**] shall be applied against any Eligible Annual Fees for such Annual Period; and
 - ii. Subject to the terms below, BT shall pay Liquidated Damages, and not as a penalty, to Supplier, in an aggregate amount equal to the sum of:
 - (a) to the extent that the Eligible Annual Fees for any Annual Period are [*****], BT shall pay Liquidated Damages in an amount equal to the product of (x) the difference between such Eligible Annual Fees and the [*****] amount multiplied by (y) the applicable percentages set forth in the table in Exhibit B attached hereto (the [*****]); and

(b) if applicable to the extent that the Eligible Annual Fees for any Annual Period are less than the [*****], the product of (x) the additional shortfall between the Eligible Annual Fees and [*****] multiplied by the applicable percentage in Exhibit B hereto below (the "Remaining Amount Percentage");

provided that, notwithstanding the above, any liquidated damages owing to the Supplier under the Contract for any Annual Period shall be calculated on an annual basis but not actually applied against BT until after the Annual Period ending March 31, 2013, based

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on the aggregate minimum commitment for the Annual Periods commencing April 1, 2009 through March 31, 2013 as set forth in Exhibit A hereto and BT's achievement of cumulative Eligible Annual Fees through March 31, 2013. For the avoidance of doubt, however, while the loss of discount provisions shall apply per the Contract, the application of liquidated damages shall only be applied based on the aggregate Minimum Commitments as set forth in Exhibit A hereto and BT's achievement of cumulative Eligible Annual Fees through March 31, 2013 (although the amounts will be calculated on an annual basis). See Exhibit B-1 for an example of the liquidated damage calculation.

The parties agree that damages are difficult to estimate and that the parties believe that the Liquidated Damages as determined above are reasonable reflections of likely damages and are reasonable commercial terms and acceptable to the parties and based on negotiated terms. The Supplier agrees that the Liquidated Damages as described and determined above shall be the Supplier's sole and exclusive remedy in respect of any failure by BT to achieve any Minimum Commitment or any targeted cumulative "spend" or promoted minimum "spend" under the Contract. BT shall be under no obligation to pay Liquidated Damages in respect of any Annual Period during which the Contract is terminated by written mutual agreement, or terminated by BT only pursuant to sub-clauses 43.1, 43.2, 43.3 or 43.5 of the Contract.

3.2.3 In addition, with respect to the remaining Pre-Paid Discount Balance (as defined in the Previous Agreement) not earned by BT through September 30, 2009 pursuant to the terms of the Previous Agreement, such Pre-Paid Discount Balance shall be offset and reduced as follows:

- a. The Annual Total Volume Discount (as defined in the Previous Agreement) in the amount earned by BT under the Previous Agreement for the Annual Period ending March 31, 2009 and still outstanding as of September 30, 2009 shall be first subtracted from the Pre-Paid Discount Balance; and
- b. Effective as of October 1, 2009, BT shall earn, in addition to the Annual Total Volume Discount set forth on Exhibit A, an additional discount of the percent listed on Exhibit C on each GBP of Eligible Annual Fees billed by the Supplier to BT under this Agreement from October 1, 2009 until the expiration of this Agreement ending March 31, 2013 ("New Business Discount"). For the avoidance of doubt, the New Business Discount continues until the expiration date of this Agreement on March 31, 2013, even if the Pre-Paid Discount Balance is earned by BT hereunder and reduced to zero.

Notwithstanding anything to the contrary herein, if there remains any Pre-Paid Discount Balance not earned by BT under the terms herein, by the date of the expiration of the this Agreement on March 31, 2013, BT shall pay to the Supplier an amount in cash equal to the outstanding Pre-Paid Discount Balance as of the expiration of this Agreement on March 31, 2013.

3.3. CORPORATE LEVEL FINANCIAL INFORMATION

The Supplier shall provide corporate level general financial information as follows:

Subject to the confidentiality provisions in this Contract the Supplier shall provide the following information at a corporate level for benchmarking purposes. This shall be provided to the extent of the publicly available information as published in Annual and quarterly financial statements.

(a) Elements

Revenues

Gross Profit

Sales & Marketing Expenses

General and Administrative Exp

Research & Development costs

Amortizations

Operating Income

(Note : Transparency / ensuring an appropriate price for individual projects is covered below)

The Supplier shall confirm their standard percentage utilisation assumption used to determine Charges in Appendices 1 and 2 of this Schedule.

(b) Open Book Accounting

For individual T&M based quotations for work packages defined by BT, the Supplier shall:

(i) provide a maximum ("Capped") price for complete performance of the Work as defined in the Work Package, excluding Change Control.

(ii) provide price build information to enable maximum price calculations for individual work packages; such information shall include the resource profile and cost for the Work, estimated business expenses, infrastructure charges (if applicable) and any specific chargeable items not included elsewhere;

(iii) provide pricing information in a standard T&M pricing template provided by BT;

(iv) Provide a statement of the level of risk and flexibility, in percentage terms, that has been built into the Maximum price for the Work.

4. VALUE FOR MONEY PRINCIPLES

4.1 Purpose

The purpose of these values for money principles is to enable BT to seek to reassure itself as to the value for money of Services or proposed Services.

4.2 The Time and Material Rate Card for the specific Services governed by this Contract are detailed within the Appendices attached to this Schedule.

4.3 One (1) or more of the value for money principles shall be applied to all calculation of Charges.

a. Not used

b. Not used

c. Price Satisfaction

Where any Services are undertaken by the Supplier on a non-competitive basis, the Supplier undertakes to provide information in accordance with the terms above.

d. Not used

e. Benchmarking

The Supplier shall:

- a. undertake its own benchmarking exercises annually at a date to be agreed upon by the Parties;
- b. undertake such further regular benchmarking exercises as may be required by BT from time to time, having first agreed with BT the related processes and comparable suppliers;
- c. promptly provide written reports to BT on such exercises with an audit trail;
- d. provide evidence to BT that the quality, price and delivery of Services is world class;
- e. permit BT's authorised representatives access to the Supplier's premises and to its records to inspect and verify such exercises, evidence and reports and/or

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to allow BT to conduct its own benchmarking exercises, provided that such benchmarking exercises shall (i) occur at BT's cost and expense and only on reasonable prior written notice to Supplier, (ii) be subject to confidentiality provisions herein (iii) be limited to BT's records and related contracts and used solely to determine Supplier's compliance with this Agreement. For the avoidance of doubt, Supplier shall not be obligated to disclose any information of any kind related directly or indirectly to any other client of Supplier or any other information subject to a confidentiality agreements; and

- f. fully co-operate with BT during any benchmarking exercise undertaken by BT.

The Supplier's obligations under this Condition shall be performed at the Supplier's cost and expense, except as stated in clause (e) above.

5. COST IMPROVEMENT

5.1 Purpose

The purpose of this Section is to set out the cost improvement principles that the Supplier shall apply to all Charges. BT shall indicate in each Specification the Cost Improvement principle that shall apply for individual Order.

5.2 Cost Improvement Principles

The principles are as follows:

a. Cost Reduction

- i. The Supplier shall commit to cost reductions through process improvements, which cost reductions will be dependant upon the size and scope of individual Order.
- ii. The Process
Cost reductions shall be delivered by the Supplier after an agreed period as defined in the Order from either:
 - The Effective Date of the Order;
 - Formal agreement of Service Level targets contained within the Order; or
 - Completion of an agreed stabilisation period.
- iii. Cost reductions shall be delivered to BT through an abatement of Charges in individual invoices.

b. In Life Cost Improvement

- i. The Supplier shall reduce the cost of Services performed by [***] year on year by process efficiencies. The Supplier shall demonstrate and detail how this will be achieved for the following Financial Year two (2) months prior to the beginning of the following Financial Year.
- ii. For year on year cost reductions beyond the committed percentage the following gain-share arrangements shall apply to ensure that BT and the Supplier both have incentives to develop and successfully implement year on year cost reduction initiatives above and beyond the committed percentage.

c. Quarter on Quarter Cost Reduction

For multi-quarter engagements, the Supplier will demonstrate price improvements through process improvements and effective deployment of manpower.

d. Maintenance and support contracts

Maintenance and support Contracts will target year on year price reductions through efficiency gains.

e. Continuous Improvements

- i. On an individual Order basis BT may require the Supplier to provide to BT a Performance Indicator ("PI") for the ensuing year on or before the first anniversary of the commencement of any Order, and on each successive anniversary for the duration of that Order. The PI shall be a stretching, but achievable objective that represents an improvement over the performance target.
- ii. For each successive year for the duration of the Order following the first anniversary of the commencement of the Order, the Supplier's actual achieved performance shall be calculated as an average of such performance in each component eight (8) Quarters and where such performance so calculated exceeds the relevant performance target that performance target shall be amended to the actual achieved level.

6. E-AUCTION

BT reserves the right to conduct an e-Auction on:

- (i) any tender exercise irrespective of the commercial model selected (time and materials, capped time and materials or fixed price basis) and/or
- (ii) the rate cards contained within Appendix 1 and 2 to this Schedule 2.

7. ADDITIONAL CHARGEABLE OR NON-CHARGEABLE EXPENSES

7.1 Travel & Expenses

- (a) Any business travel and expense cost incurred by the Supplier in performance of the Services shall be calculated in accordance with BT's Travel and Expenses Policy attached at Appendix 3 of this Schedule.
- (b) The Supplier shall be responsible for all visa or work permit expenses.
- (c) For the avoidance of doubt, BT's Travel and Expenses Policy does not include travel to and from the normal place of work.

7.2 Pre-Sales Activities And Value Add Services

- (a) BT regards the following activities as key pre-sales work or key to ongoing relationship which shall be undertaken by the Supplier at the request of BT at no cost to BT. No travel and expenses cost shall be recovered by the Supplier from BT in respect of activities in this Section 7 which activities shall include but without limitation Discovery, Due Diligence, Hot Housing or Consulting activity unless agreed between the parties in writing on a project specific basis.

(i) Discovery

Definition: Discovery is the end to end evaluation of a process and/ or work area for the purpose of assessing its suitability for cost reduction, process re-engineering or potential rightshoring. The Discovery activity will utilise agreed practices and methodology as agreed between both parties. The output of the discovery will be a fully documented report and recommendation which shall include but without limitation risk and capability matrix covering all key work or activities agreed to be within the scope and range of the Discovery.

(ii) Hothouse

Definition: *Hothouse*™ is an internal brand for a type of three (3) day event held by BT to launch cycles of solution development. Within the events, small teams compete to build working prototypes of possible solutions to a business problem in the presence of a senior BT personnel. Judging and feedback takes place at the close of each day so that the "right" solutions and approaches are further developed. At

the end of the third day the winning prototype is chosen. The creators of the winning prototype are rewarded with prizes.

(iii) Due Diligence

Definition: Due Diligence is the verification exercise undertaken by the Supplier prior to or during Transition pursuant to the requirements agreed in a Specification.

(iv) Consulting

Definition: Consulting requires the Supplier to provide expert advice in a particular domain or area of Supplier's expertise such as information technology, outsourcing or more esoteric areas of knowledge, for example engineering and scientific specialties broadly in relation to the Services.

- (b) For the avoidance of doubt, neither party shall be obliged to order Services or provide Services on any terms, on completion of Discovery, Due Diligence or Hot Housing activity, unless agreed in writing at a later date by the authorised signatories of the parties through Order.
- (c) The Parties shall, subject to any confidentiality restrictions under which the Parties are bound to each other and to third parties, exchange all necessary information and agree upon their respective responsibilities. BT shall provide all necessary information and arrange for necessary office space, and office equipment for the use of the Suppliers staff for the purposes of this Section.
- (d) For the avoidance of doubt, any Information generated as result of Discovery, Due Diligence, Hot Housing or Consulting activity shall be regarded as New Information (as defined in the Condition headed "Intellectual Property") and BT shall exclusively own all Intellectual Property Rights in it, except to the extent that it consists of the Suppliers confidential or proprietary information or Supplier's Background Information.

7.3 Third Party Software Licences And Hardware

- (a) The Supplier will provide the hardware and software required by, and subject to the terms of, Schedule 1. Where an Order includes a requirement for hardware or software that is not listed in Schedule 1, the Supplier will refer to its Supplier's Hardware/Software Policy in Annex 1 of this Schedule, and if the requirement is listed in neither Schedule 1 nor the Supplier's Hardware/Software Policy, both parties may enter into commercial discussions for the Order. For the avoidance of doubt, the conditions of Schedule 1 take precedence over the conditions of

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the Supplier's Hardware/Software Policy. Any amendments that the Supplier wish to make to their Hardware/Software policy during the Contract Period must be advised in writing to BT and agreed by the BT Security team.

(b) In the event that the Supplier does not have the relevant licences required by, (and subject to the terms of) Schedule 1, the Supplier shall procure the relevant licences with immediate effect to enable them to discharge their obligation during the performance of the Services for BT. All cost sustained in procurement of these licences shall be borne by the Supplier unless otherwise agreed in the Order. All such licences shall have provisions for rights of use that are fit for BT use and are set out within the relevant Order.

8. PAYMENT AND INVOICING

8.1 Submission of Invoices in the UK

BT shall pay invoices in accordance with the Condition headed "Charges, Payment and Invoices" in the Contract.

All payments shall be made in Sterling or in the currency to be advised by BT from time to time.

For the avoidance of doubt, this Section shall not apply to Section 6 above.

(a) UK Charges

The invoices will be raised in arrears (in the final week of the month in which the Services are delivered) for Time and Materials based Services. The invoices for Capped Time and Material and Output Based Work will be raised in arrears in the manner described in the individual Order or upon receipt of written acknowledgment from BT that the Services have been delivered in accordance with the Contract.

(b) Invoice details

Each invoice will contain the following:

- its date;
- the Contract number;
- the Purchase Order reference;
- line reference;
- the relevant BT item code(s) if appropriate;
- the correct Charges;
- the full description of the Services to which the invoice relates (as defined in the Purchase Order);
- Service Credits and Liquidated Damages;

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- the portion of the Services for which payment is due and, if appropriate, the cumulative amount invoiced to date.
- Any discounts or added value models should be separately shown with a clear indication of what the discount is for.

(c) When payment becomes due, the Supplier shall forward invoices to:

BT Accounts Payable Team
PO Box 371
Parkway Business Centre
Manchester
M14 0WE

8.2 Submission of Invoices in any non-UK Territory

(a) Local Service Charges and invoicing address will be agreed on a Territory basis and will be as outlined in the respective Local Services Agreement.

(b) The agreed payment currency and the Incoterm must be specified in relation to any non-UK transaction.

9. APPROVAL AND PAYMENT

For each Charge in an invoice, the following process will apply:

- (a) the Supplier to prepare and submit invoices for the Services delivered in accordance with the Order as appropriate;
- (b) BT to verify invoices received;
- (c) BT payment against correct Supplier invoices;
- (d) Invoices that have not been properly rendered, shall be returned to the Supplier for correction within ten (10) Business Days of receipt, together with an explanation of the need for correction.

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10. TAX

- 10.1 The Charges payable by BT for the Services shall be inclusive of all Tax and other charges associated with the Services, except for UK VAT or similar taxes on sales, which shall be payable where applicable at the prevailing rate on the issue of a valid VAT invoice.
- 10.2 If any payment for Service, product or technology provided by the Supplier is subject to withholding tax, BT shall withhold the required amount from such payment and pay such amount to the relevant Tax Authorities in accordance with the applicable law.
- 10.3 Each Party shall remain liable to pay such taxes that are imposed by any Tax Authority on any property or income or gains from their own respective trading and/or investment activities.
- 10.4 For the avoidance of doubt, the Supplier shall not be entitled to pass on to BT (other than as a part of the agreed charges), any taxes incurred on transactions between and amongst the Supplier, Supplier Affiliates and subcontractors.
- 10.5 BT shall pay in addition to the consideration payable under this Contract, such UK VAT at the appropriate prevailing rate provided that Supplier shall not only itemize such UK VAT separately but also, issues a proper local UK VAT compliant invoice(s) to BT.
- 10.6 If the Supplier provide Services to a BT Affiliate that is resident in a territory other than the United Kingdom under this Contract, then for the purpose of this Section any reference to UK VAT shall be replaced by a reference to domestic VAT or other similar indirect taxes levied in that entity's territory of residence.

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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EXHIBIT A

[*****]

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EXHIBIT B

[*****]

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EXHIBIT B-1

[*****]

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EXHIBIT C

[*****]

Annex 1

Virtusa UK Limited IT Infrastructure Services

Standard System

Virtusa UK Limited (or "Supplier" or "Virtusa") will allocate, at its cost and expense, each full time, billable Virtusa employee or contractor engaged by customer under a written contract (i.e., a work order) one Standard System (as defined below) to perform services under each Work Order. Virtusa retains sole and exclusive ownership in, and to, the Standard System at all times during and after such engagement. The configuration of a "Standard System" is described below.

Standard Hardware for Standard System

Laptop: P4 (or greater) processor with 2 GB RAM and minimum 40 GB HDD

Desktop: P4 (or greater) processor with 2 GB RAM and minimum 40 GB HDD

Standard Software

Business Applications

- Microsoft Office
- Adobe Acrobat Reader
- WinZip
- McAfee VirusScan Enterprise and Anti-Spyware
- Microsoft SMS (Asset Tracking and Patch Management)

Development Tools

- Eclipse
- NetBeans IDE
- TortoiseSVN (Client for Subversion)

Operating System

- Windows XP or Windows 2K professional
- Linux (GNU General Public License)
-

Application Servers

TomCat

Web Servers

Microsoft Internet Information Server

Apache HTTP Server

Additional Systems not covered by this Policy

If Customer requests additional systems (whether hardware or software) not covered and allocated by this Policy, Virtusa and Customer shall mutually agree in writing with respect to the request and as to any additional fees, charges, and additional terms and conditions.

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Supplier shall not remove or amend the above standard policy without the prior written consent of BT subject to the Change Control Process

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SCHEDULE 2 — APPENDIX 1

IT AND NETWORK SERVICES PRICING

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Exhibit A — Output Based Work & Capped Time & Material Template

Exhibit B — Time and Materials Pricing Template

Exhibit C - Time and Material Rate Card

1. PURPOSE OF THIS APPENDIX

- 1.1 This Appendix describes the how the pricing models apply in relation to IT and Network Services and how the Charges will be calculated.
- 1.2 Subject to Section 3.1 of Schedule 2, all quotations from the Supplier shall be predicated on one of the following three pricing models:
- Output Based Work
 - Capped Time and Materials
 - Time and Materials
- 1.3 In order to demonstrate Supplier's compliance with these principles, the Supplier will provide information against the following principles to BT to support their quotation, where applicable.

2 PRICING MODELS

- 2.1 The Supplier should provide a quote on the basis of the pricing model identified by BT, but the Supplier may offer an alternative model for consideration by BT in addition to that requested by BT.
- a) For any Capped Time and Materials and Output Based Work, pricing information must be provided by the Supplier using the cost information matrices in the Work Package Template attached at Schedule 2 Appendix 1 Exhibit A along with any supporting information.
- b) For any Time and Materials based requirements, pricing information must be provided by the Supplier using the pricing template attached at Schedule 2 Appendix 1 Exhibit B along with any supplementary information.
- 2.2 **Output Based Work**
- a) Output Based Work is defined as: A payment process where the Supplier is able to submit invoices for pre-agreed Charges when BT provides written confirmation that pre-agreed criteria have been achieved.
- b) Any items or services not included in the Output Based Work Charge must be clearly identified, and pricing information detailed separately.
- c) The Supplier shall provide sufficient data with each Output Based Work proposal for benchmarking purposes, to demonstrate adherence to the generic pricing principles outlined in this Schedule 2. Such data shall include:
- i. total number of days effort;
-

- ii. resource profile (in terms of numbers and roles mapped to SFIA);
 - iii. risk/contingency assumptions included within the total number of days effort;
 - iv. offshore:onsshore ratio of resource.
- d) Output Based Work will be measured in one of two ways:
 - i. For platform programmes — The demonstration by the Supplier of creation and use of re-usable capabilities, or components thereof
 - ii. For BT customer experience programmes:
 - Cycle Time, defined as how long the BT customer experience takes from initial customer contact to final customer contact
 - Right First Time, defined as how often the BT customer receives an experience that is on time and error free.
- e) The Supplier's successful achievement of Cycle Time and Right First Time outputs will be measured through the Supplier's compliance of Post Implementation Review measures, which measures to be agreed between the parties prior to placing an Order.
- f) Subject to the Condition headed "Service Levels and Service Credits" If the agreed dates are not achieved, BT shall have the right to claim Service Credits as specified in the relevant Order.
- g) For Output Based Work which entails repeat service provision:
 - i. Output Based Work shall be subject to payment quarterly in arrears.
 - ii. The Supplier's right to submit an invoice for a minimum of 20% of each quarterly payment will be subject to the achievement of Post Implementation Review measures.
 - iii. The Supplier's right to submit an invoice for the balance of each quarterly payment will be subject to the achievement of agreed deliverable measures.

2.5 TIME AND MATERIALS BASED PRICING

- a. BT may occasionally request that the Supplier provide resources on a Time and Materials basis under an Order.
- b. For Time and Materials based pricing the Supplier's quotation shall refer to the Time and Materials Rate Card at Exhibit C below which is mapped to the SFIA matrix in terms of category, sub-category, skill

- and level. Any agreed additional roles to the Time and Materials Rate Card shall be added in the same format.
- c. For individual Time and Materials based quotations for Orders identified by BT, the Supplier shall provide:
 - i. a maximum price for complete performance of the Services;
 - ii. price build information to enable maximum price calculations for any individual Order; such information shall include the resource profile and cost for the Work, estimated business expenses, infrastructure charges (if applicable) and any specific chargeable items not included elsewhere;
 - iii. pricing information in a standard Time and Materials pricing template provided by BT;
 - iv. pricing that ensures the overall engagement conforms to [***] principles i.e. Charges for the Services shall be based on an assumption that [***] of the Supplier's overall engagement under the Contract, by resource numbers, shall be performed offshore ("[***] principles");
 - v. a statement of the level of risk and flexibility, in percentage terms, that has been built into the maximum price for the Services.

- d. T&M based Work shall be charged only for the number of Person-days of Effort used in performance of the Work up to the maximum agreed Person-days of Effort for the Work Package. BT shall pay no more for the Work than the Capped Price estimated by the Supplier. Any change to the Capped Price for the Work shall be subject to review and prior authorisation by BT's Commercial Contact via change control.
 - e. All T&M rates to be exclusive of VAT and Business Travel and Expenses, but inclusive of:
 - i. Normal business equipment (e.g. mobile phones, lap-top PCs, stationery) for offshore based working. For onshore working on BT site, BT shall provide PCs and fixed network telephone, but all other business equipment shall be included in the rate;
 - ii. All day rates shall be based on the principle of a professional working day, assuming a normal [**] hour working day;
 - iii. Overtime may be paid as follows: the first 8 hours of overtime worked in a week will not be charged for, but the time may be taken in lieu at a later stage. Any hours worked over the 8 hour period in a week may be charged for as the hourly ratio of the T&M day rate.
-

- iv. For the avoidance of doubt, Business Travel and Expenses does not include travel to and from the normal place of work;
 - v. All Business Travel and Expenses shall be calculated in accordance with BT Policy for BT Business Travel and Expenses attached at Appendix 3 of this Schedule 2.
 - vi. Return (i.e. round-trip) airfares chargeable to BT shall be charged and capped at [*****]. Notwithstanding the above if at BT's request there is more than one return (round-trip) trip per role during the course of the Work Package, the Supplier may charge BT, up to the maximum value of [***], the airfare for the second and subsequent return trips. BT shall not be liable for multiple return visits per role at the Supplier's or individual's instigation.
 - vii. Supplier Personnel engaged in onshore assignments shall be charged at onshore rates, and unless otherwise agreed in the applicable Order must form part of the Supplier's onshore allowance under the [***] principles (ie must be included within the [***] of work which the Supplier may perform onshore)
 - viii. Supplier Personnel engaged in offshore assignments will be charged at offshore rates, and unless otherwise agreed in the applicable Order must form part of the Supplier's onshore allowance under the [***] principles (ie must be included within the [***] of work which the Supplier may perform onshore).
 - ix. If Supplier seeks an exception to the principles set out in (vii) and (viii) above, it must seek approval from BT. Both BT and the Supplier must agree the impact of such an exception before any changes are made to the Order for that assignment
 - x. Unless otherwise agreed with BT, the Supplier shall be responsible for booking and/or arranging the required air travel and procuring the associated visa or work permit per person per Work Package, subject to section vi above.
 - xi. The Supplier should clearly demonstrate how BT will benefit from any additional efficiency which is to be achieved, such as any economies of scale benefits that can be accrued from increase in volume of Work and resource provided, or revised scope of work
 - xii. Any T&M engagement is based on the team profile agreed with the BT Project Manager at the commencement of the Work. Unless the resource team had resource nominated as Key Personnel, the Supplier shall be responsible for maintaining the agreed team profile without increased cost to BT for the duration of the Work irrespective of any grade increase of the individuals providing the Work. In the event of renewal of the Work Package, no increase in grade of the roles within the team profile shall be permitted without prior agreement of the BT Project Manager.
-

2.6 Capped Time and Materials

- a) Capped Time and Materials is defined as a payment process for time and materials engagements where the Orders specifies deliverables as well as a full breakdown of the resource that the Supplier has calculated is necessary to achieve the deliverables. The Supplier may submit invoices to BT for resources actually used to achieve the deliverables until the maximum order value is reached. Thereafter the Supplier must achieve the deliverables at no further cost to BT.
- b) Unless agreed otherwise the terms of Section 2.5 shall apply
- c) Where the Supplier provides a Capped Time and Materials quotation for an Order, the following shall apply:
 - i. For multi-year Capped Time and Materials engagements for support and maintenance or managed services, payments shall be made monthly, quarterly, bi-annually or annually in arrears;
 - ii. For other Capped Time and Materials engagements, payments shall be made in arrears against agreed deliverables.
- d) Any items or services not included in the Capped Time and Materials Charge must be clearly identified, and pricing information detailed separately.
- e) The Supplier shall provide sufficient data with each Capped Time and Materials proposal for benchmarking purposes, to demonstrate adherence to the generic pricing principles outlined in this Schedule 2. Such data shall include:
 - i. total number of days effort
 - ii. resource profile (in terms of numbers and roles mapped to SFIA)
 - iii. risk/contingency assumptions included within the total number of days effort
 - iv. offshore:onsshore ratio of resource

2.7 Fixed Price Work Charges

Where the Supplier provides a Fixed Price ("FP") quotation for a Work Package, the following shall apply (unless otherwise specified in writing):

- a) For multi-year FP engagements, payments shall be made monthly in arrears;
 - b) For short-term FP engagements, payments shall be made in arrears against agreed deliverables;
-

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c) All prices are to be fixed in Pounds sterling.

d) Where the FP proposal covers a multi-year engagement, (unless otherwise specified in writing) each price shall be detailed as shown in Fig. 1 below:

Fig.1

FP	Q1	Q2	Q3	Q4	TOTAL P.A.
YEAR 1	£	£	£	£	£
YEAR 2	£	£	£	£	£
YEAR 3	£	£	£	£	£
TOTAL					

e) Any items or services not included in the Fixed Price must be clearly identified, and pricing information detailed separately.

f) The Supplier shall provide sufficient data with each FP proposal for benchmarking purposes, to demonstrate adherence to the pricing principles in the Contact. Such information shall include:

- i. Total effort (in number of Person-days of Effort)
- ii. Resource profile of team (in terms of numbers and roles)
- iii. Risk/contingency assumptions included within the total number of days effort
- iv. Offshore:onshore ratio of resource
- v. Project Plan, Milestones, quality gates and Acceptance Criteria
- vi. A price breakdown including the following as applicable:
 - Resource element
 - Non-resource element
 - Infrastructure element
 - Risk margin
 - Other elements

3. VALUE FOR MONEY

- a) For each proposal presented, the Supplier shall demonstrate the value of its offer to BT.
-

- b) For Capped Time and Materials and Output Based Work, BT may assess the value of the Supplier's offer by benchmarking the Supplier's quotation to a comparable Time and Material based price, assuming [***] principles and using the Time and Materials Rate Card, with an expectation that Capped Time and Materials and Output Based Work will be price beneficial to BT. The Supplier will cooperate with BT in providing sufficient information for BT to assess the value of the Supplier's offer.
- c) The rates shown in the Time and Materials Rate Card shall be used for evaluation of any Change proposal for Capped Time and Material or Output Based Work which has cost implications.

