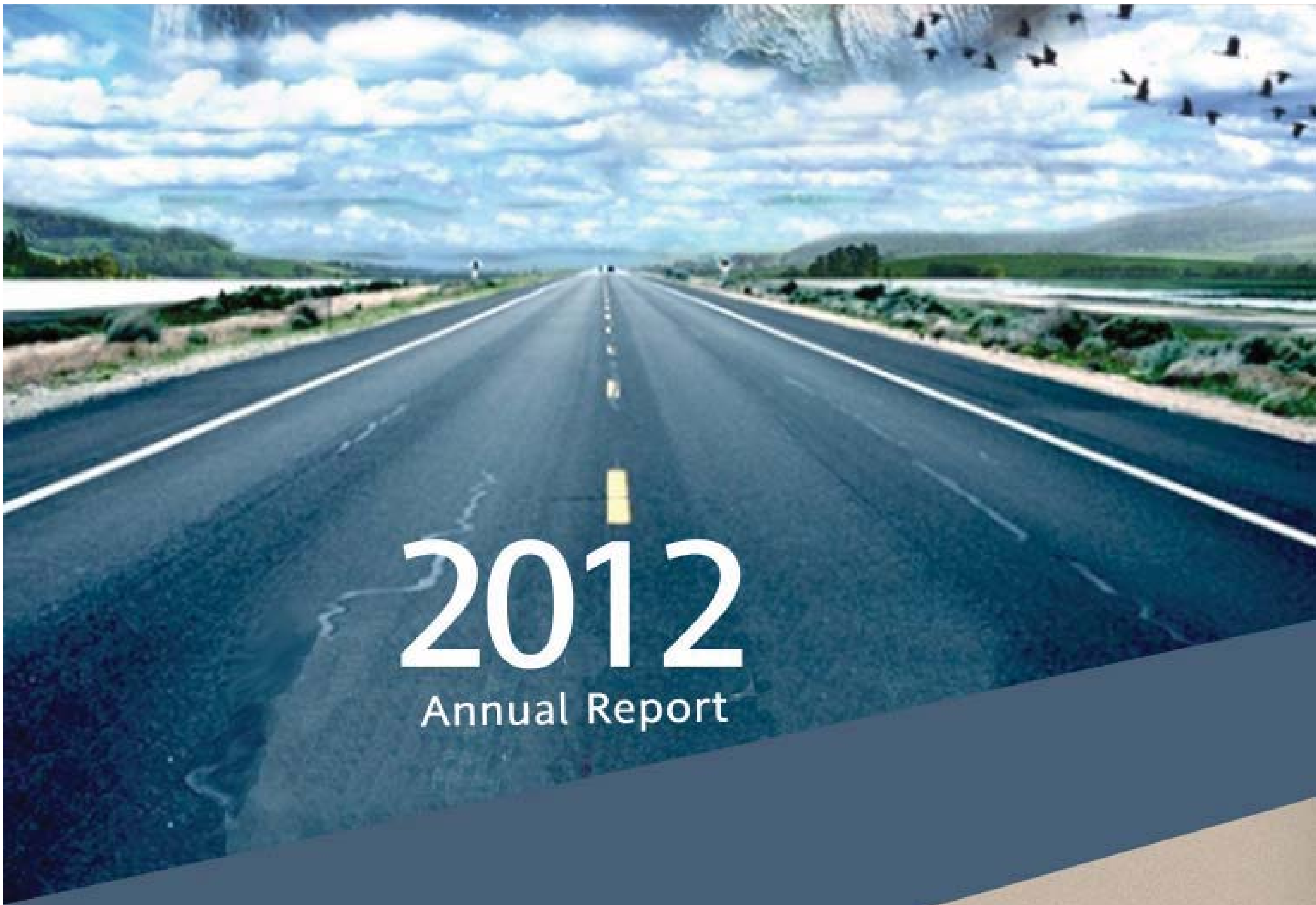

# 2012
## Annual Report

CTE CAMBRIDGE TECHNOLOGY ENTERPRISES

## BOARD OF DIRECTORS

| | | | |
|---|---|---|---|
| 1. | Stefan Hetges | - | Director & Chief Executive Officer |
| 2. | Samir Bhatia | - | Director & Chief Financial Officer |
| 3. | D R R Swaroop | - | Whole-Time Director |
| 4. | L Sridhar | - | Independent Director |
| 5. | Mallipudi Anand Pattabhiramkumar | - | Independent Director |
| 6. | Motaparthy Venkateswara Rao Kasi | - | Independent Director |

## AUDIT COMMITTEE

| | | | |
|---|---|---|---|
| 1. | L Sridhar | - | Chairman |
| 2. | D R R Swaroop | - | Member |
| 3. | Motaparthy Venkateswara Rao Kasi | - | Member |

## BANKERS

Axis Bank Limited

## STATUTORY AUDITORS

P. Murali & Co.
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500 082
Andhra Pradesh, India

## COMPANY SECRETARY

V Ramana Reddy

## REGISTERED & CORPORATE OFFICE

Plot No 8-2-269/A/2/1 to 6, 1st Floor
West Wing, Cyber Spazio, Road No 2
Banjara Hills, Hyderabad - 500 033
Andhra Pradesh, India

## REGISTRAR AND SHARE TRANSFER AGENTS

Aarthi Consultants Private Ltd
1-2-285, Domalguda, Hyderabad – 500 029
Andhra Pradesh, India
Tel: +91-40-27638111, Fax: +91-40-27632184
info@aarthiconsultants.com

## 13th ANNUAL GENERAL MEETING

Day : Friday
Date : 28th September, 2012
Time : 3.00 p.m
Venue : Ruby Hall, 5th Floor, Quality Inn Pearl,
Lumbini Layout, Gachibowli,
Hyderabad – 500 032
Andhra Pradesh, India

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# Management Team

**Stefan Hetges, Director & Chief Executive Officer**

Stefan Hetges started his career as a consultant at Cambridge Technology Group. In 1993, he joined i-Cube as the first employee and was instrumental in the company's growth and later became responsible for i-Cube's Europe an business. The company grew to over $100 million in revenue and went public in 1998. In 1999, i-Cube was acquired by razorfish. In 2001, Stefan acquired the assets of i-Cube from razorfish in a management buy out and formed smartShift. Stefan has a Masters in Computer from University of Constance.

**Anish Dhanda, President**

Anish Dhanda is the President at CTE. He has over 19 years of domestic and international experience in business strategy, product design, technology innovation, sales & marketing, operations, and consulting. Anish has extensive knowledge of technical and organizational development in both startup and Fortune 500 organizations within the healthcare, financial, media & entertainment, and IT/ software industries. Anish started his career in product management at Open Environment Corporation. He later founded netNumina Solutions and was instrumental in expanding the Company to 180 employees. Prior to CTE, Anish was the CEO of DNSstuff.com, overseeing all aspects of strategy, product management, engineering, and business partnerships. He has also held senior executive roles at New Tilt and GenArts. Anish received numerous honors and awards, including Boston Magazine's 40th anniversary issue as one of the Forty People to Watch and the Premier 100 IT Leaders in Computerworld. Anish holds BS in Electrical Engineering from Lafayette College.

**Samir Bhatia, Director & Chief Financial Officer**

Samir Bhatia has over 23 years of technology experience, profit & loss responsibility and building companies. He has been a CxO at several startups including Founder President at Tribiosys, Inc. a technology and processconsulting firm for bio-techs and pharmaceuticals. He has launched many software and electronic products from concept to successful market penetration. More recently, as CIO at Boston Analytics, a cross border research and analytics firm, he was part of the executive management team with complete financial responsibility and was instrumental in growing the company to 170 people.Samir holds Master's degrees in Computer Science and Physics from Northeastern University.

**Arjun Chopra, Chief Technology Officer**

Arjun Chopra is the Chief Technology Officer at CTE. He is also the CEO of Vox Holdings, a company he founded in 2006 to spur the creation, consumption and monetizationof Open Source Software. Arjun holds multiple technology patents, has worked extensively with Open Source Software for over 10 years and has held several technology development and management positions in Consumer and Enterprise software companies, including Microsoft, Motive and IBCC. He has a BS in Computer Sciences with Highest Honors from The University of Texasat Austin, where he was an Endowed Presidential scholar, and an MBA from Harvard Business School, where he wasone of 32 nation-wide PD Soros Fellows.

**Joerg Wirthmann, Senior Vice President of Sales, Europe**

Joerg Wirthmann joined CTE as part of the recent acquisition of smartShift GmbH along with Stefan. At smartShift GmbH, Joerg was responsible for all world wide sales as well as channel partnership establishment and management. Prior to smartShift GmbH, Joerg held senior sales positions at PeopleSoft, later acquired by Oracle,where he was in charge of Oracle's Application Business Unit. Joerg has over 15 years of experience in sales and management, with past positions at leading IT enterprises, including IDS Scheer, People Soft, Unisys and Vantive. Joerg holds a Master's Degree in Computer Science from Technical University, Darmstadt and a Master's in Business Administration from Schiller International University, Florida.

**Jagdish Negi, Head of India sales**

Jagdish Negi is responsible for leading CTE's India Operations and managing all project delivery out of the Hyderabad & Bangalore development centers. He has over 15 years of experience in the field of Telecom, Software development and delivery. Prior to CTE, Jagdish worked with Pune-based Persistent Systems, where he managed multiple projects for US based product development companies. He scaled his last account from a 4-member unit to a 90+members team within a short a span of six months. Prior to Persistent, Jagdish served in the Indian Air Force for 12 years and took release while he was the head of the IT and Information Warfare Cell in Maintenance Air Command. At IAF, he planned, designed and implemented the biggest WAN networks covering the whole of northern India. He was also instrumental in conceptualization and development number of software applications for the Operations, Maintenance and Administration branches of the IAF. He holds a BS in Computer Science from National Institute of Technology, Allahabad.

# Notice

# Notice

**NOTICE** is hereby given that 13th Annual General Meeting of the Cambridge Technology Enterprises Limited will be held on Friday, the 28th day of September, 2012 at 3:00 p.m. at Ruby Hall, 5th Floor, Quality Inn Pearl, Lumbini Layout, Gachibowli, Hyderabad 500 032 to transact the following business:-

**Ordinary Business:**

1. To receive, consider and adopt the Balance Sheet of the Company as at 31st March, 2012 and the Profit and Loss Account for the year ended on that date together with the Reports of Directors and Auditors' thereon.

2. To appoint Stefan Hetges who retires by rotation and being eligible offers himself for re-appointment.

3. To appoint P. Murali & Co., Chartered Accountants, Hyderabad, the retiring Auditors, as Statutory Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of next Annual General Meeting and to authorize the Board to approve their remuneration.

**Special Business:**

4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT Mallipudi Anand Pattabhiramkumar, who was appointed as an Additional Director of the Company by the Board of Directors and who holds office upto the date of this Annual General Meeting in pursuance to section 260 of the Companies Act, 1956 and in respect of whom the Company has, under section 257 of the said Act, received notice in writing proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company liable to retire by rotation".

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT Motaparthy Venkateswara Rao Kasi, who was appointed as an Additional Director of the Company by the Board of Directors and who holds office upto the date of this Annual General Meeting in pursuance to section 260 of the Companies Act, 1956 and in respect of whom the Company has, under section 257 of the said Act, received notice in writing proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company liable to retire by rotation".

For and on behalf of the Board

Sd/-
V Ramana Reddy
Company Secretary

Place: Hyderabad
Date : 13th August, 2012

**Notes:**

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.

2. The Proxy form, in order to be effective, must be deposited at the registered office of the Company not less than 48 hours before commencement of the meeting.

3. The Register of Members and Share Transfer books shall remain closed from Friday, the $21^{st}$ day of September, 2012 to Friday, the $28^{th}$ day of September, 2012 (both days inclusive).

4. All documents referred to in the notice are open for inspection at the registered office of the Company between 11.00 a.m. to 1.00 p.m. on any working day prior to the date of the meeting and also at the meeting venue.

5. The members holding shares in the dematerialized mode are requested to intimate all changes with respect to their bank details, mandate, nomination, power of attorney, change of address, change in name etc., to their Depository Participant (DP). These changes will be automatically reflected in the Company's records which will help the Company to provide efficient and better service to the members.

6. Members desiring to seek any information/clarifications on the annual accounts are requested to write to the Company at least 7 (Seven) days before the date of AGM to enable the management to compile and keep the information ready.

7. Corporate members intending to send their Authorized Representatives to attend the meeting are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the meeting.

8. Members/proxies are requested to bring their copies of Annual Reports to the meeting. Copies of Annual Reports will not be provided at the meeting.

9. Physical Share Transfers – PAN Copy:

   Investors are requested to note that in terms of SEBI Directives, in case of private transaction involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of PAN Card to the Company/RTAs for registration of such transfer of shares.

# EXPLANATORY STATEMENT

**(PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956)**

**Item No. 4**

Mallipudi Anand Pattabhiramkumar was appointed as an Additional Director to occupy the position as an Independent Director in Board meeting held on 13th February, 2012. In terms of 260 of the Companies Act, 1956, Mallipudi Anand Pattabhiramkumar holds office up to the date of this Annual General Meeting of the Company.

Notice under section 257 of the Companies Act, 1956 has been received from a member of the Company along with the requisite deposit proposing the candidature of Mallipudi Anand Pattabhiramkumar, for the office of Director of the Company.

None of the directors except Mallipudi Anand Pattabhiramkumar is deemed to be interested or concerned in the said resolution.

The profile of Mallipudi Anand Pattabhiramkumar is mentioned in the Corporate Governance section of this Annual Report, which may be treated as notice under section 302 of the Companies Act, 1956.

Your Directors commend the resolution for approval.

**Item No.5**

Motaparthy Venkateswara Rao Kasi was appointed as an Additional Director to occupy the position as an Independent Director in Board meeting held on 13th February, 2012. In terms of 260 of the Companies Act, 1956, Motaparthy Venkateswara Rao Kasi holds office up to the date of this Annual General Meeting of the Company.

Notice under section 257 of the said Act has been received from a member of the Company along with the requisite deposit proposing the candidature of Motaparthy Venkateswara Rao Kasi, for the office of director whose term is liable to retire by rotation.

None of the directors except Motaparthy Venkateswara Rao Kasi is deemed to be interested or concerned in the said resolution.

The profile of Motaparthy Venkateswara Rao Kasi is mentioned in the Corporate Governance section of this Annual Report, which may be treated as notice under section 302 of the Companies Act, 1956.

Your Directors commend the resolution for approval.

For and on behalf of the Board

Sd/-
V Ramana Reddy
Company Secretary

Place: Hyderabad
Date : 13th August, 2012

# Directors' Report

# Directors' Report

Dear Shareholders,

We are happy to present on behalf of the Board of Directors, the 13th Directors' Report along with the Balance Sheet, and Profit and Loss Account for the year ended 31st March, 2012.

## Financial Performance

Key elements of financial performance of Cambridge Technology Enterprises Limited (CTEL) on consolidated and stand alone basis is as below:

(₹ in millions)

| S.No. | Particulars | Consolidated Results | | Standalone Results | |
|---|---|---|---|---|---|
| | | FY 2012 | FY 2011 | FY 2012 | FY 2011 |
| 1 | Revenue from operations | 749.98 | 589.10 | 307.94 | 327.62 |
| 2 | Expenses | (736.81) | (692.78) | (196.09) | (205.55) |
| 3 | Depreciation & Amortization | (98.41) | (108.49) | (83.05) | (96.75) |
| 4 | Profit from operations before interest, other income and exceptional items | (85.24) | (212.17) | 28.79 | 25.32 |
| 5 | Finance Charges | (28.99) | (22.12) | (5.36) | (9.52) |
| 6 | Other Income | 23.02 | 50.42 | 20.65 | 2.85 |
| 7 | Impairment of intangible assets | (44.52) | - | (30.25) | - |
| 8 | Impairment of goodwill | (458.10) | - | - | - |
| 9 | Prior period expenses | 15.02 | 3.72 | 15.01 | 3.72 |
| 10 | Change in carrying value of investments | - | - | (37.78) | - |
| 11 | Profit from Ordinary Activities Before Tax | (578.81) | (180.15) | (8.93) | 22.37 |
| 12 | Tax Expense | 9.49 | (5.12) | 10.53 | (3.92) |
| 13 | Net Profit | (569.32) | (185.27) | 1.60 | 18.45 |
| 14 | Profit & Loss Account Balance Brought Forward | (124.86) | 60.42 | 199.21 | 180.76 |
| 15 | Amount Available for Appropriation | (694.19) | (124.86) | 200.82 | 199.21 |
| 16 | Balance in Profit & Loss Account | (694.19) | (124.86) | 200.82 | 199.21 |

a. **Consolidated Results for FY 2012**

Your Company has achieved a turnover of ₹ 749.98 Mn for the year ended 31st March, 2012, as against a turnover of ₹ 589.10 Mn in the previous year and posted operating loss of ₹ 85.24 Mn versus an operating loss of ₹ 212.17 Mn recorded in the previous financial year. Net Loss for the year ended 31st March, 2012 was ₹ 569.32 Mn, and the same was ₹ 185.27 Mn, for the year ended 31st March, 2011. Detailed analysis of consolidated financial statements is given in Management Discussion and Analysis Report forming part of this Annual Report.

b. **Standalone Results for FY 2012**

CTEL has achieved a turnover of ₹ 307.94 Mn for the year ended 31st March, 2012, as against a turnover of ₹ 327.62 Mn in the previous year. The Company posted an operating profit of ₹ 28.79 Mn for the year under review, whereas it was ₹ 25.32 Mn in the year ending 31st March, 2011. Net Profit for the year ended 31st March, 2012 was ₹ 1.60 Mn, and the same was ₹ 18.45 Mn, for the year ended 31st March, 2011. Detailed analysis of standalone financial statements is given in Management Discussion and Analysis Report forming part of this Annual Report.

**Dividend**

Keeping in view the difficult operating environment that prevailed in the year gone by and the expected cash flow requirements for the future growth of the Company, your Directors were not able to recommend any dividend for the financial year ended 31st March, 2012.

**Employee Stock Option Scheme**

The details of employee stock option as on 31st March, 2012 are given as Annexure-1 to this report, as per Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

**Corporate Governance Report**

A detailed report on the Corporate Governance practices of the Company is given as a separate section in this annual report.

**Management Discussion and Analysis Report**

A detailed Management Discussion and Analysis is provided in the annual report, as a separate report.

**Subsidiary Companies**

Your Company has two direct wholly owned subsidiary viz., smartShiftgroup Limited (formerly Cambridge Technology Enterprises – Mauritius Limited), Mauritius and Cambridge Technology India Private Limited (formerly Q-soft Systems & Solutions Private Limited), Bangalore and three step-down subsidiary Companies viz., Vox Holdings Inc., USA, Smartshift GmbH, Germany and Cambridge Technology Enterprises Inc., USA as on 31st March, 2012.

The members may refer to the statement under Section 212 of the Companies Act, 1956 and information on the financials of subsidiaries appended to the above statement under Section 212 of the Companies Act, 1956 in this Annual Report for further information on these subsidiaries.

The Ministry of Corporate Affairs vide its General circular has laid down a set of conditions upon fulfillment of which, Ministry has conferred automatic exemption from attaching subsidiary financials to the financials of the Company for the financial year 2011-12. Your company has complied with those conditions and hence consolidated financials with rupee equivalents, where ever applicable are made available in this annual report.

The members desiring to obtain a copy of the financials of the Subsidiary Companies may write to the Company Secretary at the registered office of the Company.

**Directors' Responsibility Statement**

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

i. In preparation of Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;

ii. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2011-12 and of profit of the Company for that period;

iii. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

iv. We have prepared the annual accounts on an on-going concern basis.

**Fixed Deposits**

Your Company had not accepted any fixed deposits under Section 58A of the Companies Act, 1956 and hence no amount of principal or interest was outstanding as on the Balance Sheet date.

**Directors**

Stefan Hetges, Whole-Time Director and CEO retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

During the year under review Dr. Prem Singh Rana and Krishen Kumar Dhar, Independent directors, had expressed their desire to resign from the Board due to other pursuits, in the Board Meeting held on 3rd October, 2011. The Board placed on record its appreciation for the services rendered by them and accepted their resignations with w.e.f. 13th September, 2011.

Mallipudi Anand Pattabhiramkumar and Motaparthy Venkateswara Rao Kasi have been appointed as Additional Directors to occupy the position of independent Directors, in the Board Meeting held on 13th February, 2012. Both these Additional Directors hold office upto the conclusion of this Annual General Meeting.

Mallipudi Anand Pattabhiramkumar and Motaparthy Venkateswara Rao Kasi are proposed to be appointed as Director in the Annual General Meeting and notice under Section 257 of the Companies Act 1956 has been received from a member proposing their appointment.

The brief profile of the Board members is given in the Corporate Governance section of this Annual Report.

**Auditors**

The Statutory Auditors of the Company P Murali & Co., Chartered Accountants retiring at this Annual General Meeting have confirmed their eligibility and willingness to accept the office of Statutory Auditors, if re-appointed for the next financial year. The Audit Committee and the Board of Directors recommend P Murali & Co., as the Statutory Auditors of the Company for the financial year 2012-13 subject to the shareholders approval.

**Particulars of Employees**

Pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees are not applicable.

**Conservation of energy, technology absorption, foreign exchange earnings and outgo:**

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are set out in Annexure – 2 to the Directors' Report.

**Acknowledgement**

Your Board places on record its sincere appreciation for the significant contribution made by the employees through their dedication, hard work and commitment and standing by us through the difficult times and for the trust reposed in us by our clients.

Your Directors also acknowledge the support and wise counsel extended to us by the analysts, bankers, government agencies and shareholders at large. We look forward to having the same support in our endeavor to serve our clients better.

For Cambridge Technology Enterprises Limited

| | |
|---|---|
| Sd/- | Sd/- |
| D.R.R. Swaroop | L. Sridhar |
| Whole- Time Director | Director |

Place : Hyderabad
Date : 13th August, 2012

# Annexure to the Director's Report

**Annexure - 1**

Pursuant to the provisions of Guideline 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999, as amended, the details of stock options as on 31st March , 2012 under CTEL Employee Stock Option Scheme 2006 and CTEL Employee Stock Option Scheme 2008 and CTEL ESOP Scheme 2011 are as under:

**Summary of status of ESOPs granted:**

| S.No. | Particulars | CTEL Employee Stock Option Scheme – 2006 | CTEL Employee Stock Option Scheme - 2008 | CTEL ESOP Scheme 2011 |
|---|---|---|---|---|
| 1 | Approved options | 1,500,000 | 1,500,000 | 1,045,000 |
| 2 | Options Granted | 1,236,542 | 1,500,000 | 624,000 |
| 3 | Options vested | 176,938 | 168,360 | 140,000 |
| 4 | Options unvested | 15,600 | 127,500 | 389,000 |
| 5 | Options exercised | 19,388 | 919,614 | Nil |
| 6 | Options lapsed | 1,024,616 | 284,526 | 95,000 |
| 7 | Total number of options in force | 192,538 | 295,860 | 529,000 |
| 8 | Variation in terms of ESOP | Clause for recovery of FBT from employees incorporated | Not Applicable | Not Applicable |
| 9 | Total number of shares arising as a result of exercise of options | Nil (exercised shares issued from the CTEL ESOP Trust) | Nil (exercised shares issued from the CTEL ESOP Trust) | Not Applicable |
| 11 | Money realized by exercise of options (₹) | 2,532,092 | Nil | Nil |
| 12 | Diluted EPS pursuant to issue of shares on exercise of option calculated in accordance with AS 20 | Nil (exercised ESOPs were issued from CTEL ESOP Trust, already outstanding in the issued capital | Not Applicable | Not Applicable |

13 A description of the method and significant assumptions used during the year to estimate the fair values of the options:

| Description | Details |
|---|---|
| A description of the method and significant assumptions used during the year to estimate the fair values of the options, including the following weighted average information: | The Fair value of options was calculated using the Black Scholes option pricing model. The following assumptions have been used: |
| i. Risk free interest rate | 6.73% - 7.85% |
| ii. Expected life | 3 – 4 years |
| iii. Expected volatility | 63.77% to 72.66% |
| iv. Expected dividends | 0 % |
| v. The price of the underlying share in market at the time of option grant | Market Price |

**A. Employee - wise details of options granted to :**

a. Senior managerial personnel:

| Name of the Employee | Designation | Exercise price per option | No. of options granted |
|---|---|---|---|
| Anish Dhanda | President Enterprise America | Rs. 8.85 | 1,00,000 |
| Gregory Sabatino | CTO - Enterprise America | Rs. 8.85 | 1,00,000 |
| **TOTAL** | | | **2,00,000** |

b. Any other employee who received a grant in any one year of options amounting to 5% or more options granted during the year:

| Name of the Employee | Designation | Exercise price per option | No. of options granted |
|---|---|---|---|
| Anish Dhanda | President Enterprise America | Rs. 8.85 | 1,00,000 |
| Gregory Sabatino | CTO - Enterprise America | Rs. 8.85 | 1,00,000 |
| Jeremy D Koempel* | Director - Creative Services, USA | Rs. 7.00 | 65,000 |
| **TOTAL** | | | **2,65,000** |

**Resigned w.e.f 30th April, 2012*

c. Identified employees who were granted options during any one year equal to or exceeding 1% of issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant:

- Not Applicable -

**B. Weighted average exercise price fair value of options granted during the year whose:**

| | | |
|---|---|---|
| 1 | Exercise price equals market price | Yes |
| 2 | Exercise price is greater than market price | Nil |
| 3 | Exercise price is less than market price | Nil |

**C.** The stock based compensation cost calculated as per the fair value method prescribed by SEBI, to be recognized in the financial statements for the year 2011-12 would be ₹ Nil.

