



TRANSFORMING BUSINESS

CAMBRIDGE TECHNOLOGY ENTERPRISES
ANNUAL REPORT 2010

CTE

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Management Team

Stefan Hetges, Chief Executive Officer

Stefan joined CTE as a part of the recent acquisition of smartShift, the leading provider of tool-based modernization of complex IT systems. Stefan started his career as a consultant at CTE 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 European 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 buyout and formed smartShift. Stefan has a Masters in Computer from University of Constance.

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 monetization of 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 Texas at Austin, where he was an Endowed Presidential scholar, and an MBA from Harvard Business School, where he was one of 32 nation-wide PD Soros Fellows.

Ramesh Reddy - Chief Financial Officer

Ramesh heads the Finance function at CTE. He has been with CTE since 2003, and headed its India operations before taking on the Finance function to help the company prepare and complete its IPO in 2007. Post IPO, his role and head of finance included M&A activities spanning identifying, evaluating and structuring deals with acquisition targets that helped the company grow rapidly in the subsequent years. Prior to joining CTE, Ramesh was with Virinchi Consultants, a Hyderabad based start up in e-Business and Web-based analytical solutions. He was instrumental in helping company prepare and complete its IPO in 2000 and after that headed the company's international operations and its global delivery. Before joining Virinchi, he was a partner in a boutique Investment banking firm where he helped companies in Hyderabad raise funds through debt, equity and primary markets through two successful IPOs. Ramesh Reddy is a Chemical Engineer from IIT, Chennai, and holds a Management Degree in Finance & Marketing from XLRI, Jamshedpur.

Ted Chimiklis, Senior Vice President Sales, Americas

Ted is a technology industry executive with twenty-five years of IT sales, sales management and operations experience. Over the course of his career, Ted has been employed by various rapidly-growing technology companies such as KnowledgeWare (CA), Object Design (Progress Software), and GIGA Information Group (Forester). He joined each of these firms early in their market development and played a significant role generating exponential revenue, leading to successful Initial Public Offerings (IPO) or acquisition. In addition to the aforementioned, Ted has held senior management roles at SEAGULL Software, including General Manager of the Enterprise Division. Later at Journee Software (acquired by Initiate Systems), he launched the initial sales organization to address the nascent Customer Data Integration (CDI) and Master Data Management (MDM) markets. Ted has held various management positions overseeing sales and operations in North & South America, APAC and EMEA.

Joerg Wirthmann, Senior Vice President of Sales, Europe

Joerg Wirthmann joined CTE as part of the recent acquisition of smartShift along with Stefan. At smartShift, Joerg was responsible for all worldwide sales as well as channel partnership establishment and management. Prior to smartShift, 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, PeopleSoft, 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 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 11th Annual General Meeting of the Cambridge Technology Enterprises Limited will be held on Thursday the 30th day of September, 2010 at Hotel Swagath-De-Royal, #2-36, Kothaguda, X Roads, Kondapur, Hyderabad - 500 081 at 3.00 p.m. to transact the following business :-

Ordinary Business:

1. To receive, consider and adopt the Balance Sheet of the Company as at 31st March, 2010 and the Profit and Loss Account for the year ended on that date together with the Report of Directors and Auditors' thereon.
2. To appoint a Director in place of Mr. L. Sridhar who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. D.R.R. Swaroop who retires by rotation and being eligible offers himself for re-appointment.
4. 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:

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 257, 269, 309, 310, 314 and Schedule XIII as amended from time to time to the Companies Act, 1956 and subject to approval of Central Government, other applicable provisions if any of the Companies Act 1956, Mr. Arjun Chopra, be and is hereby appointed as Whole-time Director, designated as Chief Technology Officer (CTO) of the Company for a period of 5 years with effect from 28th May, 2010 and approval of the Company be and is hereby accorded for his appointment with the following other terms and conditions:

- I. Basic salary at the rate of Rs.100,000 per month (Rupee One Hundred Thousand only)
- II. Coverage under the company's Health insurance scheme (Medi claim) for self and his family giving a combined coverage up to Rs. 400,000 (Rupees Four Hundred Thousand Only)
- III. Personal Accident Policy cover as per the policies of the Company subject to a maximum of Rs.1,000,000 (Rupees One Million Only)

"RESOLVED FURTHER THAT Mr. D.R.R. Swaroop, Whole-time Director and Mr. V. Ramana Reddy, Company Secretary be and are hereby severally authorized to do all such acts, deeds and things as may be considered necessary, usual or proper in this regard to give effect to this resolution".

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year, during the tenure of the Whole time Director, minimum remuneration shall alone be paid in terms of Section II of Part II of Schedule XIII to the Companies Act 1956".