4. AGILE WORKING

- 4.1 All projects completed for BT must be in alignment with Agile Development Techniques as described in the Agile Cookbook at Exhibit A of Schedule 1 Appendix 1.
- 4.2 The Supplier will provide at no cost to BT , suitably qualified and experienced staff to attend Hothouses as deemed necessary by BT
- 4.3 Hothouse is defined as a three (3) day requirement capture and resolution event at the start of a ninety (90) day software development cycle as defined in the Agile Cookbook at Exhibit A of Schedule 1 Appendix 1
- 4.4 For BT software developments unless specifically agreed by BT in advance, all development will be carried out using Software Development Kits (SDK's) configuring re-usable components provided by BT

5. SUPPLIER CONTRACT PERSONNEL

- 5.1 Where requested by BT the Supplier will co-locate agreed Supplier's Contract Personnel with BT employees to maximise effectiveness of programme delivery.
 - 5.2 All non key on-shore staff will be rotated on-shore/off-shore after a maximum of three(3) ninety (90) day cycles.
 - 5.3 The Supplier will maintain evidence of training certification and experience of all Supplier who are employees being deployed. Such information are provided to BT on request.
-

EXHIBIT A

Capped Time and Materials and Output Based Work Template

WORK PACKAGE TEMPLATE

Summary: This template should be used where BT requires the services of the Supplier on Capped Time and Material basis (where services are provided for a fixed price) or Output Based Work basis (where services are provided on a unit price basis).

SUPPLIER QUOTATION REFERENCE: [XXX]

WORK PACKAGE REFERENCE: [to be provided by the BT P&SC Commercial Contact]

[Please insert Project Title] (the "Project")

This Work Package has been entered into pursuant to Contract No. [] (the "Contract") and shall take effect on the Effective Date.

Signed for and on behalf of [Supplier]:

Signature _____

Name _____

Position _____

Signed for and on behalf of British Telecommunications plc by:

Signature _____

Name _____

Position _____

1. DEFINITIONS

[Insert here any additional activity specific definitions used for the purposes of the Work Package. Standard definitions set out in the Contract shall continue to apply]

Unless otherwise specified below, capitalised terms not otherwise defined in this Work Package have the meanings ascribed to such terms in the Contract.

"Effective Date" means the date on which the Supplier acknowledges receipt of a Purchase Order from BT in respect of this Work Package.

2. PROJECT BACKGROUND

The project involves *[short description]*, for the period [] to [], as such period may be extended by written agreement of the Parties (the "Term").

The provisions of the Contract (including but not limited to the additional terms set out in Section 2 of Schedule 7 (Transition and Transformation & Exit Plan) are expressly agreed to have been incorporated into and apply to this Work Package as varied and/or supplemented as set out below.

In the event that there is a conflict between the terms and conditions contained in this Work Package and the terms and conditions contained in the Contract, the terms and conditions in this Work Package shall prevail in relation to this Work Package.

[Provide a brief overview of the Project. This enables someone unfamiliar with the engagement to understand the context]

3. DESCRIPTION AND SCOPE OF SERVICES

3.1 To be completed by BT [refer to Statement of Requirements document if provided separately]

[Provide here full details of the Services (as that term is defined in the Contract) to be performed by the Supplier. The Services must be described in enough detail so that someone unfamiliar with the Project could understand what both parties' obligations are.]

3.1.1 Hours of Service *[to be completed by BT]*

[Identify the Hours of Service including any week-end or Bank Holiday requirements (Indian and UK).]

3.1.2 Shift Patterns *[to be completed by BT]*

[Shift patterns to be detailed as appropriate and should include a high level call profile flowchart as appropriate.]

3.2 *[To be completed by the Supplier as part of their response.]*

3.2.1 Supplier Background Information and Methodology

[The Supplier must set out details of the Supplier's Background Information and Methodology that the Supplier believes it will utilise during the performance of the Services (and production of the Services/Deliverables) under this Work Package. In the event that the Supplier becomes aware, during the course of the Work Package, that additional pieces of Supplier's Background Information will be used in the provision of the Services/Deliverables the Supplier must draw these to BT's attention upon delivery of the Deliverables in question].

3.2.2 Transfer of Data

[Insert applicable wording if this information is required for the quote, otherwise please state "Not Applicable for this Work Package"]

[If this Work Package is likely to include Services that result in cross-border data flows please contact Group Legal Procurement Team or Data Protection Specialist for guidance.]

In the event that the Services include cross-border data flows. Please note that:

- (i) The Supplier must advise BT's Commercial Contact in writing, in advance, of the manner by which the Supplier intends to store or process BT Personal Data (Condition);
- (ii) This is particularly important if any of the BT Personal Data is to be exported outside the European Economic Area (Condition), as defined in the Contract. [Supplier] must notify BT in advance, in the relevant Work Package, of [Suppliers] intention to export BT Personal Data outside the European Economic Area;
- (iii) BT must give its prior written consent to the exportation of BT Personal Data (i.e. any BT data, not just sensitive personal data) outside the European Economic Area (Condition). Such consent must be confirmed in writing by BT prior to commencement of any Services.

IMPORTANT NOTE:

Please note that in the event of cross-border data flows the parties shall need to sign up to and agree to be bound by the EU Model Clauses at Schedule 5 (Data Protection Requirements) to the Contract.

4. DELIVERABLES / SLA AND TRAINING IN DELIVERABLES

4.1 Supplier Deliverables / SLA *[To be completed by BT]*

[Provide full details of the Services (as that term is defined in the Contract) (if any) and Software (as that term is defined in the Contract) (if any) to be delivered by the Supplier as part of the Services. If there are no deliverables please state "No Deliverables/ Software will be provided by the Supplier under this Work Package". It should be specified in the Work Package whether the Supplier is primarily responsible for a Deliverable and where BT is primarily responsible, e.g. where the Supplier's role has been to "assist" or "support" BT.]

[If training in the Deliverable(s) is to be performed by the Supplier as part of the Services, then detail it here. If not applicable put "No training in the Deliverables will be supplied by the Supplier under this Work Package."]

[Each individual deliverable expected as a result of the work to be carried out should be defined, along with the expected due date and what percentage of the overall work (and consequently payment) it represents. The percentage weighting should be expressed in the most applicable way and does not have to be based purely on the volume of work compared to other deliverables in the quote — e.g. Criticality, Complexity, Cost, etc. can all be a factor in determining the weighting].

[For each deliverable, the measurement criteria that will be used to determine a successful delivery should also be defined along with the nominated person within BT who will sign it off].

For both situations above, example tables have been defined below:

Deliverable & Measurement	Weighting	Due Date
<Definition of Deliverable 1>	X%	dd/mm/yy

- Measurement A
- Measurement B
- Measurement C
- Measurement D
- **Named Person for BT Sign-Off**

<Definition of Deliverable 2>

Y%

dd/mm/yy

- Measurement A
- Measurement B
- **Named Person for BT Sign-Off**

<Definition of Deliverable 3>

Z%

dd/mm/yy

- Measurement A
- **Named Person for BT Sign-Off**

4.2 Maintenance and Support *[to be completed by BT]*

[If maintenance and support of Deliverables is to be performed by the Supplier as part of the Services then detail here, if not applicable then put "No maintenance or Support for Deliverables created under this Work Package is to be provided by the Supplier under this Work Package."]

[Where this quote is for support of a system/application the relevant SLA should be listed/defined along with the proposed monthly/quarterly remedies for failure against the SLA].

Priority	Restoration % target for xxxxxxxx line support
P1	X% within A Hours Y% within B Hours Z% within C Hours
P2	X% within A Hours Y% within B Working days Z% within C Working days
P3 & P4	X% within A Working Hours Y% within B Working days Z% within C Working days

The BT person responsible for the monthly sign-off of this SLA is: xxxxxxxxxxxxxxxx.

4.3 BT Deliverables *[to be completed by the Supplier]*

[Provide full details of the deliverables (if any) and software (if any) to be delivered by BT as part of the Services that the Supplier's Services are dependent upon. Also include details of BT and/or third party deliverables and software in Section 15 (BT Obligations).]

5. BT PROVIDED ITEMS *[to be completed by BT]*

[Please insert details of any Equipment (as such term is defined in the Contract) that the Supplier is receiving from BT (including BT Supplied Items), documentation e.g. process documents, customer data, scripts etc.]

[Please also insert details of any third party software that the Supplier is receiving from BT.]

[In addition please include details of any Work Package specific training that BT will provide the Supplier including duration, people numbers etc.]

6. SUPPLIER PROVIDED ITEMS *[to be completed by the Supplier]*

[Insert details of any Equipment (as defined in the Contract) that BT is receiving from the Supplier such as process documentation, customer data, scripts etc.]

7. BT SYSTEMS *[to be completed by the Supplier]*

[You will need to ensure that BT has adequate LEAD TIME for it to provide all necessary Authorisation and related written consents regarding connection to BT Systems, prior to Project commencement. This is likely to take at least a week. Check with BT Project Manager on the security procedure to be followed to obtain Authorisation and continue to have Access. Include the BT Security Contact in these discussions.]

The Supplier must at all times comply with the BT Security Policy in force at the time of the Work Package. BT must promptly supply this to the Supplier. The Supplier may decline to proceed with a Project if compliance with the BT Security Policy is, in the Supplier's opinion, not practical or feasible.

(Please note that the BT Security Policy may require the parties to execute an Interconnect Agreement prior to connecting to BT Systems.)

The Supplier must obtain prior written consent from the BT Security Contact prior to connecting any equipment not supplied by BT to any BT LAN port, e.g. when connecting Supplier laptops to a BT LAN port.

The Supplier must NOT commence work until Authorisation is granted. If you have any queries regarding the process to be followed to obtain Authorisation please contact the Group Legal Procurement Team.

Include in the Work Package a full list of BT Systems that will be used by Contract Personnel (ie [Supplier] personnel and subcontractors) during the Project. Please note that this must include ANY connection to BT Systems, for example in order to print or receive e-mail. If you are unclear about what should be included in the list of BT Systems please raise this with the BT Security Contact and obtain advice in writing.

8. NETWORK AND IT REQUIREMENTS *[to be completed by BT]*

[Include any IT requirements including any bandwidth requirements and specific disaster recovery requirements]

9. RESPONSIBILITIES AND DEPENDENCIES *[to be completed by both parties]*

[Specify any particular obligations on BT's and Supplier's part i.e. what the Supplier is dependent upon. Include details of BT and/or third party deliverables and software.]

Owner	Responsibility or Dependency?	Description
BT	Responsibility	
Supplier	Responsibility	
BT	Dependency	
Supplier	Dependency	

10. TIMETABLE *[to be completed by BT and agreed with the Supplier]*

[If the Services are to be provided within a mutually agreed time then detail the timetable for the performance of the Services (and, if applicable, dates for delivery of Deliverables). There should be a start date and there may or may not be a target completion date. Where appropriate a formal project plan should be developed with the Supplier and appropriate remedies agreed for failure to meet agreed time-scales.]

11. RISKS AND MITIGATION *[to be completed by Supplier and agreed by BT]*

[This section should populate the table below with both BT and Supplier risks and their associated mitigations][List all descriptions and conditions which may have a material impact upon the Supplier's ability to meet its obligations.]

Owner	Risk	Probability	Severity	Mitigation
BT	Example 1	H/M/L	H/M/L	Example 1
Supplier	Example 2			Example 2
BT	Example 3			Example 3
Supplier	Example 4			Example 4

12. OUT OF SCOPE ITEMS

[List here anything that is not covered by the work package which could otherwise be interpreted as included by default. Some examples are given for reference]:

- Procuring new hardware
- Refurbishing of existing hardware
- Physical deployment of hardware
- Hardware support for the live/ development/ test boxes or user desktop
- Liaising with the hardware vendors for any procurement/ refurbishing requirements.
- Monitoring s/w installations and set up
- VVT & Integration testing
- Providing a call desk to receive calls from the users i.e. provide Helpdesk/1st line support to users
- Providing user training
- Preparing or updating training documentation
- Production and non-production environment database administration
- Production and non-production environment Unix administration
- Detailed feasibility reports for RFC
- Changes in the system due to approved RFC
- System performance enhancement

13. CHANGECONTROL

[Unless a different method of Change Control Procedure is required this section can be left unchanged].

Any changes to the requirements or scope of the projects during the project will be managed according to the Change Control Procedure outlined in the Contract. A brief summary of the process is as follows:

- The additional scope will be analysed for impact on all aspects of the work including but not limited to cost, time, resource requirements, implementation issues and quality aspects.
- The Supplier will submit a change analysis to BT for approval. This analysis will be submitted as an email to avoid any unnecessary delays.

- The email will contain details of the change in terms of timelines, commercials, queries, issues, request for additional information or infrastructure etc.
- BT and the Supplier will then jointly review the impact analysis and decide on the appropriate action.
- If BT approves the change, then it will send an approval email back. The Supplier will implement the change only if BT authorises it. Untimely approval by BT may impact project timescales.
- The Supplier will reflect the change in the relevant documents and code.
- The Supplier will also agree on any commercial impacts the change will have and amend the commercial part of this proposal accordingly.

14. SITE *[to be completed by BT]*

Services relating to this work package shall be carried out at the following site(s):

[BT or Supplier to insert details of where the Supplier will perform the Services and if applicable deliver any Deliverables].

[This may be left blank for the Supplier to present its recommendations but must be completed prior to final agreement and placement of the Work Package].

15. COMMERCIALS

All pricing information to be presented in line with the Contract pricing schedule, unless otherwise agreed with the P&SC Commercial Contact.

15.1 CAPPED TIME AND MATERIAL OR OUTPUT BASED WORK

[The following paragraph to be amended dependent upon whether Capped Time and Material or Output Based Work based work package].

This quote is provided on a Capped Time and Material, Output Based Work or Time and Material Rate contract basis under the Contract. The pricing offered is based on the requirements and deliverables shown above — any change to the requirements will be managed under the change control procedure and may result in a change to the price of the work. This quotation supersedes any previous written or verbal quotation and is valid for 30 days from the date of this proposal.

[Pricing should be described using the table below:]

TOTAL PRICE		£nnn,nnn	100%
Start Date	dd/mm/yy		
End Date	dd/mm/yy		
Resource Price	£nnn,nnn		x% (of total price)
Total Effort — Person Days	nnnn		
Headcount	nn FTE		
Resource Profile- description	Include a brief description of the types of resources being utilised (e.g. experienced Java developers 4+ years experience)		
Resource Profile — roles and numbers	<Insert SFIA Role>		<insert number used>
	<Insert SFIA Role>		<insert number used>
Indicative Onshore:Offshore ratio	10:90 <change as required>		

Non- resource price	£nnn,nnn	x% (of total price)
Hardware/Software	£nnn,nnn	x% (of total price)
Other items (Travel within UK)	£nnn,nnn	x% (of total price)
Other items (Return Airfare from India)	£nnn,nnn	x% (of total price)
Contingency	£nnn,nnn	x% (of total price)
Transition Costs	£nnn,nnn	x% (of total price)

Pricing for Quarter	£nnn,nnn	Per quarter
Pricing for year	£nnn,nnn	Per annum

[The following paragraphs should not be changed but one or other should be deleted depending on if the quote is for deliverables or a support service.]

For deliverables:

The Supplier will raise invoices for this project against each deliverable described in section 5 upon receipt of written acknowledgment by BT that the agreed criteria has been achieved. Payment of each invoice will be actioned by BT **ONLY** when the BT person nominated to sign-off that deliverable has deemed it to be successful according to the measurement criteria specified. The invoice amount to be raised will be the specified percentage of the total price as defined against each deliverable. The invoice amounts are specified below against each deliverable described in section 4:

Deliverable	Due Date	Percentage	Amount
Deliverable 1	dd/mm/yy	X%	£nnn,nnn
Deliverable 2	dd/mm/yy	Y%	£nnn,nnn
Deliverable 3	dd/mm/yy	Z%	£nnn,nnn

If a delivery is not successfully met according to the date it was due and the measurements defined for its acceptance, remedies will become due as per the following criteria:

- An unsuccessful delivery will attract an instant reduction in invoice-able payment of X%
- For each week that a delivery remains unsuccessful a further reduction of Y% is applicable, capped at Z%

For SLA:

The Supplier will raise monthly invoices for this project. Payment of each invoice will be actioned by BT **ONLY** when the BT person nominated to sign-off the monthly SLA has judged it to be successful or otherwise according to the SLA measurements specified in section 4 and the available performance data for that month. The invoice amount to be raised will be the relevant monthly percentage of the total price minus any percentage due to be discounted for that month due to failure of the SLA as specified below. In the event that a monthly invoice has already been raised before a required discount has been applied then that discount will carry over to the next month.

Priority	Restoration % target for second line support	% Performance variance from agreed target at which remedies become payable	% Remedy against monthly total invoice value of contract
P1	X% within A Hours	>XX%	-AA%
	Y% within B Hours	(Worst Performance)	
	Z% within C Hours	>YY%	-BB%
P2	X% within A Hours	>XX%	-AA%
	Y% within B Working days	(Worst Performance)	

	Z% within C Working days	>YY%	-BB%
P3 & P4	X% within A Working Hours	>XX%	-AA%
	Y% within B Working days	(Worst Performance)	
	Z% within C Working days	>YY%	-BB%

15.2 TIMETABLE *[to be completed by BT and agreed with the Supplier]*

[If the Services are to be provided within a mutually agreed time then detail the timetable for the performance of the Services (and, if applicable, dates for delivery of Deliverables). There should be a start date and there may or may not be a target completion date. Where appropriate a formal project plan should be developed with the Supplier and appropriate remedies agreed for failure to meet agreed time-scales.]

16. ACCEPTANCE *[to be completed by BT]*

[Acceptance procedures should be inserted, and the process the parties will undertake to determine whether the criteria have been met if they have been agreed in advance of work commencing under the Work Package.

[Acceptance criteria and procedures need to be specified where the Supplier will receive deliverables from third parties and/or BT.]

17. PERSONNEL *[to be completed by BT]*

17.1 Skill Set Requirements

[BT should identify the specific skills required to perform the Services including any formal qualifications and / or accreditation requirements.]

17.2 Key Personnel

The Personnel identified below are key to the Services required and are classified as Key Personnel (to be agreed between the Parties) as described in the Contract.

- BT Key Personnel
- *[List]*
- Supplier Key Personnel
- *[List]*

17.3 Contact Details

BT's Commercial Contact will be []

BT's Programme Lead/point of escalation will be [] (if applicable)

BT Project Manager will be []

BT's Security Contact will be []

The Supplier's Work Package Contact will be []

The Supplier's Programme Lead/point of escalation will be [] (if applicable)

18. REPORTING *[to be completed by BT]*

[Detail here the specific reporting requirements e.g. timescales, deliverables, SLA/KPI's etc., and the frequency at which the Work Package representatives are to meet including any project management arrangements.]

19. QUALITY STANDARDS & ASSURANCE, AND CODES OF PRACTICE *[to be completed by BT]*

[BT to include any Work Package specific quality standards, codes of practice etc.]

20. TERMINATION

20.1 Without prejudice to BT's rights of termination pursuant to Clause 30 of the Contract, BT shall have a right to terminate this Work Package if the Supplier fails to achieve any [insert number] of the Service Levels (as defined in Appendix []) in any [] month period or any Deliverable in a period of [] following the due date for such deliverable.

21. ADDITIONAL *[to be completed by BT]*

[Please insert here any additional points that are not covered above including any additional variations to the Contract.]

[Additional contractual points that need to be addressed depending on the nature of the Services are Escrow, Volume Discounts, Documentation and setting out clearly Intellectual Property to be generated under this Work Package.]

EXHIBIT B

Time and Materials based Work Template



Workpackage_template_v1.xlsm

EXHIBIT C

Time and Materials Rate card

[*****]

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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SCHEDULE 2 APPENDIX 2

BUSINESS PROCESS OUTSOURCING PRICING PRINCIPLES

TABLE OF CONTENTS

- 1. PURPOSE OF THIS APPENDIX**
- 2. BPO PRICING MODELS**
- 3. KNOWLEDGE TRANSFER ACTIVITY**
- 4. BT PROCESS TRAINING**
- 5. BPO RATE CARD**
- 6. PRICE INCLUSIONS**
- 7. PRICE EXCLUSIONS**

EXHIBITS

EXHIBIT A — BPO TIME & MATERIALS RATE CARD

EXHIBIT B — BPO WORK PACKAGE TEMPLATE

1. PURPOSE OF THIS APPENDIX

- 1.1 This Appendix details the key commercial principles relating to all BPO Services provided by the Supplier to BT.
- 1.2 The Supplier shall provide BT with quotations based on the Charges and commercial terms contained within Schedule 2 and this Appendix.

2. BPO PRICING MODELS

- 2.1 Pursuant to Section 3 of Schedule 2 the following pricing models may be requested by BT for BPO Services during the Contract Period.
- 2.2 The Supplier should provide a quote on the basis of the pricing model identified by BT within the Specification, but may offer an alternative model for consideration by BT in addition to that requested by BT.

2.3 T&M Pricing

- 2.3.1 All T&M based quotes shall detail the following:
- Details of the Contract Personnel profiles required under the Specification
 - Hourly rates for each Contract Personnel profile
 - A detailed transition plan for transition of the Services from BT to the Supplier. The transition plan shall include but not be limited to due recruitment plan, due diligence activity, knowledge transfer, BT specific process training, parallel running
 - All costs associated with the proposed transition plan
 - Proposed delivery location for the Services
 - All infrastructure charges (if applicable) and any specific chargeable items not included elsewhere.
- 2.3.2 All T&M based quotes shall be submitted to BT in the BPO Work Package template where provided by BT.
- 2.3.3 For T&M based Services BT shall only be charged for the number of man hours of effort used in performance of the Services.

2.4 Output Based Work and Capped Time and Material

- 2.4.1 BT reserves the right to introduce Output Based Work or Capped Time and Material for BPO Services where appropriate.

- 2.4.2 The pricing mechanics of Output Based Work or Capped Time and Material shall be agreed between BT and the Supplier in the Order.