## Annexure – 2

### Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 are as under:

1. Conservation of Energy:

   Software Industry is not power intensive. However, your company is working towards being environment friendly and has taken adequate measures to conserve energy, wherever possible.

2. Technology Absorption:

   Provision of state of the art communication facilities to all software development centers and total technology solutions to its clients contribute to technology absorption and innovation.

3. Foreign Exchange Earnings and Outgo:

(₹ in millions)

| Particulars | 2011-12 | 2010-11 |
|---|---|---|
| Foreign Exchange Earnings | 295.39 | 329.89 |
| Foreign Exchange Outgo | 78.51 | 75.72 |

For Cambridge Technology Enterprises Limited

Sd/-
D.R.R. Swaroop
Whole-Time Director

Sd/-
L. Sridhar
Director

Place : Hyderabad
Date : 13th August, 2012

# Management Discussion and Analysis Report

## CTE and Cloud

The cloud continues to 'pick up steam' in 2012. The number of customers using the cloud continues to grow, and, as a consequence, CTE has focused on addressing the challenges customers face as they look to leverage this paradigm shift.

There are several options that companies are faced with today. Does the cloud make sense? What savings and ROI can be expected? Which applications are good candidates for moving? What are the risks? What are the security considerations? Compliance considerations? What about Private Clouds? CTE is focused on extending its strategy services to help companies get the most benefits out of the Cloud Computing revolution. CTE will work closely with customers to assist them in determining the optimal path to the cloud.

CTE has also begun to develop a tremendous amount of intellectual property to assist companies in transforming their existing applications to cloud-based solutions. These could involve migrating business logic and data from existing system to 3rd party 'Software-as-a-Service' applications like Salesforce.com and SuccessFactors, or by moving existing applications like SAP or Pega to cloud-based implementations of the same.

CTE's smartShift offering is focused on enhancing its patented solutions to address these use cases, and CTE has already seen success with several customers here.

Once the applications are running in the cloud, CTE's CloudEnable service offering will deliver SLA-driven 24/7 Managed Services to the customers, so they can focus on their business and not have to worry about the security and availability of their applications.

By focusing on the entire lifecycle of services, CTE continues to offer a comprehensive suite of solutions to customers who wish to truly leverage the cloud for their business.

## Trends in IT services in 2012

Some of the major trends in the post economic recession world include outsourcing and the expansion of cloud services, especially transforming existing applications to the cloud, cloud maintenance and infrastructure services. For instance, the traditional in-house vis-à-vis outsourced services have gone through a major shift as more and more applications have moved to the cloud. In the last years mostly start-ups and new applications have been using cloud services, enterprises start looking today on how to leverage the financial benefits on the cloud enterprise wide. Enterprise wide strategies and roadmaps need to be designed to build the future. Since this is blurring the lines between in-house and web-based/outsourced services, IT managers are moving more towards a Cloud model. This is also changing the whole notion about software lifecycle management since application might move to SaaS models or in-house applications need to provide 24*7*365 availability.

## CTE's offerings:

### 1. Cloud, SAP and Enterprise Applications

#### Market Opportunities

The overall trends in the SAP landscape in 2012 include an increasing thrust on application lifecycle management, business intelligence and performance management, enterprise information management, business process management, integration and collaboration, custom development, security, compliance, identity and access management and mobile. In addition SAP has committed to Cloud services and in recent acquisitions expands services to the cloud. Existing application need to be made security and transformation to in-memory databases like SAP HANA is happening today.

CTE provides an array of enterprise solutions including Application Transformation, Application Development, BPO, Training, Oracle DB/MW application management, Oracle application support, and Hosting and Managed solutions.

### 2. Application Transformation

CTE can look at experience in transforming business applications to new technology paradigms for decades. The experience combined with the unique approach to analyze applications and rate the feasibility to move them to the cloud, positions CTE as a valuable player for enterprises to establish cloud roadmaps and strategies.

With our technical knowledge and tools we offer also the implementation of the defined strategies so our customers can worry about their core business while we modernize their IT to run with lower cost.

### 3. Application Development

#### Cambridge Collaborative Delivery™

CTE's unique CCD™ methodology combines intensive workshops, solution visualization, and spiral-based Rapid Application Development (RAD) to achieve demonstrable value in short business cycles. The company further provides custom solutions when the demand arises.

4. **BPO**

CTE provides BPO services across various verticals including the energy sector, employee verification services, SAS and CRM support, image measurement services as well as human genome services. The company provides data entry and analysis services, customer support, database creation and employee verification services. In 2011 CTE had added one more client to its portfolio, Click Software. The company has also expanded the strength of its Pictometry Project team beyond 130.

5. **Training including Cloud Tranining**

CTE's training processes include both executive workshops and training for cloud computing.

a. **Cambridge Executive Workshops (CEWs):**

An integral part of CCI's (CTE Center of Innovation) unique Cambridge Collaborative Delivery™ (CCD™) methodology, CEWs enables client enterprises to envision customized business solutions. Through CEWs, the CCI provides a forum for rapid identification, development and presentation of innovative, technology-driven solutions to business problems.

b. **University of Cloud:**

On July 5, 2011 CTE launched The University of Cloud (UoC), in partnership with Q-Soft. This educational program reflects CTE's deep focus and expertise in Cloud-based technologies, with successes in managing mission-critical Cloud-based applications for Fortune 500 organizations and top-tier ISVs worldwide.

6. **Oracle DB/MW application management**

The intent of application management is to provide the customers with the Quality Support Services they need.

a. **Middleware Management**

CTE provides support around Oracle's Fusion Middleware products, with special focus on Enterprise Application Server (Oracle Application Server), Systems Management, Business Intelligence, User Interaction, Identity Management and Process Management tools.

b. **Oracle Application Server Support**

Oracle application server support is an integrated, standard-based software platform that delivers personalized applications through enterprise portals and mobile devices. It provides Real-Time Business Intelligence, Integrated Applications and Automated Business Processes which enables organizations of all sizes to be more responsive to changing business requirements. CTE provides the following services:

* Oracle Application Server Deployment Scenario Planning, Installation and Configuration of all Components, Administration Services / Maintenance;
* Implementation of Oracle HTTP Server, Web Cache, Clustering Implementation of Security, Back-up Strategy;
* Deployment of J2EE and Oracle Forms and Reports, PL / SQL, CGI and PERL Applications, Migration of Active Server Payer onto 9iAS/10gAS
* Performance Tuning of all 9iAS/10gAS Components
* Other activities like Application of Patches and Bug Fixtures, Recovery of Database, etc.

7. **Oracle application support**

**Oracle Application Server Support**

Oracle application server support is an integrated, standard-based software platform that delivers personalized applications through enterprise portals and mobile devices provide Real-Time Business Intelligence, Integrated Applications and Automated Business Processes, which enables organizations of all sizes to be more responsive to changing business requirements.

8. **Hosting and Managed solutions**

CTE provides a complete managed services solution that include hosting of the existing hardware, provisioning new hardware for internet & network connectivity, monitor servers, network, database and applications to ensure system availability meeting the service level expectation.

**CTE's hosting and management portfolio at a glance:**

a. **Application Hosting and Maintenance:**

CTE installs, deploys, and maintains applications and databases. L1, L2, and L3 supports are provided as part of maintenance and support.

b. **Application and Database Monitoring Service:**

CTE takes responsibility for monitoring our customers' applications and databases to ensure that they operate properly and continuously on a 24x7 basis. We also ensure support for optimum performance, reliability and availability.

c. **Server Management:**

CTE provides 24x7 operating system and server hardware monitoring and management services, as well as the provisioning, monitoring, and management of storage area networks (SANs).

d. **Firewall Management:**

CTE provides a well-managed firewall service when hosting customer applications that require a high degree of security protection and monitoring. This solution includes the installation and configuration of the system, ongoing management and the monitoring and maintenance of the system.

e. **Network Services:**

CTE actively monitors and manages the data center network infrastructure, including the access-layer Ethernet switches that connect the customer servers. CTE provides hardware maintenance, change management and patch management service on a 24x7 basis.

CTE network services provide co-location customers with custom network design, installation and ongoing network support services.

CTE also performs 24x7 monitoring of network infrastructure components, such as core routers and switches, distribution and access switches and load balancing switches.

f. **Backup Management:**

CTE provides 24x7 backup services for files and databases on CTE-managed servers. With our backup services, CTE provides other ongoing services such as the backup and restoration of files, monitoring backup processes, problem management and change management.

g. **Customer Care Portal:**

CTE provides a secure, web-based application and systems management portal. We provide best-of-breed tools that support the detection and diagnosis of events affecting the performance and availability of customers' applications and systems. We utilize a more efficient process of handling service requests, to facilitate collaborative management between multiple interested parties.

h. **Connectivity:**

CTE offers several managed services that provide high-speed Internet access and private-line connectivity (P2P). CTE offers multi-megabit Internet connectivity (IP Connectivity) at varying levels of bandwidth, price and redundancy to meet the customer's requirements

**Threats:**

The risks that face the company are the ones that face the industry and these are monitored periodically. These risks include cut down in IT budgets, volatility in currencies and withdrawal of tax benefits etc. Other risks that are closely monitored are risks of client concentration, geographical spread, competition and financial stability of our customers etc.

*Review of Consolidated Balance Sheet*

(₹ in millions)

| Particulars | 31st March, 2012 | 31st March, 2011 |
|---|---|---|
| Shareholder's Funds | | |
| (a) Share Capital | 196.31 | 196.31 |
| (b) Reserves and Surplus | (601.76) | 66.07 |
| Long term borrowings | 741.82 | 647.43 |
| Long term provisions | 10.97 | 9.82 |
| Deferred Tax Liabilities (Net) | - | 10.36 |
| **TOTAL** | **347.34** | **929.99** |
| Consolidated Goodwill | 260.96 | 719.06 |
| Fixed Assets | 40.92 | 165.44 |
| Deferred tax asset | 5.03 | - |
| Current Assets, Loans and Advances | | |
| (a) Current Investment | - | 12.63 |
| (b) Inventories | 0.54 | 0.25 |
| (c) Sundry Debtors | 128.91 | 111.79 |
| (d) Cash and Bank Balances | 35.84 | 78.84 |
| (e) Loans and Advances | 76.79 | 65.32 |
| (f) Other current assets | 101.43 | 63.03 |
| Less: Current Liabilities and Provisions | | |
| (a) Current Liabilities | (235.20) | (215.21) |
| (b) Provisions | (67.88) | (71.18) |
| **TOTAL** | **347.34** | **929.99** |

a. Paid up share capital

Paid up share capital of the Company stands at ₹ 196.31 Mn constituting 19,631,015 shares. There was no change in the paid up capital from previous year.

b. Reserves and Surplus

Reserves and Surplus have come down from ₹ 66.07 Mn in FY 2010-11 to a negative ₹ 601.76 Mn in FY 2011-12. Contributing to the huge losses are:

1) Impairment of goodwill of ₹ 458.10. After thorough review and analysis of business potential of the carrying amount of the intangible asset and focus of the Company on specific business verticals, management is of the firm view that the full amount of the intangible asset is not worth the future economic benefit because of significant adverse changes in the economic climate and changes in the manner in which asset is used.

2) Recognition of Foreign Currency Translation Reserve of a negative ₹ 98.50 Mn for FY 2011-12, amount arising from translation of balance sheets of subsidiaries stated in currency other than in INR.

3) Impairment of intangible assets of ₹ 44.52 Mn (₹ 30. 24 Mn in CTEL and ₹ 14.28 Mn in CTE Inc.). Management of the Company has decided that the significant changes with an adverse effect have taken place during the FY 2011-12 in the technological, market, or economic environment in which the entity operates. Internally the management has reviewed the obsolescence of carrying value of reusable components not justifying the carrying value in the light of change in the focus of the Company in new technologies in transformation tools and cloud infrastructure.

c. Secured & Unsecured Loans

Secured Loans, secured against current assets and fixed assets of the Company, have gone up to ₹ 91.11 Mn in FY 2011-12 from ₹ 74.05 Mn in FY 2010-11. The reduction in Bank borrowings by CTEL and Cambridge Technology India Pvt. Ltd. in the form of Cash Credit have been outweighed by other than bank borrowings by CTE Inc. to the tune of ₹ 35.81 Mn and by smartShift GmbH to the tune of ₹ 13.67. On the other hand, the increase in the secured long term debt is the loan standing on the records of smartShift group Limited (formerly Cambridge Technology Enterprise – Mauritius Ltd), Mauritius is due depreciation in Indian Rupee versus USD.

d. Goodwill

Management has decided to impair the acquisition goodwill amount and reflect the effect of the changed business environment in the financial statements. The impact of the change is that the goodwill at the consolidated level of the company stands as on 31st March, 2012 at ₹ 260.96 Mn as compared to ₹ 719.06 Mn as on 31st March, 2011, an impairment of ₹ 458.10 Mn.

e. Fixed Assets

Gross fixed assets have gone down from ₹ 165.44 in FY 2010-11 to ₹ 40.92 Mn in the current financial year under review, a decrease of ₹ 124.52 Mn. Significant transactions in fixed assets as below:

1) Tangible Assets: Modification of building in our Bangalore facility to accommodate more employees at a cost of ₹ 6.21 Mn; addition of furniture & fixtures of ₹ 3.53 Mn; and computers of ₹ 14.76 Mn; office equipment of ₹ 5.21 Mn. Depreciation for the period amounted to ₹ 15.70 Mn.

2) Intangible Assets: Computer software used in development of projects and re-usable components were carried at a book value of ₹ 137.18 Mn as on 31st March, 2011. In view of the changes in technological & business environment in which entity operates and focus of the Company a depreciation of ₹ 82.70 Mn and an impairment of ₹ 44.52 Mn. was taken to represent the economic value of the intangible asset. With the said depreciation and impairment value, intangible asset other than goodwill on consolidation stand at zero as on 31st March, 2012.

f. Debtors

Receivables exceeding more than 6 months have decreased from ₹ 35.04 Mn in FY 2010-11 to ₹ 18.12 Mn due to better collection practices adopted by the Company during the current financial year under review. Remaining debtors are also considered good and realizable. Debtors of less than 6 months old have gone up from ₹ 76.75 Mn (48 days) in FY 2010-11 to ₹ 110.79 Mn (69 days) in FY 2011-12 because of delay from some critical customers. Establishment of better debtor's management practices has yielded debtors realizations faster, especially in our US subsidiaries.

g. Loans & Advances

Short term loans and advances have gone up by ₹ 11.47 Mn from ₹ 65.32 Mn in FY 2010-11, to ₹ 76.79 Mn during the current year under review, majorly contributed by INR depreciation for the loans and advances payable by subsidiaries in foreign currencies.

h. Current Liabilities

Current Liabilities have gone up from ₹ 286.39 Mn from FY 2010-11 to ₹ 303.08 Mn as on 31st March, 2012, an increase of about 6%, because of an increase of ₹ 49.48 Mn of other than bank borrowings by subsidiaries of the Company. On the other hand the bank borrowing in the form of cash credits by the Company and its Indian wholly owned subsidiary Cambridge Technology India Pvt. Ltd. has come down to ₹ 41.63 Mn from ₹ 74.05 Mn.

***Review of Consolidated Profit & Loss Account***

(₹ in millions)

| Particulars | 31st March, 2012 | 31st March, 2011 |
|---|---|---|
| Income from Operations | 749.98 | 589.10 |
| Profit from Operations before other income, interest, and exceptional items | (85.24) | (212.17) |
| Other Income | 23.02 | 50.42 |
| Interest and finance charges | (28.99) | (22.12) |
| Impairment of intangible assets | (44.52) | - |
| Impairment of goodwill | (458.10) | - |
| Exceptional items | 15.02 | 3.72 |
| Profit before tax | (578.81) | (180.15) |
| Tax Expense | 9.49 | (5.12) |
| Net Profit for the year | (569.32) | (185.27) |

a. Income from Operations

Operating revenue has increased by 27.31% from FY 2010-11 to ₹ 749.98 Mn during the year under review. Substantial contribution to the revenues has come from CTE Inc. (₹ 562.21 Mn) and from smartShift GmbH (₹ 97.22 Mn). Coupled with this, your Company has been concentrating on value added services like cloud computing, RIMS etc., which are taking off, albeit slowly, as expected. Keeping in view managing the risk associated with depending upon limited sources of revenue, management has decided to venture into new areas and new technologies.

b. Expenditure

i. Employee Cost

Employee cost including salaries, bonus, and other staff welfare expenses have gone up by 17.33%, from ₹ 376.19 Mn in FY 2010-11 to ₹ 441.40 Mn during the current financial year. The increase in employee costs are less than the increase in revenues. Employee cost being the highest cost factor in the total cost, management has been focusing in cost rationalization on this front and improving bottom line.

ii. Contract Employee Cost

There was also a substantial reduction in contract employee cost by ₹ 52.98 Mn from ₹ 172.62 Mn in FY 2010-11 to ₹ 119.64 Mn in FY 2011-12, i.e., a reduction of 30.69%. New projects are being executed by the Company with available resources and gradually reducing dependency on sub-contractors. This has ensured cost optimization.

iii. General and Administrative Expenses

General and administrative expenses have come gone up by 22.75%, to ₹ 173.36 Mn from ₹ 141.23 Mn in the previous year. Major items that contributed to the increment were consultancy & professional charges by ₹ 11.84 Mn, sales & marketing expenses by ₹ 8.11 Mn, communication expense by ₹ 8.06 Mn, office maintenance expense by ₹ 2.04 Mn because of relocation of registered office, and other miscellaneous expenses to the extent of ₹ 2.31 Mn. Major reductions in this category were insurance by ₹ 1.51 Mn, managerial remuneration by ₹ 1.05 Mn, dues & subscriptions by ₹ 1.17 Mn.

c. Depreciation

There was a reduction in depreciation expenses from ₹ 108.50 Mn to ₹ 98.41 Mn in the current financial year, because of sale of tangible fixed assets and a to the extent of ₹ 8.21 Mn.

d. Other Income

There is a substantial decrease in other income from ₹ 50.42 Mn, during FY 2010-11 to ₹ 23.02 Mn in the current period under review. That is reduction of 54.35%. The reduction is on account of miscellaneous income coming down from ₹ 47.07 Mn in the previous year to ₹ 1.60 Mn in the current period. During FY 2010-11 the Company forfeited share warrant application money proposed to be issued to Rosebury Investments Pte. Ltd., and Prime Genius Investments Pte. Ltd., after expiry of stipulated time for exercise of warrants. The steep down in miscellaneous income was compensated by increase in exchange fluctuation gain from ₹ 1.53 Mn during FY 2010-11 to ₹ 21.21 Mn during FY 2011-12.

e. Interest and Finance charges

Interest and finance charges have increased by 31.06% from ₹ 22.12 Mn in FY 2010-11 to ₹ 28.99 Mn during the current financial year. Interest on working capital loans has come down to ₹ 9.67 Mn in the current financial year versus ₹ 20.09 Mn in the previous year, because of better cash flows, thereby reduced reliance of utilization of working capital facilities. On the other hand there was multifold increase in interest on other loans from ₹ 2.03 Mn in FY 2010-11 to ₹ 19.32 Mn in the period under review, on account of ₹ 741.82 Mn debts arisen in our wholly owned subsidiary smartShiftgroup Limited (formerly Cambridge Technology Enterprises – Mauritius Limited), Mauritius.

f. Write off of intangible assets

Management of the Company has decided that the significant changes with an adverse effect have taken place during the FY 2011-12 in the technological, market, economic or legal environment in which the entity operates.

Internally the management has reviewed the obsolescence of carrying value of reusable components not justifying the carrying value in the light of change in the focus of the Company in new technologies. Now the major focus areas are transformation tools and Cloud Infrastructure. Management is of the firm opinion that the reusable components library can not be utilized in the new focus areas of the Company nor does expect to derive future economic benefit by the standalone use of reusable components. Hence, it was decided to write off the entire outstanding reusable component library of ₹ 44.52 Mn as per accounting standards for the FY ended as on 31st March, 2012.

g. Impairment of goodwill

After thorough review and analysis of business potential of the carrying amount of the intangible asset and focus of the Company on specific business verticals, management is of the firm view that the full amount of the intangible asset is not worth the future economic benefit because of significant adverse changes in the economic climate and changes in the manner in which asset is used. Hence, management has decided to impair the acquisition goodwill amount and reflect the effect of the changed business environment in the financial statements. The impact of the change is that the goodwill at the consolidated level of the company stands as on 31st March, 2012 at ₹ 260.96 Mn as compared to ₹ 719.06 Mn as on 31st March, 2011 i.e., an impairment loss of ₹ 458.10 Mn for the year ended 31st March, 2012.

h. Profit After Tax

There was a steep deterioration in the bottom line from a loss of ₹ 185.28 Mn in FY 2010-11 to a loss ₹ 569.33 Mn during the current year, majorly contributed by the impairment goodwill of ₹ 458.10 Mn and impairment of intangible assets of ₹ 44.52 Mn during the year under review. Had it not been for the impairment, the profit after tax would have been a loss of ₹ 66.71 Mn versus a loss of ₹ 185.28 Mn, a substantial improvement over the previous year. Management is putting much emphasis on improving the profitability of the Company along with increased business.

***Review of Standalone Balance Sheet***

(₹ in millions)

| Particulars | 31st March, 2012 | 31st March, 2011 |
|---|---|---|
| Shareholder's Funds | | |
| (a) Share Capital | 196.31 | 196.31 |
| (b) Reserves and Surplus | 426.53 | 424.93 |
| Long term provisions | 6.55 | 5.30 |
| Deferred Tax Liabilities | 1.67 | 14.94 |
| **TOTAL** | **631.06** | **641.48** |
| Fixed Assets | 10.68 | 117.85 |
| Non current investments | 409.75 | 447.52 |
| Current Assets, Loans and Advances | | |
| (a) Current Investment | - | 12.63 |
| (b) Sundry Debtors | 242.00 | 214.31 |
| (c) Cash and Bank Balances | 27.78 | 17.50 |
| ( d) Loans and Advances | 8.88 | 8.27 |
| (e) Other current assets | 33.40 | 28.15 |
| Less: Current Liabilities and Provisions | | |
| (a) Current Liabilities | (73.91) | (160.36) |
| (b) Provisions | (27.53) | (44.39) |
| **TOTAL** | **631.06** | **641.48** |

a. Paid-up share capital

Paid-up share capital of the Company stands at ₹ 196.31 Mn constituting 19,631,015 shares. There was no change in the paid up capital from previous year.

b. Reserves and Surplus

Reserves and Surplus had increased from ₹ 424.93 Mn in FY 2010-11 to ₹ 426.53 Mn in FY 2011-12. The increase in the reserves and surplus is exactly the net profit for the year of ₹ 1.60 Mn the Company made at standalone level. There was no change in the capital structure of the Company affecting reserves & surplus.

c. Secured Loan Funds (Short term borrowings)

Secured short term loan funds i.e., cash credit facility for working capital purposes, have come down by ₹ 19.38 Mn to ₹ 30.39 Mn for the period under review from ₹ 49.76 Mn in the previous year. In the secured loan segment, there was reduction in utilization of working capital facility from Banks secured against the current assets and fixed assets of the company. This was possible for better cash flows and cash management by the management.