For and on behalf of the Board

Sd/-

V. Ramana Reddy
Company Secretary

Place: Hyderabad
Date: 31st August, 2010

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 Saturday, the 25th day of September, 2010 to Thursday, the 30th day of September, 2010 (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.5

Mr. Arjun Chopra was appointed as Additional Director in the Board Meeting held on 19th April, 2010 and subsequently elevated as Whole-Time director, designating Chief Technology Officer, for a period of five years with effect from 28th May 2010 at its meeting held on 27th May, 2010 subject to approval of shareholders and of Central Government. Mr. Arjun Chopra 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 Texas at Austin, where he was an Endowed Presidential scholar, and an MBA from Harvard Business School, where he was one of 32 nation-wide PD Soros Fellows.

In terms of Section 269 of the Companies Act, 1956 any appointment or re-appointment in accordance with Schedule XIII requires the approval of Shareholders at the General Meeting.

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 Mr. Arjun Chopra, for the office of Director of the Company.

None of the directors except Mr. Arjun Chopra is deemed to be interested or concerned in the said resolution.

Above profile and terms and conditions of Mr. Arjun Chopra's appointment be treated as notice under section 302 of Companies Act, 1956.

Your Directors commend the resolution for approval.

For and on behalf of the Board

Place: Hyderabad
Date : 31st August, 2010

Sd/-
V. Ramana Reddy
Company Secretary

Directors' Report

Director's Report

Dear Shareholders,

We are happy to present on behalf of the Board of Directors, the 11th Directors' Report along with the Balance Sheet, and Profit and Loss Account for the year ended 31st March, 2010.

Financial Performance

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

(₹ in Millions)

Sl. No.	Particulars	Consolidated Results		Stand Alone Results	
		FY 2010	FY 2009	FY 2010	FY 2009
1	Revenue from operations	703.28	1783.19	327.78	480.53
2	Expenses	776.39	1556.52	233.58	369.13
3	Profit from operations	(73.11)	226.66	94.20	111.40
4	Depreciation & Amortization	129.62	114.80	102.21	45.89
5	Finance Charges	31.54	48.17	17.88	16.75
6	Other Income	35.07	6.0	33.11	0.24
7	Profit from Ordinary Activities Before Tax	(199.21)	69.68	7.22	49.00
8	Tax Expense	5.02	13.23	6.26	2.93
9	Net Profit	(204.24)	56.46	0.96	46.06
10	Profit & Loss Account Balance Brought Forward	264.65	193.22	179.80	118.77
11	Adjustment to undeclared Dividend	-	14.97	-	14.97
12	Amount Available for Appropriation	60.42	264.65	180.76	179.80
13	Amount Transferred to General Reserves	-	-	-	-
14	Balance in Profit & Loss Account	60.42	264.65	180.76	179.80

a. Consolidated Results for FY 2010

Your Company has achieved a turnover of ₹ 703.28 Mn for the year ended 31st March, 2010, as against a turnover of ₹1783.19 Mn in the previous year and posted operating loss of ₹ 73.11 Mn for the year ended 31st March, 2010 versus a profit of ₹ 226.66 Mn recorded in the year ending 31st March, 2009. Net Loss for the year ended 31st March, 2010 is ₹ 204.24 Mn, and the same was a Profit of ₹ 56.46 Mn, for the year ended 31st March, 2009. 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 2010

CTEL has achieved a turnover of ₹ 327.78 Mn for the year ended 31st March, 2010, as against a turnover of ₹ 480.53 Mn in the previous year. The Company posted an operating profit of ₹ 94.20 Mn for the year ended 31st March, 2010, whereas it was ₹ 111.40 Mn in the year ending 31st March, 2009. Net Profit for the year ended 31st March, 2010 is ₹ 0.96 Mn, and the same was ₹ 46.06 Mn, for the year ended 31st March, 2009. Detailed analysis of stand alone 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 Board was unable to recommend any dividend for the financial year ended 31st March, 2010.

Employee Stock Option Scheme

The details of employee stock option as on 31st March, 2010 are given as Annexure 1 to this report.

Cancellation of proposed issuance of equity warrants

During the year, your Company had proposed to issue 27,81,599 equity warrants to Verve Developers Private Limited, New Delhi. In this regard, you had approved an enabling resolution on 12th November, 2009. As per SEBI (ICDR) Regulations, the proposed allottee needs to bring in at least 25% of issue price before allotment of warrants can take place. On failure of Verve Developers Private Limited to bring in the required money by the stipulated time line, your Company could not allot equity warrants to Verve Developers Private Limited, and hence the proposal to allot warrants stands cancelled.