3. KNOWLEDGE TRANSFER ACTIVITY

- 3.1 The Supplier shall provide the necessary skilled resource to undertake knowledge transfer activity. The scope, location, duration, number and experience of Contract Personnel required undertaking knowledge transfer activity shall be agreed in the individual Order.
- 3.2 The following Charges shall apply where the Supplier is required to travel to the UK to undertake knowledge transfer activity:

Flights: A fixed charge of [***] per person per return flight shall apply.

Travel & Living Expenses: A per diem rate of [***] per Contract Personnel per calendar day.

- 3.3 All intra-country and inter-country travel required as part of knowledge transfer shall be charged back to BT at actuals in accordance with BT's Travel and Expenses Policy at Appendix 3 of Schedule 2.

4. BT PROCESS TRAINING

4.1 India Based BT Process Training

- 4.1.1 The BPO Time and Materials Rate Card is inclusive of four (4) weeks BT process training for all Contract Personnel required to deliver the Services by the Supplier in India.
- 4.1.2 If BT process training in India continues beyond four (4) weeks the Supplier shall charge BT the applicable BPO hourly rate in set out in Time and Materials Rate Card.

4.2 UK Based BT Process Training

- 4.2.1 Where UK based BT process training is required the per diem costs detailed below shall be charged for the duration:

Flights: A fixed charge of [***] per person per return flight shall apply.

Travel & Living Expenses: A per diem rate of [***] per person per calendar day.

4.3 Attrition

Any BT process training costs incurred through attrition of Contract Personnel shall be met by the Supplier.

5. BPO RATE CARD

- 5.1 The rates outlined in Time and Materials Rate Card shall be used by the Supplier for all BPO activity sourced from within India.
- 5.2 All rates in Time and Materials Rate Card apply to 24x7x365 working.
- 5.3 Charges shall be based on the BPO skill set and the shift utilisation required under each Specification. Shift utilisation will be calculated and agreed within each Order and shall be calculated as follows:

Total number of people in an individual process or a range of processes where the same seat station is utilised by a BT line of business divided by total seats used for the individual process or a range of processes where the same seat station is utilised by the line of business. The rate equivalent to the calculated utilisation will then apply.

For Example: 200 Contract Personnel have used 100 seats in delivering the Services. Seat Utilisation is therefore 200 divided by 100 equalling a seat utilisation of 2.

- 5.4 The Time and Materials Rate Card are based on a "per logged-on hour", and represent the maximum price BT would pay during the Contract Period and are inclusive of all indexation and foreign exchange fluctuations.

6. PRICE INCLUSIONS

6.1 The Time and Materials Rate Card above are inclusive of the following:

6.2 Personnel

Fixed and variable compensation which includes direct salary costs and indirect costs such as insurance, transportation to and from the Suppliers BPO facilities, onsite medical personnel, cafeteria facilities, training bays.

Cost of providing support resources such as:

- a. HR — recruitment, employee relations
- b. Administration and logistics including facilities management
- c. 24x7 Shared technology infrastructure and applications support staff
- d. Training resources for generic and offshore training
- e. Shared quality and audit.

6.3 Facility Infrastructure costs

- a. Enclosed office space for operations

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- b. Fully secure work environment with CC TVs, access control, emergency door release, and magnetic door sensor
- c. 24x7 onsite security
- d. Full power back up
- e. Furniture & fixture, electricals, fitting and lighting, air conditioner, carpets, blinds, fire protection / CO2 flooding / extinguishers

7. PRICE EXCLUSIONS

7.1 The following Services are not included with the Suppliers Time and Materials Rate Card and shall be charged back to BT at cost.

- BT process specific software licenses and hardware costs. The Supplier shall support the standard MS office products. Products such as MS Visio, MS access and other BT specific software will not be supported. Similarly if any servers need to be installed in the Suppliers centres these will also be considered separately.
- Telecom costs from the Suppliers POP (Point Of Presence) in the UK to the BT data centers.
- For UK calls, local PSTN call charges on outbound calling would be charged at actuals.
- All non UK calls shall be charged to BT. Itemized bills for all such calls shall be provided to BT on request.

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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EXHIBIT A

BPO TIME & MATERIAL RATE CARD

Skill Set Experience	Shift Utilisation	Shift Duration	Back Office Data/ Non Voice	Front Office Voice
1.0 — 1.25		8 — 10 hours		
1.25 — 1.5		10 — 12 hours		
1.5 - 1.75		12 — 14 hours		
1.75 - 2.0		14 — 16 hours		
2.0 — 2.5		16 — 20 hours		
2.5 +		20 hours plus		

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EXHIBIT B

BPO WORK PACKAGE TEMPLATE

WORK PACKAGE TEMPLATE

Summary: This template should be used where BT requires the services of the Supplier on Capped Time and Material basis (where services are provided for a fixed price) or Output Based Work basis (where services are provided on a unit price basis) or Time and Material (where services are provided according to Time and Material Rate Card).

SUPPLIER QUOTATION REFERENCE: [XXX]

WORK PACKAGE REFERENCE: [to be provided by the BT P&SC Commercial Contact]

[Please insert Project Title] (the "Project")

This Work Package has been entered into pursuant to Contract No. [] (the "Contract") and shall take effect on the Effective Date.

Signed for and on behalf of [Supplier]:

Signature _____

Name _____

Position _____

Signed for and on behalf of British Telecommunications plc by:

Signature _____

Name _____

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Position _____

1. DEFINITIONS

[Insert here any additional activity specific definitions used for the purposes of the Work Package. Standard definitions set out in the Contract shall continue to apply]

Unless otherwise specified below, capitalised terms not otherwise defined in this BPO Work Package have the meanings ascribed to such terms in the Contract.

"Effective Date" means the date on which the Supplier acknowledges receipt of a Purchase Order from BT in respect of this Work Package.

2. PROJECT BACKGROUND

The project involves *[short description]*, for the period [] to [], as such period may be extended by written agreement of the Parties (the "Term").

The provisions of the Contract (including but not limited to the additional terms set out in Section 2 of Schedule 7 (Transition and Transformation & Exit Plan) are expressly agreed to have been incorporated into and apply to this Work Package as varied and/or supplemented as set out below.

In the event that there is a conflict between the terms and conditions contained in this Work Package and the terms and conditions contained in the Contract, the terms and conditions in this Work Package shall prevail in relation to this Work Package.

[Provide a brief overview of the Project. This enables someone unfamiliar with the engagement to understand the context]

3. DESCRIPTION AND SCOPE OF SERVICES

3.1 To be completed by BT [refer to Statement of Requirements document if provided separately]

[Provide here full details of the Services (as that term is defined in the Contract) to be performed by the Supplier. The Services must be described in enough detail so that someone unfamiliar with the Project could understand what both parties' obligations are.]

3.1.1 Hours of Service *[to be completed by BT]*

[Identify the Hours of Service including any week-end or Bank Holiday requirements (Indian and UK).]

3.1.2 Shift Patterns *[to be completed by BT]*

[Shift patterns to be detailed as appropriate and should include a high level call profile flowchart as appropriate.]

3.2 [To be completed by the Supplier as part of their response.]

3.2.1 Supplier Background Information and Methodology

[The Supplier must set out details of the Supplier's Background Information and Methodology that the Supplier believes it will utilise during the performance of the Services (and production of the Services/Deliverables) under this Work Package. In the event that the Supplier becomes aware, during the course of the Work Package, that additional pieces of Supplier's Background Information will be used in the provision of the Services/Deliverables the Supplier must draw these to BT's attention upon delivery of the Deliverables in question].

3.2.2 Transfer of Data

[Insert applicable wording if this information is required for the quote, otherwise please state "Not Applicable for this Work Package"]

[If this Work Package is likely to include Services that result in cross-border data flows please contact Group Legal Procurement Team or Data Protection Specialist for guidance.]

In the event that the Services include cross-border data flows. Please note that:

- (i) The Supplier must advise BT's Commercial Contact in writing, in advance, of the manner by which the Supplier intends to store or process BT Personal Data (Condition);
- (ii) This is particularly important if any of the BT Personal Data is to be exported outside the European Economic Area (Condition), as defined in the Contract. [Supplier] must notify BT in advance, in the relevant Work Package, of [Suppliers] intention to export BT Personal Data outside the European Economic Area;
- (iii) BT must give its prior written consent to the exportation of BT Personal Data (i.e. any BT data, not just sensitive personal data) outside the European Economic Area (Condition). Such consent must be confirmed in writing by BT prior to commencement of any Services.

IMPORTANT NOTE:

Please note that in the event of cross-border data flows the parties shall need to sign up to and agree to be bound by the EU Model Clauses at Schedule 5 (Data Protection Requirements) to the Contract.

4. DELIVERABLES / SLA AND TRAINING IN DELIVERABLES

4.1 Supplier Deliverables / SLA *[To be completed by BT]*

[Provide full details of the Services (as that term is defined in the Contract) (if any) and Software (as that term is defined in the Contract) (if any) to be delivered by the Supplier as part of the Services. If there are no deliverables please state "No Deliverables/ Software will be provided by the Supplier under this Work Package". It should be specified in the Work Package whether the Supplier is primarily responsible for a Deliverable and where BT is primarily responsible, e.g. where the Supplier's role has been to "assist" or "support" BT.]

[If training in the Deliverable(s) is to be performed by the Supplier as part of the Services, then detail it here. If not applicable put "No training in the Deliverables will be supplied by the Supplier under this Work Package."]

[Each individual deliverable expected as a result of the work to be carried out should be defined, along with the expected due date and what percentage of the overall work (and consequently payment) it represents. The percentage weighting should be expressed in the most applicable way and does not have to be based purely on the volume of work compared to other deliverables in the quote — e.g. Criticality, Complexity, Cost, etc. can all be a factor in determining the weighting].

[For each deliverable, the measurement criteria that will be used to determine a successful delivery should also be defined along with the nominated person within BT who will sign it off].

For both situations above, example tables have been defined below:

Deliverable & Measurement	Weighting	Due Date
<Definition of Deliverable 1>	X%	dd/mm/yy
<ul style="list-style-type: none"> • Measurement A • Measurement B • Measurement C • Measurement D • Named Person for BT Sign-Off 		
<Definition of Deliverable 2>	Y%	dd/mm/yy
<ul style="list-style-type: none"> • Measurement A • Measurement B • Named Person for BT Sign-Off 		
<Definition of Deliverable 3>	Z%	dd/mm/yy
<ul style="list-style-type: none"> • Measurement A • Named Person for BT Sign-Off 		

4.2 Maintenance and Support *[to be completed by BT]*

[If maintenance and support of Deliverables is to be performed by the Supplier as part of the Services then detail here, if not applicable then put "No maintenance or Support for Deliverables created under this Work Package is to be provided by the Supplier under this Work Package."]

[Where this quote is for support of a system/application the relevant SLA should be listed/defined along with the proposed monthly/ quarterly remedies for failure against the SLA].

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Priority	Restoration % target for xxxxxxx line support
P1	X% within A Hours Y% within B Hours Z% within C Hours
P2	X% within A Hours Y% within B Working days Z% within C Working days
P3 & P4	X% within A Working Hours Y% within B Working days Z% within C Working days

The BT person responsible for the monthly sign-off of this SLA is: xxxxxxxxxxxxxx.

4.3 BT Deliverables [to be completed by the Supplier]

[Provide full details of the deliverables (if any) and software (if any) to be delivered by BT as part of the Services that the Supplier's Services are dependent upon. Also include details of BT and/or third party deliverables and software in Section 15 (BT Obligations).]

5. BT PROVIDED ITEMS [to be completed by BT]

[Please insert details of any Equipment (as such term is defined in the Contract) that the Supplier is receiving from BT (including BT Supplied Items), documentation e.g. process documents, customer data, scripts etc.]

[Please also insert details of any third party software that the Supplier is receiving from BT.]

[In addition please include details of any Work Package specific training that BT will provide the Supplier including duration, people numbers etc.]

6. SUPPLIER PROVIDED ITEMS [to be completed by the Supplier]

[Insert details of any Equipment (as defined in the Contract) that BT is receiving from the Supplier such as process documentation, customer data, scripts etc.]

7. BT SYSTEMS [to be completed by the Supplier]

[You will need to ensure that BT has adequate LEAD TIME for it to provide all necessary Authorisation and related written consents regarding connection to BT Systems, prior to Project commencement. This is likely to take at least a week. Check with BT Project Manager on the security procedure to be followed to obtain Authorisation and continue to have Access. Include the BT Security Contact in these discussions.]

The Supplier must at all times comply with the BT Security Policy in force at the time of the Work Package. BT must promptly supply this to the Supplier. The Supplier may decline to proceed with a Project if compliance with the BT Security Policy is, in the Supplier's opinion, not practical or feasible.

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(Please note that the BT Security Policy may require the parties to execute an Interconnect Agreement prior to connecting to BT Systems.)

The Supplier must obtain prior written consent from the BT Security Contact prior to connecting any equipment not supplied by BT to any BT LAN port, e.g. when connecting Supplier laptops to a BT LAN port.

The Supplier must NOT commence work until Authorisation is granted. If you have any queries regarding the process to be followed to obtain Authorisation please contact the Group Legal Procurement Team.

Include in the Work Package a full list of BT Systems that will be used by Contract Personnel (ie [Supplier] personnel and subcontractors) during the Project. Please note that this must include ANY connection to BT Systems, for example in order to print or receive e-mail. If you are unclear about what should be included in the list of BT Systems please raise this with the BT Security Contact and obtain advice in writing.

8. NETWORK AND IT REQUIREMENTS *[to be completed by BT]*

[Include any IT requirements including any bandwidth requirements and specific disaster recovery requirements]

9. RESPONSIBILITIES AND DEPENDENCIES *[to be completed by both parties]*

[Specify any particular obligations on BT's and Supplier's part i.e. what the Supplier is dependent upon. Include details of BT and/or third party deliverables and software.]

Owner	Responsibility or Dependency?	Description
BT	Responsibility	
Supplier	Responsibility	
BT	Dependency	
Supplier	Dependency	

10. TIMETABLE *[to be completed by BT and agreed with the Supplier]*

[If the Services are to be provided within a mutually agreed time then detail the timetable for the performance of the Services (and, if applicable, dates for delivery of Deliverables). There should be a start date and there may or may not be a target completion date. Where appropriate a formal project plan should be developed with the Supplier and appropriate remedies agreed for failure to meet agreed time-scales.]

11. RISKS AND MITIGATION *[to be completed by Supplier and agreed by BT]*

[This section should populate the table below with both BT and Supplier risks and their associated mitigations][List all descriptions and conditions which may have a material impact upon the Supplier's ability to meet its obligations.]

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Owner	Risk	Probability	Severity	Mitigation
BT	Example 1	H/M/L	H/M/L	Example 1
Supplier	Example 2			Example 2
BT	Example 3			Example 3
Supplier	Example 4			Example 4

12. OUT OF SCOPE ITEMS

[List here anything that is not covered by the work package which could otherwise be interpreted as included by default. Some examples are given for reference]:

- Procuring new hardware
- Refurbishing of existing hardware
- Physical deployment of hardware
- Hardware support for the live/ development/ test boxes or user desktop
- Liaising with the hardware vendors for any procurement/ refurbishing requirements.
- Monitoring s/w installations and set up
- VVT & Integration testing
- Providing a call desk to receive calls from the users i.e. provide Helpdesk/1st line support to users

- Providing user training
- Preparing or updating training documentation
- Production and non-production environment database administration
- Production and non-production environment Unix administration
- Detailed feasibility reports for RFC
- Changes in the system due to approved RFC
- System performance enhancement

13. CHANGE CONTROL

[Unless a different method of Change Control Procedure is required this section can be left unchanged].

Any changes to the requirements or scope of the projects during the project will be managed according to the Change Control Procedure outlined in the Contract. A brief summary of the process is as follows:

- The additional scope will be analysed for impact on all aspects of the work including but not limited to cost, time, resource requirements, implementation issues and quality aspects.
- The Supplier will submit a change analysis to BT for approval. This analysis will be submitted as an email to avoid any unnecessary delays.
- The email will contain details of the change in terms of timelines, commercials, queries, issues, request for additional information or infrastructure etc.
- BT and the Supplier will then jointly review the impact analysis and decide on the appropriate action.
- If BT approves the change, then it will send an approval email back. The Supplier will implement the change only if BT authorises it. Untimely approval by BT may impact project timescales.
- The Supplier will reflect the change in the relevant documents and code.
- The Supplier will also agree on any commercial impacts the change will have and amend the commercial part of this proposal accordingly.

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14. SITE *[to be completed by BT]*

Services relating to this work package shall be carried out at the following site(s):

[BT or Supplier to insert details of where the Supplier will perform the Services and if applicable deliver any Deliverables].

[This may be left blank for the Supplier to present its recommendations but must be completed prior to final agreement and placement of the Work Package].

15. COMMERCIALS

All pricing information to be presented in line with the Contract pricing schedule, unless otherwise agreed with the P&SC Commercial Contact.

15.1 CAPPED TIME AND MATERIAL, OUTPUT BASED WORK OR TIME AND MATERIAL RATE CARD

[The following paragraph to be amended dependent upon whether Capped Time and Material, Output Based Work or Time and Material Rate based work package].

This quote is provided on a Capped Time and Material, Output Based Work or Time and Material Rate contract basis under the Contract. The pricing offered is based on the requirements and deliverables shown above — any change to the requirements will be managed under the change control procedure and may result in a change to the price of the work. This quotation supersedes any previous written or verbal quotation and is valid for 30 days from the date of this proposal.

[Pricing should be described using the table below:]

TOTAL PRICE		£nnn,nnn	100%
Start Date	dd/mm/yy		
End Date	dd/mm/yy		
Resource Price	£nnn,nnn		x% (of total price)
Total Effort — Person Days	nnnn		
Headcount	nn FTE		
Resource Profile- description	Include a brief description of the types of resources being utilised (e.g. experienced Java developers 4+ years experience)		
Resource Profile — roles and numbers	<Insert SFIA Role>		<insert number used>
	<Insert SFIA Role>		<insert number used>
Indicative Onshore:Offshore ratio	10:90 <change as required>		
Non- resource price	£nnn,nnn		x% (of total price)
Hardware/Software	£nnn,nnn		x% (of total price)
Other items (Travel within UK)	£nnn,nnn		x% (of total price)
Other items (Return Airfare from India)	£nnn,nnn		x% (of total price)

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Contingency	£nnn,nnn	x% (of total price)
Transition Costs	£nnn,nnn	x% (of total price)
Pricing for Quarter	£nnn,nnn	Per quarter
Pricing for year	£nnn,nnn	Per annum

[The following paragraphs should not be changed but one or other should be deleted depending on if the quote is for deliverables or a support service.]

For deliverables:

The Supplier will raise invoices for this project against each deliverable described in section 5 upon receipt of written acknowledgment by BT that the agreed criteria has been achieved. Payment of each invoice will be actioned by BT **ONLY** when the BT person nominated to sign-off that deliverable has deemed it to be successful according to the measurement criteria specified. The invoice amount to be raised will be the specified percentage of the total price as defined against each deliverable. The invoice amounts are specified below against each deliverable described in section 4:

Deliverable	Due Date	Percentage	Amount
Deliverable 1	dd/mm/yy	X%	£nnn,nnn
Deliverable 2	dd/mm/yy	Y%	£nnn,nnn
Deliverable 3	dd/mm/yy	Z%	£nnn,nnn

If a delivery is not successfully met according to the date it was due and the measurements defined for its acceptance, remedies will become due as per the following criteria:

- An unsuccessful delivery will attract an instant reduction in invoice-able payment of X%
- For each week that a delivery remains unsuccessful a further reduction of Y% is applicable, capped at Z%

For SLA:

The Supplier will raise monthly invoices for this project. Payment of each invoice will be actioned by BT **ONLY** when the BT person nominated to sign-off the monthly SLA has judged it to be successful or otherwise according to the SLA measurements specified in section 4 and the available performance data for that month. The invoice amount to be raised will be the relevant monthly percentage of the total price minus any percentage due to be discounted for that month due to failure of the SLA as specified below. In the event that a monthly invoice has already been raised before a required discount has been applied then that discount will carry over to the next month.

Priority	Restoration % target for second line support	% Performance variance from agreed target at which remedies become payable	% Remedy against monthly total invoice value of contract
P1	X% within A Hours	>XX%	-AA%
	Y% within B Hours	(Worst Performance)	
	Z% within C Hours	>YY%	-BB%

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P2	X% within A Hours	>XX%	-AA%
	Y% within B Working days	(Worst Performance)	
	Z% within C Working days	>YY%	-BB%
P3 & P4	X% within A Working Hours	>XX%	-AA%
	Y% within B Working days	(Worst Performance)	
	Z% within C Working days	>YY%	-BB%

15.2 TIMETABLE *[to be completed by BT and agreed with the Supplier]*

[If the Services are to be provided within a mutually agreed time then detail the timetable for the performance of the Services (and, if applicable, dates for delivery of Deliverables). There should be a start date and there may or may not be a target completion date. Where appropriate a formal project plan should be developed with the Supplier and appropriate remedies agreed for failure to meet agreed time-scales.]

16. ACCEPTANCE *[to be completed by BT]*

[Acceptance procedures should be inserted, and the process the parties will undertake to determine whether the criteria have been met if they have been agreed in advance of work commencing under the Work Package.

[Acceptance criteria and procedures need to be specified where the Supplier will receive deliverables from third parties and/or BT.]

17. PERSONNEL *[to be completed by BT]*

17.1 Skill Set Requirements

[BT should identify the specific skills required to perform the Services including any formal qualifications and / or accreditation requirements.]

17.2 Key Personnel

The Personnel identified below are key to the Services required and are classified as Key Personnel (to be agreed between the Parties) as described in the Contract.

- BT Key Personnel
- *[List]*
- Supplier Key Personnel
- *[List]*

17.3 Contact Details

BT's Commercial Contact will be []

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BT's Programme Lead/point of escalation will be [] (if applicable)

BT Project Manager will be []

BT's Security Contact will be []

The Supplier's Work Package Contact will be []

The Supplier's Programme Lead/point of escalation will be [] (if applicable)

18. REPORTING [to be completed by BT]

[Detail here the specific reporting requirements e.g. timescales, deliverables, SLA/KPI's etc., and the frequency at which the Work Package representatives are to meet including any project management arrangements.]

19. QUALITY STANDARDS & ASSURANCE, AND CODES OF PRACTICE [to be completed by BT]

[BT to include any Work Package specific quality standards, codes of practice etc.]

20. TERMINATION

20.1 Without prejudice to BT's rights of termination pursuant to Clause 30 of the Contract, BT shall have a right to terminate this Work Package if the Supplier fails to achieve any [insert number] of the Service Levels (as defined in Appendix []) in any [] month period or any Deliverable in a period of [] following the due date for such deliverable.

21. ADDITIONAL[to be completed by BT]

[Please insert here any additional points that are not covered above including any additional variations to the Contract.]

[Additional contractual points that need to be addressed depending on the nature of the Services are Escrow, Volume Discounts, Documentation and setting out clearly Intellectual Property to be generated under this Work Package.]

Schedule 2 Appendix 3

Travel Policy Guidelines for Contractors

Flights

- Ensure authority is obtained before booking travel arrangements, providing details of total cost.
- Book flights as early as possible to take advantage of discounted fares and utilise electronic (e-ticket) ticketing to avoid the paper ticket surcharge.
- Accept the lowest logical direct fare, including low cost airline, non flexible and non refundable tickets, as it is often cheaper to purchase these types of tickets and change/cancel rather than buy a fully flexible ticket in the first instance.
- Consider non direct routes where they are a viable option
- Not allow loyalty card to be a factor for selecting an airline or hotel
- Book economy class for travel under 8 hours, except with the express prior authority from a BT representative.
- Book Business Class for continuous air travel over 8 hours, unless staying for a longer duration when consideration should be given to economy and premium economy or similar products.
- Expense claims must include a copy invoice and receipt.
- Obtain refunds for unused tickets and ensure that refunds are fully accounted for in the expense claim, and that the refund is received by BT.

Vehicle Hire

- Vehicles may be hired where there is no suitable alternative public transport or when it is clearly in the business interest of BT.
- BT will reimburse the cost of vehicles hired for business travel, plus associated fuel costs. To help reduce costs, all hired vehicles should be delivered/collected from a BT building or from the rental company itself where practical.
- Hire vehicles with up to 1.4 litre capacity engine must be used
- Where travelling with passengers or luggage/equipment a vehicle with a bigger engine capacity than 1.4 may be selected
- Hire vehicles must only be used for business travel
- Driver is responsible for ensuring any additional charges are settled for each day of hire (e.g. Congestion Charges and road toll charges). Additional business related costs such as garaging, parking and tolls will be reimbursed, receipts should be provided wherever possible
- Hire vehicles must be returned fully refuelled if cost effective for BT
- Drivers are personally responsible for any fines or penalties associated with parking, congestion charges or driving violations for rented vehicles, (and indeed any vehicle whether rented, or your own vehicle). These charges will not be reimbursed by BT.