Other current liabilities which are unsecured have come down by ₹ 65.26 Mn from ₹ 104.55 Mn in the previous year to ₹ 39.30 Mn in the current year comprising ₹ 20.44 Mn payable to our associate company CTE Inc., versus ₹ 87.62 Mn payable in the previous year; ₹18.70 Mn payable to CTEL ESOP Trust as against ₹ 16.17 Mn payable in the previous year.

d. Trade payables

Trade payables have come down to ₹ 4.23 Mn for the period under review as against ₹ 6.05 Mn in FY 2010-11, that is a reduction of ₹ 1.82 Mn. Of these outstanding for a period more than 6 months have come down to ₹ 0.28 Mn in the current year from ₹ 0.58 Mn in the previous year. And other trade payables were down by ₹ 1.51 Mn to ₹ 3.95 Mn in this financial year.

e. Short term provisions

Short term provisions have dropped by ₹ 16.86 Mn from ₹ 44.39 Mn in the financial year 2010-11 as against ₹ 27.53 Mn in the current year. ₹ 22.00 Mn of provision made in the previous year towards sub-contracting fee was not provided during the current year. Included in the ₹ 27.53 Mn of current year provisions are provision for employee benefits of ₹ 20.48 Mn, provision for income tax of ₹ 2.61 Mn, provision for statutory dues of ₹ 2.04 Mn, and others of ₹ 2.40 Mn.

f. Fixed Assets

Gross fixed assets have gone up by ₹ 76.54 Mn to ₹ 385.74 Mn, mainly due to capitalization of internally developed software, whereas net fixed assets have decreased from ₹ 136.74 Mn in FY 2010-11 to ₹ 117.85 Mn for the period ended 31st March, 2012. During the year Company has written off intangible asset of ₹ 30.25 Mn after reviewing the usability of the same in the light of changes in economic and technological developments in which Company is operating.

g. Investments

Company has taken impairment in investment value to the tune of ₹ 37.78 Mn to ₹ 409.75 Mn in FY 2011-12 from ₹ 447.52 Mn in FY 2010-11. At consolidated level Company has impaired acquisition goodwill of ₹ 458.10 Mn. Because of substantial impairment in goodwill value, it has become necessary to evaluate investment value of associate companies in which investment has been recorded, directly or indirectly. As a result Company diminished value of investment by ₹ 37,776,016/-, because of less than proportionate decrease in value of smartShiftgroup Limited (SSG) (earlier Cambridge technology Enterprises – Mauritius Limited), Mauritius as whole in which CTEL is holding 100% equity.

h. Debtors

Receivables outstanding for more than 6 months have decreased from ₹ 168.59 Mn in FY 2010-11 to ₹ 82.31 Mn during the current period. Debtors of less than 6 months have increased to ₹ 159.69 Mn in FY 2011-12 from ₹ 45.72 Mn in FY 2010-11, because of good debtor management practices Company has put in place.

i. Loans & Advances

Short term loans and advances have remained at the same level as they were in the previous year at ₹ 8.27 Mn. Current year the figure stands at ₹ 8.88 Mn, including of rental deposit of ₹ 7.29 Mn.

***Review of Standalone Profit & Loss Account***

(₹ in millions)

| Particulars | 31st March, 2012 | 31st March, 2011 |
|---|---|---|
| Income from Operations | 307.94 | 327.62 |
| Profit from Operations before other income, interest, and exceptional items | 28.79 | 25.32 |
| Other Income | 20.65 | 2.85 |
| Interest and finance charges | (5.36) | (9.52) |
| Impairment of intangible assets | (30.25) | - |
| Exceptional items | (22.76) | 3.72 |
| Profit before tax | (8.93) | 22.37 |
| Tax Expense | 10.53 | (3.92) |
| Net Profit for the year | 1.60 | 18.45 |

a. Income from Operations

Income from operations has come down marginally by 6% to ₹ 307.94 Mn in the current period from ₹ 327.62 Mn in the previous year. For this financial year, Company billed all the revenue to our associate company CTE Inc., and there has been no revenue from outside customer. As part of cost optimization efforts, Company has been taking every effort to reduce costs and improve revenues.

b. Expenditure

i. Employee Cost

Employee cost has marginally come down by 4.17% for the year ended 31st March, 2012 which stood at ₹ 143.70 Mn as against ₹ 149.96 Mn a year ago. Every effort is being made to reduce employee costs under control.

ii. General and Administrative Expenses

General and administrative expenses have decreased by 6.02% during FY 2011-12, from that of previous financial year to ₹ 50.95 Mn. Included under this head are power & fuel ₹ 3.75 Mn (₹ 2.43 Mn), rent ₹ 9.56 Mn (₹ 8.47 Mn), software license cost ₹ 1.25 Mn (Nil), consultancy charges ₹ 9.39 Mn (₹ 10.13 Mn), office maintenance ₹ 5.34 Mn (₹ 4.61 Mn), and travelling ₹ 12.00 Mn (₹ 16.69 Mn).

c. Depreciation

There is a reduction in depreciation from ₹ 96.75 Mn in FY 2010-11 to ₹ 83.05 Mn in FY 2011-12, majorly because of not considering depreciation on written off assets carrying a book value of ₹ 30.25 Mn.

d. Other Income

The other income during the FY 2011-12 was ₹ 20.65 Mn, whereas the same was ₹ 2.85 Mn in FY 2010-11. Substantial increase in other income was explained by increase in exchange fluctuation gain of ₹ 20.47 Mn versus ₹ 2.20 Mn in the previous year.

e. Interest

Interest costs have come down from ₹ 9.52 Mn in FY 2010-11 to ₹ 5.36 Mn in FY 2011-12, because of reduction in usage of working capital facilities from cash credit account and being able to manage operations with internal accruals.

f. Write off of intangible assets

Management of the Company has decided that the significant changes with an adverse effect have taken place during the FY 2011-12 in the technological, market, economic or legal environment in which the entity operates. Internally the management has reviewed the obsolescence of carrying value of reusable components not justifying the carrying value in the light of change in the focus of the Company in new technologies. Now the major focus areas are transformation tools and Cloud Infrastructure. Management is of the firm opinion that the reusable components library can not be utilized in the new focus areas of the Company nor does expect to derive future economic benefit by the standalone use of reusable components. Hence, it was decided to write off the entire outstanding reusable component library of ₹ 30.25 Mn as per accounting standards for the FY ended as on 31st March, 2012.

g. Diminution in investments

Company has taken impairment in investment value to the tune of ₹ 37.78 Mn to ₹ 409.75 Mn in FY 2011-12 from ₹ 447.52 Mn in FY 2010-11. At consolidated level Company has impaired acquisition goodwill of ₹ 458.10 Mn. Because of substantial impairment in goodwill value, it has become necessary to evaluate investment value of associate companies. After evaluating value of associate companies in the light of goodwill impairment, Company has diminished the value of investment by ₹ 37.78 Mn.

h. Profit After Tax

There was a substantial deterioration in the bottom line from a profit of ₹ 18.45 Mn in FY 2010-11 to a marginal profit of ₹ 1.60 Mn during the current year. Profit after tax was affected by writing off of intangible assets to the extent of ₹ 30.25 Mn and diminution in investment value by ₹ 37.78 Mn. Without considering these two one-time-items, profit after tax would have been ₹ 69.62 Mn.

**Internal Control systems and their adequacy:**

CTEL's Board and management team monitor and make enhancements to the Company's systems for internal control and risk management on an ongoing basis. The Company's efforts towards this go beyond what is mandatorily required, with active monitoring and review to ensure adequacy of control systems and to identify potential risks as well as recommend or implement measures to mitigate them.

CTEL's internal control system is adequate considering the nature, size and complexity of its business. The company's internal control systems provide, among other things, reasonable assurance of recording the transactions of its operations in all material respects and of providing protection against significant misuse or loss of company assets. These also enable the company to adhere to procedures, guidelines, and regulations as applicable in a transparent manner.

Company's internal control systems are supplemented by an internal audit program and periodic reviews by the management. CTEL has appointed an independent audit firm as its Internal Auditors, and the Audit Committee reviews its findings and recommendations at periodic intervals.

**Material developments in Human Resources / Industrial Relations front, including number of people employed**

Our employees are our most important and valuable assets. As of 31$^{st}$ March, 2012, CTEL and its subsidiaries had employed approximately 500 employees. The key elements that define our culture include professional working environment, training and development, and compensation.

# CEO & CFO Certificate, Declaration on Code of Conduct and Certificate of Compliance

# CEO / CFO Certification

I, Stefan Hetges, Chief Executive Officer and Samir Bhatia, Chief Financial Officer certify to the Board that:

(a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:

  (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

  (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of Company's code of conduct.

(c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.

(d) We have indicated to the auditors and the Audit committee:

  (i) significant changes in internal control over financial reporting during the year;

  (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

  (iii) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Stefan Hetges
Chief Executive Officer

Samir Bhatia
Chief Financial Officer

Date: 13th August, 2012

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# CEO's Declaration

I, Stefan Hetges, Chief Executive Officer do hereby declare that pursuant to the provisions of Clause 49(I) (D) (ii) of the Listing Agreement, all the members of the Board and the Senior Management Personnel of the Company have furnished their affirmation of compliance with the Code of Conduct of the Company.

Date: 13th August, 2012

Stefan Hetges
Chief Executive Officer

# Certificate of Compliance

To
The Members of Cambridge Technology Enterprises Ltd

I have examined the Compliance of conditions of Corporate Governance by Cambridge Technology Enterprises Limited ("the Company"), for the year ended on 31st March, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Bombay Stock Exchange and the National Stock Exchange. The compliance of conditions of Corporate Governance is the responsibility of the management. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Sd/-
B. Krishnaveni
Practising Company Secretary

Place: Hyderabad
Date : 13th August, 2012

# Consolidated Financial Statements

# Auditors' Report on Consolidated Financials

To
The Members of
Cambridge Technology Enterprises Limited

1. We have audited the attached Consolidated Balance Sheet of CAMBRIDGE TECHNOLOGY ENTERPRISES LIMITED ('the Company') and its wholly owned subsidiaries collectively referred to as "the Cambridge Group" as at 31st March, 2012 and the Consolidated Profit & Loss Account for the year ended on the date annexed thereto and Consolidated Cash flow Statement for the period ended on that date. 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 audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and 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. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of Subsidiary Companies of Cambridge Technology Enterprises Limited Namely Cambridge Technology India Pvt. Ltd and CTE-Mauritius Ltd and CTE Inc. (USA) and Voxholding Inc., (USA) and Smart Shift Gmbh (Germany) whose financial statements reflect total assets of Rs. 3276.55 Lakhs as at 31st March 2012 and total revenue of Rs. 4444.095 Lakhs for the year ended on that date. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries is based solely on the report of the other auditors.

4. We report that the consolidated financial statements have been prepared by the Cambridge Group in accordance with the requirements of Accounting Standard (AS) 21 for Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements.

5. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiaries, we are of the opinion that, said consolidated financial statements gives a true and fair view in conformity with the accounting principles generally accepted in India.

   (a) In the case of the Consolidated balance Sheet, of the consolidated state of affairs of the Cambridge Group as at 31st March, 2012.

   (b) In the case of the Consolidated Profit and Loss Account of the consolidated results of operations of the Company and its subsidiaries for the year then ended

And

(c) In the case of the consolidated cash flows Statement, of the Consolidated Cash flows of the company and its subsidiaries for the year then ended.

**For P.MURALI & CO.,**
**CHARTERED ACCOUNTANTS.,**
**FRN: 007257S**

**Place : Hyderabad**
**Date : 28/05/2012**

**P. Murali Mohana Rao**
**Partner**
**Membership No : 23412**

# Consolidated Balance Sheet as at 31st March, 2012

| Particulars | Note No. | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | |
| **(1) Shareholder's Funds** | | | |
| (a) Share Capital | 1 | 196,310,150 | 196,310,150 |
| (b) Reserves and Surplus | 2 | (601,764,359) | 66,070,507 |
| **(2) Non-Current Liabilities** | | | |
| (a) Long-Term Borrowings | 3 | 741,820,000 | 647,425,000 |
| (b) Defferred Tax Liabilities (Net) | 4 | - | 10,355,890 |
| (c) Long Term Provisions | 5 | 10,967,044 | 9,821,884 |
| **(3) Current Liabilities** | | | |
| (a) Short-Term Borrowings | 6 | 91,106,673 | 74,049,767 |
| (b) Trade Payables | 7 | 60,493,412 | 53,331,569 |
| (c) Other Current Liabilities | 8 | 83,597,193 | 87,825,292 |
| (d) Short-Term Provisions | 9 | 67,882,047 | 71,180,174 |
| **Total** | | **650,412,160** | **1,216,370,233** |
| **II. Assets** | | | |
| **(1) Non-current assets** | | | |
| *(a) Fixed assets* | | | |
| (i) Tangible assets | 10 | 40,922,777 | 28,293,076 |
| (ii) Intangible assets | 10 | - | 137,147,681 |
| (iii) Goodwill | | 260,960,675 | 719,064,720 |
| (b) Defferred tax assets (net) | 4 | 5,032,815 | - |
| (c) Other Non-Current assets | 11 | 73,493,406 | 44,060,853 |
| **(2) Current assets** | | | |
| (a) Current investments | 12 | - | 12,632,564 |
| (b) Inventories | 13 | 536,024 | 247,156 |
| (c) Trade receivables | 14 | 128,906,470 | 111,788,879 |
| (d) Cash and Bank Balances | 15 | 35,840,113 | 78,841,599 |
| (e) Short-Term Loans and Advances | 16 | 76,786,265 | 65,320,950 |
| (f) Other Current assets | 17 | 27,933,616 | 18,972,755 |
| **Total** | | **650,412,160** | **1,216,370,233** |

Significant Accounting Ploicies Notes to Financial Statements — 1 to 36

AS PER OUR REPORT OF EVEN DATE

**For P.Murali & Co.,**
Firm Regn. No: 007257S
Chartered Accountants

**P.Murali Mohana Rao**
Partner
M.No. 023412

Place : Hyderabad
Date : 28-05-2012

**For Cambridge Technology Enterprises Limited**

**DRR Swaroop**
Whole-Time Director

**L.Sridhar**
Director

**Samir Bhatia**
Whole-Time Director & CFO

**V.Ramana Reddy**
Company Secretary

# Profit and Loss statement for the year ended 31st March, 2012

| | Particulars | Note No. | Year Ending 31-03-2012 ₹ | Year Ending 31-03-2011 ₹ |
|---|---|---|---|---|
| I. | Revenue from Operations | 18 | 749,979,636 | 589,104,233 |
| II. | Other Income | 19 | 23,016,735 | 50,416,899 |
| **III.** | **Total Revenue (I +II)** | | **772,996,372** | **639,521,132** |
| IV. | Expenses : | | | |
| | Employee Benefit expenses | 20 | 561,046,285 | 548,812,987 |
| | Other Operating Expenses | 21 | 106,542,251 | 96,066,940 |
| | Administrative Expenses | 22 | 69,220,031 | 47,902,064 |
| | Financial costs | 23 | 28,990,937 | 22,120,066 |
| | Impairement good-will | | 458,104,044 | - |
| | Impaired Intangible assets | | 44,523,396 | - |
| | Depreciation and amortization expense | 10 | 98,411,395 | 108,495,764 |
| | **Total Expenses** | | **1,366,838,338** | **823,397,821** |
| V. | Profit before exceptional and extraordinary items and tax (III - IV) | | (593,841,966) | (183,876,689) |
| VI. | Exceptional Items | | (15,015,155) | (3,718,187) |
| VII. | Profit before extraordinary items and tax (V - VI) | | (578,826,811) | (180,158,502) |
| VIII. | Extraordinary Items | | - | - |
| IX. | Profit Before Tax (VII - VIII) | | **(578,826,811)** | **(180,158,502)** |
| X. | Tax expense: | | | |
| | (1) Current tax | | 5,588,018 | 7,445,343 |
| | (2) Deferred tax | | (15,081,373) | (2,323,177) |
| XI. | Profit (Loss) from the period from Continuing Operations (VII - VIII) | | **(569,333,456)** | (185,280,668) |
| XII. | Profit / (Loss) from Discontinuing Operations | | - | - |
| XIII. | Tax expense of Discounting Operations | | - | - |
| XIV. | Profit / (Loss) from Discontinuing operations (XII - XIII) | | - | - |
| XV. | Profit / (Loss) for the period (XI + XIV) | | **(569,333,456)** | **(185,280,668)** |
| XVI. | Earning per equity share : | | | |
| | (1) Basic | | - | - |
| | (2) Diluted | | - | - |

Significant Accounting Ploicies
Note to Financial Statements 1 to 36

AS PER OUR REPORT OF EVEN DATE

**For P.Murali & Co.,**
Firm Regn. No: 007257S
Chartered Accountants

**P.Murali Mohana Rao**
Partner
M.No. 23412

Place : Hyderabad
Date : 28-05-2012

**For Cambridge Technology Enterprises Limited**

**DRR Swaroop**
Whole-Time Director

**L.Sridhar**
Director

**Samir Bhatia**
Whole-Time Director & CFO

**V.Ramana Reddy**
Company Secretary

# Consolidated Cashflow for the period ended 31st March, 2012

*Amount in ₹*

| | Details | | For the Period ended with 31st March' 2012 | For the Period ended with 31st March'2011 |
|---|---|---|---|---|
| A. | **Cash Flow from Operating Activities** | | | |
| | Net Profit / (Loss) before tax | | (593,841,966) | (183,876,689) |
| | Adjustment for : | | | |
| | Impairment of Fixed Assets | | 44,523,396 | - |
| | Impairment of Goodwill | | 458,104,044 | - |
| | Depreciation & Amortization | | 98,411,395 | 108,495,764 |
| | Dividend Income from Mutual Funds | | (157,613) | (632,564) |
| | Interest Income | | (48,898) | (1,190,277) |
| | Interest Expenses(net) | | 28,990,937 | 22,120,066 |
| | Provision for Gratuity & Leave encashment | | 1,145,160 | 3,830,730 |
| | Loss on sale of Assets (Net) | | 2,400,870 | 2,734,019 |
| | Undeclared dividend and dividend tax | | - | - |
| | Provision for bad and doubtful debts | | - | - |
| | Operating profit before working capital changes | | **39,527,325** | **(48,518,951)** |
| | Adjustment for: | | | |
| | Change in Trade receivables | | (17,117,591) | 38,317,043 |
| | Change in Inventory | | (288,868) | (84,112,538) |
| | Change in Short-term loans and advances | | (20,426,176) | (57,725,973) |
| | Change in Current Liabilities and Provision | | 16,692,522 | 22,905,665 |
| | **Cash generated from operations** | | **18,387,214** | **(129,134,754)** |
| | Income tax (paid)/ refunded | | (5,588,018) | (3,727,156) |
| | **Net cash from operating activities** | A | **12,799,195** | **(132,861,910)** |
| B. | **Cash Flow from Investing Activities** | | | |
| | (Purchase) / Sale of Fixed Assets | | (20,817,681) | (51,102,991) |
| | Payment for Acquisitions | | - | - |
| | Sale of Fixed Assets | | - | - |
| | (Purchase) / Sale of Investments | | (16,799,989) | (12,632,564) |
| | Interest received | | 48,898 | 1,190,277 |
| | Dividend Income from Mutual Funds | | 157,613 | 632,564 |
| | Sale of investments | | - | |
| | Purchase of Investments in subsidiary | | | |
| | **Net cash from investing activities** | B | **(37,411,160)** | **(61,912,714)** |

*Amount in ₹*

| | Details | | For the Period ended with 31st March' 2012 | For the Period ended with 31st March'2011 |
|---|---|---|---|---|
| **C.** | **Cash Flows from Financing Activities** | | | |
| | Proceeds from issue of share warrents | | - | - |
| | Increase (Decrease) in Term Loan (net) | | - | - |
| | Increase (Decrease) in Unsecured Loan (net) | | 94,395,000 | 174,975,860 |
| | Increase (Decrease) in Long Term Provision (net) | | - | - |
| | Interest Paid | | (28,990,937) | (22,120,066) |
| | Increase (Decrease) in Share Capital | | - | 91,358,400 |
| | **Net cash used from financing activities** | **C** | **65,404,063** | **244,214,194** |
| **D.** | **Effect of Foreign currency translation** | **D** | **(83,793,584)** | **805,494** |
| | **Net change in cash (A+B+C+D)** | | **(43,001,485)** | **50,245,064** |
| | Cash and cash equivalents at beginning of year | | 78,841,599 | 28,596,534 |
| | Cash and cash equivalents at end of year | | 35,840,113 | 78,841,599 |

The above Cash Flow statement is prepared under the Indirect Method set out in the Accounting Standard in Cash Flow Statements (AS-3) issued by the ICAI.