Personal Cars

- If you want to use your own car for business travel and this is agreed with your agency prior to travelling, you must confirm with your insurance company that this is a permitted use of the vehicle.
- Insurance for use of personal cars, including personal injury, is your responsibility. BT will not contribute to the costs involved
- There are two rates of car mileage when using a personal vehicle on BT business — Normal Rate 23p per mile and Exceptional Rate 30.5p. Exceptional rate may only be claimed if authorised by your BT representative who signs off the expense claim. Authorisation must be sought prior to travelling and applies only where there is no practical alternative mode of transport. As a general guideline, Exceptional mileage journeys should not exceed 75 miles.
- claimants must certify exact mileage for journeys undertaken on business
- fuel receipts must support the VAT that BT recovers on mileage claims. Make every effort to include fuel receipts for business mileage incurred when submitting mileage claims even if the receipt has no direct bearing on the claim being made

Accommodation

- Loyalty cards should not be a factor in a traveller's decision regarding the selection of hotel accommodation.
- use the most cost effective accommodation (typically 3 to 4 star standard hotel)
- BT will reimburse all reasonable costs associated with overnight stays e.g. meal and drink, excluding e.g. mini-bar
- avoid placing calls direct from their hotel room, unless rates are reasonable. Business calls made from hotels should be claimed at cost with receipt.
- As an alternative to hotel accommodation, travellers can claim a 24-hour flat rate of £25 to cover accommodation, food and incidental expenses if you decide to stay with friends or relatives, or in other types of accommodation. Prior authorisation from BT is required to claim this flat rate.
- Costs for hire of secure facilities e.g. safes to store laptops and personal belongings will be reimbursed at cost
- It is the responsibility of the traveller to ensure that accommodation is cancelled as soon as it is feasible.
- Failure to cancel a guaranteed hotel reservation in line with the outlined timescales and conditions of the rate will lead to a cancellation/ no-show charge for the accommodation. BT will not reimburse no-show charges which are not the result of a business driven decision outside of the individual's control and outside of the relevant cancellation policy, as these charges are the personal responsibility of the traveller.

Rail travel

- Tickets should be purchased in advance where possible to secure the best fares.
- The traveller must where travel arrangements allow take the lowest priced ticket available for the day of travel, but should be aware of any restrictions associated with the ticket.
- Take full advantage of any time restricted discounted tickets, other special offers and consider advance ticket purchase, all of which offer significant savings on standard fares.
- Standard class travel should normally be used for all rail journeys.
- First class may be authorised under exceptional circumstances only, e.g. where no standard rail class is available or the traveller is journeying with a customer that is travelling first class.
- A higher class of travel may be permitted in locations or on rail operators where a higher class is required to provide the same standard of comfort and safety as is consistent with standard. For example travelling within Germany/India/China/ South America (at the discretion and approval of your BT authorising contact)

Taxis

- Taxis should only be utilised exceptionally where it is cost effective or no feasible alternative travel arrangements exist. To avoid surcharge and waiting times, taxis should not normally be pre-booked.

VISAS and PASSPORT

- It is the responsibility of the traveller to ensure that they travel with a valid passport and secure the necessary Visa/work permits appropriate to the country they are travelling to for the purposes of their particular visit. Costs should be approved by your BT contact.

Claims

- All business travel expense claims must be accompanied by a receipt; this should in most cases be a VAT receipt, or if outside Europe a company buyers receipt. If a receipt is not available this must be declared at the time of submitting the claim and as an alternative a copy of a card statement may be submitted.
- Contractor and agency employees will need to ensure they have permission from their agency, and appropriate insurance.
- All expenses must be claimed back through your agency.

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- If you are extending a business trip for personal reasons any costs, including travel and accommodation, beyond business need are at the individuals' own expense.

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SCHEDULE 3

AFFILIATE SERVICE AGREEMENT

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APPENDIX 1 —AFFILIATE SERVICE AGREEMENT TEMPLATE

APPENDIX 2 - PROCESS TO CREATE NEW AFFILIATE SERVICE AGREEMENTS

1. PURPOSE OF THIS SCHEDULE

This Schedule sets out the Affiliate Service Agreement framework template in Appendix 1 which must be signed and executed by BT Affiliate if the relevant BT Affiliate is contemplating to procure Services from Supplier Affiliate. The Schedule also sets out the particulars of terms of engagement between the BT Affiliate and Supplier Affiliate.

2. TERMS OF ENGAGEMENT

If BT Affiliate is contemplating to procure Services pursuant to the terms of this Contract from the Supplier, Parties shall comply with the following process:

- a. BT Affiliate shall enter into a framework Affiliate Service Agreement in the form substantially as set out in Appendix 1.
- b. Services that the BT Affiliate require from the Supplier Affiliate shall be ordered in accordance with the process in the Condition headed "Ordering Process".
- c. Creation of new Affiliate Service Agreement process in Appendix 2.
- d. The BT Affiliate that has a signed Affiliate Service Agreement shall have no obligation to place any order.
- e. The BT Affiliate and Supplier Affiliate shall not vary any provisions in the Contract at local level save and except changes as required under the local law in the Territory of the BT Affiliate.
- f. All disputes on the provisions of the Contract shall be resolved in accordance with Dispute Resolution Procedure in Schedule 6 (Governance and Change Control). For the avoidance of doubt, disputes on specific provisions in an Order under the Affiliate Service Agreement shall be resolved at local level.

APPENDIX 1**AFFILIATE SERVICES AGREEMENT**

THIS AFFILIATE AGREEMENT, dated as of _____, 200?, is between xxxxxx ("BT Affiliate"), and xxxxx, incorporated under the laws of xxxxx, having its registered offices at ("Supplier Affiliate").

British Telecommunications plc ("BT"), and Supplier UK Ltd ("Supplier"), have entered into a Global Framework Contract dated xx, 2007 (the "Contract").

In accordance with the Contract, BT Affiliate and Supplier Affiliate wish to enter into this Affiliate Service Agreement, pursuant to which Supplier Affiliate will provide Services to BT Affiliate in the Territory in accordance with the terms and conditions of the Contract and this Affiliate Service Agreement. Alternative local entities may be used where this is agreed by both parties and provided this complies with any applicable policies or legislation.

The Parties agree as follows:

ARTICLE 1**DEFINITIONS**

Capitalized terms not otherwise defined in this Affiliate Service Agreement have the meanings ascribed to such terms in the Agreement. The following terms have the respective meanings specified below:

"Affiliate Service Agreement" or "ASA" means this Affiliate Service Agreement.

"Territory" means xxxxxxxx jurisdiction.

ARTICLE 2**TERMS AND CONDITIONS**

Supplier Affiliate will provide Services to the BT Affiliate or such third party beneficiary of the Services as BT may from time to time direct in accordance with the terms and conditions of the Contract (and such terms and conditions are incorporated in this Affiliate Service Agreement by this reference). In interpreting each term and condition of the Contract that is incorporated by reference into this Affiliate Service Agreement, references to "this Contract" will be deemed to be references to the Contract, references to the "Affiliate Service Agreement" will be deemed to be references to this Affiliate Service Agreement, and references to "Services" will be deemed to be references to the Services to be provided by Supplier Affiliate to BT Affiliate under this Affiliate Service Agreement.

Any exceptions to the provisions of the Contract that are required by any local law,

rule or regulatory provisions in the Territory are set out in Annex A to this Affiliate Service Agreement and will apply to the provision of Services by Supplier Affiliate to BT Affiliate pursuant to this Affiliate Service Agreement.

ARTICLE 3

THE SERVICES

In consideration of the Charges set forth in the Condition headed "Charges" in the Contract, Supplier Affiliate will provide the Services to BT Affiliate in accordance with the Specification in the Order, subject to the terms and conditions of this Affiliate Service Agreement.

BT Affiliate or Supplier Affiliate may request changes to the Services under this Affiliate Service Agreement and/or the Order in accordance with the provisions of Condition headed "Variation" of the Contract.

ARTICLE 4

CHARGES, INVOICING AND PAYMENT

In consideration of the Services, BT Affiliate will pay to the Supplier Affiliate the Charges due under this Affiliate Service Agreement in accordance with the Condition headed "Charges" in the Contract.

Amounts payable under this Affiliate Service Agreement will be paid in the local currency pursuant to the Condition of headed "Charges" in the Contract. The address for invoicing Supplier Affiliate is as follows (or as otherwise notified to BT Affiliate from time to time in writing):

[insert relevant local billing address]

The address for invoicing BT Affiliate is as follows (or as otherwise notified to Supplier Affiliate from time to time in writing):

[insert relevant invoicing address]

ARTICLE 5

TRANSLATION

The official text of this Affiliate Service Agreement is in the English language and any interpretation or construction of this Affiliate Service Agreement will be based thereon. In the event this Agreement or any documents or notices related to it are translated into any other language, the English language version will control.

ARTICLE 6

NOTICES

The addresses and fax number of the parties for the purposes of Paragraph 1 of Condition headed "Notice" are:

In the case of BT Affiliate:

[include address details local and central]

In the case of Supplier Affiliate:

Either Party may change its address for notices upon giving ten (10) days written notice of the change to the other Party in the manner provided above.

ARTICLE 7

GOVERNING LAW AND JURISDICTION

This Affiliate Service Agreement shall be construed in accordance with the laws in effect in England without regard to its conflict of laws provisions and shall be subject to the exclusive jurisdiction of the English Courts.

IN WITNESS WHEREOF, this Affiliate Service Agreement has been duly executed by and on behalf of Supplier Affiliate and BT Affiliate as of the Effective Date.

British Telecommunications plc

[Supplier].

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: Senior Executive

By: _____

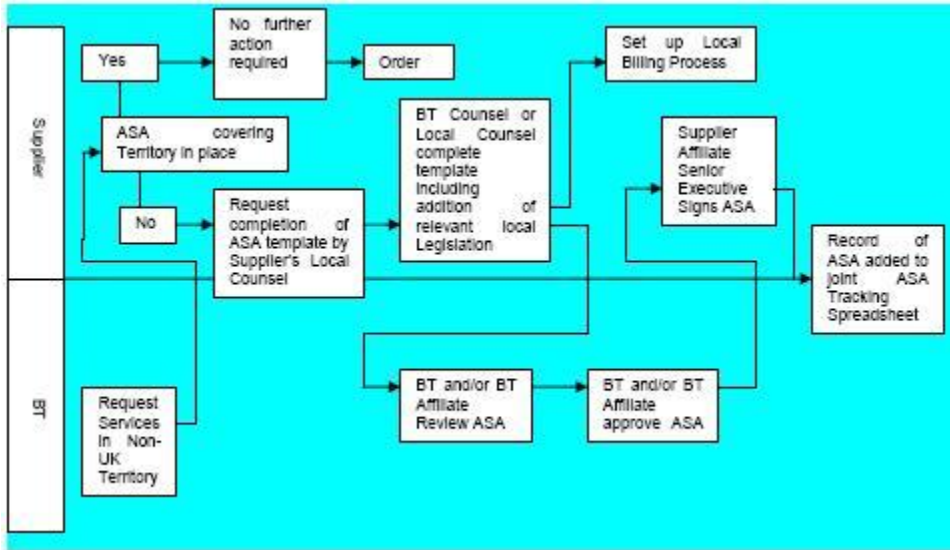
By: _____

Annex 1

Supplier to provide any information relating to known local law exceptions where known.

APPENDIX 2

CREATION OF NEW AFFILIATE SERVICE AGREEMENT PROCESS



PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

SECURITY AND BUSINESS COMPLIANCE APPENDIX

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1. Interpretation

In this Schedule [Appendix]:

Capitalised terms not otherwise defined in this Schedule [Appendix] have the meanings ascribed to such terms in the Contract. The following terms have the respective meanings specified below:

"**Access**" - interconnection with BT Systems or access to or use of BT Information stored on BT Systems through interconnection with BT Systems or access to or use of BT Information stored on Supplier Systems or access to or use of BT Information stored in any mobile device.

"**Authorised**" - BT has approved Access as part of the authorisation process and the Supplier Security Contact has a record of this authorisation. "Authorisation" shall be construed accordingly.

"**BT Items**" - all items provided by BT to the Supplier and all items held by the Supplier which belong to BT.

"**BT Security Contact**" - BT Security Operations Centre (0800321 999/+44 1908 641100) or such other person whose details shall be notified by BT to the Supplier from time to time.

"**BT Group Security**" - the security organisation based within the BT Group Company.

"**BT Systems**" — iSupplier (as "iSupplier" is defined in the Contract Condition headed "Payment and Invoicing"), and any BT computer, application or network or such other systems as may be agreed in writing from time to time by BT and the Supplier.

"**Commencement Date**" — as defined in the Contract.

"**Contract Personnel**" - as defined in the Contract including Relevant Contract Personnel.

"**Guide**" - Appendix 1 of A Guide to Information Security for Third Parties.

"**Information**" — as defined in the Contract, and for the avoidance of doubt Personal Data (as defined in the Condition headed "Protection of Personal Data").

"**ISO 27001**" - the international security standard.

"**NAIF**" - Network Authorisation and Interconnect Facility is a BT procedure to register all UK and global network interconnects between BT and external companies. An interconnect request is initiated by BT by completing a BT web based form.

"**Order(s)**" - an order by BT to the Supplier for Supplies placed in accordance with the Contract.

"**Relevant Contract Personnel**" — Contract Personnel who have Access to perform the Contract.

"**Sensitive Information**" - any BT Information marked as "In Confidence", "In Strictest Confidence" or above, or, Personal Data.

"**Supplies**" - as defined in the Contract.

"**Standards**" - all the relevant standards associated with international security standard, including but without limitation ISO 27001.

"**Subcontractor**" - as defined in the Contract.

"**Supplier Systems**" - any Supplier owned computer, application or network systems or such other systems as may be agreed in writing from time to time by BT and the Supplier.

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"**Supplier Security Contact**" - such person whose details shall be notified by the Supplier to BT from time to time.

"**Term**" - as defined in the Contract.

"**Work**" - as defined in the Contract.

2. Order of Precedence & Scope

2.1 The terms of this Schedule [Appendix] supersede, and prevail, over any conflicting or inconsistent terms and supplement any consistent terms in the Contract and all future Order(s) with respect to the provision herein unless otherwise varied or amended by BT Security Contact and the Supplier in writing in individual Order(s).

2.2 This Schedule [Appendix] sets out the provisions under which BT shall grant Access to the Supplier to enable the Supplier to provide the Supplies. Supplier shall ensure that the Supplier and all its Contract Personnel comply with BT's security requirements and policies as set out in this Schedule [Appendix]. The Supplier's compliance with BT's security requirements and policies shall be overseen by the BT Security Contact and subject to BT's internal audit and independent third party audits. Acceptance of the terms and conditions of this Schedule [Appendix] by the Supplier is a material condition to BT appointing the Supplier for the provision of the Supplies under the Contract.

3. International Standard ISO 27001 Certification

The Supplier shall be ISO 27001 certified or shall comply with the standards of ISO 27001 certification or have equivalent standards or certification commensurate with ISO 27001.

4. Supplier's Obligations

4.1 The Supplier shall take all reasonable steps to ensure that it is Authorised to Access in accordance with the provisions of this Schedule [Appendix] as soon as reasonably practicable after Commencement Date. The Supplier shall ensure that it maintains its Authorisation throughout the Term.

4.2 The Supplier shall identify to BT details of the Supplier Security Contact at the Commencement Date who shall act as a single point of contact, such as a senior manager or CIO responsible for security, for any security issues. This responsibility must be detailed within his/her job description.

4.3 As part of the Authorisation process, details of Supplier's Contract Personnel that need Access shall be requested by BT. The Supplier Security Contact shall at all times ensure that only Relevant Contract Personnel are authorised.

4.4 Pursuant to Clause 4.3 above, the Supplier acknowledges that the Relevant Contract Personnel shall not be granted Access until the Relevant Contract Personnel has completed BT's mandatory training.

4.5 The Supplier shall comply with the following security policies:

4.5.1 Physical Security

- a) All Contract Personnel working on BT premises shall be in possession of a BT Identification or Electronic Access Control ("BT ID/EAC") card. This card is to be used as a means of identity verification on BT premises at all times and as such the photographic image displayed on the BT ID/EAC card must be clear and be a true likeness of the Contract Personnel.
- b) All Contract Personnel, Subcontractor and Supplier's employees, subcontractors and agents accessing premises (sites, buildings or internal areas) where Supplies are provided, or BT Information is stored or processed, shall be in possession of an Identification or Electronic Access Control ("ID/EAC") card. This card is to be used as a means of identity verification on these premises at all times and as such the photographic image displayed on the ID/EAC card should be clear and be a true likeness of the Contract Personnel or the Subcontractor or the Supplier's employees, subcontractors and agents.
- c) The Supplier shall not (and, where relevant, shall procure that any Contract Personnel shall not) without the prior written authorisation of the BT Security Contact connect any equipment not supplied by BT to any BT LAN port.
- d) The Supplier must be able to demonstrate that it has procedures to deal with security threats directed against BT or against a third party working on behalf of BT whilst safeguarding BT Information.
- e) Access to sites, buildings or internal areas where Work is carried out, or BT Information is stored or processed, must be Authorised and must adhere to robust processes and procedures to ensure compliance.
- f) The Supplier shall ensure that all of BT Information, Relevant Contract Personnel, Supplier Systems and BT Systems used to provide the Supplies are logically and physically separated in a secure manner from all other information, personnel or networks created or maintained by the Supplier. Additionally, secure areas in Supplier premises (e.g. network communications rooms), shall be segregated and protected by appropriate entry controls to ensure that only authorised Contract Personnel are allowed access to these secure areas. The access made to these areas by any Contract Personnel must be audited regularly, and re-authorisation of access rights to these areas must be carried out annually as a minimum.
- g) The use of digital or conventional cameras, including any form of video camera or mobile phone cameras, of the interior of BT premises is not permissible without prior authorisation from the BT Security Contact. Supplier shall ensure that photography or capture of moving image of Supplier areas where BT Information is processed or stored shall not capture any of BT Information.
- h) CCTV security systems and their associated recording medium shall be used by the Supplier either in response to security incidents, as a security surveillance tool, as a deterrent or as an aid to the possible apprehension of individuals caught in the act of committing a crime. As such, these systems must be authorised by appropriate BT Security Contact, and stored images must be securely held. Notwithstanding the above, BT may object to CCTV surveillance if circumstances deem that such surveillance is inappropriate in relation to the Supplies.
- i) The Supplier shall maintain a controlled record of all BT physical assets and BT Items assigned to them.
- j) The local area surrounding the Supplier's facilities shall be inspected for risks and threats on a regular basis by the Supplier and such reports made available to BT.

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4.5.2 Logical Security

- a) The Supplier shall notify BT immediately if any Relevant Contract Personnel no longer require Access or change role for any reason whatsoever from the Contract thus enabling BT to disable or modify the Access rights.
- b) The Supplier shall maintain systems which detect and record any attempted damage, amendment or unauthorised access to BT Information.
- c) The Supplier shall, implement agreed security measures across all supplied components, such that it safe guards the confidentiality, availability and integrity of BT Systems and BT Information. The Supplier shall provide BT with full documentation in relation to the implementation of logical security and shall ensure that it and such security:
 - (i) prevent unauthorised individuals (e.g. hackers) from gaining access to BT Systems; and
 - (ii) reduce the risk of misuse of BT Systems and/or BT Information, which could potentially cause loss of revenue or service, by Relevant Contract Personnel; and
 - (iii) detect any security breaches that occur enabling quick rectification of any problems that result and identification of the individuals who obtained Access and determination of how they obtained it.

4.5.3 Information Security

- a) The Supplier shall not use BT Information for any purpose other than for the purpose for which they were provided to the Supplier by BT and then only to the extent necessary to enable the Supplier to perform the Contract.
- b) The Supplier shall ensure that all information security requirements in this Contract are communicated and published to all Contract Personnel in relation to their role.
- c) The Supplier shall ensure that it operates a proactive strategy to minimise the risk and effects of fraud and other security risks and shall maintain processes to monitor such activities.
- d) The Supplier shall ensure procedures and controls are in place to protect the exchange of information through the use of emails, voice, facsimile and video communications facilities.
- e) The Supplier shall use physical and electronic security measures to protect BT Systems, BT Information and areas where Work is undertaken or where Supplier Systems provide Access.

4.5.4 Contract Personnel Security

- a) The Supplier shall ensure that all Relevant Contract Personnel sign a confidentiality agreement either as part of their initial terms and conditions of employment or when they start working in BT buildings or on BT Systems and BT Information. These confidentiality agreements must be retained by the Supplier and accessible to BT.
- b) The Supplier shall deal with breaches of security policies and procedures, including interfering with or otherwise compromising security measures, through a formal disciplinary process.
- c) The Supplier shall provide a whistleblower' facility, available to all its personnel, with all BT related issues reported back to the BT Security Contact, to the extent permissible by the law in the location in which the Supplies are delivered to BT by the Supplier. For the avoidance of doubt, this facility shall be used by the Contract Personnel if BT employee, agent or contractor instructs Contract Personnel to act in an inconsistent manner in violation of the Contract.

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- d) The Supplier shall ensure that all Relevant Contract Personnel maintain a clear-desk and a clear-screen policy to protect BT Information.
- e) The Supplier shall ensure that an auditable process is developed for the ongoing control and management of Relevant Contract Personnel access profiles.
- f) The Supplier shall, and shall procure that any Relevant Contract Personnel, securely destroy any BT Information received in a recorded form from BT (or has recorded received BT Information), when the Relevant Contract Personnel's job or role has changed or terminated.

4.5.5 Additional security policies

- a) The Supplier shall document and maintain operating procedures to discharge the security requirements detailed within this Schedule [Appendix] and provide BT with access to such documentation in accordance with Clause 7 below.
- b) The Supplier shall notify BT Security Contact immediately of any changes to its Access method through the firewalls, including the provision of network address translation.
- c) The Supplier shall implement a controlled exit procedure in respect of the individual Contract Personnel to ensure the return of any BT assets or BT Items or BT Information in the possession of the individual when any of the Contract Personnel who have Access, leave the employment of the Supplier or are no longer engaged in the performance of the Contract. Such controlled exit procedure shall include a written communication by the Supplier Security Contact to BT Security Contact of this removal.
- d) The Supplier shall inform BT Security Contact immediately upon its becoming aware of any actual or suspected unauthorised Access or misuse of BT Systems or BT Information or breach of any of the Supplier's obligations under this Schedule [Appendix].
- e) The Supplier shall maintain integrity of the software build including upgrades, operating systems and application from factory to desk. Suppliers shall demonstrate that the software build (both proprietary and off-the-shelf) delivered to BT is the same as the software build agreed with BT.
- f) Self-help systems operated by BT, such as Desktop Doctor, shall only be remotely accessible by Relevant Contract Personnel.
- g) Any change of location by the Relevant Contract Personnel or Supplier for any part of the supply chain or the support centres shall be notified to BT immediately.
- h) BT may carry out risk assessments with pro-active support from the Supplier on any part of the Supplier's supply chain to identify additional risks to BT as a result of the provision of the Supplies. BT may then stipulate additional countermeasures address any risks.
- i) No replacement of BT System support tools must be undertaken by the Supplier without specific agreement from BT.
- j) If BT agrees to the Supplier's appointment of Subcontractor in the provision of the Supplies, BT may require that the associated security risks are clearly identified and assessed by BT Group Security or the appropriate BT line of business security team. This ensures that any unacceptable security risks are identified and addressed.
- k) Where BT has approved Supplier's use of Subcontractors, formal contracts containing all necessary security requirements shall be put in place between the Supplier and its Subcontractor before the Subcontractor or any of its personnel can access BT Systems and BT Information or occupy space in BT buildings or space in the Supplier's building that is used to access, hold or process BT Information.
- l) BT may update from time to time, security related policies, guidelines, standards and requirements. BT shall incorporate such updates by reference which shall be notified in

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writing by BT to the Supplier. The Supplier is deemed to accept all the updates. If the Supplier has an issue with such updates, the Supplier shall detail its concerns to BT in writing as soon as reasonably practicable. If BT cannot agree on resolution of the Supplier's issues promptly, BT may revoke the Supplier's Authorisation and terminate any Orders that require Authorised Access in the provision of the Supplies.

- m) The Supplier shall record and maintain detailed information of all Relevant Contract Personnel.
- n) The Supplier shall ensure that all computers or laptops used to access BT Systems and BT Information have their ports locked down such that removal storage media (memory sticks, removable hard drives, compact flash and secure digital cards, floppy disks, CDs, DVDs, MP3 players and other similar devices) cannot be connected.

5. Access to BT Systems

- 5.1 BT allows (so far as it can and is able to do so) the Supplier, while the Supplier is Authorised, to have Access solely for the provision of Supplies.
- 5.2 In relation to Access, the Supplier shall (and, where relevant, shall procure that all Contract Personnel shall) :
 - a) ensure each individual Relevant Contract Personnel has a unique user identification and password known only to such user for his/her sole use.
 - b) ensure the Relevant Contract Personnel never share user identification, passwords or security tokens.
 - c) promptly provide to BT such reports as BT shall from time to time require concerning the Supplier's use and security of Access and any related matters to Access.
 - d) ensure that physical access to fixed computer equipment having Access or storing BT Information is solely with smart or proximity cards (or equivalent security systems) and Supplier conducts regular internal audit to ensure compliance with these provisions.
 - e) ensure onward bridging or linking to BT Systems is prevented unless authorised by BT.
 - f) use all reasonable endeavours to ensure no viruses or malicious code (as the expressions are generally understood in the computing industry) are introduced to, and that there is no corruption of, BT Systems or BT Information.
 - g) use reasonable endeavours to ensure that personal files which contain information, data or media with no relevance to the Supplies, are not stored on BT building servers or BT centralised storage facilities or BT Systems.
- 5.3 If BT has provided the Supplier with access to the Internet/Intranet, the Supplier shall, and shall procure that the Contract Personnel, access the Internet/Intranet appropriately to enable it to provide the Supplies. It is the Supplier's responsibility to ensure that practical guidance on internet and email abuse (as amended) is communicated to the Relevant Contract Personnel from time to time.
- 5.4 The Supplier shall, and shall procure that all Contract Personnel, subject to the Conditions headed "Regulatory Matters" and "Confidentiality" in the Contract comply with Classifying and Handling Information detailed in the Guide.
- 5.5 The Supplier shall use independent vendor-supplied security software without modification, unless there is an essential need to do so, in which case appropriate controls shall be applied and the agreement of BT Group Security sought.

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5.6 Contract Personnel may contribute to internet newsgroups, and similar mediums (IM, YouTube, FaceBook, etc.) for Work-related purposes or via BT Systems for non-Work related purposes in accordance with the Supplier's acceptable use policy which policy shall be in accordance with best industry practice.

6. Access to Supplier Systems

6.1 If Contract Personnel are granted Access to Supplier Systems, the Supplier shall:

- a) ensure each individual has a unique user identification and password known only to such individual for his/her sole use.
- b) promptly provide to BT such reports as BT shall from time to time require, concerning the Supplier's use and security of access to Supplier Systems.
- c) allow Access only to the minimum extent required to enable the Contract Personnel perform their duties.
- d) allow Access using a secure login process.
- e) establish and implement formal procedures to control the allocation and de-allocation of Access rights.
- f) ensure that the allocation and use of enhanced privileges and access to sensitive tools and facilities in Supplier Systems are controlled and limited to only those users who have a business need.
- g) ensure that the allocation of user passwords to Supplier Systems that hold or access BT Information is controlled through a formal auditable management process.
- h) conduct regular reviews of user access rights.
- i) provide processes to demonstrate that remote and home working activities are only permitted where authorised by BT and subject to appropriate security controls within the Supplier's organisation, including but not limited to remote access by users being subject to strong authentication.
- j) demonstrate that users follow security best practice in the management of their passwords.
- k) implement a password management system which provides a secure and effective interactive facility that ensures quality passwords.
- l) ensure that user sessions are terminated after a defined period of inactivity.
- m) ensure that audit logs are generated to record user activity and security-relevant events and securely managed and retained with nil ability on the part of the Supplier to allow any un-authorised access or amendment to the audit logs.
- n) ensure that monitoring of audit and event logs and analysis reports for anomalous behaviour and/or attempted unauthorised access are performed by Supplier's personnel independent of those users being monitored.
- o) make available audit logs where required by BT for review.
- p) ensure all Supplier Systems holding, processing or accessing BT Information are hardened to BT standards (Note to Buyer: The IT standard security is available from <http://security.intra.bt.com/kzscripts/default.asp?cid=26>. If in doubt, please contract BT Security).

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- q) ensure that development, test and live environments are segregated from each other and the other work areas in Supplier's buildings.
- r) implement controls to detect and protect against malicious software and ensure that appropriate user awareness procedures are implemented.
- s) ensure that Supplier has in relation to all Supplier Systems formal security incident management procedures with defined responsibilities.
- t) ensure that any unauthorised software is identified and removed from Supplier Systems holding, processing or accessing BT Information.
- u) ensure that access to diagnostic and management ports as well as diagnostic tools are securely controlled to BT reasonable satisfaction.
- v) ensure that access to Supplier's audit tools must be restricted to Relevant Contract Personnel and their use is monitored.
- w) perform enhanced independent code reviews (including penetration testing) on all Supplier Systems.

6.2 The Supplier must demonstrate to BT that Contract Personnel who hold and use BT Information on PCs and mobile computing devices are responsible for ensuring that the PCs and mobile computing devices are protected from unauthorised access. Consideration must be given to whether Sensitive Information must be stored on mobile computing devices. All Sensitive Information must be encrypted if stored on a mobile computing device or in the event of any transmission of Sensitive Information by Contract Personnel outside of BT trusted network. Laptops and PCs containing Sensitive Information must have the whole of the disk encrypted. Devices that do not allow whole-disk encryption such as memory sticks, CD/DVDs, blackberry handheld devices shall be subjected to additional controls such as:

- a) Use of file encryption, where available; or
- b) Use of application password facilities; and
- c) Where the device is "pocket-sized", it must be kept with the owner at all times.

6.3 To the extent that any servers are used to provide the Supplies, Supplier's servers must not be deployed on untrusted networks without appropriate security controls.

6.4 Changes to an individual Supplier Systems must be controlled and subject to formal change control procedures. All documentation relating to Supplier Systems must be protected from un-authorised access or amendment.

7. Audit & Security Review

The Supplier shall:

- (a) give to (or procure the giving to) BT (or any person authorised by BT) such access at all reasonable times to the Supplier's and any Subcontractor's records and premises related to the Supplies as BT may require from time to time to assess the Supplier's compliance of these policies in this Schedule [Appendix]; and
- (b) such assessments shall include regular assessments of all elements of physical and logical audits and penetration testing of the Supplier Systems. The Supplier shall facilitate this assessment by permitting BT to collect, retain and analyse information to

identify potential security risks including trace files, statistics, network addresses and the actual information or screens accessed or transferred; and

- (c) provide such reports to BT and attend such meetings as may be reasonably required by BT.

8. Investigation

- 8.1 If BT believes that there has been a breach by the Supplier of the provisions of this Schedule [Appendix], BT shall inform the Supplier Security Contact. The Supplier shall cooperate with BT fully in any ensuing investigation. The Supplier shall provide list of users who have had access to BT Systems and BT Information to BT and/or any law enforcement agency. BT shall have unrestricted access to the Supplier Systems and BT Information in the Supplier's premises which shall include the right to make unannounced visits.
- 8.2 The Supplier shall report to BT Security Contact promptly of any potential misuse of BT Information or improper or unauthorised access to BT Systems and BT Information. Upon request, the Supplier shall promptly provide to BT a written report with details of the potential misuse of BT Information or improper or unauthorised access to BT Systems and BT Information, a remedial plan and a timetable for achievement of the planned improvements and steps to be taken to avoid the repeat of the potential misuse of BT Information or improper or unauthorised access to BT Systems and BT Information.
- 8.3 If any audit or investigation reveals that there is a potential risk to the confidentiality, integrity or availability of BT Information in the Supplier's processes or Supplier Systems, Supplier shall promptly correct any security risk in the Supplier's processes or Supplier Systems promptly.
- 8.4 During investigation, the Supplier shall co-operate with BT, providing reasonable access, accommodation, facilities and assistance to all Supplier Systems as reasonably necessary to investigate the breach of the provisions of this Schedule [Appendix] including permitting interview of any sales, engineering or other operational personnel of Supplier. BT shall, or at BT request shall instruct the Supplier to, confiscate for evaluation any tangible or intangible asset belonging to the Supplier to aid the investigation.

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SCHEDULE 5

DATA PROTECTON REQUIREMENTS

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APPENDIX 1 - DATA TRANSFER AGREEMENT

1. PURPOSE OF THIS SCHEDULE

This Schedule sets out the Data Transfer Agreement in Appendix 1 which shall be signed by the Parties contemporaneous to this Contract, which will then be incorporated by reference into each Order where required pursuant to Paragraph 7 of Condition headed "Security of Information". The individual Orders would also include a schedule covering details of BT Personal Data that will need to be transferred outside the European Economic Area explicitly in relation to the Order.

2. DATA EXPORT PRINCIPLES

- 2.1 BT will be the data controller and Supplier (and any Supplier Affiliate involved in the data transfer) will be the data processor(s).
- 2.2 Both parties will comply with their respective obligations under Data Protection Legislation and the provision in the Condition headed "Security of Information".
- 2.3 Supplier shall ensure that each Order that contemplates the transfer of BT Personal Data outside the European Economic Area executes and sign a data transfer agreement in the form substantially of that set out herein in Appendix 1. The EEA comprises the EC countries plus Iceland, Liechtenstein, Norway at January 2007.

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APPENDIX 1

DATA TRANSFER AGREEMENT

Standard Contractual Clauses (processors)

For the purposes of Article 26(2) of Directive 95/46/EC for the transfer of BT Personal Data to processors established in third countries which do not ensure an adequate level of data protection

Name of the data exporting organisation: British Telecommunications plc, 81 Newgate Street, London, EC1A 7AJ

tel.: fax:

e-mail:

A company registered in England & Wales Number:

("BT")

and

Name of the data importing organisation/s:

[the Supplier]

Tel: fax:

e-mail:

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A company registered in England & Wales Number:

[the Sub-Contractor if any]

Address

Tel.: fax:

e-mail:

A company registered in [xxx] Number:

(jointly and severally, the data importer)

PARTIES HAVE AGREED on the following contractual Clauses (the Clauses) in order to adduce adequate safeguards with respect to the protection of privacy and fundamental rights and freedoms of individuals for the transfer by BT to the data importer of BT Personal Data particulars of which are in Exhibit 1.

1. Definitions

For the purposes of the Clauses:

- (a) 'personal data', 'special categories of data', 'process/processing', 'controller', 'processor', 'data subject' and 'supervisory authority' shall have the same meaning as in Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (the Directive).
- (b) 'BT' shall mean the controller who transfers the personal data;
- (c) 'the data importer' shall mean the processor who agrees to receive from BT personal data intended for processing on its behalf after the transfer in accordance with its instructions and the terms of these Clauses and who is not subject to a third country's system ensuring adequate protection;
- (d) 'the applicable data protection law' shall mean the legislation protecting the fundamental rights and freedoms of natural persons and, in particular, their right to privacy with respect to the processing of personal data applicable to a data controller in the Member State in

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which BT is established:

- (e) technical and organisational security measures' shall mean those measures aimed at protecting personal data against accidental or unlawful destruction or accidental loss, alteration, unauthorized disclosure or access, in particular where the processing involves the transmission of data over a network, and against all other unlawful forms of processing.

2. Details of the transfer

The details of the transfer and in particular the special categories of personal data where applicable are specified in Exhibit I which forms an integral part of the Clauses.

3. Third-party beneficiary clause

- (a) The data subject can enforce against BT this Clause, Clause 4(b) to (h), Clause 5(a) to (e), and (g), Clause 6(a) and (b), Clause 7, Clause 8(b), and Clauses 9, 10 and 11, as third-party beneficiaries.
- (b) The data subject can enforce against the data importer this Clause, Clause 5(a) to (e) and (g), Clause 6(a) and (b), Clause 7, Clause 8(b), and Clauses 9, 10 and 11, in cases where BT has factually disappeared or has ceased to exist in law.
- (c) The Parties do not object to a data subject being represented by an association or other body if the data subject so expressly wishes and if permitted by national law.

4. Obligations of BT

BT agrees and warrants:

- (a) that the processing, including the transfer itself, of BT Personal Data has been and will continue to be carried out in accordance with the relevant provisions of the applicable data protection law (and, where applicable, has been notified to the relevant authorities of the Member State where BT is established) and does not violate the relevant

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provisions of that Member State;

- (b) that it has instructed and throughout the duration of processing services will instruct the data importer to process BT Personal Data transferred only on BT's behalf and in accordance with the applicable data protection law and these clauses;
- (c) that the data importer shall provide sufficient guarantees in respect of the technical and organisational security measures specified in Exhibit 2 to this Schedule;
- (d) that after assessment of the requirements of the applicable data protection law, the security measures are appropriate to protect personal data against accidental or unlawful destruction or accidental loss, alteration, unauthorised disclosure or access, in particular where the processing involves the transmission of data over a network, and against all other unlawful forms of processing, and that these measures ensure a level of security appropriate to the risks presented by the processing and the nature of the data to be protected having regard to the state of the art and the cost of their implementation;
- (e) that it will ensure compliance with the security measures:
- (f) that, if the transfer involves special categories of data, the data subject has been informed or will be informed before, or as soon as possible after, the transfer that his data could be transmitted to a third country not providing adequate protection;
- (g) that it agrees to forward the notification received from the data importer pursuant to Clause 5(b) to the data protection supervisory authority if he decides to continue the transfer or to lift his suspension;
- (h) to make available to the data subjects upon request a copy of the Clauses set out in this Appendix, with the exception of Exhibit 2 which shall be replaced by a summary description of the security measures.

5. Obligations of the data importer

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- (a) to process BT Personal Data only on behalf of BT and in compliance with its instructions and the clauses; if it cannot provide such compliance for whatever reasons, it agrees to inform promptly BT of its inability to comply, in which case BT is entitled to suspend the transfer of data and/or terminate the contract;
- (b) that it has no reason to believe that the legislation applicable to it prevents it from fulfilling the instructions received from BT and its obligations under the Contract and that in the event of a change in its legislation which is likely to have a substantial adverse effect on the warranties and obligations provided by the Clauses, it will promptly notify the change to BT as soon as it is aware, in which case BT is entitled to suspend the transfer of data and/or terminate the contract;
- (c) that it has implemented the technical and organisational security measures specified in Exhibit 2 before processing BT Personal Data transferred;
- (d) that it will promptly notify BT about:
 - (i) any legally binding request for disclosure of BT Personal Data by a law enforcement authority unless otherwise prohibited, such as a prohibition under criminal law to preserve the confidentiality of a law enforcement investigation;
 - (ii) any accidental or unauthorised access; and
 - (iii) any request received directly from the data subjects without responding to that request, unless he has been otherwise authorised to do so;
- (e) to deal promptly and properly with all inquiries from BT relating to its processing of BT Personal Data subject to the transfer and to abide by the advice of the supervisory authority with regard to the processing of the data transferred;
- (f) at the request of BT to submit its data processing facilities for audit of the processing activities covered by the clauses which shall be carried

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out by BT or an inspection body composed of independent members and in possession of the required professional qualifications bound by a duty of confidentiality, selected by BT, where applicable, in agreement with the supervisory authority;

- (g) to make available to the data subject upon request a copy of the Clauses set out in this Appendix, with the exception of Exhibit 2 which shall be replaced by a summary description of the technical and organisational security measures in those cases where the data subject is unable to obtain a copy from BT.

6. Liability

- (a) The Parties agree that a data subject, who has suffered damage as a result of any violation of the provisions referred to in Clause 3 above is entitled to receive compensation from BT for the damage suffered.
- (b) If a data subject is not able to bring the action referred to in paragraph I arising out of a breach by the data importer of any of its obligations referred to in Clause 3 above of against BT because BT has disappeared factually or has ceased to exist in law or became insolvent, the data importer agrees that the data subject may issue a claim against the data importer as if it was BT.
- (c) The Parties agree that if one party is held liable for a violation of the clauses committed by the other party, the latter will, to the extent to which it is liable, indemnify the first party for any cost, charge, damages, expenses or loss it has incurred.

Indemnification is contingent upon:

- (i) BT promptly notifying the data importer of a claim; and
- (ii) the data importer being given the possibility to cooperate with BT in the defence and settlement of the claim.

7. Mediation and jurisdiction

- (a) The data importer agrees that if the data subject invokes against him third-

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party beneficiary rights and/or claims compensation for damages under the clauses, the data importer will accept the decision of the data subject:

(i) to refer the dispute to mediation, by an independent person or, where applicable, by the supervisory authority;

(ii) to refer the dispute to the courts in the Member State in which BT is established.

(b) The data importer agrees that, by agreement with the data subject, the resolution of a specific dispute can be referred to an arbitration body if the data importer is established in a country which has ratified the New York Convention on enforcement of arbitration awards.

(c) The Parties agree that the choice made by the data subject will not prejudice its substantive or procedural rights to seek remedies in accordance with other provisions of national or international law.

8. Cooperation with supervisory authorities

(a) BT agrees to deposit a copy of this contract with the supervisory authority if it so requests or if such deposit is required under the applicable data protection law.

(b) The Parties agree that the supervisory authority has the right to conduct an audit of the data importer which has the same scope and is subject to the same conditions as would apply to an audit of BT under the applicable data protection law.

9. Governing Law

The Clauses shall be governed by the law of the Member State in which BT is established, namely England and Wales.

10. Variation of the contract

The Parties undertake not to vary or modify the terms of the Clauses.

11. Obligation after the termination of personal data processing services

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- (a) The Parties agree that on the termination of the provision of data processing services, the data importer shall, at the choice of BT, return all BT Personal Data transferred and the copies thereof to BT or shall destroy all BT Personal Data and certify to BT that he has done so, unless legislation imposed upon the data importer prevents him from returning or destroying all or part of BT Personal Data transferred. In that case, the data importer warrants that he will guarantee the confidentiality of BT Personal Data transferred and will not actively process BT Personal Data transferred anymore.
- (b) The data importer warrants that upon request of BT and/or of the supervisory authority, he will submit its data processing facilities for an audit of the measures referred to in clause 11(a).

On behalf of BT:

Name (written out in full):

Position:

Address:

Signature

On behalf of the data importer:

Name [the Supplier]:

Position:

Address:

Signature

Name [the Sub-Contractor if any] :

Position:

Address:

Signature

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Exhibit 1

This Exhibit must be completed and signed by the Parties

1. Data exporter

The data exporter is British Telecommunications plc who has

2. Data importer

The data importer is

3. Data subjects

The personal data transferred concern the following categories of data subjects:

4. Categories of data

The personal data transferred concern the following categories of data:

5. Special categories of data (if appropriate)

No data classified as Sensitive Personal Data will be processed outside the EEA.

6. Processing operations

The personal data transferred will be subject to the following basic processing activities:

DATA EXPORTER

DATA IMPORTER

Name: _____

Name _____

Authorised signature

Authorised signature

[Note: The only authorised BT personnel who can approve and sign this Data Transfer Agreement is line of business BT Security Contact.]

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Exhibit 2

This Exhibit must be completed and signed by the Parties

Description of the technical and organisational security measures implemented by the data importer in accordance with Clauses 4(d) and 5(c) (EU Model Clauses):

Generic measures for each service line

Operational Organisational Measures

Technical and Security Measures

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STRADA SCHEDULE 6
GOVERNANCE & CHANGE CONTROL

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1. PURPOSE OF THIS SCHEDULE

The purpose of this Schedule is to describe the processes, procedures, frameworks and guidelines necessary for the proper and effective governance and execution of the Contract. In particular this Schedule describes the processes and procedures which will be adopted:

- to ensure that both Parties are meeting their respective Contract obligations as efficiently and effectively as possible in order to deliver the business and operational objectives required.
- to minimise any disputes and in the instance of a dispute arising have an agreed procedure to escalate and resolve.
- to ensure an agreed set of Key Performance Indicators (KPI's) are in place which will be used to review the performance of the Contract at a relationship and contractual level.
- to review the added value principles in Schedule 2 (Charges and Payment Principles).
- to manage and mitigate business risks.
- to promote, advocate and deliver innovation at all levels throughout the Contract Period.
- to successfully manage the relationship .

2. GOVERNANCE MODEL

The Supplier shall support BT in its desire to have oversight of the Supplier's performance in the provision of all Services under this Contract to BT. This shall be managed by BT and the Supplier undertakes to co-operate to the fullest extent possible to provide transparency in its performance under this Contract.

Sections 3, 4, 5 and 6 of this Schedule further describe the Governance model in the following areas:

- Partnership Principles
- Relationship Management
- Managing Change
- Management Information Reporting

3. PARTNERSHIP PRINCIPLES

3.1 It is the intention of the Parties to develop a strategic relationship by jointly taking steps that would deliver the following partnership attributes:

- Strategic fit
- Clear objectives
- Trust
- Cultural compatibility
- Appropriate, robust deal structures
- Strong committed partnership team

- Joint go to market
- Exploiting opportunities
- Two way relationship
- Deliver innovation

3.2 In order to manage this Contract the Supplier shall operate in alignment with the following ("BT Engagement Principles"):

A. The BT Vision

Dedicated to helping customers thrive in a changing world

Customer dedication is the most important weapon BT has in a competitive environment. By designing everything we do around our customers, we will help them succeed on their terms.

B. The BT Mission

To be the leader in delivering converged networked services

Convergence is at the heart of what we do for all our customers. We are creating services that blur the difference between fixed and mobile, IT and communications, networks and services.

C. The BT Values

- **Trustworthy:** We do what we say we will
- **Helpful:** We work as one team
- **Inspiring:** We create new possibilities
- **Straightforward:** We make things clear
- **Heart:** We believe in what we do.

D. The BT Customer Experience Principles

- **Concept-to-market**
- **Lead-to-cash**
- **Trouble-to-resolve**

Detailed description of these 3 customer experience principles are set out in Appendix 2.

E. BT Line of Business Strategic Objectives

BT line of business strategic objectives are found in the <http://2012challenge.intra.bt.com/our-strategy/>

4. RELATIONSHIP MANAGEMENT

- 4.1 This Section 4 outlines the manner in which the Contract will be managed at both a strategic level and on a day-to-day basis, and the various levels of interaction between BT and the Supplier.
- 4.2 The Supplier must provide senior relationship managers with sufficient knowledge of BT, its regulatory environment, its culture and the BT Engagement Principles.
- 4.3 BT and the Supplier shall undertake a series of structured review meetings at each level of engagement between the Parties and at the agreed frequency. These are summarised in the table below.
- 4.4 Each party will bear its own expenses for these reviews. The venue, agenda and minute taking will be agreed by BT and the Supplier two (2) weeks prior to the meeting. Where a member cannot make the meeting a suitable replacement will be sent. The table below summarises the required attendees or as may be otherwise agreed between the Parties:-



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Name	Responsible	BT Members	Supplier Members	Meets (Minimum)
Exec Contract Review	Quarterly relationship and performance review	Director OCCM, OCCM Supplier lead, VP Global Sourcing and LOB Dir's/MD	Director, Account lead	Quarterly
Contract Review	Monthly relationship and performance review	OCCM Supplier Lead, Procurement GM and Supplier lead, LOB lead	Account and Contract leads	Monthly
LOB Operational Review (BAU)	Contract operational and performance reviews	LoB and OCCM contract leads, Procurement Supplier lead and as appropriate LOB representation	Contract leads	Monthly

4.5 In addition to the review meetings detailed above, further meetings may be called upon by BT or the Supplier at any time subject to giving appropriate notice to address specific needs of either party. The requestor for the meeting shall be responsible preparing and distributing the agenda.

5. MANAGING CHANGE

5.1 Strategic changes in either Parties organisation which may not impact this Contract but impacts the relationship between the Parties shall warrant a meeting between the Parties respective leads at the earliest opportunity to understand and address the impact.

5.2 Any changes to this Contract shall be managed in accordance with the Change Control Procedure and the principles below:

The Change Control Principles

- (a) If at any time either party sees a need to change the Contract that party may request or recommend such change only in accordance with the Change Control Procedure.
- (b) Neither BT nor the Supplier shall unreasonably withhold its agreement to any change provided that BT shall not be obliged to agree to any change increasing the charges or requiring BT to incur material expenditure.
- (c) Until such time as a change is made in accordance with the Change Control Procedure, the Supplier shall, unless otherwise agreed in writing, continue to supply the Services as if the request or recommendation had not been made.
- (d) Any discussions which may take place between BT and the Supplier in connection with a request or recommendation before the authorisation of a resultant change to the Contract shall be without prejudice to the rights of either party.
- (e) Any work undertaken by the Supplier, its Subcontractors or agents which has not been authorised

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in advance through receipt of a BT Purchase Order and which has not been otherwise agreed in accordance with the provision of paragraph (c) shall be undertaken entirely at the expense and liability of the Supplier.

The Change Control Procedure

- (a) Discussion between BT and the Supplier concerning a change to the Contract except under the circumstances as detailed in Clause 5.3 below shall result in any one of the following:
 - (i) a request to change the Contract by BT; or
 - (ii) no further action being taken;
 - (iii) a recommendation to change the Contract by the Supplier.
- (b) Where a written request for an amendment is received from BT, the Supplier shall immediately on receipt issue a written acknowledgement to BT and, unless otherwise agreed, submit a Change Control Note (CCN) to BT within three (3) weeks of the date of the request.
- (c) A recommendation to amend by the Supplier shall be submitted as a CCN direct to BT at the time of such recommendation.
- (d) Each CCN shall contain:
 - (i) the title of the change;
 - (ii) the originator and date of the request or recommendation for the change;
 - (iii) the reason for the change;
 - (iv) full details of the change;
 - (v) the price, if any, of the change;
 - (vi) a timetable for implementation together with any proposals for acceptance of the change;
 - (vii) a schedule of payments if appropriate;
 - (viii) details of the likely impact, if any, of the change on other aspects of the Contract including but not limited to:
 - (A) the Contract Period;
 - (B) the Contract Personnel to be provided;
 - (C) the Charges;

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- (D) the payment profile;
 - (E) the documentation to be provided;
 - (F) the training to be provided;
 - (G) SLA's;
 - (H) working arrangements; and
 - (I) other contractual issues;
 - (ix) the date of expiry of validity of the CCN; and
 - (x) provision for signature by BT and the Supplier.
 - (e) For each CCN submitted BT shall, within the period of the validity of the CCN:
 - (i) allocate a sequential number to the CCN;
 - (ii) evaluate the CCN and, as appropriate:
 - (A) request further information;
 - (B) approve the CCN; or
 - (C) notify the Supplier of the rejection of the CCN; and
 - (iii) arrange for two copies of an approved CCN to be signed by or on behalf of BT and the Supplier.
 - (f) A CCN signed by both Parties shall constitute an amendment to this Contract pursuant to the Condition headed Variation.
- 5.3 The following changes to an Order shall be exempt from the above Change Control Procedure:
- (a) Non price affecting changes for:-
 - Backfill of named resources for leave, training or sickness;
 - Change to a SFIA grade;
 - Utilisation of under spend to a maximum of £5k in total for a Work Package/Specification;
 - Changes to team profile/ level of resources from that authorised in the Purchase Order.
 - (b) Charges affecting changes within the overall price of a defined project in an Order which do not exceed £5,000 per item relating only to the following items:-
 - Overtime;
 - Travel approvals.