**For P.Murali & Co.**
Chartered Accountants

**P.Murali Mohana Rao**
Partner
Membership No. 23412

**For and on behalf of Board of Directors**

**D.R.R. Swaroop**
Whole-Time Director

**L.Sridhar**
Director

**Samir Bhatia**
Whole-Time Director & CFO

**V.Ramana Reddy**
Company Secretary

Place: Hyderabad
Date: 28-05-2012

# Notes to Financial Statements for the year ended March 31, 2012

## NOTE NO. 1 : SHARE CAPITAL

| S.No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| a | Equity Share Capital | | |
| | (a) Authorised | | - |
| | (No. of Shares 30,000,000 Current Year) | **300,000,000** | **300,000,000** |
| | (No. of Shares 30,000,000 Preious Year) | | |
| | (b) Issued | - | - |
| | (No. of Shares 1,963,015 Current Year) | **196,310,150** | **196,310,150** |
| | (No. of Shares 1,963,015 Preious Year) | | |
| | (c) Subscribed & Fully Paid Up | - | - |
| | (No. of Shares 1,963,015 Current Year) | **196,310,150** | **196,310,150** |
| | (No. of Shares 1,963,015 Preious Year) | | |
| | **Total Equity Share capital** | 196,310,150 | 196,310,150 |
| | **Total Share Capital** | 196,310,150 | 196,310,150 |
| b | **A Reconcilation of the number of shares outstanding at the beginning and at the end of the reporting period:** | | |
| | **Equity Shares of Rs.10 Each, Fully paid up** | | |
| | At the Beginning | 196,310,150 | 158,244,150 |
| | Issued during the year - Bonus Issue | - | - |
| | Issued during the year - Cash Issue | - | 38,066,000 |
| | Issued during the year - ESOP | - | - |
| | Forfeited / Bought Back during the year | - | - |
| | At the end | 196,310,150 | 196,310,150 |
| c | **Details of Shareholder holding more than 5% shares of the company:** | % of Share Holding | |
| | **Equity Shares of Rs. 10 each Held By** | | |
| | **Equity Shares of Rs. 10 each Held By** | | |
| | Share Holder Name | | |
| | 31-03-2012 31-03-2011 | | |
| | 1. Internet Business Corporation 75,89,349 75,89,349 | 38.66% | 38.66% |
| | 2. SmarShift AG 20,56,000 20,56,000 | 10.48% | 10.48% |
| | 3. OurVox Holdings LLC 17,50,000 17,50,000 | 8.91% | 8.91% |

Notes :

NOTE NO. 2 : RESERVES AND SURPLUS

| S. No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| a) | Capital Redemption reserve | | |
| | As at the commencement of the year | 499,000 | 499,000 |
| | Add: Additions during the year | - | - |
| | Less: Utilised during the year | - | - |
| | | 499,000 | 499,000 |
| b) | Securities Premium Reserve | | |
| | As at the commencement of the year | 225,215,578 | 225,215,578 |
| | Add: Additions during the year | - | - |
| | Less: Utilised during the year | - | - |
| | | 225,215,578 | 225,215,578 |
| c) | Surpuls : | | |
| | i) Opening Balance - Profit and Loss Account | (124,864,382) | 60,416,286 |
| | Add: Transfer from Profit & Loss Account | (569,333,456) | (185,280,668) |
| | Less: Transfer To General Reserve | - | - |
| | Less: Goodwill Written Off | - | - |
| | | (694,197,839) | (124,864,382) |
| | ii) Dividend | - | - |
| | iii) Transfer to / from reserves | (133,281,099) | (34,779,689) |
| | | (827,478,937) | (159,644,071) |
| II | A Reserve specifically represented by earmarked investments | - | - |
| III | Negative balance of reserves and surplus account | - | - |
| | **Total Reserves and Surplus** | **(601,764,359)** | **66,070,507** |

NOTE NO. 3 : LONG TERM BORROWINGS

| S.No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| | Debentures | - | 424,175,000 |
| | (No. of Bonds, Face Value, rate of Interest has to be given) | - | 424,175,000 |
| b) | i) Term Loans | | |
| | From Banks | - | - |
| | From Financial Institutions | - | - |
| | From Others | 741,820,000 | 223,250,000 |
| | | **741,820,000** | **223,250,000** |
| | **Total Long Term Borrowings** | **741,820,000** | **647,425,000** |

## NOTE NO. 4 : DEFERRED TAX LIABILITY (NET)

| S. No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| I | Opening Deferred tax Liability | 10,355,890 | 2,879,831 |
| | Add: | | |
| | Deferred Tax Liability for the year (Due to SLM and WDV Difference) | (15,388,705) | - |
| | Deferred Tax Liability for the year (Due to Others ) | - | 7,476,059 |
| | **Gross Deferred tax Liability** | **(5,032,815)** | **10,355,890** |
| | Opening Deferred tax Asset | | - |
| | Provision for Gratuity and Compensated Absences | - | - |
| | Provision for Doubtful Debts | - | - |
| | Provision for Other Disallowances | - | - |
| | **Gross Deferred tax Asset** | - | - |
| | **Deferred Tax Liability / (Asset) - Net** | **5,032,815** | **10,355,890** |

## NOTE NO. 5 : LONG TERM PROVISIONS

| S. No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| I | a) Provisions for employee benefits | | |
| | - Provision for Gratuity | 8,549,290 | 7,491,540 |
| | - Provision for Leave Encashment | 2,417,754 | 2,330,344 |
| | b) Others | - | - |
| | **Total Long Term Provisions** | **10,967,044** | **9,821,884** |

## NOTE NO. 6 : SHORT TERM BORROWINGS

| S.No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| I | **Short term borrowings** | | |
| | **a) Cash Credits** | | |
| | Loan from Bank | 41,626,673 | 74,049,767 |
| | b) Other than Bank | 49,480,000 | - |
| **Notes:**<br>**Primary security:** Hypothecation of entire current assets and movable fixed assets (except hire purchase vehicles) of the company, both present and future.<br>**Collateral security:** Extn of EM of land and Building of Cambridge Technology India Pvt Ltd., situated at Plot No.22 within Sy. No.14 of Electronic City, Bangalore, admeasuring 43518.94 Sft (4047.00 Sq.mts)<br>**Personal guarantee** of Shri DRR Swaroop, Whole-Time director of the company | | | |
| **Total Short Term Borrowings** | | **91,106,673** | **74,049,767** |

## NOTE NO. 7 : TRADE PAYABLES

| S. No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| I | a) Trade Payables | | |
| | (a) Outstanding for a period exceeding three years | - | - |
| | (b) Outstanding for a period exceeding six months | 27,306,581 | 16,332,628 |
| | (c) Others | 33,186,831 | 36,998,941 |
| | **Total Trade Payables** | **60,493,411.88** | **53,331,569.00** |

## NOTE NO. 8 : OTHER CURRENT LIABILITES

| S.No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| I | a) Other Payables (Specify the nature) | | |
| | (i) Interest, Rates & Taxes | 13,480,812 | 6,643,965 |
| | (ii) CTE-Trust (ESOP) | 18,700,683 | 16,168,591 |
| | (iii) Advance Billings / Income Received in Advance | 1,448,498 | 15,700,054 |
| | (iv) M & A Payable | 17,555,837 | 15,321,894 |
| | (v) Miscellaneous / Rounding-up | - | 623,207 |
| | (vi) Electricity charges payable | 113,394 | - |
| | (vii) Provision for Dividend | 83,286 | - |
| | (viii) Share refund | 75,939 | 75,939 |
| | (ix) TDS | 8,148,721 | 13,803,119 |
| | (x) Salaries & Benefits | 23,990,022 | 19,488,523 |
| | **Total Other Current Liabilites** | **83,597,193** | **87,825,292** |

## NOTE NO. 9 : SHORT TERM PROVISIONS

| S.No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| I | a) Provisions for employee benefits | | |
| | Bonus | 28,984,157 | 14,503,905 |
| | Employee related payments | 829,530 | 658,419 |
| | b) Others | | |
| | Statutory Liabilities | | |
| | Provision for incometax | 8,862,401 | 6,484,642 |
| | Provision for Expenses | | |
| | Audit fee | 1,155,392 | 960,700 |
| | Provision for Outstanding Expenses | 9,041,975 | 5,866,740 |
| | Provision for Sub-Contract Fee | 19,008,593 | 42,705,768 |
| | **Total Short Term Provisions** | **67,882,047** | **71,180,174** |

# Consolidated Fixed Assets for consolidated balancesheet

## NOTE NO : 10 TANGIBLE & INTANGIBLE ASSETS AS AT 31-03-2012

Amount in ₹

| | | Gross Block | | | | | Depreciation/Amortization | | | | | Net Block | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sl. No. | Particulars | As on 01.04.2011 | Additions during the year | Additions through Business acquisitions | Sale / Deletions during the year | As on 31.03.2012 | Dep. As on 01.04.2011 | Dep. For the year 2011-2012 | Deletions During the year | Impairment Loss / Reversal | Total Depreci-ation | As on 31.03.2012 | As on 31.03.2011 |
| | **Tangible Assets** | | | | | | | | | | | | |
| 1 | Land | 6,212,880 | - | - | - | **6,212,880** | - | - | - | - | **-** | **6,212,880** | **6,212,880** |
| 2 | Building | 9,520,230 | 6,211,490 | - | **-** | **15,731,720** | 1,279,746 | 574,157 | **-** | **-** | **1,853,903** | **13,877,817** | **8,240,484** |
| 3 | Plant & Machinery | 21,863,579 | 5,208,907 | - | 1,175,879 | **25,896,607** | 14,838,405 | 5,928,237 | 502,522 | - | **20,264,120** | **5,632,487** | **7,025,174** |
| 4 | Computers and Software | 63,768,415 | 14,765,193 | - | 1,515,961 | **77,017,647** | 59,503,204 | 7,331,193 | 3,010,185 | - | **63,824,212** | **13,193,435** | **4,265,211** |
| 5 | Furniture & Fixtures | 15,884,951 | 3,530,124 | - | 5,519,811 | **13,895,264** | 13,335,625 | 1,874,388 | 3,320,907 | - | **11,889,106** | **2,006,158** | **2,549,326** |
| | **Total Tangible Assets** | **117,250,055** | **29,715,714** | - | **8,211,651** | **138,754,118** | **88,956,980** | **15,707,975** | **6,833,614** | **-** | **97,831,341** | **40,922,777** | **28,293,076** |
| | **Intangible Assets** | | | | | | | | | | | | |
| 6 | Computer Software used in Development of Project | 65,800,616 | - | - | | **65,800,616** | 55,879,749 | 9,920,867 | - | - | **65,800,616** | **-** | **9,920,867** |
| 7 | Internally developoed Software-Reusable components library | 316,747,420 | - | - | - | **316,747,420** | 189,520,606 | 72,782,553 | -9,920,867 | 44,523,396 | **316,747,422** | **-** | **127,226,814** |
| | **Total Intangible Assets** | **382,548,036** | **-** | **-** | **-** | **382,548,036** | **245,400,355** | **82,703,420** | **-9,920,867** | **44,523,396** | **382,548,038** | **-** | **137,147,681** |
| | **TOTAL FIXED ASSETS** | **499,798,091** | **29,715,714** | **-** | **8,211,651** | **521,302,154** | **334,357,335** | **98,411,395** | **-3,087,253** | **44,523,396** | **480,379,379** | **40,922,777** | **165,440,757** |
| | **PREVIOUS YEAR** | **400,946,846** | **111,714,955** | **-** | **12,863,710** | **499,798,091** | **236,174,090** | **108,495,764** | **10,312,519** | **-** | **334,357,335** | **165,440,757** | **164,772,756** |

# Notes to Financial Statements for the year ended March 31, 2012

## NOTE NO. 11 : OTHER NON CURRENT ASSETS

| S. No. | Particulars | Non Current | |
|---|---|---|---|
| | | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
| I | (a) Taxes Recivable | 15,685,753 | 25,353,518 |
| | (b) Unbilled Revenue | 57,807,653 | 18,707,335 |
| | **Total Other Assets** | **73,493,406** | **44,060,853** |

## NOTE NO. 12 : CURRENT INVESTMENTS

| S. No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| I | Current Investments : | | |
| | a) Investment in Mutual funds | - | 12,632,564 |
| | **Total Current Investments** | - | **12,632,564** |

## NOTE NO. 13 : INVENTORIES

| S. No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| I | Inventories : | | |
| | a) Stores and spares | 536,024 | 247,156 |
| | b) Loose tools | - | - |
| | c) Others | - | - |
| | **Total Inventories** | 536,024 | 247,156 |

## NOTE NO. 14 : TRADE RECEIVABLES

| S. No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| I | **Outstanding for a period exceeding six months from the date they are due for payment** | | |
| | (a) Secured, Considered Good | 18,119,036 | 35,038,824 |
| | (b) Unsecured, Considered Good | - | - |
| | (c) Doubtful | - | - |
| | | 18,119,036 | 35,038,824 |
| | Less: Allowance for Bad & Doubtful Debts | - | - |
| | | 18,119,036 | 35,038,824 |
| | **Other Receivables:** | | |
| | (a) Secured, Considered Good | 110,787,434 | 76,750,055 |
| | (b) Unsecured, Considered Good | - | - |
| | (c) Doubtful | - | - |
| | | 110,787,434 | 76,750,055 |
| | Less : Allowance for bad & doubtful debts | - | - |
| | | 110,787,434 | 76,750,055 |
| | **Total Trade Receivables** | **128,906,470** | **111,788,879** |

## NOTE NO. 15 : CASH AND BANK BALANCES

| S. No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| I | Cash and cash eqivalents : | | |
| | a) Balances with banks : | | |
| | 1) On Current Accounts | 35,467,787 | 78,525,358 |
| | 2) Un Paid Dividend Account | 84,046 | - |
| | 3) Other Bank Accounts | 150,499 | 234,670 |
| | b) Cheques, Draft on hand | - | - |
| | c) Cash on hand | 137,781 | 81,571 |
| | Sub Total | **35,840,113** | **78,841,599** |
| | **Total Cash and Cash Equivalents** | **35,840,113** | **78,841,599** |

## NOTE NO. 16 : LOANS AND ADVANCES

| S. No. | Particulars | Current | |
|---|---|---|---|
| | | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
| I | (a) Rental Deposit | 9,245,001 | 7,025,427 |
| | (b) Electricity Deposit | 268,648 | - |
| | (c) Fixed Deposit with Bank | 376,230 | 658,333 |
| | (d) Gust House - Deposite - Srinagar Colony | 66,000 | - |
| | (e) Fixed Deposit with Customs Dept. | - | 145,990 |
| | (f) EMD | 156,709 | 323,712 |
| | (g) Security Deposits with others | 1,933,697 | 237,298 |
| | (h) FD with State Bank of Hyderabad | 337,800 | - |
| | Sub Total | **12,384,085** | **8,390,760** |
| | **Unsecured, Considered Good** | | |
| | Loans and Advances to Employees | 523,409 | 1,745,021 |
| | Others | 63,432,932 | 54,548,905 |
| | Advances Recoverable in Cash or in kind | 445,839 | 636,264 |
| | Sub Total | **64,402,180** | **56,930,190** |
| | **Total Short Term Loans and Advances** | **76,786,265** | **65,320,950** |

## NOTE NO. 17 : OTHER CURRENT ASSETS

| S. No. | Particulars | Current | |
|---|---|---|---|
| | | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
| I | Interest Accrued on Deposits | 57,406 | 473,231 |
| | Input Taxes | 18,492,366 | 15,463,277 |
| | Input Service tax & Advance Tax | 2,000,000 | - |
| | Prepaid Expenses | 3,886,704 | - |
| | **Total Other Assets** | **27,933,616** | **18,972,755** |

# Notes to Financial Statements for the year ended March 31, 2012

## NOTE NO. 18 : REVENUE FROM OPERATIONS

| S.No. | Particulars | Year Ended 31-03-2012 ₹ | Year Ended 31-03-2011 ₹ |
|---|---|---|---|
| I | Revenue from operations in respect of non-finance company | | |
| | (a) Sale of Services | 749,979,636 | 589,104,233 |
| | **Total Revenue from Operations** | **749,979,636** | **589,104,233** |

## NOTE NO. 19 : OTHER INCOME

| S.No. | Particulars | Year Ended 31-03-2012 ₹ | Year Ended 31-03-2011 ₹ |
|---|---|---|---|
| I | Revenue from operations in respect to Finance company | | |
| | (a) Exchange Fluctuation | 21,210,507 | 1,526,522 |
| | (b) Miscellaneous income | 1,599,717 | 47,067,536 |
| | (c) Interest | 48,898 | 1,190,277 |
| | (d) Other Financial Services | 157,613 | 632,564 |
| | | **23,016,735** | **50,416,899** |

## NOTE NO. 20 : EMLOYEE BENEFIT EXPENSES

| S.No. | Particulars | Year Ended 31-03-2012 ₹ | Year Ended 31-03-2011 ₹ |
|---|---|---|---|
| I | (a) Salaries & Wages | 401,439,116 | 352,788,042 |
| | (b) Fees to contract employees | 119,643,394 | 172,620,904 |
| | (c) Employees other benefit expenses | 38,642,772 | 22,060,539 |
| | (d) Staff Welfare Expenses | 1,321,003 | 1,343,502 |
| | **Total Employee Benefit Expenses** | **561,046,285** | **548,812,987** |

## NOTE NO. 21 : OTHER OPERATING EXPENSES

| S.No. | Particulars | Year Ended 31-03-2012 ₹ | Year Ended 31-03-2011 ₹ |
|---|---|---|---|
| I | (a) Cost of study material | 6,856,194 | 7,730,141 |
| | (b) Power & Fuel | 4,465,930 | 3,178,133 |
| | (c) Rent | 20,125,221 | 18,223,554 |
| | (d) Sales and marketing expenses | 25,985,318 | 17,876,911 |
| | (e) Travelling and conveyance | 27,227,300 | 26,555,315 |
| | (f) Insurance | 3,683,673 | 5,190,155 |
| | (g) Computer hire charges | 2,040,394 | 2,990,568 |
| | (h) Payment to Auditors: | | |
| | (i) Statutory audit fees | 1,530,851 | 1,619,893 |
| | (ii) For certification work including tax audit | 75,000 | 125,000 |
| | (i) Net loss on sale of Asset | 2,400,870 | 2,734,019 |
| | (j) Royalty /Technical/Know-howfees/License fees | - | 1,042,589 |
| | (k) Miscellaneous expenses | 12,151,500 | 8,800,662 |
| | **Total Other Expenses** | **106,542,251** | **96,066,940** |

## NOTE NO. 22 : ADMINSTRATIVE EXPENSES

| S.No. | Particulars | Year Ended 31-03-2012 ₹ | Year Ended 31-03-2011 ₹ |
|---|---|---|---|
| I | (a) Cost of software licenses | 1,250,582 | - |
| | (b) Office Maintenance | 9,885,328 | 7,849,218 |
| | (c) Rates & Taxes (excluding Income Tax) | 1,523,199 | 723,465 |
| | (d) Managerial Remuneration | 1,200,000 | 2,250,000 |
| | (e) Consultancy Charges | 33,624,516 | 21,788,356 |
| | (f) Dues and Subscriptions Fee | 1,422,459 | 2,588,728 |
| | (g) Communication Expenses | 18,691,988 | 10,627,664 |
| | (h) Bank charges | 1,051,959 | 1,364,633 |
| | (i) Director Sitting Fee | 270,000 | 410,000 |
| | (j) Internal audit Fee | 300,000 | 300,000 |
| | **Total Administrative Expenses** | **69,220,031** | **47,902,064** |

## NOTE NO. 23 : FINANCE COST

| S.No. | Particulars | Year Ended 31-03-2012 ₹ | Year Ended 31-03-2011 ₹ |
|---|---|---|---|
| I | (a) Interest Expenses | | |
| | - Interest on Working capital loan | 9,667,546 | 20,092,762 |
| | - Interest on other loan | 19,323,391 | 2,027,304 |
| | **Total Finance Cost** | **28,990,937** | **22,120,066** |

# Significant Accounting Policies

*(All amounts have been presented in Rupees unless otherwise specified)*

## 1. Group overview

Cambridge Technology Enterprises Limited ("the Company"), its subsidiaries (collectively referred to as "the Group") are primarily global technology services and outsourcing Group dedicated to serving the midsize market of enterprises and the midsize units of Global 2000 enterprises across the spectrum of business industries. The Group is recognized as a thought leader and innovator of comprehensive Service Oriented Architecture (SOA)-based enterprise transformation and integration solutions and services.

## 2. Significant accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Indian Companies Act, 1956. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The management evaluates all recently issued or revised accounting standards on an ongoing basis.

### 2.2 Basis of Consolidation

The Group financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the accounting standard on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India. The Group financial statements incorporate the financial information of Cambridge Technology Enterprise Limited, its subsidiaries made up to March 31, 2012. Subsidiaries are those entities that are controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is acquired by the Group and no longer consolidated from the date such control ceases. The financial statements of the parent company and subsidiaries have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions and any resulting unrealized gain / loss arising from intra group transactions. Unrealized losses resulting from intra group transactions are also eliminated unless cost cannot be recovered. Amounts reported in the financial statements of subsidiaries have been adjusted, where necessary, to ensure consistency with the accounting policies adopted by the Group.

### 2.3 Use of estimates

The preparation of the financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Actual results could differ from those estimates. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, and the useful lives of fixed assets and intangible assets. Management periodically assesses using, external and internal sources, whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Where no reliable estimate can be made, a disclosure is made as contingent liability. Actual results could differ from those estimates.

### 2.4 Revenue recognition

*Income from Software services and products*

Revenue from professional services consist primarily of revenue earned from services performed on a "time and material" basis. The related revenue is recognized as and when the services are performed. The Group also performs time bound fixed-price engagements, under which revenue is recognized using the percentage of completion method of accounting. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses on such engagements are made during the year in which a loss becomes probable and can be reasonably estimated.

Amounts received or billed in advance of services performed are recorded as advance from customers/ unearned revenue. Unbilled revenue, included in debtors, represents amounts recognized based on services performed in advance of billing in accordance with contract terms. Unearned revenue is calculated on the basis of the unutilized period of time at the Balance Sheet and represents revenue which is expected to be earned in future periods in respect of internet, e-mail services, electronic data interchange and web hosting services.

Revenue from the sale of user licenses for software applications is recognized on transfer of the title in the user license, except in case of multiple element contracts requiring significant implementation services, where revenue is recognized as per the percentage of completion method.

Revenue in respect of sale of courseware and other reference material are recognized on delivery / dispatch of the material to the customer where as the revenue from the tuition activity is recognized over the period of the course programmes or as per the terms of the agreement, as the case may be.

*Other income*

Profit on sale of investments is recorded on transfer of title from the Group and is determined as the difference between the sales price and the then carrying value of the investment. Dividend income is recognized when the right to receive dividend is established.

Interest is recognized using the time-proportion method, based on rates implicit in the transaction.

## 2.5 Fixed Assets

*Tangible assets*

Tangible assets are stated at actual cost less accumulated depreciation. The actual cost capitalized includes material cost, freight, installation cost, duties and taxes, finance charges and other incidental expenses incurred during the construction/installation stage.

*Intangible assets*

Intangible assets are recorded at consideration paid for acquisition and other direct costs that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

*Capital Work in progress*

Assets under installation or under construction as at the Balance sheet date are shown as capital work in progress. Advances paid towards acquisition of assets and expenditure incurred on development of computer software included under capital work in progress.

*Depreciation*

Depreciation on the Tangible Fixed Assets of the Group is provided on Written down Value method as per Schedule XIV of the Companies Act, 1956 on pro-rata basis except for the following block of assets.

| | Estimated useful lives |
|---|---|
| Computers | 2 to 5 years |
| Buildings | 15 to 20 years |
| Plant and Machinery | 10 to 20 years |
| (Other than Computers) | |
| Furniture, Fixtures and Interiors | 5 to 10 years |

Leasehold improvements Shorter of lease period Or Estimated useful lives

Individual assets acquired for less than Rs. 5,000 are entirely depreciated in the year of acquisition.

*Amortization*

Software- used in development for projects are amortized over the license period or estimated useful life of two years, whichever is lower. Cost of internally generated software including the incidental costs is amortized over a period of three years.

The cost of and the accumulated depreciation for fixed assets sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and losses are included in the profit and loss account. Lease payments under operating lease are recognised as an expense in the profit and loss account. An impairment loss is recognized wherever the carrying amount of the fixed assets exceeds its recoverable amount.

### 2.6 Inventories

Finished goods comprising education and training materials are valued at cost or net realizable value, whichever is lower. Small value tools and consumables are charged to consumption on purchase. Cost is determined using weighted average method.

### 2.7 Goodwill

Goodwill comprises of the excess of purchase consideration comprising of initial guaranteed consideration and deferred earn outs over the book value of the net assets of the acquired enterprise. Impairment of goodwill is evaluated annually, unless it indicates some more frequent evaluation. Impairment recorded in the profit and loss account to the extent the net discounted cash flows from the continuance of the acquisition are lower than its carrying value.

### 2.8 Finance leases

Assets taken on lease are capitalized at fair value or net present value of the minimum lease payments, whichever is lower. Depreciation on the assets taken on lease is charged at the rate applicable to similar type of owned fixed assets refer accounting policy 2.4. Lease payments made are apportioned between the finance charges and reduction of the outstanding liability in respect of assets taken on lease.

### 2.9 Investments

Investments are either classified as current or long-term, based on the Management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Cost for overseas investments comprises the Indian Rupee value of the consideration paid for the investment. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

### 2.10 Foreign Currency transactions and translation

Transactions in foreign currency are recorded at exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange at the balance sheet date and resultant gain or loss is recognized in the profit and loss account. Non-monetary assets and liabilities are translated at the rate prevailing on the date of transaction.

In case of forward exchange contract or any other financial instruments that is in substance a forward exchange contract to hedge the foreign currency risk which is on account of firm commitment and/or is a highly probable forecast transaction, the premium or discount arising at the inception of the contract is amortized as expense or income over the life of the contract. Gains/losses on settlement of transaction arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.

In all other cases the gain or loss on contract is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier period), is recognized in the profit and loss account for the period.

Foreign subsidiaries are non-integral in nature. Assets and Liabilities of such subsidiaries are translated at the year end exchange rate; income and expenditure are translated at the average rate during the period. The resultant translation adjustment is reflected as a separate component of shareholders' funds as a 'Currency Translation Reserve'.