5.4 For those exempted items listed in Clause 5.3 above, the Change Control Procedure shall be

replaced with an email notification from the Supplier to BT containing the following information:

- The reason for the change;
- Full details of the change, its likely impact and timetable;
- Confirmation of impact on Charges.

5.5 BT shall, by email within 5 days or sooner, either request further information, approve or reject the change and issue a revised Purchase Order if required as soon as possible.

5.6 The Supplier shall maintain detailed change control logs for the above which shall be made available for audit by BT.

6. MANAGEMENT INFORMATION REPORTING

6.2 BT requires the Supplier to measure, document and report performance against the performance requirements of this Contract

6.3 There are broadly three levels of performance requirements:

6.3.3 **Service Level Agreements:** - Real-time project specific Service Level Agreements (SLA's) that shall be identified and agreed with the Supplier on a project by project basis in the Specification. These measures shall be reported at least bi-weekly (unless otherwise required by BT) to the operational owner and OCCM lead for every Order. A consolidated report across all Orders will also be provided by the Supplier. In the event that any Service Level is not met, the process detailed in Schedule 1 Table 1 will be followed.

6.3.4 **Key Performance Indicators:** - A set of agreed KPIs which will be used to manage the performance of the Supplier on this Contract. These measures shall be reported at least monthly (unless otherwise required by BT). A list of such measures that BT will apply is included at Appendix 1 to this Schedule. Any additional or amended KPIs may be created on an Order by Order basis.

6.3.5 **Performance and Relationship Management:** - A performance based scorecard established to measure, document and report the overall health' of the Contract providing a summary of all projects and compliance against critical requirements including but limited to security, health and safety, regulatory compliance.

6.3.5.1 Hygiene Measures

The measures shall be reported monthly (unless otherwise required by BT)

6.3.5.1.1 The measures and the associated remedies are set out in Appendix 5.

6.3.5.1.2 The measures shall be reported at least monthly (unless otherwise required by BT).

6.3.5.1.3 The hygiene credit regime in Appendix 5 the Condition headed "Service levels and Service Credits in the Contract shall apply if the Supplier fails to meet the Targets (4th column in Appendix 5).

- 6.3.5.1.4 Payment of, or BT's right to, sums due under Appendix 5 shall not affect any of BT's rights in connection with the relevant breach of contract or BT's ability to claim damages in excess of any sums paid if BT has suffered direct loss occasioned by the failure to meet the Targets within Appendix 5.
- 6.3.5.2 Operational and Business Measures
- 6.3.5.2.1 The Supplier shall deliver to BT reports and scorecards on key themes set out in Appendix 4 upon BT's request.
- 6.3.5.2.2 In addition to the reports required by BT under Appendix 4, the Supplier shall deliver to BT, detailed reports in relation to the Work Packages (or any other agreed form of Specification).
- a. For each fixed price Work Package (or any other agreed form of Specification):
- (i) the FTE count required for the delivery of the Work Package (or any other agreed form of Specification) and the names of the FTE,
 - (ii) the SFIA role and level or the BPO classification of each FTE,
 - (iii) the transaction volumes,
 - (iv) the BPO and SFIA Rate and
 - (v) the duration of such Work Package (or any other agreed form of Specification), in addition to information which is provided pursuant to other provisions of this Contract. Such detail shall be provided at the beginning of each Work Package (or any other agreed form of Specification).
- b. For each fixed price Work Package (or any other agreed form of Specification) commenced in that month and for any executed time and materials Work Package, a consolidated monthly report containing the following information at the end of the month:
- (i) a Work Package (or any other agreed form of Specification) reference number;
 - (ii) a Work Package (or any other agreed form of Specification) name;
 - (iii) The number of man-days involved in the Work Package (or any other agreed form of Specification) divided by the number of working days in the month which shall provide the monthly "FTE".
- c. For all T&M Work Packages, the Supplier shall for each completed calendar month, provide BT with a list of all Contract Personnel engaged (the "Contract Personnel List") and the Contract Personnel List shall include the following information in relation to each Contract Personnel:
- (i) their name, EIN and ID;
 - (ii) their SFIA/BPO classification;
 - (iii) their charge out rate;
 - (iv) actual hours worked

- (v) FTE per location (onshore / offshore (in city of delivery);
 - (vi) BT managers' OUC;
 - (vii) the name of the BT employee who has agreed (ii) and (iii) above; and
 - (viii) the Purchase Order number.
 - d. The Supplier shall provide BT at the conclusion of each Work Package (or any other agreed form of Specification) (whether fixed price or time and materials) with the following detail in relation to the same:
 - (i) the FTE count and names of the FTE actually used in the delivery of the Work Package (or any other agreed form of Specification);
 - (ii) the SFIA role and level or BPO classification of each FTE used;
 - (iii) the transaction volumes;
 - (iv) the BPO or SFIA Rate and
 - (v) the actual duration of such Work Package.
- 6.3 BT shall not use any information provided pursuant to Clause 6.2.3.2.2(d) in relation to fixed price Work Packages (or any other agreed form of Specification) already completed for the purpose of renegotiating any monies paid under such Work Packages (or any other agreed form of Specification), and shall only be used for the purposes of assisting the Parties to understand fixed price engagement models.
- 6.4 The Supplier shall provide BT quarter end and year end reports on cumulative FTE deployed on all Work Packages (or any other agreed form of Specification) by way of summary of the monthly figures given.
- 6.5 At the beginning of each Work Package, the Supplier's operational manager and the BT employee identified in clause 6.2.3.2.2 (c) (vii) above, will discuss and agree the role and responsibilities proposed of the contracted resource, and agree the SFIA / BPO classification, which agreement shall then be translated into the Purchase Order issued by BT.
- 6.6 The Supplier shall use best endeavours to provide BT with the job descriptions and associated responsibilities for each Contract Personnel following a request by BT to provide such information. The Supplier shall provide the job descriptions and associated responsibilities for all Contract Personnel and shall continue to so provide in relation to all subsequent Purchase Orders.
- 6.7 Any change to clause 6.2.3.2.2 (c) (ii) or (iii) must be signed off by the BT Commercial Contact.
- 6.8 BT may conduct an audit of the information supplied by the Supplier under Clause 6.2.3, 6.2.4, 6.5 and 6.6 above, which includes the Parties' allocation of Contractor Personnel to the appropriate SFIA categories and/or BPO categories for the Services and/or Work Packages (or any other agreed form of Specification) which such Contractor Personnel shall provide and that the SFIA Rate Card and BPO Rate Card have been correctly applied. Such audit may be conducted on a monthly basis for each Period. This does not affect BT's other rights to audit under the Contract.
- 6.9 If an audit conducted in Clause 6.8 above demonstrate that BT has been overcharged in any month in a rolling twelve month period (a "Relevant Period") (in relation to a reasonable sample

size, a material sum, (material being defined as 4% of the total invoice value for the sample being audited)) then following shall apply:

- (a) For over-charging in any one month in the same Relevant Period a remedial action plan shall be presented to BT by the Supplier, within two weeks (**Early Warning**) and the Supplier shall have one month from the date of the presentation of the remedial action plan to BT (or the end of the two week planning period if the Supplier fails to present the remedial action plan to BT) to implement the remedial action plan;
- (b) For over-charging in any two months in the same Relevant Period (not counting any over-charging in the one month remedial period in (a) above), the BT CPO will be informed and will raise the issue with the Supplier formally (**Formal Alert**);
- (c) For over-charging in three (or more) months in the same Relevant Period (not counting any over-charging in the one month remedial period in (a) above), BT will give the Supplier notice of such over-charging and a three month period in which to demonstrate that no further over-charging occurs (**Notice of Supplier Over-Charging**). If the Supplier overcharges during this three month remedial period this will be construed as a material breach entitling BT to either suspend Strada II status and not place any further work with the Supplier until such time as BT decides to revoke such suspension or to terminate the Contract in accordance with Condition 43.1 headed "Termination" (**Breach Notice**).

save that without prejudice to the requirement to repay any overcharging in accordance with Section 6.10, where BT has jointly agreed pursuant to Section 6.5 a specified number of Contract Personnel at specified SFIA/BPO grades should be deployed by the Supplier, BT shall not be entitled to raise a claim for over-charging on the basis that BT subsequently determines that such number deployed and such specified grades are incorrect. For the avoidance of doubt, BT shall be entitled to raise an Early Warning, a Formal Alert and a Supplier Over-Charging Notice or deliver a Breach Notice where the Supplier has not deployed a Contract Personnel at the SFIA/BPO grade agreed pursuant to the process set out in Section 6.5 and this has resulted in BT being overcharged.

- 6.10 If an audit conducted in Clause 6.8 above demonstrate that BT has been overcharged in any Period, then the Supplier shall rebate the overcharged amount to BT for that Period and the Supplier shall indemnify BT against all costs and expenses in relation to the recovery by BT of such overcharging. Notwithstanding the above, in respect of Clause 6.9(b) and 6.9(c) above BT shall be entitled to a rebate from the Supplier of 125% of the overcharged amount. For the avoidance of doubt the Parties agree that this recovery of additional sums is fair and reasonable. BT shall be entitled within 12 months of the date of the audit conducted in accordance with Clause 6.8 to conduct a further audit in respect of the same audit scope, however after this 12 month period BT shall not be entitled to conduct any further audit of this same audit scope.

7. RISK MANAGEMENT

- 7.1 BT and the Supplier shall work collaboratively to manage and mitigate the impact of Contract risk.

- 7.2 The Supplier will demonstrate proactive management to minimise the potential for escalation by:

- a. proactively taking all necessary preliminary action to protect BT including the proactive management of 3rd parties;
- b. identifying potential risks early;
- c. proactively communicating with BT when any commitments will not be met;

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- d. using root cause analysis to establish a process of continuous and shared learning to avoid repetition of risk;
- e. identifying overall events associated with the delivery of the Services that could have a material negative impact upon overall customer satisfaction and or jeopardise the Service Levels as agreed in the individual Order.

- 7.3 All events identified in the preceding sub paragraph (e) above will be recorded on a high-level risk register which will be issued prior to the Effective Date and shall be agreed with BT no later than seven (7) days of Effective Date and reviewed and updated weekly between BT and the Supplier, and more frequently if required. All reasonable steps will be taken by the Supplier to manage these events in order to protect the overall customer experience and ensure that the required Service Level Agreement is maintained.
- 7.4 The risk register shall as a minimum identify the risk, likely impact, probability evaluation and mitigation actions that will be taken to reduce the risk. The register shall also identify any specific Supplier responsibility exclusions, which will vary dependent on the type of service provided.

8. DISPUTE RESOLUTION PROCEDURE

- 8.1 All disputes between the Parties arising out of or relating to this Contract shall be dealt with in accordance with Condition 34 headed "Escalation and Dispute Resolution Procedure" in the Contract.
- 8.2 If any dispute cannot be resolved by the individuals in Level 4 of the table in Condition 34, within a maximum of fourteen (14) days after it has been referred under Clause 8.1 above, that dispute shall be referred to the BT Group CFO for BT and the CEO of the Supplier for resolution.
- 8.3 If the dispute cannot be resolved by the Parties' representatives nominated under Clause 8.2 above within a maximum of fourteen (14) days after it has been referred under Clause 8.2 the dispute may be referred:
- 8.3.1 if the dispute is of a technical nature or is expressed by this Contract to be subject to Expert Determination, by agreement between the Parties it may be referred for final determination to an expert (the "Expert") who shall be deemed to act as expert and not as arbitrator pursuant to Clause 8.5 and its supporting paragraphs below; and
 - 8.3.2 by agreement between the Parties, it may be referred to Mediation pursuant to Clause 8.6 and its supporting paragraphs below; or
 - 8.3.3 in all other aspects it shall be determined pursuant to the Condition headed "Escalation and Dispute Resolution Procedure".
- 8.4 Work and activity to be carried out under this Contract shall not cease or be delayed by this dispute resolution procedure.

8.5 Expert Determination

- 8.5.1 The Expert shall be selected by mutual agreement or, failing agreement, within fourteen (14) days

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after a request by one party to the other, shall be chosen at the request of either party by the President for the time being of the Law Society who shall be requested to choose a suitably qualified and experienced Expert for the dispute in question.

- 8.5.2 Fourteen (14) days after the Expert has accepted the appointment, the Parties shall submit a written report on the dispute to the Expert and to each other and seven (7) days thereafter shall submit any written replies they wish to make to the Expert and to each other.
- 8.5.3 Both Parties will then afford the Expert all necessary assistance which the Expert requires to consider the dispute including but not limited to full access to any documentation or correspondence.
- 8.5.4 The Expert shall be instructed to deliver his determination to the Parties within fourteen (14) days or such additional time as required by the Expert pursuant to paragraph 8.5.6 after the submission of the written replies pursuant to paragraph 8.5.2.
- 8.5.5 The Expert's decision will be conclusive and final, and binding on all Parties.
- 8.5.6 The Expert shall have the same powers to require any party to produce any documents or information to him and the other party as an arbitrator and each party shall in any event supply to him such information within the timescales set by the Expert which it has and is material to the matter to be resolved and which it could be required to produce on discovery. In the event that the Expert requires further time than that allowed in Clause 8.5.4 he shall notify the Parties accordingly.
- 8.5.7 The fees of the Expert shall be borne by the Parties in the proportion as shall be determined by the Expert having regard (amongst other things) to the conduct of the Parties.

8.6 Mediation

- 8.6.1 A neutral advisor or mediator ("the Neutral Advisor") shall be chosen by mutual agreement between the Parties or, if the Parties are unable to agree on a Neutral Advisor within fourteen (14) days after a request by one party to the other, or if the Neutral Advisor agreed upon is unable or unwilling to act, either party shall within fourteen (14) days from the date of the proposal to appoint a Neutral Advisor or within fourteen days of notice to either party that he or she is unable or unwilling to act, apply to the Centre for Dispute Resolution ("CEDR") to appoint a Neutral Advisor.
- 8.6.2 The Parties shall within fourteen (14) days of the appointment of the Neutral Advisor meet with him/her in order to agree a programme for the exchange of any relevant information and the structure to be adopted for the negotiations to be held in London. Such negotiations shall be held on a "without prejudice" basis. If considered appropriate, the Parties may at any stage seek assistance from CEDR to provide guidance on a suitable procedure.
- 8.6.3 Unless otherwise agreed, all negotiations connected with the dispute and any settlement agreement relating thereto shall be conducted in confidence and without prejudice to the rights of the Parties in any future proceedings.
- 8.6.4 If the Parties reach agreement on the resolution of the dispute, such agreement shall be reduced to writing and, once it is signed by their duly authorised representatives, shall be binding on the Parties.

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- 8.6.5 Failing agreement, either of the Parties may invite the Neutral Advisor to provide a non-binding but informative opinion in writing. Such opinion shall be provided on a without prejudice basis and shall not be used in evidence in any proceedings commenced pursuant to the terms of this Contract without the prior written consent of both Parties.
- 8.6.6 If the Parties fail to reach agreement in the structured negotiations within sixty (60) days of the Neutral Advisor being appointed, or such longer period as agreed by the Parties, then any dispute or difference between them may be referred to the courts.

9. NON DISCLOSURE AGREEMENT

- 9.1 BT may from time to time look to agree a Non Disclosure Agreement with the Supplier to protect Confidential Information relating to a BT project.
- 9.2 Where a Non Disclosure Agreement is required the template in Appendix 3 shall be used and BT shall be required to complete the section on definition of Transaction and Duration prior to issuing to the Supplier for sign off.

APPENDIX 1

KPIs

KPI's

Pan BT Supplier Scorecard

The Pan BT Supplier Scorecard shall relate to all engagements with BT across all LoBs and MFUs and shall represent 3 distinct but interrelated views as follows:-

- Balanced Business
- Operational
- Compliance/Hygiene

Cost Reduction

- Minimum [x]% Financial Year efficiency savings

IT Services

Development

- Number or errors/defects in test

E2E/Service Introduction

- No. of errors defects found during the first 30 days of operation
- No. of errors defects found during the first [12] months of operation

Effectiveness of test

- %of errors in test to errors in live

Cycle Time

- No of failures to meet project milestones

Standards Compliance

- Operating Model
- SDK
- CIT
- Function Points

Application Support –

- Fault reduction
- Incident Identification
- Service Restoration
- Data integrity within and between systems
- Root Cause Analysis (RCA)
- Successful Change Repeat Faults

BPO Services

Process quality:

- External customer satisfaction

Process effectiveness (outcomes):

- Sales close rate
- Sales volume
- # of outbound calls resulting in a sale
- Process efficiency (time-related):
- Average handled time
- Average wait time
- Occupancy per hour
- # of claims handled per hour

People:

- Absenteeism
- Training
- Turnover / Attrition

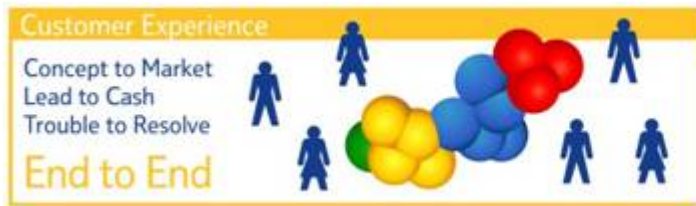
Technology (interruptions):

- Network uptime
- System uptime
- Application uptime

APPENDIX 2

THE BT CUSTOMER EXPERIENCE PRINCIPLES

Customer Experience E2E



Building BT process and systems that deliver an excellent customer experience and Our customers rate BT as number one for service'

The Customer Experience E2E team will drive the end-to-end implementation as part of BT IT strategy by providing the methodology, training, tools and solutions that will help BT deliver the optimal benefits of end-to-end customer experience.

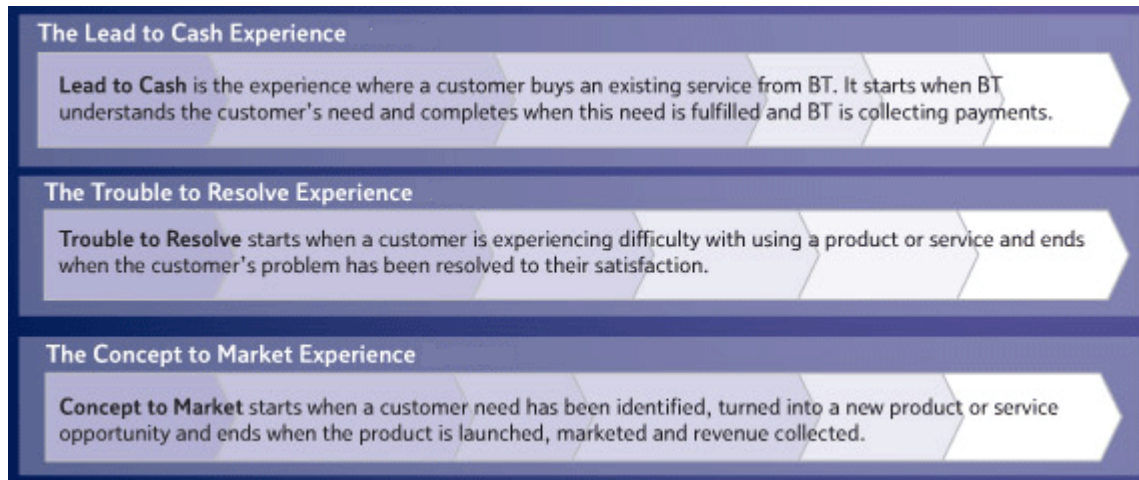
Overview

Customer Experience E2E is the external customer's view of internal processes (both automated and manual).

Analysing our business process from the customer's perspective, we can determine:

- What is the Customer Experience?
- Which business function do we perform to fulfil the customer's need?
- What systems or manual steps support those business functions?
- Where are the bottlenecks or opportunities for improvements?

There are three end-to-end experiences that BT will focus on and these are:



What does this give us?

We can then prioritise IT projects to deliver the greatest impact on the End to End Customer Experience by:

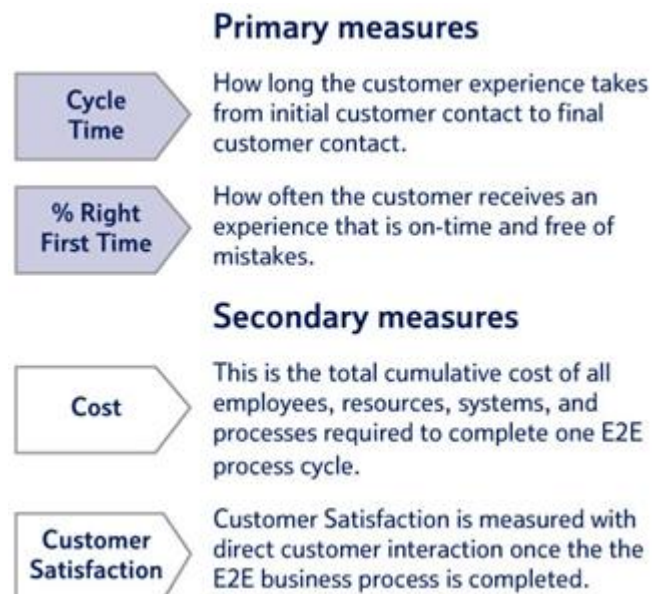
- Ensuring the customer receives an experience that is on-time and free of mistakes
- Meeting or exceeding expectations for how long we take to deliver

Measuring the Customer Experience

Once we know what the end to end experience is for the customer, we then determine the E2E metrics based on the data that has been collected and create baselines on the four measures.

This activity will allow us to identify bottlenecks and/or opportunities of improvement and help BT to define and prioritise deliverables for the next 90-days that will be used to drive the Hothouse sessions.

Collaborating with the business partners and BT to develop optimal solutions and make a positive impact to the Customer Experience.



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The positive impact will the help **Post-Implementation-Review (PIR)** board measure the success of the programmes and ensure that any success is based on a measured metric pushing the Customer Experience to the fore-front of everything that we do.

The measured customer experience should then be used to sustain the gain by constantly monitoring the end-to-end experience and continuous hot-housing to focus on the customer experience will allow us to deliver solutions that are key to the success of BT.

Benefits to BT and its customers

An IT mentality to deliver projects that will help drive the BT strategy. BT will be able to enhance the Customer Experience and deliver collectively by:

- Doing the right thing vs. doing things right
- Being Customer oriented vs. system oriented
- End-to-end optimization vs. function silo.

The Customer Experience E2E approach will give BT a new decision making methodology and one that is based on the following:

- Quantitative vs. qualitative
- Top Down vs. bottom Up
- 80/20 rule.

This change will allows us to improve the customer perception of BT from a reliable but slow-moving telecom company to a "highly agile and effective services company" (*quote from Ben Verwaayen*)

APPENDIX 3

NON DISCLOSURE AGREEMENT

THIS AGREEMENT made on [date must be entered] 200[]

between the following Parties (the "Parties" and individually a "Party"):

(1) British Telecommunications plc, a company registered in England and Wales, whose registered office is at 81 Newgate Street, London EC1A 7AJ, England, and whose registered number is 1800000 ("BT"); and

(2) <enter full legal entity name of other party>, a company registered in <enter country of registration of other party> whose registered office is at <enter registered office address of other party> and whose registered number is <enter company registration number of the other party> (the "Recipient").

Background

(A) The Parties are considering entering into a possible transaction or arrangement together, which will involve BT disclosing to the Recipient information concerning BT and/or its Group Companies.

(B) The Parties wish to regulate how such information will be protected.

Agreement

The Parties agree as follows:

9.1 Definitions

In this Agreement:

"BT Wholesale Information" means information which BT from time to time identifies to the Recipient as being commercially confidential, or is by its nature commercially confidential, to the BT line of business known as "BT Wholesale".

"Confidential Information" means any and all information, whether disclosed orally or in writing or in any other form, and whether disclosed before, on or after the date of this Agreement, owned or controlled by, or relating to the business or affairs of, BT or any of its Group Companies and disclosed by BT to the Recipient in relation to the Purpose;

"Group Companies" means in relation to a Party, its ultimate holding company and the direct and indirect wholly owned subsidiaries (other than such Party) of such holding company;

"Openreach Information" means information which BT from time to time identifies to the Recipient as being commercially confidential, or is by its nature commercially confidential, to the BT line of business known as "Openreach".

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"Purpose" means the use of Confidential Information for the purposes of the Recipient considering whether it (or one or more of its Group Companies) should enter into a Transaction, and having discussions with BT about a possible Transaction;

"Representatives" means, in relation to the Recipient, its, and any of its Group Companies', officers, staff, professional advisers and subcontractors who: - (i) need to have access to any Confidential Information for the Purpose; (ii) have been made aware of the provisions of this Agreement and the Recipient's obligations under it; and (iii) have been and are bound by confidentiality and usage obligations in respect of the Confidential Information no less onerous than the obligations of the Recipient in this Agreement; and

"Transaction" means a transaction or arrangement between the Parties or any of their respective Group Companies concerning <What does the proposed transaction/arrangement concern? Enter details sufficient to identify it clearly>.

9.2 Duration

The obligations of the Parties under this Agreement will cease to have effect <enter effective period of Agreement (from its date) in years> years after the date of this Agreement. Such cessation shall not, however, prejudice any then accrued rights in respect of any breaches of this Agreement or the continuation in force of any provisions necessary to assert or enforce any such rights.

9.3 Obligations

9.3.1 In consideration of BT disclosing Confidential Information to the Recipient, subject to clause 4 below the Recipient shall, and shall procure that its Representatives shall, :

9.3.1.1 use Confidential Information only for the Purpose;

9.3.1.2 keep Confidential Information confidential;

9.3.1.3 permit access to Confidential Information only to the Recipient's Representatives for the Purpose;

9.3.1.4 not copy Confidential Information except as necessary for the Purpose;

9.3.1.5 not delete any confidentiality and/or proprietary notices or legends appearing on the original Confidential Information as disclosed by or for BT; and

9.3.1.6 in disclosing any Confidential Information as permitted by this Agreement, comply with any applicable laws controlling or relating to the export of information.

9.3.2 Subject to clauses 3.3 and 4 below, the Recipient shall within 10 days following BT's written request: (i) deliver to BT or, at BT's option, destroy (including the permanent deletion of any electronic copies) all originals and copies of Confidential Information which the Recipient may have or control; and (ii) confirm in writing to BT that the Recipient has complied with such request.

9.3.3 Notwithstanding clause 3.2 above, the Recipient may, subject to the other provisions of this Agreement, retain in its records one copy of any Confidential Information that it has been obliged to disclose in accordance with clause 4.5 below.

9.3.4 Except with BT's prior written consent, and without prejudice to the Recipient's other obligations in this clause 3, the Recipient shall not disclose:

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(a) Openreach Information to any BT employee, agent or contractor unless the Recipient knows that such BT employee, agent or contractor is employed within or by Openreach; or

(b) BT Wholesale Information to any BT employee, agent or contractor unless the Recipient knows that such BT employee, agent or contractor is employed within or by BT Wholesale.

9.4 Exceptions

The Recipient's obligations in clauses 3.1, 3.2 and 3.4 above shall not apply to Confidential Information to the extent that:

9.4.1 it was already in the lawful possession of the Recipient and at its free disposal without any obligation of confidence before BT's first disclosure of it to the Recipient; or

9.4.2 it is or has been lawfully disclosed to the Recipient by a third party without any obligations of confidence; or

9.4.3 it is in or comes into the public domain other than through a breach of this Agreement; or

9.4.4 it is or has been created independently by or for the Recipient without use or knowledge of Confidential Information; or

9.4.5 the Recipient is obliged to disclose it by law or to meet the order or requirements of any competent court of law, governmental or statutory regulatory authority, or stock exchange, to which the Recipient is subject from time to time. Before making any such disclosure, the Recipient shall, to the extent that it is not prevented from doing so by such law, order or requirement, : (i) first promptly notify BT in writing of the details of the ordered or required disclosure; and (ii) if so requested and so far as is reasonable, assist BT, at BT's cost, in seeking a protective order or other assurance with respect to maintaining the confidentiality of such Confidential Information.

9.5. Status of Agreement

9.5.1 Neither the entry into this Agreement, nor the disclosure or receipt of Confidential Information, nor the carrying on of any discussions or negotiations about a possible Transaction, shall constitute or imply any offer, representation, commitment or promise by either of the Parties: (i) to enter into any further agreement; or (ii) to sell or purchase any product or service; or (iii) (except as expressly provided in Clause 3 above) to grant any intellectual property right or licence.

9.5.2 BT gives no representation, warranty or undertaking to the Recipient as to the accuracy or completeness of any Confidential Information (except so far as agreed otherwise by BT in any written agreement for a Transaction), and BT shall be under no obligation to update or correct any Confidential Information.

9.5.3 Neither Party shall be liable for any costs or expenses incurred by or for the other Party in considering, having discussions about, and/or in preparing for, a Transaction .

9.5.4 Other than any of BT's Group Companies, a person who is not a party to this Agreement may not enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999.

9.5.5 This Agreement shall bind the successors of each Party.

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9.6. Remedies

The Recipient acknowledges that if it breaches this Agreement damages may not be an adequate remedy for BT and that BT shall (without prejudice to any other rights and remedies) have the right to apply for injunctive relief or for specific performance of the Recipient's obligations.

9.7 General Provisions

9.7.1 The rights and obligations in this Agreement are in addition to any confidentiality obligations implied or imposed by applicable law.

9.7.2 No failure or delay by BT in exercising any right or remedy under this Agreement shall operate as a waiver of that right or remedy, and no single or partial exercise of any right or remedy shall preclude any further exercise of any right or remedy under this Agreement.

9.7.3 This Agreement may only be amended by a further written agreement to that effect signed by the Parties.

9.7.4 If any provision of this Agreement is held to be invalid, illegal or unenforceable (the "Invalid Provision"), the remaining provisions shall be unimpaired and the Parties will in good faith negotiate a substitute provision for the Invalid Provision which as closely as possible meets its intent while at the same time being valid, legal and enforceable.

9.8 Governing Law and Jurisdiction

This Agreement shall be governed by English law and the Parties agree in respect of it to submit to the exclusive jurisdiction of the English Courts. However, nothing in this Agreement shall prevent BT from applying to any other court for injunctive relief or for specific performance or for the enforcement or execution of any judgement or court order.

SIGNED for and on behalf of British Telecommunications plc	SIGNED for and on behalf of <enter full legal entity name of other party>
<hr/>	<hr/>
Signature	Signature
<hr/>	<hr/>
Name	Name
<hr/>	<hr/>
Position	Position

APPENDIX 4
SUPPLIER REPORTING

1 Introduction

Supplier reporting and scorecards are critical to the delivery of Services. Therefore the Supplier shall provide world class reporting that will measure both performance and relationship to deliver continuous improvements including but not limited to:-

Cycle time,
% Right first time,
Cost reduction,
Customer satisfaction,
Operational delivery,
Contractual compliance,

and shall to the fullest extent possible provide complete transparency of the Supplier's performance

It is intended that the Supplier's operational and relationship management reporting will, when aggregated across all work packages and requirements, provide a single view of Supplier performance across multiple subject matters.

2 Frequency

The Supplier shall deliver weekly, monthly, quarterly, half yearly and annually, or such other periods as BT may specify, reports and scorecards as required by BT to support the management of the Contract.

3 Content of Reports and Scorecards

Reports and scorecards may, as required by BT, include but not limited to:-

KPI's

- as detailed in Appendix 1 to this Schedule 6 or additional KPI's as may be specified from time to time,

Relationship

- Monitoring and reporting,
- Continuous improvement,
- Gaps in performance,
- value add from major strategic projects,
- Overdue Issue resolution and or actions,
- Escalations to the Executive Review ,
- Outstanding performance escalations,
- Formal disputes.

Customer Satisfaction

- Senior Management Escalations,
- Contractual disputes,
- Communication & Collaboration,
- End User Satisfaction,
- Right First Time,
- Value for Money,
- Flexibility & Responsiveness,

Operational Performance

- Delivery on Time,
- Performance against SLA –(Delivery of qualitative and or quantitative targets) agreed within Work Packages,

- System Availability,
- Outages,
- Delivery of Management Information.

Financial/Commercial

- Cost control,
- Productivity and efficiency cost reductions,
- Offshore/On-shore Ratio, (Compliance to 90:10),

- Project and Contract Savings,
- Post Implementation Review (PIR) Compliance,
- Service Credits Applied,
- Invoicing Compliance/Accuracy,
- License Management,
- Working At Risk (WAR),
- Function Point Measurement (cost, productivity, reliability and any other back up details)
- Test Point Measurement (auditable back up details)

People

- In all people reports that reference an individual person the EIN must also be used,
- Capacity/Scale to meet Requirements,
- Training/Development Programmes,
- Skills Accreditation,
- Reductions in internal churn and external attrition.
- Compliance to desired resource skill levels i.e. SFIA, BPO skills etc

Supplier Governance

- Corporate and social responsibility,
- Effective Operational Management (Change Management, Demand Management, Risk Management, Delivery Tracked etc.),
- Regulatory Training,
- Health & Safety Training,
- Pre Employment Checks,
- Security Compliance,
- Business Continuity,
- Security Breaches.

Change Management

- Did all changes follow the formal Change Control process?
- Performance against change control milestones and quality standards,
- Is demand tracked and managed.

Risk Management

- Formal Risk Management,
- Unmitigated risks – are there any Risks that are unmitigated?
- Risk beyond resolution dates.

Innovation

- Evidence that the Supplier has both offered and delivered substantive innovation to BT
- Number of operational innovations,
- Number of strategic innovations,

- Revenue generated.

4 Measurement

The Supplier shall use best industry practise for measurement of performance scores unless BT has specified a particular measure, in which case the BT specified measure shall be used. Any performance scores including successes and failures must be supported by documented evidence. Failures must be supported by relevant Route Cause Analysis and or similar evidence of investigation. Reporting and scorecards will ensure objectivity by the application of minimum standards for input from one or more of the following sources:

- Direct from system data or documented records recognised by both BT and the Supplier
- Where sample audits are used both BT and the Supplier shall have formally documented acceptance that both the source and the sample used are recognised and a fair reflection.
- Via Operational input supported by evidence

5 Changes

BT reserves the right, to unilaterally change its Supplier reporting and scorecard requirements without the consent of the Supplier.

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APPENDIX 5

SERVICE CREDITS FOR KEY PROVISIONS AND MANDATORY COMPLIANCE

Measure and Rationale	Targeted On	Reported By	Target	Contractual Link (SmartSource)	Basis for Remedy	Immediate Remedy	91 Days Onwards	
							Credit Rate	Repetition
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
	[***]	As above.	[***]	As above	[***]	Not applicable.	As above	As above
[***]	[***]	[***]	[***]	[***]	[***]	[***]	None	None
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	.N/A

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***	***	***	***	***	***	Not applicable.	***	***
***	***	***	***	***	***	Not applicable.	***	***
***	***	***	***	***	***	Not applicable.	***	***
***	***	***	***	***	***	Not applicable.	***	***

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SCHEDULE 7
TRANSITION AND TRANSFORMATION & EXIT PLAN

Table of contents

1.	Purpose of the Schedule	2
2.	Transition and Transformation	2
3.	Exit Strategy Co-operation	5

1. Purpose of the Schedule

This Schedule sets out the minimum terms and conditions the Supplier shall adhere to for all Orders in the event the relevant Order(s) requires the following services:

- Transition and Transformation
- Exit and Termination Assistance

The Effective Date is defined as the date that the Services in relation to an Order become effective.

2. Transition and Transformation

2.1 Transition shall comprise those activities needed to achieve a logical, ordered and thoroughly planned transfer of people, processes and systems from BT or the current service provider to the Supplier.

2.2 Transformation encompasses those activities necessary to transform the current service ("the As-Is service") to the full Services and associated SLAs (the "To-Be Service") as detailed in individual Order.

2.3 Where the Supplier undertakes Services which requires transition and transformation:

a. The Supplier shall complete transition and transformation of the Services within the time periods agreed in the Order ("the Transition and Transformation Period") and if no date is agreed in the Order no later than seven (7) days from the Effective Date.

b. The Supplier shall initiate transition and transformation for critical work areas identified by BT, ahead of the transition and transformation start date, by making a transition and transformation team available by a date to be mutually agreed by both Parties and confirmed in Specification.

2.4 Project Plan

If it is not feasible to migrate all the Services identified in the relevant Order simultaneously the Supplier should propose a project plan to indicate when the Services shall be migrated. The plan should be structured to maximise the cost and efficiency benefits that can be achieved for BT.

2.5 Transition and transformation Plan:

a. A transition and transformation plan shall be agreed between BT and the Supplier, which shall include details set out below for successful completion of the transition and transformation work. The details are as follows:

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- the project's objectives;
- the project's scope;
- start date and end date for the project as well as the individual milestone within it;
- the results and deliverables including acceptance criteria for the project;
- the accountabilities of both parties in the project; and
- the agreed dependencies and responsibilities of the Parties in relation to each project.

- b. BT and the Supplier shall hold regular joint management reviews of the transition and transformation process. The transition and transformation plan shall be used to monitor the progress of the transition and transformation work.

2.6 Remedies:

- a. In the event of the transition and transformation work not being completed within the Transition and Transformation Period as a result of default by the Supplier, BT shall have the following options:
 - i. Either, agree a reasonable extension of the Transition and Transformation Period, for which the Supplier shall provide additional resources required to complete the transition and transformation at no costs to BT and the Supplier shall reimburse BT for all direct loss that BT incurred as a result of this extension.
 - ii. BT may terminate the Order and pay nothing for the transition and transformation work already carried out by the Supplier should BT consider that the transition and transformation of the Services cannot be completed within a reasonable time, which shall be deemed to be the Transition and Transformation Period. In the event that BT incurs additional external support charged as a result of the abortive transition and transformation work, the Supplier shall reimburse BT of such direct loss.
- b. The remedies listed above may apply, subject always to a maximum total amount of the direct loss incurred by BT as a result of this default. BT wishes to retain the right to terminate however the total remedy amount described above will be the Supplier's sole financial liability and BT's sole financial remedy for failure to achieve completion of transition and transformation within the Transition and Transformation Period.

- 2.7 In the event of the transition and transformation work not being completed within the Transition and Transformation Period as a result of a delay caused by a BT dependency, BT shall ensure that any reasonable extra costs incurred by the Supplier are reimbursed to a maximum total amount of the extra costs incurred by the Supplier. For the avoidance of doubt, all BT dependency shall be detailed in the Order.

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2.8 Timescales

The Transition and Transformation plan shall be in two parts:

- a. transition and transformation, and
- b. ongoing work.

Commencement of ongoing work shall be dependent on the Supplier demonstrating that they meet the transition and transformation Acceptance criteria to the satisfaction of BT.

2.9 Transition and Transformation Escalation

- a. In the event of a breakdown or failure in transition and transformation that does or could reasonably be expected to result in a remedy claim for failure on the part of either BT, the Supplier or both the escalation process will be as follows:

BT: [BT Transition and Transformation Manager]

The Supplier: [Supplier Transition and Transformation Manager]

- b. It will be the responsibility of these managers to consider the instance of failure, agree an appropriate course of action to correct the failure, assess any financial impact on the disadvantaged party and agree a suitable remedy. In the event that this cannot be agreed, it will be referred to respective Steering Committee for final resolution.

Prior to the commencement of transition and transformation services, the Supplier shall:

- a. define and create the process and procedure information in documentation required to provide the Services. This documentation will be based upon the As-Is Services baseline processes, procedures and policies which will be captured in the documentation by the Supplier and owned by BT;
- b. maintain the documentation within a Supplier-approved quality control method;
- c. update the documentation as soon as reasonably practicable as a result of any change made by the Supplier to BT's processes, procedures and policies during the Contract Period. All changes made to this documentation are New Information (as defined in the Condition headed "Intellectual property Rights);
- d. upon request, give BT such access to the documentation at Supplier's facility or in a jointly managed electronic system; and

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- e. where required by BT, Supplier will arrange for copies of such documentation to be provided to BT, subject to reasonable notice to enable the copying and transmission of the documentation.

For the avoidance of doubt, the documentation referred to in this Section is BT's Intellectual Property Rights.

3. EXIT STRATEGY COOPERATION

3.1 The Supplier acknowledges the need by BT for the continuity of the Services (by BT, a member of the BT Group or a Successor Contractor) upon Termination either in part or whole for whatever reason. Accordingly, BT and the Supplier shall forthwith comply with this Schedule and procure that any Contract Personnel, Supplier Affiliate and Sub-contractors shall comply with this Schedule and the Exit Management Plan. The Exit Management Plan shall be submitted to BT within thirty (30) days of Commencement Date of and upon request by BT, individual Exit Management Plan from the Effective Date of the individual Order.

3.2 In performing the exit activities both parties will use all reasonable endeavours to minimise risks and costs for the other party.

3.3 The Supplier shall take responsibility to ensure that the Exit Management Plan is implemented so as to achieve the intended outcome of this Schedule.

3.4 The initial areas to be included in the Exit Management Plan for the Contract and each Order (as applicable) as a minimum, unless otherwise agreed, are to:

- (a) provide an orderly and smooth exit of the Services or any part thereof; and/or
- (b) provide an orderly and smooth cessation of the Services or any part thereof;
- (c) enable BT to re-tender the provision of Services; and
- (d) efficiently and effectively manage all exit activities including the provision of access and information, transfer of assets where relevant and creation of such interfaces as are necessary to ensure that all or any part of the Services which are either not subject to exit or which are subject to a contemplated or implemented exit but have not yet been subject to an end date continue to be provided in accordance with this Contract and that any Service Levels applicable to such Services continue to be met.

3.5 The Exit Management Plan shall include:

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- (a) a description of exit activities to be carried out under the Exit Management Plan including any key milestones and target milestone dates;
- (b) an impact analysis detailing all implications of the exit activities to be undertaken and in relation to risks identified, details of activities to be undertaken to eliminate, minimise and/or mitigate such risks;
- (c) any known dependencies on BT;
- (d) the names of BT and the Supplier individuals who shall have responsibility for and who shall liaise in relation to each exit activity to be undertaken under the Exit Management Plan;
- (e) a plan outlining the manner in which exit activities will be communicated to BT;
- (f) details of any changes required to any business continuity plan as a result of implementation of the Exit Management Plan; and
- (g) such other activities and/or details as BT shall reasonably require and/or the Supplier shall recommend.

3.6 The Exit Management Plan shall be in a format reasonably acceptable to BT.

3.7 If the Contract or the relevant Order is terminated by BT, or not renewed with the Supplier beyond the Contract Period or the Order end date, the Supplier shall co-operate fully with BT and with any third party nominated by BT, at no additional cost to BT, in facilitating the provision of replacement work ("Replacement Work"). Such co-operation shall include, without limitation:

- (a) the supply by the Supplier of such Supplier's Background Information as is reasonably necessary to enable Replacement Work to be provided in a similar manner to that in which Services had or should have been provided by the Supplier;
- (b) the granting by the Supplier to BT or, at BT's option, a third party, of a licence to use such Supplier's Background Information solely in relation to the provision of Replacement Work for a period expiring five years after the date of termination (or part termination) of the Contract or the Order (as applicable);
- (c) the grant to BT an irrevocable, royalty free licence in perpetuity to use, reproduce, modify and sub-licence to any BT Group Company for their own internal business needs the tools, methodologies, know-how and materials and information created by the Supplier in the course of or arising from the provision of the Services under the Contract Period to the extent it does not include any third party Intellectual Property Rights. To the extent the tools, methodologies, know-how and materials and information contains third party Intellectual Property Rights, the Supplier shall advise BT of that fact and at BT's request

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and expense use commercially reasonable efforts to assist BT in obtaining the right to use such third party Intellectual Property Rights; and

- (d) the undertaking by the Supplier of all reasonable endeavours to procure for BT or BT's nominated contractor the grant or transfer of all licences and permissions under third party Intellectual Property Rights which may from time to time be reasonably necessary for the provision of Replacement Work to the extent that such third party Intellectual Property Rights have been used in the provision of Services by the Supplier.

For the avoidance of doubt, the Replacement Work shall include for Services under an Order, which had ceased or lapsed over a period of time.

For the purpose of this Section (Exit Strategy Co-operation) "Supplier's Background Information" shall mean all Information owned or controlled by the Supplier or companies in the same group (as defined by s.53 Companies Act 1989) as the Supplier.

3.2 Further to the above, the Supplier shall use all reasonable endeavours to maintain the Key Personnel throughout the Replacement Work period and in the event the Supplier fails, refuses and/or neglects to maintain the Key Personnel, the Supplier shall reimburse BT any cost incurred by BT for any delay on the part of Supplier in completing the Replacement Work.

3.3 The Supplier agrees to vacate BT's premises within a reasonable period and deliver to BT those BT assets in the Supplier's custody.

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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SCHEDULE 8
GENERIC STANDARDS

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PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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The latest issues are attached as follows:

- | | | |
|--------------------------|--------------------------------------|---------|
| • BT Generic Standard 11 | Safety Management | Issue 8 |
| • BT Generic Standard 13 | Environmental Impact | Issue 9 |
| • BT Generic Standard 18 | Sourcing with Human Dignity Standard | Issue 3 |

1 CONTRACT RESPONSE

The Supplier shall comply, and shall ensure that all Subcontractors comply with the latest applicable issue of the following BT Generic Standards at <http://www.selling2bt.bt.com/working/generic/default.htm>:

- (a) GS1 — Business Management System Standard;
- (b) GS3 — Software Development Standard;
- (c) GS11 - Health & Safety Management Standards;
- (d) GS13 — Environmental Management Standards — compliance to be in accordance with the Condition headed "Environmental Impact"
- (e) GS18 — Sourcing with Human Dignity — compliance to be in accordance with the Condition headed "Sourcing with Human Dignity"
- (f) GS20 — Climate Change; and
- (g) ITSGS — IT Security Generic Standard - the latest applicable issue of which will be as provided to the Supplier by BT. (required for BPO Call Centre activity only)

To each attached Generic Standard the Supplier is required to make a declaration of "Compliant", "Partially compliant" or "Non-compliant" as appropriate.

This declaration shall be followed by a concise supporting statement describing the way in which the Supplier complies, or why the Supplier does not and identifying methods and tools used.

Compliance with the attached Generic Standards does not confer immunity from legal obligations. The Supplier should note that BT reserves the right to validate the information provided.

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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2 TABLE OF COMPLIANCE

	Compliant	Partially Compliant	Non-compliant
Generic Standard 1			
Generic Standard 3			
Generic Standard 11			
Generic Standard 13			
Generic Standard 18			
Generic Standard 20			

3 EMBEDDED BT GENERIC STANDARD 11 FOR COMPLETION



4 BT GENERIC STANDARDS 13 AND 18 FOR ACCESS AND COMPLETION

On the Commencement Date the Supplier shall access the following URL's and complete the following two questionnaires:

<https://secure.selling2bt.bt.com/ext/html/gs13/>

<https://secure.selling2bt.bt.com/ext/html/gs18/>

The Supplier must complete the questionnaires within a two month time period and ensure that the file is emailed as the instructions indicate.

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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SCHEDULE 9

SUPPLIER SITE LOCATIONS AND AFFILIATES

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- 1. PURPOSE OF THIS SCHEDULE**
- 2. SUPPLIER SITE LOCATIONS**
- 3. SUPPLIER AFFILIATES**

1

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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2

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1. PURPOSE OF THIS SCHEDULE

This Schedule identifies all the Supplier Site locations and Supplier Affiliates in scope as of [XX XXXXXX 20XX]

2. SUPPLIER SITE LOCATIONS

List of Supplier Site locations that will be used to deliver Work under this Contract. Any change to this list of locations shall be made in accordance with the Change Control procedure as outline in Schedule 6 headed Governance

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3. SUPPLIER ENTITIES

Any change to this list of Supplier Affiliates shall be made in accordance with the Change Control procedure as outline in Schedule 6 headed Governance.

Sr. No.	Name of the Subsidiary Companies	Country in which incorporated
	Westborough, MA Virtusa Corporation 2000 West Park Drive, Westborough, MA 01581 Telephone: +1 508 389 7300 / Facsimile: +1 508 366 9901	US
	New York, NY Virtusa Corporation 245 Park Avenue, 39th Floor, New York, NY 10167 Telephone: +1 212 372 8727 Facsimile: +1 212 792 4001	US
1.	Maidenhead, Berkshire Virtusa UK Ltd. No. 1, Bell Street, Maidenhead, Berkshire SL6 1BU Telephone: +44 1628 421 500 Facsimile: +44 1344 887 551	UK
2.	London Virtusa UK Ltd. 15, Old Bailey, London EC4M 7EF	UK

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3.	Telephone: +44 2031 786 916 / Facsimile: +44 2030 082 501 Amsterdam Virtusa Corporation Amsterdam WTC, H-Tower Zuidplein 36 1077 XV Amsterdam The Netherlands Telephone: +31 20 799 78 00 / Facsimile: +31 20 799 78 01	The Netherlands
4.	Budapest Virtusa Corporation Kálmán Imre utca 1. 1054 Budapest Hungary — 1054 Telephone: +36 1 475 1166 / 67	Hungary
5.	Chennai Virtusa (India) Pvt. Ltd. "The Lords", Plot No. 1 & 2, Northern Extension Area, Thiru-Vi-Ka Industrial Estate, Guindy, Chennai — 600032 Telephone: +91 44 4200 2700 / Facsimile: +91 44 4200 2800	India
6.	Virtusa Software Services Pvt. Ltd. 1st Floor, 5th Block, DLF IT Park — SEZ, 1/124 Mount Poonamalee Road, Shivaji Garden Moonlight Stop, Nandambakkam Post, Manapakkam Chennai - 600089 Telephone: +91 44 3927 7700 / Facsimile: +91 44 3927 7800	India
7.	Hyderabad Virtusa (India) Pvt. Ltd. 3rd Floor, My Home Tycoon Building, Begumpet, Kundanbagh,	India

	Hyderabad — 500016	
	Telephone: +91 40 2341 4200 / Facsimile: +91 40 2341 2310	
8.	Virtusa Consulting Services Pvt. Ltd. Sy No.115, Nanakramguda Village, Serilingampally Mandal, Ranga Reddy District, Hyderabad — 500019 Telephone: +91 40 4452 8000 Facsimile: +91 40 2341 2310	India
9.	Virtusa (India) Pvt. Ltd. Block B, 2nd Floor, Cyber Gateway, Madhapur, Hyderabad — 500018 Telephone: +91 40 2341 4200 / Facsimile: +91 40 2341 2310	India
10.	Colombo Virtusa Pvt. Ltd. Cinnamon Lakeside Commercial Complex, 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02 Telephone: +94 11 238 5714 / Facsimile: +94 11 470 2199	SriLanka
11.	Virtusa Pvt. Ltd. 752, Dr Danister De Silva Mawatha, Colombo 09 Telephone: +94 11 460 5500 / Facsimile: +94 11 470 2199	Srilanka
12.	M/s.Virtusa India Pvt.Ltd. NPR Chambers,No.746,80 Ft. road, Koramangala,4th Block, Bangalore — 560 034	India
13.	Virtusa Germany GmbH Nördliche Münchner Straße 16	Germany

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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	D-82031 Grünwald, Germany	
14.	Virtusa Singapore Private Limited	Singapore
	80 Raffles Place	
	#16-20 UOB Plaza	
	Singapore 048624	
15.		
16.		
17.		
18.		
19.		