### 2.11 Employee Stock Option Scheme

Stock options granted to the employees under the stock option schemes established after June 19, 1999 are evaluated as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999 issued by Securities and Exchange Board of India and the Guidance Note on Accounting for employee share-based payments issued by the Institute of Chartered

Accountants of India. Accordingly the Group measures the compensation cost relating to employee stock options using the intrinsic value method. The compensation cost is amortized on a straight line basis over the total vesting period of the stock options.

### 2.12 Taxes on Income

Tax expense for the year comprises of current tax and deferred tax.

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period in which the related revenue and expenses arise. A provision is made for income tax annually based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. Minimum alternate tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustments of future income tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal tax after the tax holiday period. Accordingly, it is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Group and the asset can be measured reliably.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of the accounting period based on prevailing enacted or substantially enacted regulations. Deferred tax assets are recognized only if there is virtual certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

### 2.13 Earnings per share

In determining earnings per share, the Group considers the net profit after tax and includes the post tax effect of any extra-ordinary / exceptional item is considered. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

### 2.14 Retirement benefits to employees

*Gratuity*

The Group provides for gratuity, a defined benefit retirement plan covering eligible employees, based on actuarial valuation made by an independent actuary as at the balance sheet date. In accordance with the Payment of Gratuity Act, 1972, the gratuity plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment.

*Provident fund*

Contributions to defined Schemes such as Provident Fund are charged as incurred on accrual basis. Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid at retirement, death, incapacitation or termination of employment. Both the employee and the Group make monthly contributions to the government administered authority.

# Notes to Accounts :

## 24. Subsidiaries considered for consolidation

The subsidiaries considered in the preparation of these consolidated financial statements are:

| Name of subsidiary | Country of Incorporation | Percentage of Ownership interest | |
|---|---|---|---|
| | | March 31, 2012 | March 31, 2011 |
| *Subsidiaries of Cambridge Technology Enterprises Limited* | | | |
| Cambridge Technology Enterprises Limited. | Mauritius | 100% | 100% |
| Cambridge Technology India Private Limited | India | 100% | 100% |
| *Subsidiaries of Cambridge Technology Enterprises Mauritius* | | | |
| smartShift GMBH | Germany | 100% | 100% |
| Vox Holdings Inc | USA | 100% | 100% |
| Cambridge Technology Enterprises Inc* | USA | 100% | 100% |
| -Reilly & Associates Inc | USA | - | - |
| -Comcreation Inc | USA | - | - |
| -CellExchange Inc | USA | - | - |

*Reilly & Associates Inc, Comcreation Inc and CellExchange Inc are merged with Cambridge Technology Enterprises Inc. w.e.f. 24th June, 2010.

## 25. Impairment of Intangible Asset- Reusable Components

During the financial year, the company has accounted impairment loss of Rs.44, 523,396 (FY 2011- Nil) on reusable components after testing the recoverable value of recorded cost. This is due to shift in the business focus and the change in Industry trend, the reusable components developed earlier have become almost obsolete and now find use only in a small segment of Company's business. In view of this, the Techno-Commercial assessment done by technical team opined that it is unlikely that these components would generate any substantial revenues in the future. After reviewing the assessment of the Technical team, management decided that it is financially prudent to write-off the entire residual carrying value as on 31-Mar-2012.

## 26. Goodwill on Consolidation

a. During October 2010, the Group acquired all the outstanding equity shares of smartshift GmbH, Mannaheim, Germany, which is mainly in the business of ERP data migration and coding, for a consideration of Rs. 49,850,494 (inclusive of acquisition costs). The group has recorded goodwill of Rs. 50,911,098 representing the difference between the initial cash consideration and the book value of negative net assets as at the date of acquisition Rs. 1,060,604.

b. During October 2010, the Group acquired all the outstanding equity shares of VoxHolding Inc., Cambridge, United States of America, which is mainly in the business of enabling cloud computing services, for a consideration of Rs. 44,114,446 (inclusive of acquisition costs). The group has recorded goodwill of Rs. 50,911,098 representing the difference between the initial cash consideration and the book value of negative net assets as at the date of acquisition Rs. 1,645,244.

c. During April 2007, the Group acquired all the outstanding equity shares of Comcreation Inc. and its Indian subsidiary Comcreation Technologies Private Limited for a consideration of Rs. 91,905,758 (inclusive of acquisition costs).The group has recorded goodwill of Rs. 76,111,034 representing the difference between the initial cash consideration and the book value of net assets as at the date of acquisition Rs. 15,794,724. Due to non achievement of certain revenue and performance targets, the company waived off Rs. 9,320,000 from the consideration balance due as on. Hence, the same is adjusted to the goodwill on consolidation.

d. During July 2007, the Company acquired all the outstanding shares of Reilly & Associates Inc., Michigan, United States of America for a initial cash consideration of Rs. 87,171,373 (inclusive of acquisition costs). The group has recorded goodwill of Rs. 95,938,450 representing the difference between the initial cash consideration and the book value of negative net assets as at the date of acquisition of Rs. 8,767,077. Due to non achievement of certain revenue and performance targets, the company waived off Rs. 1,617,030 from the consideration balance due as on. Hence, the same is adjusted to the goodwill on consolidation.

e. The goodwill on consolidation will be restated based on the future payment of earn outs based on the performance criteria specified in the respective agreements.

**27. Impairment of Goodwill** :

| | At Cost | Impairment | Carrying Amt. |
|---|---|---|---|
| Balance at 1 April 2011 | 719,064,720 | - | 719,064,720 |
| Impairment loss during the FY | - | 458,104,045 | 458,104,045 |
| Balance at 31 March 2012 | 719,364,720 | 458,104,045 | 260,960,675 |

For the purpose of impairment testing, goodwill is allocated to the subsidiary which represents the lowest level within the Group at which the goodwill is monitored for internal management purpose.

During the financial year, the Group has recognised impairment loss on goodwill on consolidation of Rs.458,104,045(FY2011 – Nil) due to significant changes with an adverse effect have taken place during the period in the technological, market and economic environment in which the entity operates and impacted it's of the financial position and financial performance of subsidiaries.

The balance of the goodwill on consolidation of Rs.260,960,675(FY2011 – Rs.719,364,720) is related to focused technology and the recoverable amount is determined based on the cash flow projections derived from future financial budgets. The key assumptions used in the calculations are as follows:- (a) Sales growth rate of 10% year to year for three years. (b) Discount rate of 10%.

Based on the recoverable amount determined, goodwill on consolidation related to the focused technology is not impaired for the current financial year.

**a. Investments sold during this year (Including Reinvestments)**

| Particulars | Units | Cost | Value |
|---|---|---|---|
| DSP Black Rock Mutual Fund | 10,262.34 | 1000.80 | 10,270,551.87 |
| Reliance Liquid Fund | 222,860.05 | 11.1415 | 2,482,995.25 |
| Birla Sun Life Mutual Fund | 473,341.10 | 10.0068 | 4,736,629.75 |

## 28. Employee Stock Option Scheme

The Group has three stock option plans that are currently operational.

*CTEL ESOP 2006*

The 2006 Plan was approved by the board of directors on April 13, 2006 and by the shareholders on April 21, 2006, under which scheme 1,236,542 options were granted till date of 31st March, 2012.

Changes in number of options outstanding were as follows:

| | As at March 31 | |
|---|---|---|
| | **2012** | **2011** |
| Options outstanding beginning of period | 220,269 | 244,998 |
| Granted during the year | Nil | 249,000 |
| Less: Exercised | Nil | 7,766 |
| Lapsed * | 27,731 | 265,963 |
| **Options outstanding end of period** | 192,538 | 220,269 |

** Options were lapsed for those who had left the company or didn't exercise their options during the vesting period of their options.*

*CTEL ESOP SCHEME 2008*

The 2008 Plan was approved by the board of directors on March 20, 2008 and by the shareholders through postal ballot results of which was declared on March 5, 2008, under which scheme 1,500,000 options were granted till date of 31st March, 2012.

Changes in the number of options outstanding:

| | As at March 31 | |
|---|---|---|
| | **2012** | **2011** |
| Options outstanding beginning of period | 389,160 | 389,160 |
| Granted during the year | Nil | Nil |
| Less: Exercised | 197,657 | Nil |
| Lapsed* | 105,401 | Nil |
| **Options outstanding end of period** | 296,904 | 389,160 |

**Options were lapsed for those who had left the company or didn't exercise their options during the vesting period of their options*

*CTEL ESOP SCHEME 2011*

The 2011 Plan was approved by the board of directors on December 10, 2010 and by the shareholders through postal ballot results of which was declared on January 24, 2011, under which scheme 624,000 options were granted till date of 31st March, 2012.

Changes in the number of options outstanding:

| | As at March 31 | |
|---|---|---|
| | **2012** | **2011** |
| Options outstanding beginning of period | 295,000 | - |
| Granted during the year | 329,000 | 295,000 |
| Less: Exercised | Nil | - |
| Lapsed* | 95,000 | - |
| **Options outstanding end of period** | 529,000 | 295,000 |

**Options were lapsed for those who had left the company or didn't exercise their options during the vesting period of their options*

*Pro forma Disclosure*

In accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, had the compensation cost for associate stock option plans been recognized based on the fair value at the date of grant in accordance with Black Scholes' model, the pro forma amounts of the Group's net profit and earnings per share would have been as follows:

(Amount in Rs.)

| | | Year ended March 31, | |
|---|---|---|---|
| | | **2012** | **2011** |
| Net Profit (as reported) | | (569,333,456) | (185,280,668) |
| Add: Stock based employee compensation | | - | - |
| Less: Stock based compensation expenses determined under fair value method (pro forma) | | - | - |
| Net Profit (Pro forma) | | (569,333,456) | (185,280,668) |
| Earnings per share (Rs.) | | | |
| Basic | - as reported | - | - |
| | - as pro forma | - | - |
| Diluted | - as reported | - | - |
| | - as pro forma | - | - |

The key assumptions used in Black-Scholes' model for calculating fair value are: risk-free interest rate ranging from 6.73% to 7.85% (2011 – 6.73% to 7.85%), expected life: 3 years to 4 years (2010 – 2.5 years to 4.5 years), expected volatility of shares 63.77% to 72.66% (2011 – 63.77% to 72.66%), dividend yield 0% (2011 – 0%). The range variables detailed herein represent the highs and the lows of the assumptions during the pendency of the grant dates.

## 29. Related party transactions

*Key Management Personnel*

| | |
|---|---|
| Stefan Hetges | Whole-Time Director and Chief Executive Officer (w.e.f 15 November 2010) |
| D.R.R Swaroop | Whole-Time Director |
| Samir Bhatia | Whole-Time Director and Chief Financial Officer (w.e.f 14 February 2011) |
| Arjun Chopra | Whole-Time Director (w.e.f 19 April 2010 up to 15 November 2010) |

*Enterprises over which significant influence exercised by key management personnel/close family member of key management personnel*

| | |
|---|---|
| D.S. Unics Infotech Pvt Ltd | D.R.R. Swaroop is a Director in the Company |

| Nature of Transaction | Year ended March 31 | |
|---|---|---|
| | 2012 | 2011 |
| *Transactions with key management personnel* | | |
| Remuneration : | | |
| -Bhaskar Panigrahi | - | 1,050,000 |
| -D.R.R. Swaroop | 1,200,000 | 1,200,000 |
| -Stefan Hetges | 7,790,760 | 2,303,033 |
| -Samir Bhatia | 4,809,040 | 531,570 |
| -Arjun Chopra | 5,820,371 | 2,470,800 |
| Amount Payable to | | |
| -D.R.R. Swaroop | - | - |
| -Stefan Hetges | 618,067 | 255,893 |
| -Samir Bhatia | 146,591 | 177,190 |
| -Arjun Chopra | 318,829 | - |
| Short Term Bridge Loan -Cloud Computing Inc | 35,812,000 | - |

## 30. Reconciliation of basic and diluted shares used in computing earnings per share

| | As at March 31, | |
|---|---|---|
| | 2012 | 2011 |
| Number of shares considered as basic weighted average shares outstanding | 19,631,015 | 16,731,742 |
| Add: Effect of dilutive issue of stock options | - | - |
| Number of shares considered as weighted average shares and potential shares outstanding | 19,631,015 | 16,731,742 |

**31. Leases**

*Operating Leases*

The Group leases offices under operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Rental expenses under those leases were Rs.15,265,012/- (Previous year Rs. 17,804,908/-)

*Finance Leases*

A subsidiary of the group has taken computers under finance lease. Future minimum lease payments under finance leases as at March 31, 2011 (Current Year Nil) are as follows:

| Lease Obligations | Present value of minimum lease payments | Future interest | Minimum lease payments |
|---|---|---|---|
| Within one year of the balance sheet date | 118,135 | 29,580 | 147,715 |
| Due in period between one year and five years | — | — | — |

**32. Segment reporting**

As required by the Accounting Standard – 17, 'Segment reporting', the Group is mainly engaged in the area of software development and related services. Hence segment reporting is not applicable to the Group and to the nature of business.

**33. Managerial Remuneration**

The key management personnel comprise our directors and statutory officers. Particulars of remuneration and other benefits provided to key management personnel during the year ended March 31, 2012 and 2011 are as follows:

(Amount in Rs.)

| | Year ended March 31, | |
|---|---|---|
| | 2012 | 2011 |
| Remuneration* | 18,420,171 | 5,305,403 |
| Perquisites & Allowances | - | - |
| Directors sitting fee | 270,000 | 410,000 |

*Remuneration is net of accrual towards Gratuity, a defined benefit plan and provident fund which is managed for the Group as a whole. Contributions to defined benefit plan and provident fund and other perquisites and allowances have been included in Schedule 14 and 15.

**34. Retirement benefits to employees**

*Defined contribution plan*

During year ended March 31, 2012, the Group contributed Rs.3,773,406/- to provident fund.

*Defined benefit plan – gratuity and privilege leave*

The amounts recognized in the balance sheet as at March 31, 2012 are as follows: *(Amount in ₹)*

| | 31st March 2012 | 31st March 2011 |
|---|---:|---:|
| Present value of obligations | 9,685,560 | 7,660,036 |
| Fair value of plan assets | - | - |
| Net liability | 9,685,560 | 7,660,036 |
| Amount in balance sheet | | |
| Liability | 9,685,560 | 7,660,036 |
| Asset | - | - |
| Net Liability | 9,685,560 | 7,660,036 |

The amounts recognized in the profit and loss account for the year ended March 31, 2012 are as follows:

| | 31st March 2012 | 31st March 2011 |
|---|---:|---:|
| Current service cost | 685,662 | 711,523 |
| Interest cost | 612,080 | 465,811 |
| Expected return on plan assets | - | - |
| Recognized net actuarial loss (net) | 3,819,745 | 2,932,169 |
| Total included in 'employee benefit expenses' (net) | 5,117,487 | 4,109,503 |
| Actual return on plan assets | - | - |

Changes in present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

| | 31st March 2012 | 31st March 2011 |
|---|---:|---:|
| Defined benefit obligation at beginning of the year | 7,660,036 | 5,822,639 |
| Current service cost | 685,662 | 711,523 |
| Interest cost | 612,080 | 465,811 |
| Benefits Paid (net) | (3,091,963) | (2,272,106) |
| Actuarial loss (net) | 3,819,745 | 2,932,169 |
| Defined benefit obligation at end of the year | 9,685,560 | 7,660,036 |

Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows:

| | 31st March 2012 | 31st March 2011 |
|---|---:|---:|
| Fair value of plan assets at beginning of the year | - | - |
| Expected return on plan assets | - | - |
| Actuarial gains | - | - |
| Contribution by employer | 2,703,393 | 2,272,106 |
| Benefits paid | 2,703,393 | 2,272,106 |
| Fair value of plan assets at the end of the year | - | - |

The assumptions used in accounting for the gratuity plan are set out as below:

| | 31st March 2012 | | 31st March 2011 | |
|---|---|---|---|---|
| | CTEL | CTIPL | CTEL | CTIPL |
| Discount Rate | 8.00% | 8.00% | 8.00% | 8.00% |
| Expected return on plan assets | 8.00% | 8.00% | 8.00% | 8.00% |
| Salary Escalation | 7.00% | 7.00% | 7.00% | 7.00% |

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market. The Group evaluates these assumptions annually based on its long term plans of growth and industry standards.

**35. Contingencies & Guarantees**

During the year, the company has given corporate guarantee as against Senior Secured Convertible Debt Notes, Convertible Debt Notes and Redeemable Bonds issued by the subsidiary M/s. Cambridge Technology Enterprises Mauritius Limited to the extent of Rs.647.43 Millions (USD 14.50 Millions).

**36. Prior year comparatives**

Previous years' figures have been regrouped and reclassified wherever necessary to conform to current year's classification.

**For P.Murali & Co.**
Chartered Accountants

**For and on behalf of board**

**P.Murali Mohana Rao**
Partner
Membership No : 23412

**D.R.R.Swaroop**
Whole-Time Director

**L.Sridhar**
Director

**Samir Bhatia**
Whole-Time Director & CFO

**V. Ramana Reddy**
Company Secretary

Place: Hyderabad
Date: 28-05-2012

# Standalone Financial Statements

# Auditors' Report on Standalone Financials

To
The Members of
Cambridge Technology Enterprises Limited

1. We have audited the attached Balance Sheet of **Cambridge Technology Enterprises Limited** (the 'Company') as at 31st March, 2012 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on the date annexed thereto (collectively referred as the 'financial statements'). These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis of our opinion.
3. As required by the Companies (Auditor's Report) order 2003 and as amended by the Companies (Auditor's Report)(Amendment)order 2004, issued by the Central Government of India in terms of the sub-section(4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
   (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit;
   (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
   (iii) The financial statements dealt with by this report are in agreement with the books of account;
   (iv) In our opinion, the financial statements dealt with by this report comply with the Accounting standards referred to in sub-section (3C) of Section 211 of Companies Act, 1956 ;
   (v) On the basis of written representations received from the Directors, as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed Director in terms of clause(g) of sub-section(1) of section 274 of the Companies Act,1956;
   (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required, and also gives a true and fair view in conformity with the accounting principles generally accepted in India;
      (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
      (b) In the case of the Profit & Loss Account, of the Profit for the period ended on that date;

      And

      (c) The Cash Flow Statement, of the cash flows for the year ended on that date.

**For P. MURALI & CO.,**
**CHARTERED ACCOUNTANTS**
**FRN : 007257S**

**PLACE : Hyderabad**
**DATE : 28/05/2012**

**P.MURALI MOHANA RAO**
**PARTNER**
**Membership No. 23412**

**Annexure to the Auditors' Report of even date to the members of Cambridge Technology Enterprises Limited, on the financial statements for the year ended March 31, 2012**

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

**I.** (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) In our opinion, the Company has not disposed off substantial part of the Fixed Assets during the year.

**II.** The Company does not have any inventory. Accordingly, the provisions of clause 4(ii) of the Order are not applicable.

**III.** (a) The Company has not granted any loans, secured or unsecured to Companies, Firms or other Parties covered in the register maintained U/s.301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(b) to (d) of the Order are not applicable.

(b) The Company has not taken any loans, secured or unsecured from Companies, Firms or other Parties covered in the register maintained U/s.301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(f) and 4(iii)(g) of the Order are not applicable.

**IV.** In our opinion and according to the information and explanations given to us, there are generally adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for sale of goods and services. There is no continuing failure by the company to correct any major weaknesses in internal control.

**V.** (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Act have been so entered.

(b) In our opinion, there are no transactions in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Act, during the year aggregating rupees five lakhs or more in respect of any party.

**VI.** The Company has not accepted any deposits from the public and hence the applicability of the clause of directives issued by the Reserve Bank of India and provisions of section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under does not arise.

**VII.** In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

**VIII.** In respect of the Company, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (I) of section 209 of the Companies Act, 1956.

**IX.** a) The Company is regular in depositing undisputed statutory dues including PF, Income Tax and Cess and any other statutory dues with the appropriate authorities and at the last of the financial year there were no amounts outstanding which were due for more than 6 months from the date they became payable.

b) According to the information and explanations given to us, no undisputed amounts are payable in respect of PF, Sales Tax, Income Tax, wealth tax, service tax, customs duty, excise duty and cess and any other statutory dues as at the end of the period, for a period more than six months from the date they became payable.

**X.** The Company has been registered for a period of not less than 5 years, and the Company has no accumulated losses at the end of the financial year and the company has not incurred cash losses in this financial year and the immediately preceding financial year.

**XI.** In our opinion, the Company has not defaulted in repayment of dues to a financial institution or a bank or debenture holders during the year.

**XII.** According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the applicability of the clause regarding maintenance of adequate documents in respect of loans does not arise.

**XIII.** This clause is not applicable to this Company as the Company is not covered by the provisions of special statute applicable to Chit Fund in respect of Nidhi/Mutual Benefit Fund/Societies.

**XIV.** According to the information and explanations given to us, the company is not dealing or trading in shares, securities, Debentures and other investments and hence the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.

**XV.** According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions, and hence the applicability of this clause regarding terms and conditions which are prejudicial to the interest of the company does not arise.

**XVI.** According to the information and explanations given to us, the term loans obtained by the Company were applied for purpose for which such loans were obtained by the Company.

**XVII.** On the basis of our examination of the books and accounts and according to the information and explanations given to us, in our opinion the funds raised on short term basis have not been used for long term investment and vice versa.

**XVIII.** According to the information and explanations given to us, the Company has not made any preferential allotment of Shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956 and hence the applicability of the clause regarding the price at which shares have been issued and whether the same is prejudicial to the interest of the Company does not arise.

**XIX.** According to the information and explanations given to us, the company does not have any debentures and hence the applicability of the clause regarding the creation of security or charge in respect of debentures issued does not arise.

**XX.** According to information and explanations given to us, the company has not raised money by way of public issues during the year; hence the clause regarding the disclosure by the management on the end use of money raised by Public Issue is not applicable.

**XXI.** According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under audit.

**For P.MURALI & CO.,**
**CHARTERED ACCOUNTANTS**
**FRN : 007257S**

**Place : Hyderabad**
**Date : 28/05/2012**

**P. MURALI MOHANA RAO**
**PARTNER**
**Membership No. 23412**

# Balance Sheet as at 31st March, 2012

| Particulars | Note No. | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| **I. EQUITY AND LIABILITIES** | | | |
| **(1) Shareholder's Funds** | | | |
| (a) Share Capital | 1 | 196,310,150 | 196,310,150 |
| (b) Reserves and Surplus | 2 | 426,530,300 | 424,928,693 |
| **(2) Share application money pending allotment** | | | |
| **(3) Non-Current Liabilities** | | | |
| (a) Defferred Tax Liabilities (Net) | 3 | 1,672,569 | 14,937,747 |
| (b) Long Term Provisions | 4 | 6,548,370 | 5,297,957 |
| **(4) Current Liabilities** | | | |
| (a) Short-Term Borrowings | 5 | 30,386,509 | 49,761,568 |
| (b) Trade Payables | 6 | 4,227,106 | 6,045,574 |
| (c) Other Current Liabilities | 7 | 39,295,681 | 104,551,439 |
| (d) Short-Term Provisions | 8 | 27,532,846 | 44,391,944 |
| **Total** | | **732,503,530** | **846,225,073** |
| **II. Assets** | | | |
| **(1) Non-current assets** | | | |
| *(a) Fixed assets* | | | |
| (i) Tangible assets | 9 (a) | 10,683,518 | 11,535,006 |
| (ii) Intangible assets | 9 (b) | - | 106,310,150 |
| (iii) Capital work-in-progress | | | |
| (b) Non-current investments | 10 | 409,746,172 | 447,522,188 |
| **(2) Current assets** | | | |
| (a) Current investments | 11 | - | 12,632,566 |
| (b) Trade receivables | 12 | 242,002,948 | 214,306,384 |
| (c) Cash and Bank Balances | 13 | 27,781,578 | 17,499,329 |
| (d) Short-Term Loans and Advances | 14 | 8,884,455 | 8,267,653 |
| (e) Other Current assets | 15 | 33,404,859 | 28,151,797 |
| **Total** | | **732,503,530** | **846,225,073** |

Significant Accounting Policies
Notes to Financial Statements 1 to 37

AS PER OUR REPORT OF EVEN DATE

**For P.Murali & Co.,**
Firm Regn. No: 007257S
Chartered Accountants

**For Cambridge Technology Enterprises Limited**

**P.Murali Mohana Rao**
Partner
M.No. 023412

**D R R Swaroop**
Whole-Time Director

**L Sridhar**
Director

Place : Hyderabad
Date : 28-05-2012

**Samir Bhatia**
Whole-Time Director & CFO

**V Ramana Reddy**
Company Secretary

# Profit and Loss statement for the year ended 31st March, 2012

| Particulars | Note No. | Year Ending 31-03-2012 | Year Ending 31-03-2011 |
|---|---|---|---|
| I. Revenue from Operations | 16 | 307,939,554 | 327,619,009 |
| II. Other Income | 17 | 20,647,243 | 2,853,771 |
| **III. Total Revenue (I+II)** | | **328,586,797** | **330,472,780** |
| IV. Expenses: | | | |
| Employee Benefit expenses | 18 | 143,704,465 | 149,963,425 |
| Other Operating Expenses | 19 | 17,957,092 | 14,307,412 |
| Administrative Expenses | 20 | 34,432,223 | 41,279,584 |
| Financial costs | 21 | 5,361,212 | 9,516,678 |
| Depreciation and amortization expense | 9 | 83,053,646 | 96,749,919 |
| Impaired Intangible Assets | 9 | 30,245,860 | - |
| **Total Expenses** | | **314,754,498** | **311,817,018** |
| V. Profit before exceptional and extraordinary items and tax (III - IV) | | **13,832,298** | 18,655,762 |
| VI. Exceptional Items (Prior Period Expenses) | | | |
| (a) Prior period expenses | | (15,015,155) | (3,718,187) |
| (b) Change in the carrying value of investment | | 37,776,016 | - |
| VII. Profit before extraordinary items and tax (V - VI) | | **(8,928,563)** | 22,373,949 |
| VIII. Extraordinary Items | | - | - |
| IX. Profit Before Tax (VII - VIII) | | **(8,928,563)** | **22,373,949** |
| X. Tax expense: | | | |
| (1) Current tax | | 2,735,008 | 4,002,363 |
| (2) Deferred tax | | (13,265,178) | (80,966) |
| XI. Profit(Loss) from the period from Continuing Operations (VII - VIII) | | **1,601,607** | 18,452,552 |
| XII. Profit/(Loss) from Discontinuing Operations | | - | - |
| XIII. Tax expense of Discounting Operations | | - | - |
| XIV. Profit/(Loss) from Discontinuing operations (XII - XIII) | | - | - |
| XV. Profit/(Loss) for the period (XI + XIV) | | **1,601,607** | **18,452,552** |
| XVI. Earning per equity share: | | | |
| (1) Basic | | 0.08 | 0.94 |
| (2) Diluted | | 0.08 | 0.94 |

Significant Accounting Policies
Notes to Financial Statements 1 to 37

AS PER OUR REPORT OF EVEN DATE

**For P.Murali & Co.,**
Firm Regn. No: 007257S
Chartered Accountants

**For Cambridge Technology Enterprises Limited**

**P.Murali Mohana Rao**
Partner
M.No. 023412

**D R R Swaroop**
Whole-Time Director

**L Sridhar**
Director

Place : Hyderabad
Date : 28-05-2012

**Samir Bhatia**
Whole-Time Director & CFO

**V Ramana Reddy**
Company Secretary

# Standalone Cashflow for the period ended 31st March, 2012

*Amount in ₹*

| | Details | | For the Period ended with 31st March' 2012 | For the Period ended with 31st March' 2011 |
|---|---|---|---|---|
| **A.** | **Cash Flow from Operating Activities** | | | |
| | Net Profit / (Loss) before tax | | (8,928,563) | 22,373,950 |
| | Adjustment for : | | | |
| | Depreciation & Amortization | | 83,053,646 | 96,749,919 |
| | Dividend Income from Mutual Funds | | 157,613 | (632,564) |
| | Interest Income | | 19,085 | (20,795) |
| | Interest Expenses(net) | | 5,361,212 | 10,369,014 |
| | Provision for Gratuity & Leave encashment | | 1,250,413 | 1,018,518 |
| | Loss on sale of Assets (Net) | | 1,438,498 | 1,373,745 |
| | Undeclared dividend and dividend tax | | - | - |
| | Provision for bad and doubtful debts | | - | - |
| | Operating profit before working capital changes | | **82,351,904** | **131,231,786** |
| | Adjustment for: | | | |
| | Change in Trade receivables | | (27,696,565) | (54,001,079) |
| | Change in Inventory | | - | - |
| | Change in Short-term loans and advances | | (5,869,865) | (9,393,474) |
| | Change in Current Liabilities and Provision | | (83,933,325) | (29,429,409) |
| | **Cash generated from operations** | | **(35,147,850)** | **38,407,824** |
| | Income tax (paid)/ refunded | | (2,735,008) | (4,002,363) |
| | **Net cash from operating activities** | **A** | **(37,882,858)** | **34,405,461** |
| **B.** | **Cash Flow from Investing Activities** | | | |
| | (Purchase) / Sale of Fixed Assets | | 22,669,494 | (37,964,645) |
| | Payment for Acquisitions | | - | - |
| | Sale of Fixed Assets | | - | - |
| | (Purchase) / Sale of Investments | | 50,408,582 | (2,800,518) |
| | Interest received | | (19,085) | 20,795 |
| | Dividend Income from Mutual Funds | | (157,613) | 632,564 |
| | Sale of investments | | - | |
| | Purchase of Investments in subsidiary | | | |
| | **Net cash from investing activities** | **B** | **72,901,378** | **(40,111,803)** |

# Standalone Cashflow for the period ended 31st March, 2012

*Amount in ₹*

| | Details | | For the Period ended with 31st March' 2012 | For the Period ended with 31st March' 2011 |
|---|---|---|---|---|
| **C.** | **Cash Flows from Financing Activities** | | | |
| | Proceeds from issue of preference issue | | - | - |
| | Increase (Decrease) in working capital Loan (net) | | (19,375,059) | (59,719,316) |
| | Interest Paid | | (5,361,212) | (10,369,014) |
| | Increase (Decrease) in Share Capital | | - | 91,358,400 |
| | **Net cash used from financing activities** | **C** | **(24,736,271)** | **21,270,070** |
| | **Net change in cash (A+B+C)** | | **10,282,249** | **15,563,728** |
| | Cash and cash equivalents at beginning of year | | 17,499,329 | 1,935,602 |
| | Cash and cash equivalents at end of year | | 27,781,578 | 17,499,329 |

The above Cash Flow statement is prepared under the Indirect Method set out in the Accounting Standard in Cash Flow Statements (AS-3) issued by the ICAI.

For P.Murali & Co.
Chartered Accountants

**For and on behalf of Board of Directors**

**P.Murali Mohana Rao**
Partner
Membership No. 23412

**D.R.R. Swaroop**
Whole-Time Director

**L.Sridhar**
Director

**Samir Bhatia**
Whole-Time Director & CFO

**V.Ramana Reddy**
Company Secretary

Place : Hyderabad
Date : 28-05-2012

# Notes to Financial Statements for the year ended March 31, 2012

## NOTE NO. 1 : SHARE CAPITAL

| S.No. | Particulars | | | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|---|---|
| a | Equity Share Capital | | | | |
| | (a) Authorised | | | | |
| | (No. of Shares 3,00,00,000 Current Year) | | | **300,000,000** | |
| | (No. of Shares 3,00,00,000 Previous Year) | | | | **300,000,000** |
| | (b) Issued | | | **300,000,000** | **300,000,000** |
| | (No. of Shares 1,96,31,015 Current Year) | | | **196,310,150** | |
| | (No. of Shares 1,96,31,015 Previous Year) | | | | **196,310,150** |
| | (c) Subscribed & Fully Paid Up | | | | |
| | (No. of Shares 1,96,31,015 Current Year) | | | **196,310,150** | |
| | (No. of Shares 1,96,31,015 Previous Year) | | | | **196,310,150** |
| | (d) Subscribed & not fully paid up | | | **-** | **-** |
| | (e) Par Value per share Rs. 10/- | | | | |
| | **Total Equity Share capital** | | | **196,310,150** | **196,310,150** |
| | **Total Share Capital** | | | **196,310,150** | **196,310,150** |
| b | **A Reconcilation of the number of shares outstanding at the beginning and at the end of the reporting period:** | | | | |
| | **Equity Shares of Rs.10 each, Fully paid up** | | | | |
| | At the Beginning | | | 19,631,015 | 15,824,415 |
| | Issued during the year - Bonus Issue | | | - | 3,806,600 |
| | | | | **19,631,015** | **19,631,015** |
| c | **Details of Shareholder holding more than 5% shares of the company :** | | | % of Share Holding | |
| | **Equity Shares of Rs. 10 each Held By** | | | | |
| | Share Holder Name | | | | |
| | | 31-03-2012 | 31-03-2011 | | |
| | 1. Internet Business Corporation | 75,89,349 | 75,89,349 | 38.66% | 38.66% |
| | 2. SmarShift AG | 20,56,000 | 20,56,000 | 10.48% | 10.48% |
| | 3. OurVox Holdings LLC | 17,50,000 | 17,50,000 | 8.91% | 8.91% |

## NOTE NO. 2 : RESERVES AND SURPLUS

| S. No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| I | **RESERVES AND SURPLUS** | | |
| | a) Capital Redemption reserve | | |
| | As at the commencement of the year | 499,000 | 499,000 |
| | Add: Additions during the year | - | - |
| | Less: Utilised during the year | - | - |
| | | **499,000** | **499,000** |
| | b) Securities Premium Reserve | | |
| | As at the commencement of the year | 225,215,578 | 171,923,178 |
| | Add: Additions during the year | - | 53,292,400 |
| | Less: Utilised during the year | - | - |
| | | **225,215,578** | **225,215,578** |
| | c) Revaluation reserve | 21,861,307 | 21,861,307 |
| | d) Surplus : | | |
| | i) Opening Balance - Profit and Loss Account | 177,352,807 | 158,900,255 |
| | Add: Transfer from Profit & Loss Account | 1,601,607 | 18,452,552 |
| | Less: Transfer To General Reserve | - | - |
| | Less: Goodwill Written Off | - | - |
| | | 178,954,415 | 177,352,807 |
| II | A Reserve specifically represented by earmarked investments | - | - |
| III | Negative balance of reserves and surplus account | - | - |
| | **Total Reserves and Surplus** | **426,530,300** | **424,928,692** |

## NOTE NO. 3 : DEFERRED TAX LIABILITY (NET)

| S. No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| I | Opening Deferred tax Liability | 15,018,713 | 15,018,713 |
| | Less: | | |
| | Deferred Tax Liability for the year (Due to SLM and WDV Difference) | - | - |
| | Deferred Tax Liability for the year (Due to Others) | - | - |
| | **Gross Deferred tax Liability** | **15,018,713** | **15,018,713** |
| | Opening Deferred tax Asset | 80,966 | - |
| | Deferred Tax Asset for the year (Due to SLM and WDV Difference) | 13,265,178 | - |
| | Provision for Gratuity and Compensated Absences and doubtful debt | - | 80,966 |
| | **Gross Deferred tax Asset** | **13,346,144** | **80,966** |
| | **Deferred Tax Liability/ ( Asset ) - Net** | **1,672,569** | **14,937,747** |

## NOTE NO. 4 : LONG TERM PROVISIONS

| S. No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| I | a) Provisions for employee benefits | | |
| | - Provision for Gratuity | 5,755,621 | 4,679,327 |
| | - Provision for Leave Encashment | 792,749 | 618,630 |
| | **Total Long Term Provisions** | **6,548,370** | **5,297,957** |

## NOTE NO.5 : SHORT TERM BORROWINGS

| S.No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| I | **Short term borrowings** | | |
| | **a) Cash Credits and Working Capital Demand Loan from Banks** | | |
| | - Secured | 30,386,509 | 49,761,568 |
| | <u>Notes:</u> | | |
| | **Primary security:** Hypothecation of entire current assets and movable fixed assets (except hire purchase vehicles) of the company, both present and future. | | |
| | **Collateral security:** Extn of EM of land and Building of Cambridge Technology India Pvt Ltd., situated at Plot No.22 within Sy. No.14 of Electronic City, Bangalore, admeasuring 43518.94 Sft (4047.00 Sq.mts) | | |
| | **Personal guarantee** of Shri DRR Swaroop, Whole-Time director of the company | | |
| | **Total Short Term Borrowings** | **30,386,509** | **49,761,568** |

## NOTE NO. 6 : TRADE PAYABLES

| S. No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| I | a) Trade Payables | | |
| | (i) Outstanding for a period exceeding six months | 278,890 | 583,677 |
| | (ii) Others | 3,948,216 | 5,461,897 |
| | **Total Trade Payables** | **4,227,106** | **6,045,574** |

## NOTE NO. 7 : OTHER CURRENT LIABILITES

| S.No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| I | Other Payables | | |
| | (a) CTE Inc Exp Reimbursement Payable | 20,435,773 | 87,620,130 |
| | (b) CTE - Trust (ESOP) | 18,700,683 | 16,168,591 |
| | (c) Provision for Dividend | 83,286 | 83,411 |
| | (d) Share Refund | 75,939 | - |
| | (e) Intercompany Loans & Advances | - | 679,307 |
| | **Total Other Current Liabilites** | **39,295,681** | **104,551,439** |

## NOTE NO. 8 : SHORT TERM PROVISIONS

| S.No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| I | a) Provisions for employee benefits | | |
| | PF Payable | 9,387,933 | 174,976 |
| | Variable Components | 11,090,610 | 15,149,613 |
| | b) Others | | |
| | Provision for Income tax | 2,613,765 | 4,002,363 |
| | Statutory Dues | 2,044,064 | 1,709,925 |
| | Sub Contract fee | - | 22,000,000 |
| | Audit fee | 758,430 | - |
| | Provision for Expenses | 1,638,044 | 1,355,068 |
| | **Total Short Term Provisions** | **27,532,846** | **44,391,944** |

# NOTE NO 9 (a) & 9 (b) : TANGIBLE & INTANGIBLE ASSETS AS AT 31-03-2012

Amount in ₹

| | | Gross Block | | | | Depreciation /Amortization | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sl. No. | Particulars | As on 01.04.2011 | Additions during the year | Sale / Deletions during the year | As on 31.03.2012 | Dep. As on 01.04.2011 | Dep. For the year 2011-12 | Deletions during the period | Impairment Loss / Reversal | Total Depreciation | Net Block As on 31.03.2012 | Net Block As on 31.03.2011 |
| | TANGIBLE ASSETS: | | | | | | | | | | | |
| 1 | LAND - | - | - | - | - | - | - | - | - | - | - | - |
| 2 | BUILDING | - | - | - | - | - | - | - | - | - | - | - |
| 3 | PLANT & MACHINERY | 2,635,010 | 745,683 | 470,316 | **2,910,377** | 493,133 | 319,169 | 145,122 | - | **667,180** | **2,243,197** | **2,141,877** |
| 4 | ELECTRICAL EQUIPMENT | 300,073 | 37,850 | 252,233 | **85,690** | 119,175 | 26,559 | 131,172 | - | **14,562** | **71,128** | **180,898** |
| 5 | AUTOMOBILES | - | - | - | - | - | - | | - | - | - | - |
| 6 | OFFICE EQUIPMENT | 1,637,743 | 735,836 | 623,445 | **1,750,134** | 462,948 | 212,623 | 309,702 | - | **365,868** | **1,384,266** | **1,174,795** |
| 7 | COMPUTERS | 19,801,348 | 1,690,340 | 1,324,081 | **20,167,607** | 17,910,252 | 982,205 | 1,166,862 | - | **17,725,595** | **2,442,012** | **1,891,096** |
| 8 | FURNITURE | 2,917,932 | 1,796,445 | 1,541,433 | **3,172,944** | 959,014 | 509,458 | 532,533 | - | **935,939** | **2,237,005** | **1,958,918** |
| 9 | SOFTWARE | 20,723,964 | 3,057,829 | - | **23,781,793** | 16,536,541 | 4,939,342 | | - | **21,475,883** | **2,305,910** | **4,187,423** |
| | TOTAL | **48,016,070** | **8,063,983** | **4,211,508** | **51,868,545** | **36,481,064** | **6,989,355** | **2,285,391** | - | **41,185,027** | **10,683,518** | **11,535,006** |
| | INTANGIBE FIXED ASSETS : | | | | | | | | | | | |
| 10 | Computer Software Used in Development of Projects | 43,918,535 | - | - | **43,918,535** | 43,918,535 | - | - | - | **43,918,535** | - | - |
| 11 | Internally developed Software - Reusable Components Library | 293,802,978 | - | - | **293,802,978** | 187,492,826 | 76,064,292 | - | 30,245,860 | **293,802,978** | - | **106,310,152** |
| | TOTAL | **337,721,513** | - | - | **337,721,513** | **231,411,361** | **76,064,292** | - | **30,245,860** | **337,721,513** | - | **106,310,152** |
| | TOTAL | **385,737,583** | **8,063,983** | **4,211,508** | **389,590,058** | **267,892,425** | **83,053,647** | **2,285,391** | **30,245,860** | **378,906,540** | **10,683,518** | **117,845,158** |
| | PREVIOUS YEAR | **309,193,333** | **79,389,653** | **2,845,403** | **385,737,583** | **172,450,164** | **96,749,919** | **1,307,658** | - | **267,892,425** | **117,845,158** | **136,743,169** |

# Notes to Financial Statements for the year ended March 31, 2012

## NOTE NO. 10 : NON- CURRENT INVESTMENTS

| S.No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| I | Non- Current Assets | | |
| | 1) Investment in Subsidiaries | | |
| | Investment in Equity Capital | | |
| | I. Cambridge Technology India Pvt Ltd (100% Holding) | 135,485,546 | 135,485,546 |
| | II. smartShiftgroup Limited (100% Holding) | 274,260,626 | 312,036,642 |
| | **Total Non Current Investments** | **409,746,172** | **447,522,188** |
| | **Less: Provision for Diminution in Investments** | - | **-** |
| | **Total Non - Current Assets (Net)** | **409,746,172** | **447,522,188** |

## NOTE NO. 11 : CURRENT INVESTMENTS

| S. No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| I | Current Investments : | | |
| | (1) Investments in shares, debentures or securities | - | 12,632,565 |
| | **Total Current Investments** | **-** | **12,632,565** |

## NOTE NO. 12 : TRADE RECEIVABLES

| S. No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| I | Debts outstanding for a period - (Unsecured) | | |
| | (a) Upto six months | 159,692,389 | 45,721,320 |
| | (b) Exceeding six months & upto three years | 82,310,559 | 168,585,064 |
| | Less: Provisions | - | - |
| | **Total Trade Receivables** | 242,002,948 | 214,306,384 |

## NOTE NO. 13 : CASH AND BANK BALANCES

| S. No. | Particulars | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
|---|---|---|---|
| I | (a) Bank balances | 27,758,551 | 17,496,878 |
| | (b) Cash balance | 23,027 | 2,451 |
| | (c) Cheques on hand | - | - |
| | **Total Cash and Cash Equivalents** | **27,781,578** | **17,499,329** |

## NOTE NO. 14 : SHORT TERM LOANS AND ADVANCES

| S. No. | Particulars | Non Current | |
|---|---|---|---|
| | | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
| I | **Others** | | |
| | (a) Advances to Vendors | 53,846 | 521,101 |
| | (b) Advances to Employees | 455,198 | 1,542,986 |
| | (c) Deposits | 8,375,411 | 6,203,566 |
| | **Total Short Term Loans and Advances** | **8,884,455** | **8,267,653** |

## NOTE NO. 15 : OTHER ASSETS (CURRENT)

| S. No. | Particulars | Non Current | |
|---|---|---|---|
| | | As on 31-03-2012 ₹ | As on 31-03-2011 ₹ |
| I | (a) MAT Entitlement Receivable | 13,185,753 | 18,891,607 |
| | (b) Input Service Tax | 3,321,261 | 4,636,698 |
| | (c) Advance Tax & TDS Receivables | 2,278,759 | 118,405 |
| | (d) Unbilled Revenue | 8,104,180 | - |
| | (e) Prepaid Expenses | 4,014,906 | 2,005,087 |
| | (f) Others | 2,500,000 | 2,500,000 |
| | **Total Other Assets** | **33,404,859** | **28,151,797** |

## NOTE NO. 16 : REVENUE FROM OPERATIONS

| S.No. | Particulars | Year Ended 31-03-2012 ₹ | Year Ended 31-03-2011 ₹ |
|---|---|---|---|
| I | Revenue from operations in respect of non-finance company | | |
| | (a) Sale of Services | 307,939,554 | 327,619,009 |
| | **Total Revenue from Operations** | **307,939,554** | **327,619,009** |

## NOTE NO. 17 : OTHER INCOME

| S.No. | Particulars | Year Ended 31-03-2012 ₹ | Year Ended 31-03-2011 ₹ |
|---|---|---|---|
| I | (a) Interest Income (on Bank Deposits) | 19,085 | 20,795 |
| | (b) Dividend Received on Mutual funds | 157,613 | 632,564 |
| | (c) Net gain/loss on foreign currency translation and transaction (other than considered as finance cost) | 20,470,545 | 2,200,412 |
| | **Total Other Income** | **20,647,243** | **2,853,771** |

## NOTE NO. 18 : EMLOYEE BENEFIT EXPENSES

| S.No. | | Particulars | Year Ended 31-03-2012 ₹ | Year Ended 31-03-2011 ₹ |
|---|---|---|---|---|
| I | (a) | Salaries & Wages | 133,377,652 | 142,154,673 |
| | (b) | Contribution to Provident & Other Funds | 9,076,397 | 6,486,617 |
| | (c) | Staff Welfare Expenses | 1,250,416 | 1,322,135 |
| | | **Total Employee Benefit Expenses** | **143,704,465** | **149,963,425** |

## NOTE NO. 19 : OTHER OPERATING EXPENSES

| S.No. | | Particulars | Year Ended 31-03-2012 ₹ | Year Ended 31-03-2011 ₹ |
|---|---|---|---|---|
| I | (a) | Consumption of Stores & Spares | - | - |
| | (b) | Power & Fuel | 3,751,509 | 2,433,054 |
| | (c) | Rent | 9,561,770 | 8,466,976 |
| | (d) | Insurance | 497,619 | 348,612 |
| | (e) | Dues & Subscriptions | 326,373 | 322,366 |
| | (f) | Miscellaneous Expenditure | 83,441 | 312,659 |
| | | (Miscellaneous Expenditure of 2011 consists of Tender application fees amount of Rs.131,093) | | |
| | (g) | Payment to Auditors: | | |
| | | (i) As Auditor | 675,000 | 675,000 |
| | | (ii) For Taxation Matters | 75,000 | 75,000 |
| | | (iii) For Internal Auditor | 300,000 | 300,000 |
| | (h) | Net loss on sale of Assets | 1,438,498 | 1,373,745 |
| | (i) | Cost of Software licenses | 1,247,882 | - |
| | | **Total Other Expenses** | **17,957,092** | **14,307,412** |

## NOTE NO. 20 : ADMINSTRATIVE EXPENSES

| S.No. | | Particulars | Year Ended 31-03-2012 ₹ | Year Ended 31-03-2011 ₹ |
|---|---|---|---|---|
| I | (a) | Telephone, Postage and Others | 2,692,083 | 3,059,239 |
| | (b) | Travelling & Conveyance | 11,997,830 | 16,688,749 |
| | (c) | Office Maintenance | 4,088,333 | 3,565,532 |
| | (d) | Printing & Stationery Expenses | 461,705 | 566,066 |
| | (e) | Security Charges | 792,664 | 478,860 |
| | (f) | Rates & Taxes (excluding Income Tax) | 815,992 | 411,933 |
| | (g) | Managerial Remuneration | 1,200,000 | 2,250,000 |
| | (h) | Consultancy Charges | 9,388,945 | 10,128,701 |
| | (i) | Bank Charges | 502,447 | 852,336 |
| | (j) | Seminar & Conference | 196,281 | 29,612 |
| | (k) | Interest on TDS | 363,979 | 539,796 |
| | (l) | Director Sitting Fee | 270,000 | 410,000 |
| | (m) | Computer hire charges | 1,661,964 | 2,298,760 |
| | | **Total Administrative Expenses** | **34,432,223** | **41,279,584** |

## NOTE NO. 21 : FINANCE COST

| S.No. | | Particulars | Year Ended 31-03-2012 ₹ | Year Ended 31-03-2011 ₹ |
|---|---|---|---|---|
| I | (a) | Interest Expenses | | |
| | | - Interest on Working capital Loan | 5,359,389 | 7,489,374 |
| | | - Interest on Other Loans | 1,823 | 2,027,304 |
| | | **Total Finance Cost** | **5,361,212** | **9,516,678** |

# Significant Accounting Policies

*(All amounts have been presented in Rupees unless otherwise specified)*

## 1. Company overview

Cambridge Technology Enterprises Limited, "the Company" is an information technology services provider dedicated to serving the midsize market of enterprises and the midsize units of Global 2000 enterprises across the spectrum of business industries. The Company was incorporated on January 28, 1999 in Hyderabad, Andhra Pradesh, India.