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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SCHEDULE 10

BT AFFILIATES

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- 1. PURPOSE OF THIS SCHEDULE**
- 2. BT AFFILIATES**

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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1. PURPOSE OF THIS SCHEDULE

This Schedule identifies all the BT legal entities in scope (where BT owns between 50-100% of that legal entity) comprising the BT Group (as at 11TH May 2007)

2. BT ENTITIES

Any change to this list of BT Entities shall be made in accordance with the Change Control procedure as outline in Schedule 6 headed Governance.

Company Name	Company No	Country
BT Albania Limited SH.P.K	K61317008P	Albania
BT Algeria Communications SARL	04 B 965740	Algeria
BT Argentina S.R.L.	1.657.972.	Argentina
BT Armenia Closed Joint Stock Company	286.120.05262	Armenia
BT Australasia Pty Limited	ACN 003 050 146	Australia
BT Austria GmbH	FN 207702 W	Austria
BT Azerbaijan Limited, Limited Liability Company	1104-T5-3499	Azerbaijan
BT Solutions Limited (Bahrain Branch)	51845	Bahrain
BT Communications Bangladesh Limited	C-49686(1670)/2003	Bangladesh
BT (Barbados) Limited	23341	Barbados
BT BELRUS Foreign Limited Liability Company	190536274	Belarus
BT Limited, Belgium Branch	RPR/RPM:0440.036.936	Belgium
Communications Global Network Services Limited	EC 26678	Bermuda
BT Solutions Limited Sucursal Bolivia	59639	Bolivia
BTIH Teleconsult Društvo sa organičenom odgovornoscu za posredovanje i zastupanje d.o.o. Sarajevo	1-24585	Bosnia and Herzegovina
BT (Gaborone) (Proprietary) Limited	2003/1983	Botswana
BT Communications do Brasil Limitada	03.076.075/0001-44	Brazil
BTGS BNI Sdn Bhd	AGO/RC/6524/05	Brunei Darussalam
BT Bulgaria EOOD		Bulgaria
BT Cameroon Limited	PC/DGA/2004/B/034024	Cameroon
BT Canada Inc.	433555-4	Canada
BT Cape Verde	N° 737/2004	Cape Verde
BT Global Networking A Limited	113910	Cayman Islands

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Company Name	Company No	Country
Servicios de Telecomunicaciones BT Global Networks Chile Limitada	1595	Chile
BT China Limited	9150	China
BT Colombia Limitada	AA2195280	Colombia
BT Global Costa Rica SRL	568-28773-1-2	Costa Rica
BT Cote D'Ivoire	CI-ABJ-03-B-1045	Cote D'Ivoire
BT Solutions Limited Podružnica Hrvatska	1741659	Croatia
BT Solutions Limited	AE 1785	Cyprus
BT Limited, organizacni slozka	70 80 20 25	Czech Republic
BT Denmark ApS	CVR. NO. 24221415	Denmark
BT Dominican Republic, S. A.	18887	Dominican Republic
BT Solutions Limited	1.79187E+12	Ecuador
BT for Telecommunications Egypt Limited [translation of the Arabic name]	9419	Egypt
BT El Salvador, Limitada de Capital Variable	2003095282	El Salvador
BT Solutions Limited Eesti Filiaal	10956538	Estonia
BT SOLUTIONS LIMITED/Ethiopian/	EIA PC01/280/03	Ethiopia
BT Nordics Limited, branch in Finland	1721774-0	Finland
BT France SAS	B 394 999 577	France
BT Gabon Limited	2004B03493	Gabon
BT Gambia Limited	95/2004	Gambia
BT Georgia Limited LLC	05/04/3840	Georgia
BT (Germany) GmbH & Co. oHG	HRA 77639	Germany
BT Ghana Limited	NO. CA-6248	Ghana
BT (Gibraltar) Limited	95473	Gibraltar
BT Solutions Limited-Greek Branch	215206	Greece
BT Guatemala Sociedad Anonima		Guatemala
BT Haiti S.A.		Haiti
BT Sociedad De Responsabilidad Limitada	NO. 26, VOLUME 363	Honduras
BT Hong Kong Limited	201423	Hong Kong
BT Limited Hungarian Branch Office	01-17-000070	Hungary
BT Solutions Limited Útibú á Íslandi	580204-3090	Iceland
BT (India) Private Limited	U74899DL2000PTC109012	India
PT. BT Communications Indonesia	90317440121	Indonesia

PORTIONS OF THIS EXHIBIT WERE OMITTED AND HAVE BEEN FILED SEPARATELY WITH THE SECRETARY OF THE COMMISSION PURSUANT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT UNDER RULE 24B-2 OF THE SECURITIES EXCHANGE ACT; [***] DENOTES OMISSIONS.

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Company Name	Company No	Country
BT (Middle East) Limited	2470	Iran, Islamic Republic of
BT Communications Ireland Limited	141524	Ireland
Forres Limited	95361C	Isle of Man
BT Communication Israel Ltd	51-296100-4	Israel
BT Global Services Limited	6820/1992	Italy
BT Italia S.p.A.	4870/95	Italy
BT Jamaica Limited	67,573	Jamaica
BT Japan Corporation	0104 - 01 - 023410	Japan
BT Jersey Limited	87593	Jersey
BT (International) Holdings Limited (Jordan)	8392	Jordan
BT Kazakhstan LLP	70870-1910-ÒÏ (ÈÓ)	Kazakhstan
BT Communications Kenya Limited	C.103705	Kenya
BT South Korea Limited		Korea, Republic of
BT Solutions Limited - Kuwait Branch	(TEMP. NO.) B-1 1005	Kuwait
BT Latvia Limited SIA		Latvia
BT Lebanon S.A.L.	1001880	Lebanon
UAB BTH Vilnius	124655570	Lithuania
BT Luxembourg S.A.	B.90.139	Luxembourg
BT Solution Limited AD, England, London Branch Office BT Solution Limited in Skopje	5774748	Macedonia
BT Malawi Limited	6650	Malawi
BT Multimedia (Malaysia) Sdn Bhd	454844-A	Malaysia
BT Systems (Malaysia) Sdn Bhd	278680K	Malaysia
BT Solutions Limited	OC 239	Malta
BT Global Communications (Mauritius) Limited	46867	Mauritius
Infonet Servicios de Comunicaciones, S.A. de C.V.	209291	Mexico
BT MDV Limited	1.0046E+12	Moldova, Republic of
BT Solutions Limited - Morocco Branch	126309	Morocco
BT Mozambique, Limitada	15744	Mozambique
BT Solutions Limited	F/4573373	Namibia
BT Nederland N.V.	33296214	Netherlands
BT Antilles N.V.	95186	Netherlands Antilles
BT Australasia Pty Limited	AKOS.1279357	New Zealand

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Company Name	Company No	Country
BT Nicaragua S.A.	67,573	Nicaragua
BT Niger	NI-NIM-2004-B 435	Niger
BT (Nigeria) Limited	RC285081	Nigeria
BT Solutions Norway AS	982398428	Norway
BT (International) Holdings Limited & Co. LLC	1/75576/5	Oman
BT Pakistan (Private) Limited	K-09677 OF 2003-2004	Pakistan
BT de Panama, S.R.L.	340409/9233	Panama
BT Paraguay S.R.L.	5527365	Paraguay
BT Peru S.R.L.	20502047583	Peru
BT Communications Philippines Incorporated	CS200312925	Philippines
BT Poland Sp. zo.o	KRS 0000106719	Poland
BT Portugal - Telecomunicacoes, Unipessoal, Lda.	504982354	Portugal
BT Communications Sales, LLC Puerto Rico branch	NONE ISSUED BY PR	Puerto Rico
BT Global Services Limited Londra Sucursala Bucuresti	15211871	Romania
BT Solutions Limited Liability Company	1.0377E+12	Russia
British Telecom Al-Saudia Limited	1010074580	Saudi Arabia
BT Senegal Limited	SN DKR 2004 B 5129	Senegal
BT Belgrade d.o.o	1 - 90537 - 00	Serbia and Montenegro
BT Solutions Limited	0.111	Seychelles
BT (SL) Limited	N° 1137/2003	Sierra Leone
BT Singapore Pte. Ltd.	195100025E	Singapore
BT Slovakia s.r.o.	35 787 082	Slovakia
BT Globalne Telekomunikacijske Storitve, Obdelava Podatkov, Podatkovnih Baz; d.o.o.	1860437	Slovenia
BT Limited	1996/010322/10	South Africa
BT ESPAÑA, Compañía de Servicios Globales de Telecomunicaciones, S.A	ESA80448194	Spain
BT Communications Lanka (Private) Limited		Sri Lanka
Newgate Communication (Sudan) Co. Ltd	22697	Sudan
BT Nordics Limited UK filial	516403-1220	Sweden
BT Switzerland Limited, London, Wallisellen/Zurich Branch	CH-02090014709	Switzerland
Aberbell Limited	719/T	Syrian Arab Republic
BT Limited Taiwan Branch	84705621	Taiwan, Province of China
BT Tajikistan LLP	001-1433	Tajikistan

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Company Name	Company No	Country
BT Solutions Limited	45981	Tanzania
BT Siam Limited	(1)493/2540	Thailand
BT Togo	2003B0951	Togo
BT Solutions Limited	BK:102 FOLIO 471(B)	Trinidad and Tobago
BT Tunisia S.A.R.L	B 146202003	Tunisia
BT Istanbul Telekomünikasyon Hizmetleri Anonim Sirketi	509997-457579	Turkey
BT Solutions Limited	F 1618	Uganda
BT Ukraine Limited Liability Company	32491080	Ukraine
BT UAE Limited - Abu Dhabi Branch		United Arab Emirates
BT UAE Limited (Sharjah Branch)	527483	United Arab Emirates
BT UAE Limited - Ras Al-Khaimah Branch	20371	United Arab Emirates
BT UAE Limited - Dubai Branch	1323	United Arab Emirates
British Telecommunications plc	1800000	United Kingdom
Radianz Americas Inc.	52-2250723	United States
BT Conferencing Inc.	13-4158824	United States
BT Counterpane Internet Security, Inc.	3057164	United States
Infonet Services Corporation	954148675	United States
Infonet Telecommunications Corporation		United States
BT INS, Inc.		United States
BT Americas Inc.	13-3459785	United States
BT Solutions Limited Sucursal Uruguay	4577	Uruguay
New Communications LLP	000462-04	Uzbekistan
BT Global (Venezuela) S.A.	No.24 Vol 261-A-VII	Venezuela
BT (Vietnam) Co. Ltd.	559/GP-HCM	Viet Nam
BTGS USVI Limited		Virgin Islands, U.S.
BT Solutions Limited	FCO 1239	Zambia
Numberrapid Limited	E/1/2004	Zimbabwe

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SCHEDULE 11

BUSINESS CONTINUITY MANAGEMENT

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1. Interpretation

In this Schedule:

Capitalised terms not otherwise defined in this Schedule have the meanings ascribed to such terms in the Contract. The following terms have the respective meanings specified below:

BT Continuity Contact — [?] or such person whose details shall be notified by BT to the Supplier from time to time.

"Business Continuity Plan" - the Supplier's processes and procedures to ensure that the impact on critical business functions are assessed and mitigations identified are implemented. "BCP" shall be construed accordingly.

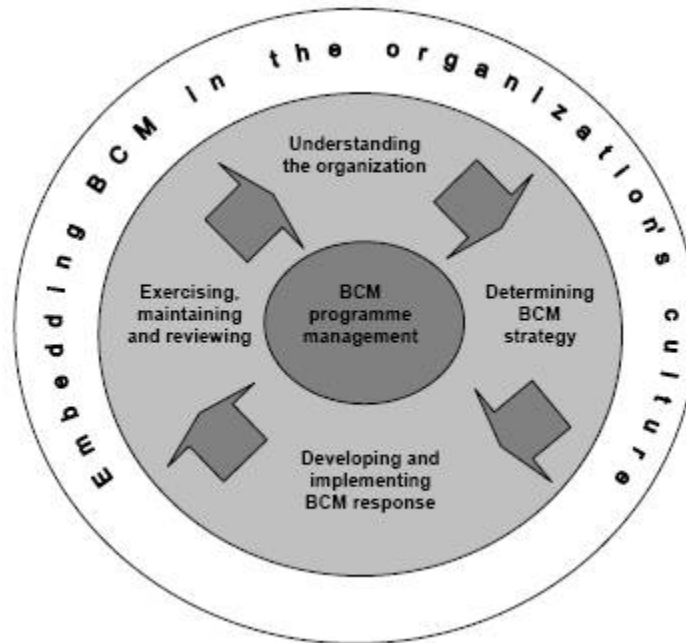
"Disaster Recovery Plan" - the Supplier's plans to maintain Supplies in the event of natural or man made incident that affects their ability to provide Supplies from the primary location and/or site. Disaster Recovery Plan usually takes place within the Business Continuity Plan framework. A single Business Continuity Plan might contain or refer to a number of Disaster Recovery Plans. "DRP" shall be construed accordingly.

"Standard" or "Standards" - all the relevant standards associated with international Business Continuity Management, including but without limitation BS25999.

"Supplier Continuity Contact" — [?] or such person whose details shall be notified by the Supplier to BT from time to time.

2. Supplier's Principal Obligations — Part 1

- 2.1 This Schedule sets out BT's requirements in relation to Supplier's business continuity planning and disaster recovery planning measures in order to demonstrate that the Supplier can continue to perform the Contract during and after an incident or disaster.
- 2.2 BT aims to align with the British Standard BS25999 ("BS 25999") and follows the Business Continuity Institute (BCI) Good Practice Guidelines (GPG) and The British Standards Institution's (BSI)'s Business Continuity Management (BCM) lifecycle. BT expects its suppliers to similarly align with BS 25999 and conform to the BCM lifecycle that is now established as an industry related standard, regardless of whether the Supplier seeks to gain certification or not.



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- 2.3 BT acknowledges that the requirements specified in BS25999 are generic and intended to be applicable to all organisations (or parts thereof), regardless of type, size and nature of business. The extent of application of these requirements depends on the organisation's operating environment and complexity. As a minimum, BT's expectation is that the Supplier demonstrates its conformance to BS25999.
- 2.4 If Supplier chooses to demonstrate its conformance to BS25999 by demonstrating compliance to a Standard other than BS25999, the Supplier shall demonstrate in writing how that Standard aligns with and maps to BS25999.
- 2.5 The Supplier shall ensure that BCM practice employed within its organisation complies with the following BS25999 lifecycle stages:
- 2.5.1 Programme Management
 - Governance
 - 2.5.2 Understanding the Organisation
 - Business Impact Analysis (identification of business risks)
 - Risk Assessment (prioritisation of risk in meeting BT's requirements)
 - 2.5.3 Determining BCM Strategy
 - Continuity Strategies and Mitigation
 - 2.5.4 Developing and Implementing BCM Response
 - BCM Continuity Plans
 - Incident Management/Crisis Management
 - 2.5.5 Embedding BCM in the Organisation's Culture
 - Training and Awareness
 - 2.5.6 Exercising, Maintaining and Reviewing
 - BCM Exercising the Plan
 - Plan Maintenance & Improvement

- Audit

- 2.6 The Supplier shall ensure that it has a robust BCM governance and that regular review takes place with its stakeholders to ensure alignment to BS25999 or an equivalent standard in the location where the Supplies are, delivered to for BT or, provided from by the Supplier.
- 2.7 The Supplier must demonstrate to BT, on BT's request, that it has conducted a thorough business impact analysis and risk analysis which takes an holistic view of possible disruption to its ability to meet BT business requirements on the occurrence of a force majeure event that has, or is likely to have, an effect on the Supplies, or on the occurrence of disaster from natural or man made incident that affects its ability to provide the Supplies from the primary location and/or site. Consideration of the following 7 aspects of corporate resilience' of Supplier's operations must be demonstrable to BT.

Aspect of corporate resilience	Examples of risks (not exclusive)
Networks	Single points of failure or nodes which are insufficiently protected, either physically or with disaster recovery solutions
Systems	a critical system which is supported from only a single building, has no disaster recovery fall back capability, has no feasible workaround if down, running on unsupported software or is supported by only a very few people with highly specialised skills.
People & Processes	a critical process can only be operated by a few people with specialist skills or knowledge; people operating in areas with environmental or civil unrest threats
Property	A key process can be operated from only one or two specific locations; the building/site is of sub-standard construction or poorly maintained or there is an environmental hazard to buildings (nearby danger of fire, flood, civil disturbance, traffic congestion preventing access etc)
Supply Chain	A dependency on a single supplier for a service/product without which the service/product could not be delivered to the time and quality that BT expects. (this includes internally traded Supplies/products)
Data	Information necessary to support BT business is poor quality, not sufficiently available or not sufficiently secure
Customers	Will the business be able to survive the loss of a major contract or conversely deliver on a significant increase in business without loss of quality?

- 2.8 The Supplier must produce a report of risks resulting from a business impact analysis/risk assessment ("BIA/RA") which is supplied to BT in a form defined by BT at the time, such that it is suitable for inclusion in the BT risk review process.
- 2.9 The Supplier's BIA/RA must be reviewed and maintained (at least annually). The results of such review must be made available to BT on request.
- 2.10 The Supplier shall, on completion of the BIA and RA, identify and prioritise critical components and Contract Personnel, which will ensure that mitigation activity to reduce the risk exposure is sufficient to meet BT's requirements. The Supplier must produce an end-to-

end Business Continuity Plan and Disaster Recovery Plan that is able to mitigate identified risks of a severity level within a time period agreed with BT.

- 2.11 The Business Continuity Plan and Disaster Recovery Plan must cover all key processes supporting BT within a single framework of business continuity. The plans must cover all key buildings from where Supplies are provided from, with associated risk assessment and fallback exercise results.
- 2.12 The Supplier shall attach the Business Continuity Plan and Disaster Recovery Plan to the Business Continuity Management System (BCMS) by *(fill in the date)*. When requested by BT, the Supplier shall make available for inspection the Business Continuity Plan and Disaster Recovery Plans with respect to this Contract. Any changes to the BCMS will be effective only upon obtaining the prior agreement of BT.
- 2.13 The Supplier will ensure that the Business Continuity Plan and Disaster Recovery Plan are operationally effective throughout the Term and will review, maintain and test the plan at least once each year during the Term. Advance notice of each test will be advised to BT Continuity Contact who shall be invited to attend all tests scheduled for the Business Continuity Plan and Disaster Recovery Plan.
- 2.14 The results of each testing of the Business Continuity Plan and Disaster Recovery Plan will be provided to BT in the form of a written report, which shall identify any areas where either the Business Continuity Plan and/or Disaster Recovery Plan(s) procedures are adjudged by BT or the Supplier as not providing the required levels of business continuity or Recovery Time Objective (RTO). In such cases, the Supplier shall, following consultation and agreement with BT, make any changes to the Business Continuity Plan or Disaster Recovery Plan which are necessary to ensure that the agreed levels of business continuity and/or RTO are met.
- 2.15 The Supplier must be able to demonstrate that business continuity is embedded in its culture through regular communications and ensuring ownership within operational teams as well as through central co-ordination.
- 2.16 The Supplier must be able to demonstrate that any partner companies, group companies, affiliates, sub-contractor, outsourcing agencies or other suppliers on which it depends for delivering BT requirements, are resilient and have a similar and sufficient degree of business continuity as is imposed on the Supplier by this Schedule. These processes shall include incident reporting and internal escalation paths within the Supplier's organisation, together with immediate escalation and reporting of defined events to BT.
- 2.17 The Supplier shall immediately notify the BT Continuity Contact if, anything that may have a material adverse effect on the Supplier's ability to perform its obligations under this Schedule occurs, or, Supplier is experiencing an incident of a severity where it is judged that it is possible that BT business may be impacted.
- 2.18 The Supplier shall demonstrate a robust incident management strategy which is regularly exercised. The BT Continuity Contact must be notified of planned exercises, to give BT the opportunity to attend and observe these exercises as appropriate, and the results of such exercises must be made available to BT.
- 2.19 BT may carry out risk assessments with pro-active support from the Supplier on any part of the Supplier's supply chain to identify additional risks to BT as a result of the provision of the Supplies. BT may then stipulate additional countermeasures address any risks.
- 2.20 BT may update from time to time, business continuity related policies, guidelines, standards and requirements. BT shall incorporate such updates by reference which shall be notified in writing by BT to the Supplier. The Supplier is deemed to accept all the updates. If the Supplier

has an issue with such updates, the Supplier shall detail its concerns to BT in writing as soon as reasonably practicable.

3. Supplier's Principal Obligations — Part 2

- 3.1 All compliances against the requirements in Clause 2 above shall be documented by the Supplier in the Business Continuity Management System (BCMS) template at <http://www.selling2bt.bt.com/downloads/BCM.doc> .
- 3.2 Once agreed by the appropriate BT operational representative, the BCP and DRP shall be incorporated into this Contract and inserted in Annex ? of this Schedule.

4. Audit

- 4.1 The Supplier will provide to (or procure the giving to) BT (or any person authorised by BT) such access at all reasonable times to the Supplier's and any Subcontractor's records and premises related to the Supplies as BT may require from time to time to assess the Supplier's compliance to the Schedule.
- 4.2 The provision of such assessments shall include regular assessments of all elements of BCP and DRP. The Supplier shall facilitate this assessment by permitting BT to collect, retain and analyse information to identify potential gaps and risks.
- 4.3 The Supplier will provide such reports to BT and attend such meetings as may be reasonably required by BT.

Subsidiaries of Virtusa Corporation

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation/Formation</u>
InSource Holdings, Inc	Connecticut
InSource, L.L.C.	Connecticut
Virtusa Consulting Services, Pvt. Ltd.	India
Virtusa Germany GmbH	Germany
Virtusa Hungary Kft.	Hungary
Virtusa (India) Private Limited	India
Virtusa International, B.V.	Netherlands
Virtusa (Private) Limited	Sri Lanka
Virtusa Securities Corporation	Massachusetts
Virtusa Singapore, Pvt. Ltd.	Singapore
Virtusa Software Services, Pvt. Ltd.	India
Virtusa UK Limited	United Kingdom

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[Exhibit 21.1](#)

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Virtusa Corporation and Subsidiaries:

We consent to the incorporation by reference in the registration statements (Nos. 333-179330, 333-170792, 333-160891, and 333-145636) on Form S-8 of Virtusa Corporation and Subsidiaries of our reports dated May 25, 2012, with respect to the consolidated balance sheets of Virtusa Corporation and Subsidiaries as of March 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended March 31, 2012, and the related consolidated financial statement schedule, and the effectiveness of internal control over financial reporting as of March 31, 2012, which reports appear in the March 31, 2012 annual report on Form 10-K of Virtusa Corporation and Subsidiaries.

/S/ KPMG LLP

Boston, Massachusetts
May 25, 2012

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[Exhibit 23.1](#)

[Consent of Independent Registered Public Accounting Firm](#)

I, Kris Canekeratne, certify that:

1. I have reviewed this annual report on Form 10-K of Virtusa Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15 (f) and 15d-15(f)) for the registrant and we have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ KRIS CANEKERATNE

Name: Kris Canekeratne

Title: Chairman and Chief Executive Officer

Date: May 25, 2012

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[Exhibit 31.1](#)

I, Ranjan Kalia, certify that:

1. I have reviewed this annual report on Form 10-K of Virtusa Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ RANJAN KALIA

Name: Ranjan Kalia

Title: Senior Vice President of Finance and Chief Financial Officer

Date: May 25, 2012

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[Exhibit 31.2](#)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Virtusa Corporation (the "Company") on Form 10-K for the period ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kris Canekeratne, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ KRIS CANEKERATNE

Name: Kris Canekeratne

Title: Chairman and Chief Executive Officer

Date: May 25, 2012

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[Exhibit 32.1](#)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Virtusa Corporation (the "Company") on Form 10-K for the period ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ranjan Kalia, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ RANJAN KALIA

Name: Ranjan Kalia

Title: Senior Vice President of Finance and Chief Financial Officer

Date: May 25, 2012

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[Exhibit 32.2](#)