## 2. Significant accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Indian Companies Act, 1956. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The management evaluates all recently issued or revised accounting standards on an ongoing basis.

### 2.2 Use of estimates

The preparation of the financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Actual results could differ from those estimates. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, and the useful lives of fixed assets and intangible assets. Management periodically assesses using, external and internal sources, whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Where no reliable estimate can be made, a disclosure is made as contingent liability. Actual results could differ from those estimates.

### 2.3 Revenue recognition

*Income from Software services and products*

Revenue from professional services consist primarily of revenue earned from services performed on a "time and material" basis. The related revenue is recognized as and when the services are performed. The Company also performs time bound fixed-price engagements, under which revenue is recognized using the percentage of completion method of accounting. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses on such engagements are made during the year in which a loss becomes probable and can be reasonably estimated.

Amounts received or billed in advance of services performed are recorded as advance from customers/unearned revenue. Unbilled revenue, included in debtors, represents amounts recognized based on services performed in advance of billing in accordance with contract terms. Unearned revenue is calculated on the basis of the unutilized period of time at the Balance Sheet and represents revenue which is expected to be earned in future periods in respect of internet, e-mail services, electronic data interchange and web hosting services.

Revenue from the sale of user licenses for software applications is recognized on transfer of the title in the user license, except in case of multiple element contracts requiring significant implementation services, where revenue is recognized as per the percentage of completion method.

*Other income*

Profit on sale of investments is recorded on transfer of title from the Company and is determined as the difference between the sales price and the then carrying value of the investment. Dividend income is recognized when the Company's right to receive dividend is established.

Interest is recognized using the time-proportion method, based on rates implicit in the transaction.

### 2.4 Fixed Assets

*Tangible assets*

Tangible assets are stated at actual cost less accumulated depreciation. The actual cost capitalized includes material cost, freight, installation cost, duties and taxes, finance charges and other incidental expenses incurred during the construction/installation stage.

*Intangible assets*

Intangible assets are recorded at consideration paid for acquisition and other direct costs that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

*Capital Work in progress*

Assets under installation or under construction as at the Balance sheet date are shown as capital work in progress. Advances paid towards acquisition of assets are also included under capital work in progress.

*Depreciation*

Depreciation on the Tangible Fixed Assets of the Company is provided on Written down Value method as per Schedule XIV of the Companies Act, 1956 on pro-rata basis. Individual assets acquired for less than Rs. 5,000 are entirely depreciated in the year of acquisition. Leasehold improvements are written off over the lower of, the remaining primary period of lease or the life of the asset.

*Amortization*

Software- used in development for projects are amortized over the license period or estimated useful life of two years, whichever is lower. Cost of internally developed software including the incidental costs is amortized over a period of three years.

The cost of and the accumulated depreciation for fixed assets sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and losses are included in the profit and loss account. Lease payments under operating lease are recognised as an expense in the profit and loss account. An impairment loss is recognized wherever the carrying amount of the fixed assets exceeds its recoverable amount.

### 2.5 Finance leases

Assets taken on lease are capitalized at fair value or net present value of the minimum lease payments, whichever is lower. Depreciation on the assets taken on lease is charged at the rate applicable to similar type of owned fixed assets refer accounting policy 2.4. Lease payments made are apportioned between the finance charges and reduction of the outstanding liability in respect of assets taken on lease.

### 2.6 Investments

Investments are either classified as current or long-term, based on the Management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Cost for overseas investments comprises the Indian Rupee value of the consideration paid for the investment. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

## 2.7 Foreign Currency transactions and translation

Transactions in foreign currency are recorded at exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange at the balance sheet date and resultant gain or loss is recognized in the profit and loss account. Non-monetary assets and liabilities are translated at the rate prevailing on the date of transaction.

## 2.8 Employee Stock Option Scheme

Stock options granted to the employees under the stock option schemes established after June 19, 1999 are evaluated as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999 issued by Securities and Exchange Board of India and the Guidance Note on Accounting for employee share-based payments issued by the Institute of Chartered Accountants of India. Accordingly the Company measures the compensation cost relating to employee stock options using the intrinsic value method. The compensation cost is amortized on a straight line basis over the total vesting period of the stock options.

## 2.9 Taxes on Income

Tax expense for the year comprises of current tax and deferred tax.

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period in which the related revenue and expenses arise. A provision is made for income tax annually based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. Minimum alternate tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustments of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax after the tax holiday period. Accordingly, it is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of the accounting period based on prevailing enacted or substantially enacted regulations. Deferred tax assets are recognized only if there is virtual certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

## 2.10 Earnings per share

In determining earnings per share, the Company considers the net profit after tax and includes the post tax effect of any extra-ordinary / exceptional item is considered. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

## 2.11 Retirement benefits to employees

*Gratuity*

The Company provides for gratuity, a defined benefit retirement plan covering eligible employees, based on actuarial valuation made by an independent actuary as at the balance sheet date. In accordance with the Payment of Gratuity Act, 1972, the gratuity plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment.

*Provident fund*

Contributions to defined Schemes such as Provident Fund are charged as incurred on accrual basis. Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid at retirement, death, incapacitation or termination of employment. Both the employee and the Company make monthly contributions to the government administered authority.

**Notes to Financial Statements**

**22. Details of Non – Current Investments**

(i) Details of Additional investments and disposal of securities made during the year.

| | Year ended March 31, | | |
|---|---|---|---|
| | **Units** | **2012** | **2011** |
| Investment in securities | 1,746,995 | --- | 312,036,642 |
| Redemption/disposal of securities | --- | --- | 321,868,688 |
| Diminution in value of investments | --- | 37,776,016 | --- |
| Net movement in Investments | 1,746,995 | (37,776,016) | (9,832,046) |

(ii) Investments sold during the year (including reinvestments) – Nil

(iii) Diminution in the value of Investment in smartShiftgroup Limited (100% subsidiary) during the year is Rs. 3,77,76,016/-.

(iv) The name CTEM w.e.f. 20th April, 2012 changed to smartShiftgroup Limited.

(v) During the year non-current Investments made in Mutual Funds were sold to meet liquidity requirements.

**23. Details of Deposits**

Deposit amount consists of Rental Deposit of Cyber Spazio building, Fixed Deposits in Axis Bank and SBH and others.

**24. Unbilled Revenue**

Unbilled Revenue of Rs.81,04,180/- is the revenue which had been recognized in respect of which substantial work has been completed, but which had not been billed.

**25. Impairment of Intangible Asset- Reusable Components**

During the financial year, the company has accounted impairment loss of Rs.30,245,860 (FY 2011- Nil) on reusable components after testing the carrying value of recorded cost. This is due to shift in the business focus and the change in Industry trend, the reusable components developed earlier have become almost obsolete and now find use only in a small segment of Company's business. After reviewing the assessment of the Technical team, management decided that it is financially prudent to write-off the entire residual carrying value in books as on 31-Mar-2012.

**26. Employee Stock Option Scheme**

The Group has three stock option plans that are currently operational.

*CTEL ESOP 2006*

The 2006 Plan was approved by the board of directors on April 13, 2006 and by the shareholders on April 21, 2006, under which scheme 1,236,542 options were granted till date of 31st March, 2012.

Changes in number of options outstanding were as follows:

| | As at March 31 | |
|---|---|---|
| | **2012** | **2011** |
| Options outstanding beginning of period | 220,269 | 244,998 |
| Granted during the year | Nil | 249,000 |
| Less: Exercised | Nil | 7,766 |
| Lapsed* | 27,731 | 265,963 |
| Options outstanding end of period | 192,538 | 220,269 |

**Options were lapsed for those who had left the company or didn't exercise their options during the vesting period of their options*

*CTEL ESOP SCHEME 2008*

The 2008 Plan was approved by the board of directors on March 20, 2008 and by the shareholders through postal ballot results of which was declared on March 5, 2008, under which scheme 1,500,000 options were granted till date of 31st March, 2012.

Changes in the number of options outstanding:

| | As at March 31 | |
|---|---|---|
| | **2012** | **2011** |
| Options outstanding beginning of period | 389,160 | 389,160 |
| Granted during the year | Nil | Nil |
| Less: Exercised | 197,657 | Nil |
| Lapsed* | 105,401 | Nil |
| **Options outstanding end of period** | 296,904 | 389,160 |

**Options were lapsed for those who had left the company or didn't exercise their options during the vesting period of their options*

***CTEL ESOP SCHEME 2011***

The 2011 Plan was approved by the board of directors on December 10, 2010 and by the shareholders through postal ballot results of which was declared on January 24, 2011, under which scheme 624,000 options were granted till date of 31st March, 2012.

Changes in the number of options outstanding:

| | As at March 31 | |
|---|---|---|
| | **2012** | **2011** |
| Options outstanding beginning of period | 295,000 | Nil |
| Granted during the year | 329,000 | 295,000 |
| Less: Exercised | Nil | Nil |
| Lapsed* | 95,000 | Nil |
| **Options outstanding end of period** | 529,000 | 295,000 |

**Options were lapsed for those who had left the company or didn't exercise their options during the vesting period of their options*

*Pro forma Disclosure*

In accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, had the compensation cost for associate stock option plans been recognized based on the fair value at the date of grant in accordance with Black Scholes' model, the pro forma amounts of the Group's net profit and earnings per share would have been as follows:

(Amount in Rs.)

| | | Year ended March 31, | |
|---|---|---|---|
| | | **2012** | **2011** |
| Net Profit (as reported) | | 1,601,607 | 18,452,553 |
| Add: Stock based employee compensation | | - | - |
| Less: Stock based compensation expenses determined under fair value method (pro forma) | | - | - |
| Net Profit (Pro forma) | | 1,601,607 | 18,452,553 |
| Earnings per share (Rs.) | | | |
| Basic | - as reported | 0.08 | 1.10 |
| | - as pro forma | 0.08 | 1.10 |
| Diluted | - as reported | 0.08 | 1.10 |
| | - as pro forma | 0.08 | 1.10 |

The key assumptions used in Black-Scholes' model for calculating fair value are: risk-free interest rate ranging from 6.73% to 7.85% (2011 – 6.73% to 7.85%), expected life: 3 years to 4 years (2010 – 2.5 years to 4.5 years), expected volatility of shares 63.77% to 72.66% (2011 – 63.77% to 72.66%), dividend yield 0% (2011 – 0%). The range variables detailed herein represent the highs and the lows of the assumptions during the pendency of the grant dates.

**27. Related party transactions**

*Key Management Personnel*

| | |
|---|---|
| Stefan Hetges | Whole-Time Director and Chief Executive Officer |
| D.R.R Swaroop | Whole-Time Director |
| Samir Bhatia | Whole-Time Director and Chief Financial Officer |

*Enterprises over which Control exists*

| | |
|---|---|
| smartShiftgroup Limited (Formerly CTE - Mauritius Limited) | Wholly owned subsidiary w.e.f 13 August 2010 |
| Cambridge Technology Enterprises Inc ('CTE Inc') | Wholly owned subsidiary of CTEM w.e.f 1 October 2010 |
| smartShift, GmbH - Germany | Wholly owned subsidiary of CTEM w.e.f 1st Oct, 2010. |
| Vox Holding Inc. - USA | Wholly owned subsidiary of CTEM w.e.f 1st Oct,2010 |
| Cambridge Technology India Private Limited ('CTIPL') | Wholly owned subsidiary w.e.f October 2008 |
| Comcreation Inc<br>Reilly & Associates Inc<br>CellExchange Inc | Wholly owned subsidiary of CTE Inc, w.e.f 2007-08, got merged with CTE Inc. w.e.f 24th June 2010. |

*Enterprises over which significant influence exercised by key management personnel/close family member of key management personnel*

| | |
|---|---|
| D.S. Unics Infotech Pvt Ltd | D.R.R. Swaroop is a Director in the Company |

| Nature of Transaction | Year ended March 31 | |
|---|---|---|
| | 2012 | 2011 |
| Transactions with key management personnel | | |
| Remuneration* | | |
| -D.R.R. Swaroop | 1,200,000 | 1,200,000 |
| Amount Payable | | |
| -D.R.R. Swaroop | - | - |
| Transactions with enterprises over which Control exists | | |
| Sale of services - CTE Inc. | 299,835,374 | 291,040,373 |
| Sale of services- smart Shift Inc. | - | 6,732,986 |
| Expenses reimbursement, net- CTE Inc. | 20,435,773 | 87,620,130 |
| Balance receivable/(payable) | 172,248,974 | 92,119,668 |
| Loans and advances | | |
| Loans and advances given | | |
| -Cambridge Technology India Pvt. Ltd. | 14,711,955 | 18,247,473 |
| Repayment of loans and advances | | |
| - Cambridge Technology India Pvt. Ltd. | 14,032,648 | 17,618,399 |
| Balance outstanding | | |
| - Cambridge Technology India Pvt. Ltd. | - | (679,307) |
| Investment made in shares | 409,746,172 | 447,522,188 |
| Sale of Investment in CTE Inc to smartShiftgroup Limited (Formerly CTE - Mauritius Ltd., | - | 321,868,688 |

**28. Reconciliation of basic and diluted shares used in computing earnings per share**

| | As at March 31, | |
|---|---|---|
| | 2012 | 2011 |
| Number of shares considered as basic weighted average shares outstanding | 19,631,015 | 16,731,742 |
| Add: Effect of dilutive issue of stock options | - | - |
| Number of shares considered as weighted average shares and potential shares outstanding | 19,631,015 | 16,731,742 |

**29. Leases**

Operating Lease

The Company leases office premises under operating lease agreement that is renewable on a periodic basis at the option of the both the lessor and the lessee. Rental expense under those leases was Rs.9,148,802/- (Previous year Rs.8,096,792).

*Finance Leases*

The Company is not having any finance lease agreements as at March 31, 2012.

**30. Segment reporting**

As required by the Accounting Standard - 17, 'Segment reporting', the Company is mainly engaged in the area of software development and related services. Hence segment reporting is not applicable to the Company and to the nature of business.

**31. Managerial Remuneration**

The key management personnel comprise our directors and statutory officers. Particulars of remuneration and other benefits provided to key management personnel during the year ended March 31, 2012 and 2011 are as follows:

| | **Year ended March 31,** | |
|---|---|---|
| | **2012** | **2011** |
| Remuneration* | 1,200,000 | 2,250,000 |
| Perquisites and Allowances | - | - |
| Directors sitting fee | 270,000 | 410,000 |

*Remuneration is net of accrual towards Gratuity, a defined benefit plan and provident fund which is managed for the Company as a whole. Contributions to defined benefit plan and provident fund and other perquisites and allowances have been included in Schedule 13 and 14.

**32. Details of advances and loans given to subsidiary Companies**

| **Name of subsidiary** | **Balance outstanding as at March 31,** | | **Maximum balance outstanding as at March 31,** | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| CTIPL(Cambridge Technology India Pvt. Ltd.) | - | (679,307) | 9,234,869 | 5,550,000 |

**33. Retirement benefits to employees**

*Defined contribution plan*

During year ended March 31, 2012, the Company contributed Rs.2,537,905/- to provident fund (Previous Year Rs. 979,213/- was contributed to provident fund).

*Defined benefit plan - gratuity and privilege leave*

The amounts recognized in the balance sheet as at March 31, 2012 are as follows:

| | **31st Mar'12** | **31st Mar'11** |
|---|---|---|
| Present value of funded obligations | 6,548,370 | 4,552,227 |
| Fair value of plan assets | - | - |
| Net liability | 6,548,370 | 4,552,227 |
| Amount in balance sheet | | |
| Liability | 6,548,370 | 4,552,227 |
| Asset | - | - |
| Net Liability | 6,548,370 | 4,552,227 |

The amounts recognized in the profit and loss account for the year ended March 31, 2012 are as follows :

| | 31st Mar' 2012 | 31st Mar' 2011 |
|---|---|---|
| Current service cost | 558,504 | 413,936 |
| Interest cost | 363,458 | 330,675 |
| Expected return on plan assets | - | - |
| Recognized net actuarial loss | 2,824,230 | 1,309,215 |
| Net Benefit Expense | 3,746,192 | 2,053,826 |

Changes in present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

| | 31stMar'2012 | 31st Mar'2011 |
|---|---|---|
| Defined benefit obligation at beginning of the year | 4,552,227 | 4,133,440 |
| Current service cost | 558,504 | 413,936 |
| Interest cost | 363,458 | 330,675 |
| Benefits paid | (1,750,049) | (1,635,039) |
| Actuarial loss/(gains) | 2,824,230 | 1,309,215 |
| Defined benefit obligation at end of the year | 6,548,370 | 4,552,227 |

Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows:

| | 31st Mar'2012 | 31st Mar' 2011 |
|---|---|---|
| Fair value of plan assets at beginning of the year | - | - |
| Expected return on plan assets | - | - |
| Actuarial gains | - | - |
| Contribution by employer | 1,750,049 | 1,635,039 |
| Benefits paid | 1,750,049 | 1,635,039 |
| Fair value of plan assets at the end of the year | - | - |

The assumptions used in accounting for the gratuity plan are set out as below:

| | | |
|---|---|---|
| Discount Rate | 8.00% | 8.00% |
| Expected return on plan assets | 8.00% | 8.00% |
| Salary Escalation | 7.00% | 7.00% |

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market. The Company evaluates these assumptions annually based on its long term plans of growth and industry standards.

**34. Supplementary Information**

**(i) Contingencies & Guarantees**

Previous year, the company has given corporate guarantee as against Senior Secured Convertible Debt Notes, Convertible Debt Notes and Redeemable Bonds issued by the subsidiary M/s. Cambridge Technology Enterprises Mauritius Limited to the extent of Rs.647.43 Millions (USD 14.50 Millions).

**(ii) Earnings in foreign currency (FOB), on accrual basis**

| | Year ended March 31, | |
|---|---|---|
| | **2012** | **2011** |
| Software development and services | 299,835,374 | 325,199,009 |
| **Total** | **299,835,374** | **325,199,009** |

**(iii) Expenditure in foreign currency, on accrual basis**

| | Year ended March 31, | |
|---|---|---|
| | **2012** | **2011** |
| Subcontracting Expenses | - | - |
| Traveling & Others | 2,442,011 | 10,667,860 |
| **Total** | **2,442,011** | **10,667,860** |

**35. Payables to micro enterprises and small enterprises**

There were no overdue principal amounts (and interest thereon) payable to micro enterprises and small enterprises, as at March 31, 2012.

**36. Quantitative details**

The Company is engaged in the development and maintenance of computer software. The production and sale of such software cannot be expressed in any generic unit. Hence, it is not practicable to give the quantitative details of sales and certain other information as required under paragraphs 3, 4A, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956.

**37. Prior year comparatives.**

Previous years' figures have been regrouped and reclassified wherever necessary to confirm to current year's classification.

**For P. Murali & Co.**
**Chartered Accountants**

**P.Murali Mohana Rao**
Partner
Membership No: 23412

**For and on behalf of board**

**D.R.R. Swaroop**
Whole-Time Director

**L. Sridhar**
Director

**Samir Bhatia**
Whole-Time Director & CFO

**V. Ramana Reddy**
Company Secretary

Place: Hyderabad
Date: 28-05-2012

# Summary of Subsidiary Companies

# CAMBRIDGE TECHNOLOGY ENTERPRISES LIMITED

Financial Statement on Subsidiaries pursuant to approval of the Central Government under Section 212(8) of the Companies Act, 1956 as on 31st March, 2012.

*(Amount in Rs.)*

| Sl.No. | Name of the Company | Cambridge Technology India Pvt.Ltd., | CTE-Mauritius Ltd (Mauritius) | CTE Inc. (USA) | Voxholdings Inc., (USA) | SmartShift GmbH, (Germany) |
|---|---|---|---|---|---|---|
| 1 | Issued and Subscribed | 4,571,000 | 89,377,799 | 2,193,729 | 25,628,602 | 1,708,500 |
| 2 | Reserves | 19,522,477 | (144,014,239) | (412,673,783) | (30,522,570) | 81,797 |
| 3 | Total Assets | 167,320,929 | 694,652,926 | 219,190,302 | 1,558,886 | 58,100,818 |
| 4 | Total Liabilities | 143,227,452 | 749,289,366 | 629,670,356 | 6,452,854 | 56,310,523 |
| 5 | Investments (except investment in subsidiaries) | - | - | - | - | - |
| 6 | Turnover | 82,452,101 | - | 562,687,821 | - | 136,136,668 |
| 7 | Profit / (Loss) Before Taxation | 10,438,366 | (378,187,890) | (312,218,754) | 1,276,314 | (7,427,740) |
| 8 | Provision for taxation | 1,278,902 | - | 764,606 | - | - |
| 9 | Profit / (Loss) After taxation | 9,159,464 | (378,187,890) | (312,983,361) | 1,276,314 | (7,427,740) |
| 10 | Proposed Dividend | - | - | - | - | - |

# CAMBRIDGE TECHNOLOGY ENTERPRISES LIMITED

Statement pursuant to Section 212 (1) (e) of the Companies Act, 1956 as on 31st March, 2012

*(Amount in Rs.)*

| Sl.No. | Name of the Company | Cambridge Technology India Pvt. Ltd., | CTE-Mauritius Ltd (Mauritius) | CTE Inc. (USA) | Voxholdings Inc., (USA) | SmartShift GmbH, (Germany) |
|---|---|---|---|---|---|---|
| 1 | Financial year of the Subsidiary Company | 31.3.2012 | 31.3.2012 | 31.3.2012 | 31.3.2012 | 31.3.2012 |
| 2 | Number of shares in the Subsidiary Company held by Cambridge Technology Enterprises Ltd on the above date | 457,100 | 1,747,025 | 4,287,976 | 4,000,000 | NA(Paid up capital Euro 25,000) |
| 3 | Holding Company's interest in percentage down foreign Subsidiary | 100% | 100% | 100% Step down foreign Subsidiary | 100% Step down foreign Subsidiary | 100% Step down foreign Subsidiary |
| 4 | Net aggregate amount of Profit/(Loss) of the Subsidiary so far as they cancern the members of the Cambridge Technology Enterprises Ltd: | | | | | |
| | **a)** Dealt with in the accounts of Cambridge Technology Enterprises Ltd | - | - | - | - | - |
| | **b)** Not dealt within the accounts of Cambridge Technology enterprises Ltd (Rs) | 9,159,464 | (378,187,890) | (312,983,361) | (1,276,314) | (7,427,740) |
| 5 | Net aggregate amount of Profit / (Loss) for the Previous financial years of the Subsidiary so far as they cancern the members of the Cambridge Technology Enterprises Ltd: | - | - | - | - | - |
| | **a)** Dealt with in the accounts of Cambridge Technology Enterprises Ltd | - | - | - | - | - |
| | **b)** Not dealt within the accounts of CambridgeTechnology Enterprises Ltd (Rs) | 1,492,861 | (12,143,962) | (201,004,474) | (620,259) | 9,007,862 |
| 6 | Changes in the interest of Cambridge Technology Enterprises Ltd between the last financial year and 31st March,2011 | - | - | - | - | - |
| 7 | Material changes between the end of the last financial year and 31st March,2012 | - | - | - | - | - |

# Corporate Governance Report

# Corporate Governance Report

Your Company has complied in all respects, with the requirements of the Corporate Governance Code as per Clause 49 of the Listing Agreement with the Stock Exchanges. A report on the implementation of the Corporate Governance Code of the Listing Agreement by your Company is furnished below:-

**Company's Philosophy on Corporate Governance**

Cambridge Technology Enterprises Limited ("CTEL" or "the Company") shall endeavor to adhere to values of good corporate governance and ethical business practices to maintain sound standards of Business Conduct and Corporate Governance.

The Company's philosophy of corporate governance is to consistently communicate and make timely disclosures, so as to ensure transparency, integrity and accountability to enhance the value of the stakeholders and achieve sustainable growth of the Company.

1. **Board of Directors**

   a. **Composition of the Board**

As on 31st March, 2012, the Board of CTEL consists of six Directors comprising three Executive and three Independent Directors. Every Director informs the Company on annual basis about their position on Board and Board Committee he occupies in other companies including Chairmanships and notifies changes as and when they take place.

The composition of the Board of Directors as on 31st March, 2012 is:

| Name | Age | No. of other Directorships | Committee Membership(1) | Chairmanship in Committees(2) |
|---|---|---|---|---|
| **Whole-Time Director** | | | | |
| Stefan Hetges | 49 | Nil | Nil | Nil |
| Samir Bhatia | 51 | Nil | 1 | Nil |
| DRR Swaroop | 53 | Nil | 2 | Nil |
| **Independent Directors** | | | | |
| L. Sridhar | 59 | Nil | 2 | 2 |
| Mallipudi Anand Pattabhiramkumar(3) | 45 | 1 | 2 | Nil |
| Motaparthy Venkateswara Rao Kasi(3) | 50 | Nil | 2 | 1 |

*(1) Including memberships in Committees of CTEL*
*(2) Including chairmanships in Committees of CTEL*
*(3) Independent Director since 13th February, 2012*

**b. Director's attendance at Board and Annual General Meeting**

During the financial year 2011-12, six Board meetings were held. Director's attendance at Board and Annual General Meeting are as below:

| Name | No. of Board Meetings held during the tenure of Director | No. of Board meetings attended | Attendance in last AGM |
|---|---|---|---|
| Stefan Hetges | 6 | 5 | Present |
| Samir Bhatia | 6 | 3 | Present |
| D R R Swaroop | 6 | 6 | Present |
| L. Sridhar | 6 | 6 | Present |
| Mallipudi Anand Pattabhiramkumar@ | 1 | 1 | NA |
| Motaparthy Venkateswara Rao Kasi@ | 1 | 1 | NA |
| Dr. Prem Singh Rana$ | 3 | 3 | NA |
| Krishen Kumar Dhar$ | 3 | 2 | NA |

*@ Appointed w.e.f.13th February, 2012*

*$ Resigned w.e.f 13th September, 2011*

## 2. Committees of the Board

The Board has constituted the following Committees:

a. Audit Committee

As on 31st March, 2012, the Audit Committee of CTEL consists of three Directors comprising two Independent Directors and a Whole-Time Director

The composition of the Audit Committee as on 31st March, 2012 is:

| | | | |
|---|---|---|---|
| 1. | L Sridhar | - | Chairman |
| 2. | DRR Swaroop | - | Member |
| 3. | Motaparthy Venkateswara Rao Kasi | - | Member since 8th March, 2012 |
| 4. | Dr. Prem Singh Rana | - | Chairman (resigned w.e.f 13th September, 2011) |

The role of the Audit Committee is as under:

i. Overseeing the Company's financial reporting process and the disclosure of its financial information, to ensure that the financial statement is correct, sufficient and credible;

ii. Recommending the appointment/removal of external auditors, fixing audit fees and approving payments for any other services;

iii. Reviewing with the Management the annual financial statements before submission to the Board;

iv. Reviewing with the Management, external and internal auditors, the adequacy of internal control systems;

v. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;

f. Discussing with internal auditors of any significant findings and follow-up thereon;

g. Reviewing the findings of any internal investigations by the internal auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;

h. Discussing with external auditors before the audit commences, the nature and scope of audit as well as have post-audit discussions to ascertain any area of concern;

i. Reviewing the Company's financial and risk management policies.

j. To look into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

The Company Secretary acts as Secretary to the Committee.

During the financial year 2011-12, five Audit Committee meetings were held. Member's attendance at Committee Meeting is as below:

| Committee Members | Position | Meetings held during tenure of the Member | Meetings attended |
|---|---|---|---|
| L. Sridhar$ | Chairman | 5 | 5 |
| DRR Swaroop | Member | 5 | 5 |
| Dr Prem Singh Rana# | Member | 3 | 3 |
| Motaparthy Venkateswara Rao Kasi@ | Member | Nil | NA |

*$Chairman w.e.f 8th March, 2012*
*# Chairman till 13th September, 2011*
*@Member since 8th March, 2012*

**b. Investor Relation & Shareholders' Committee**

As on 31st March, 2012, the Investor Relation & Shareholders Committee of CTEL consists of three Directors comprising two Independent Directors and a Whole-Time Director. The committee meets as and when required.

The composition of the Investor Relation & Shareholders Committee as on 31st March, 2012 is:

1. L Sridhar - Chairman
2. DRR Swaroop - Member
3. Mallipudi Anand Pattabhiramkumar - Member w.e.f 8th March, 2012
4. Krishen Kumar Dhar - Chairman (resigned w.e.f 13th September, 2011)

The Investor Relation & Shareholders Committee is empowered with all the functions of the Board in relation to handling and redressal of shareholders' complaints. The committee reviews the following matters:

i. Review of investor complaints and their redressal to the satisfaction of the shareholder.

ii. Review of the corporate actions viz., dividend payment, rights issue, split, bonus issue etc.

iii. Monitoring of the work done by the Company's Registrar and Share Transfer Agents.

The Company Secretary acts as Secretary to the Committee.

During the financial year 2011-12, two Investor Relation & Shareholders' Committee meetings were held. Member's attendance at Investor Relation & Shareholders' Committee is as below:

| Committee Members | Position | Meetings held during tenure of Member | Meetings attended |
|---|---|---|---|
| L Sridhar# | Chairman | 2 | 2 |
| D R R Swaroop | Member | 2 | 2 |
| Krishen Kumar Dhar$ | Chairman | 2 | 1 |
| Mallipudi Anand Pattabhiramkumar@ | Member | Nil | NA |

*#Chairman from 8th March, 2012*
*$Chairman till 13th September, 2011*
*@Member since 8th March, 2012*

**c. Compensation Committee**

As on 31st March, 2012, the Compensation Committee of CTEL consists of three Directors comprising two Independent Directors and a Whole-Time Director. The committee meets as and when required.

The composition of the Compensation Committee as on 31st March, 2012 is:

1. Dr. Prem Singh Rana - Chairman till 13th September, 2011
2. Krishen Kumar Dhar - Member till 13th September, 2011
3. Motaparthy Venkateswara Rao Kasi - Chairman w.e.f 8th March, 2012
4. Mallipudi Anand Pattabhiramkumar - Member w.e.f 8th March, 2012
5. Samir Bhatia - Member

The object of the Compensation Committee is to ensure administration of ESOPs granted to employees of the Company including its subsidiaries expeditiously including transfer of shares on exercise of ESOPs.

**Terms of Reference**

The Compensation Committee shall meet as and when required for the purpose of proper administration and implementation of the ESOP Schemes formulated by the Company from time to time.

The main function of the Committee will include implementation, administration and superintendence of the ESOP Scheme formulated by the Company from time to time and formulation of the detailed terms and conditions for the same including:

i. The quantum of options to be granted under an ESOP Scheme per employee and in aggregate;

ii. The eligibility criteria;

iii. The schedule for vesting of Employee Stock Options;

iv. The conditions under which the Employee Stock Option vested in employees may lapse in case of termination of employment for misconduct;

v. The procedure for making a fair and reasonable adjustment to the number of Employee Stock Options and to the Exercise Price in case of a corporate action such as rights issues, bonus issues, merger, sale of division and others;

vi. The procedure and terms for the Grant, Vest and Exercise of Employee StockOption in case of employees who are on long leave;

vii. The procedure for cashless exercise of Employee Stock Options, if required;

viii. Approve forms, writings and/or agreements for use in pursuance of the ESOP Schemes;

ix. Frame suitable policies and systems to ensure that there is no violation of (a) Securities and Exchange Board of India (Insider Trading) Regulations, 1992 and (b) Securities and Exchange Board of India (Prohibition of Fraudulent and UnfairTrade Practices relating to the Securities Market) Regulations, 1995, by any employee;

x. Frame any other byelaws, rules or procedures as it may deem fit foradministering ESOP.

The Company Secretary acts as Secretary to the Committee.

During the financial year 2011-12, two Compensation Committee meetings were held. Member's attendance at Compensation Committee is as below:

| Committee Members | Position | Meetings held during tenure of Member | Meetings attended |
|---|---|---|---|
| Dr Prem Singh Rana# | Chairman | 2 | 2 |
| Krishen Kumar Dhar# | Member | 2 | 1 |
| Motaparthy Venkateswara Rao Kasi@ | Chairman | Nil | NA |
| Mallipudi Anand Pattabhiramkumar@ | Member | Nil | NA |
| Samir Bhatia | Member | 2 | 2 |

*#Chairman/ Member till 13th September, 2011*
*@Chairman/ Member w.e.f 8th March, 2012*

## 3. Code of Conduct

In compliance with Clause 49 of the Listing Agreements, the Company has adopted a Code of Conduct for conduct of the business with highest standards of integrity, honesty and ethical conduct and uses their office in good faith and in the best interest of the Company. This Code is applicable to all the members of the Board, and senior management.

A copy of the said Code of Conduct is available on our website, www.ctepl.com. All the members of the Board and senior management have affirmed compliance to the Code of Conduct for the financial year ended 31st March, 2012.

## 4. Disclosures

a. Related Party Transactions:

Related party transactions, monetary transactions between the Company and directors, the Management, subsidiary or relatives are disclosed in the financial statements for the year ended 31st March, 2012.

b. Remuneration and Shareholding and Stock Options held by Directors:

Following table provides remuneration provided to Directors for their services during the year 2011-12 along with their shareholding and stock options:

(Amount in ₹)

| Name | Salary | Allowances / Commission | Sitting Fees | No. of Shares held | Stock Options |
|---|---|---|---|---|---|
| DRR Swaroop | 1,200,000 | - | - | 186,474 | Nil |
| L Sridhar | - | - | 1,30,000 | Nil | Nil |
| Dr. P S Rana# | - | - | 80,000 | Nil | Nil |
| Krishen Kumar Dhar# | - | - | 30,000 | Nil | Nil |
| Mallipudi Anand Pattabhiramkumar$ | - | - | 10,000 | Nil | Nil |
| Motaparthy Venkateswara Rao Kasi$ | - | - | 10,000 | Nil | Nil |

*#Resigned w.e.f 13th September, 2011*
*$Appointed w.e.f 13th February, 2012*

## 5. Profile of Directors

As per Clause 49(I)(G) of the Listing agreement, following are the brief profiles of newly appointed directors during the financial year 2011-12:

**Mallipudi Anand Pattabhiramkumar, Independent Director**

Mallipudi Anand Pattabhiramkumar is a serial entrepreneur having founded and invested in a significant amount of Businesses. He has been responsible for raising significant amount of money towards the funding of these various ventures that run the gamut from Management Consulting, Technology, Animation and Entertainment, F&B, Retail and Infrastructure.

A first generation entrepreneur, Anand wore numerous hats ranging from Operations, Business Development to Capital Raising and eventual M&A or IPO activities. His success's include Cambridge Samsung Partners (a VC company with numerous successful spin-offs with record IRR's), Surya Ray Elixirs (a holding company for F&B sports outlets and night clubs going strong with 12 operational outlets and expanding in various cities across India) and PRA Holdings (a privately held holding company with investments in Power, RE, Hospitality and Retail).

Anand studied at Business School Lausanne, Switzerland and Babson College. He also has a diploma in Production Management from Ecole Technique de Ste.Croix, Switzerland. He serves on the Leadership Board at University of Pennsylvania's Wharton School.

Anand is one of the founders of Rosetta Corporation, an infrastructure development company providing EPC support to the Highway Development and Power Industries.

Anand is actively involved in a non-profit endeavor that supports children with Mental and Physical Disabilities, Anokhi Asha .

**Motaparthy Venkateswara Rao Kasi, Independent Director**

Motaparthy Venkateswara Rao Kasi, a graduate in Pharmacy with Post graduation in Management has varied experience of over 25 years. He is a serial entrepreneur and had set up companies to manufacture telecom & transmission towers, industrial fasteners, and industrial chemical equipment. Currently he is the President of VKR College and Chairman of VKR, VNR, and AGK Engineering College. He is also Chief Executive Officer of NTR Memorial Trust. He is actively associated with Industries Associations like FAPCCI, IALA and Non Profit Organization - Anokhi Aasha.

## Additional Shareholders' Information

### Contact Information

1. **Representing Officers:**

   i. Chief Financial Officer
   Samir Bhatia

   ii. Company Secretary & Compliance Officer
   V Ramana Reddy

2. **Listing on Stock Exchanges, Stock Codes and Stock data.**

| Equity Shares | Stock Code |
|---|---|
| The Bombay Stock Exchange Ltd. | 532801 |
| The National Stock Exchange of India Ltd. | CTE |

3. **International Securities Identification Number ("ISIN")**

ISIN is a unique identification number allotted to the Company's scrip. This number has to be quoted in each transaction relating to the dematerialized equity shares of the Company. The ISIN allotted to the Company's equity shares is INE 627H01017.

4. **CIN Number**

The Corporate Identity Number ("CIN") of the Company, as allotted by the Ministry of Company Affairs is L72200AP1999PLC030997.

5. **Registrar and Share Transfer Agents:**

Aarthi Consultants Private Ltd
1-2-285, Domalguda
Hyderabad – 500 029
T +91-40-27638111
F +91-40-27632184
info@aarthiconsultants.com

6. **Persons holding more than 1% of the shares**

Persons holding 1 per cent or more of the shares in the Company as on 31st March, 2012:

| S.No. | Name | No. of shares held | % of paid up capital |
|---|---|---|---|
| | **Promoters** | | |
| 1 | Internet Business Capital Corporation | 7,589,349 | 38.66 |
| 2 | CellExchange Inc. | 810,424 | 4.13 |
| | **SUB-TOTAL** | **8,399,773** | **42.79** |

| | Public | | |
|---|---|---|---|
| 1 | Smartshift AG | 2,056,600 | 10.48 |
| 2 | Our Vox Holdings LLC | 1,750,000 | 8.91 |
| 3 | Raymond J Lane | 500,000 | 2.55 |
| 4 | D R R Swaroop(Trustee-ESOP Trust) | 454031 | 2.31 |
| 5 | Bhaskar Panigrahi | 454,423 | 2.31 |
| 6 | Master Capital Services Ltd | 451,046 | 2.30 |
| 7 | Girish Rajeshwar Chaitanya | 335,690 | 1.71 |
| 8 | Devinder Prakash Kalra | 288,162 | 1.47 |
| | **SUB-TOTAL** | **6,289,952** | **32.04** |
| | **Others** | **4,941,290** | **25.17** |
| | **GRAND TOTAL** | **19631015** | **100.00** |

## 7. Stock Data

The 52 week high and low closing prices recorded in BSE and NSE during the financial year 2011-12 is as under:

| Stock Exchange | BSE | NSE |
|---|---|---|
| High | ₹ 17.90 (7th April, 2011) | ₹ 17.90 (8th April, 2011) |
| Low | ₹ 6.2 (23rd August, 2011) | ₹ 6.15 (12th August, 2011) |

## 8. Distribution of Shareholding as on 31st March, 2012.

| Range (no. of shares) | No. of Shareholders | % of Shareholders | No. of shares held | % of Shareholding |
|---|---|---|---|---|
| 1-500 | 6,446 | 84.8 | 969,567 | 4.94 |
| 5,01-1,000 | 557 | 7.34 | 461,028 | 2.35 |
| 1,001-2,000 | 264 | 3.47 | 406,720 | 2.06 |
| 20,01-3,000 | 108 | 1.42 | 280,702 | 1.43 |
| 3,001-4,000 | 42 | 0.55 | 150,502 | 0.77 |
| 4,001-5,000 | 50 | 0.66 | 237,173 | 1.21 |
| 5,001-10,000 | 71 | 0.93 | 518,421 | 2.64 |
| 10,001 and above | 63 | 0.83 | 16,606,902 | 84.6 |
| **TOTAL** | **7,601** | **100.00** | **19,631,015** | **100.00** |

## 9. Dematerialization of shares

In order to facilitate easy access of dematerialized system to the investors, the Company has signed up with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and has established connectivity with the depositories through our Registrars - Aarthi Consultants Private Ltd, Hyderabad.

Total number Demat and physical shares as on 31st March, 2012 is as below :

| S.No. | Mode | No. of shares | % of total paid up |
|---|---|---|---|
| 1 | Demat (NSDL) | 13,958,747 | 71.11 |
| 2 | Demat (CDSL) | 4,891,174 | 24.92 |
| 3 | Physical | 781,094 | 3.98 |
| | **TOTAL** | **19,631,015** | **100** |

**10. Secretarial Audit**

For the year ended 31st March, 2012, a qualified Practicing Company Secretary carried out secretarial audits to reconcile the total admitted equity share capital with National Securities Depository Ltd (NSDL) and Central Depository Services (India) Limited (CDSL) and total issued and listed capital. The audit reports confirm that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

**11. Unclaimed Dividends**

There are no unclaimed dividends, due to be transferred to the Investor Education and Protection Fund administered by the Central Government. Furnished below is a table of important dates:

| Financial year in which Dividend declared | Date of Declaration of dividend | Last date for claiming unpaid dividend | Total Unclaimed amount as on 31st March, 2012 | Due date for transfer to Education and Protection Fund |
|---|---|---|---|---|
| 2007-08 | 23rd October, 2008 | 22nd October, 2015 | ₹ 84,046/- | 21st November, 2015 |

Members are requested to correspond with the Registrar and Share Transfer Agent M/s Aarthi Consultants Pvt Ltd, Hyderabad for en-cashing the unclaimed dividend if any, standing to their credit. No claims shall lie against the Company for the amounts of dividend so transferred nor shall any payment be made in respect of such claims after the period of seven years from the date of declaration of such dividend.

**12. General Body Meetings**

**a. Last three Annual General Meetings.**

| Year | Date and Time | Location |
|---|---|---|
| 2010-11 | 30th September 2011 | The Federation of Andhra Pradesh Chambers of Commerce and Industry (FAPCCI), Federation House, 11-6-841, Red Hills, FAPCCI Marg, Hyderabad 500004 |
| 2009-10 | 30th September, 2010 | Hotel Swagath-De-Royal, #2-36, Kothaguda, X Roads, Kondapur, Hyderabad - 500 081 |
| 2008-09 | 30th September, 2009 | At KLN Prasad Auditorium, Federation House, 11-6-841, Red Hills, Hyderabad - 500 004 |

## 13. Means of Communication

i. Quarterly Results: Tentative dates for declaration of financial results.

| | | |
|---|---|---|
| 1st Quarter | - | 6th week from end of June, 2012 |
| 2nd Quarter | - | 6th week from end of September, 2012 |
| 3rd Quarter | - | 6th week from end of December, 2012 |
| 4th Quarter | - | 6th week from end of March, 2013 |

ii. Newspapers wherein results are normally published: Financial Express & Andhra Prabha.

iii. Website wherein the financial results and official news releases are displayed and made available for investors: www.ctepl.com

## 2. Software Development Locations

a. **India**

i. Plot No 8-2-269/A/2/1 to 6, 1st Floor, West Wing, "CYBER SPAZIO" Road No 2, Banjara Hills, Hyderabad – 00 033

ii. SHAURYA", Plot No. 739, 13th Cross, 7th Block, Jayanagar, Bangalore-560070.

iii. #22 , 1st Main Road, Electronic city 1st Phase (Opp. Tata Power, Near to NHAI Toll Gate), Bangalore – 560 100

iv. #2987, 13th Main Road, Z Block, 1st Street, Shanti Colony, Anna Nagar, Chennai 600-040

v. "The Avenue", Room No.1009, 10th Floor, International Airport Road, Opp. The Leela, Andheri (East), Mumbai – 400059

b. **USA**

i. 1 Main Street, Suite 530, Cambridge, Massachusetts 02142

ii. 120 SE 6th Avenue, Suite 230, Topeka, Kansas 66603

c. **Germany**

i. Willy Brandt Platz 6, 68161, Mannheim, Germany

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CTE CAMBRIDGE TECHNOLOGY ENTERPRISES

# CAMBRIDGE TECHNOLOGY ENTERPRISES LIMITED

Regd. Office : Plot No. 8-2-269/A/2/1 to 6, 1st Floor, West Wing, Cyber Spazio, Road No. 2, Banjara Hills, Hyderabad - 500 033

## ATTENDANCE SLIP

Please complete this attendance slip and hand over at the entrance of the meeting hall. Joint shareholders desiring to attend the meeting may obtain additional attendance slips on request, provided such request is received by the company before 28th September, 2012.

I hereby record my presence at 13th Annual General Meeting of the Company held at Friday, the 28th day of September, 2012 at 3:00 p.m. at Ruby Hall, 5th Floor, Quality Inn Pearl, Lumbini Layout, Gachibowli, Hyderabad - 500 032.

Name(s) of the Shareholders (In Block Capitals) ____________________

Name of the Proxy (In Block Capitals) ____________________

Folio No./*Client ID No. ____________________ *DP ID No. ____________________

Signature(s) if Shareholder: ____________________/ if Proxy: ____________________

Note: No duplicate attendance slip will be issued at the Meeting Hall. You are requested to bring your copy of the Annual Report to the Meeting.*Applicable to only shareholders holding shares in demat form.

CTE CAMBRIDGE TECHNOLOGY ENTERPRISES

# CAMBRIDGE TECHNOLOGY ENTERPRISES LIMITED

Regd. Office : Plot No. 8-2-269/A/2/1 to 6, 1st Floor, West Wing, Cyber Spazio, Road No. 2, Banjara Hills, Hyderabad - 500 033

## PROXY FORM

I /We ____________________ of (Place) ____________________

being a member/members of Cambridge Technology Enterprises Ltd under Folio No./Client No. ____________________

hereby appoint Mr./Ms. ____________________ of (Place) ____________________ or failing him/ her Mr./Ms. ____________________ of (Place) ____________________ as my/our proxy to vote for me/us and on my / our behalf at the 13th Annual General Meeting of the Company to be held on Friday, the 28th day of September, 2012 and at any adjournment(s) thereof.

Signed this ____________________ day of ____________________ 2012.

Affix a Re 1/- Revenue Stamp & sign across.

Note: The proxy form must be returned so as to reach the Registered Office of the company not less than 48 hours before the time for holding the aforesaid meeting.

No. of Equity Shares held: ____________________

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PRINTED MATTER

*If undelivered, please return to:*

CTE CAMBRIDGE TECHNOLOGY ENTERPRISES

**Cambridge Technology Enterprises Limited**
Plot No 8-2-269/A/2/1 to 6
1st Floor, West Wing, Cyber Spazio
Road No. 2, Banjara Hills, Hyderabad – 500 033
Andhra Pradesh, INDIA
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www.ctepl.com