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 wholly owned subsidiaries and three step-down subsidiary Companies as on 31st March, 2010. During the year under review, 100% of the shareholding in CTE Global Solutions Private Limited (formerly known as ComCreation Technologies Private Limited) was sold off to Tejesh Kumar Kodali and MNA Infrastructure Private Limited. This subsidiary was sold at book value / net asset value after transferring all business contracts and delivery infrastructure to CTEL, Bangalore branch. The members may refer to the statement under Section 212 of the Companies Act, 1956 and information on the financials of subsidiaries in this Annual Report.

The Ministry of Corporate Affairs vide its letter No. 47/488/2010-CL-III dated 28th May 2010 granted approval under Section 212 (8) of the Companies Act, 1956 to the Company for not attaching the stand-alone financials of subsidiary Companies to the financials of the Company for the financial year 2009-10.

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.

Director's Responsibility Statement

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

1. In preparation of Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
2. 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 2009-10 and of profit of the Company for that period;
3. 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

4. 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

Mr. D.R.R. Swaroop, Whole Time Director and Mr. L. Sridhar, Independent Director retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Board had appointed Mr. Arjun Chopra as Member of the Board in the capacity of Additional Director in its Meeting held on 19th April, 2010. In its meeting held on 27th May, 2010, Board has appointed him as Whole Time Director, designated as "Chief Technology Officer" w.e.f. 28th May, 2010. Mr. Arjun Chopra is proposed to be appointed as Whole Time Director in the Annual General Meeting and notice under Section 257 of the Companies Act 1956 has been received from a member proposing his appointment.

During the year under review Mr. Tejesh Kumar Kodali had expressed his desire to resign from the Board because of his other occupations in the Board Meeting held on 19th April, 2010. The Board placed on record its appreciation for the services rendered by Mr. Tejesh Kumar Kodali and accepted his resignation with immediate affect.

The brief profile of Mr. D.R.R. Swaroop, Mr. L. Sridhar, and Mr. Arjun Chopra 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 and 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 2010-11 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 set out in Annexure - 2 to the Directors' Report.

Acquisitions during the financial year

As part of your Company's inorganic growth strategy, your Company had proposed to acquire the following Companies during the year, through its subsidiary Company:

- Smartshift GmbH, Germany

Smartshift is a Hamburg registered Company which focuses on consulting and implementation services for the modernization of old system. It provides consulting in the area of SAP with a focus on the analysis of existing custom developments and migration of these programs into new environment. Smartshift provides service in modernization projects (analysis design, implementation and roll out) for a quick, safe and economic project lifecycle.

Services offered by Smartshift include migration to cheaper/ modern platform and well as providing products to modernize SAP systems. Tools and methodologies are adjusted to the customer specific needs which are:

- Consulting and implementing of legacy modernization systems
- Development of specific methodologies and tools to automate modernization projects
- Feasibility studies (Strategic, technical and economic)
- Provide automation tools for SAP systems
- Provide automation tools to modernize any ABAP source Code

- Vox Holdings Inc., USA

Vox Holdings Inc., is a Delaware incorporated company that focuses on helping users accelerate the creation, consumption and monetization of technology, primarily two of the largest disruptions in the IT industry since the internet – open source software and cloud computing software. It carries its activities through a consumer facing web-site based community – www.ostastic.com, where information relating to these technologies is published and shared. This community is a blog on the above said website, which is part of a leading media network called The GigaOm Network.

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) Rule, 1988 are set out in *Annexure – 3* to the Directors’ Report.

Acknowledgement

Your Board places on record sincere appreciation for 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/-
D.R.R. Swaroop
Wholetime Director

Sd/-
L. Sridhar
Director

Place: Hyderabad
Date: 13th August, 2010

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 March 31, 2010 under CTEL Employee Stock Option Scheme 2006 and CTEL Employee Stock Option Scheme 2008 are as under:

Summary of status of ESOPs granted:

S.No.	Particulars	CTEL Employee Stock Option Scheme – 2006	CTEL Employee Stock Option Scheme - 2008
1	Approved options	1,500,000	1,500,000
2	Options Granted	3987,542	1,500,000
3	Options vested	545,710	139,352
4	Options exercised	11,622	826,314
5	Options lapsed	730,922	284,526
6	Total number of options in force	244,998	389,160
7	Variation in terms of ESOP	Clause for recovery of FBT from employees incorporated	Not Applicable
8	Total number of shares arising as a result of exercise of options	11,622	826,314
9	Money realized by exercise of options (₹)	232,440	43,298,647
10	Total number of options in force	244,998	389,160
11	Diluted EPS pursuant to issue of shares on exercise of option calculated in accordance with AS 20	₹ 0.06	₹ 0.06
12	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	7.21%-7.73%	
	ii. Expected life	2.5 – 4.0 years	
	iii. Expected volatility	63.77% to 72.66%	
	iv. Expected dividends	0.00%	
	v. The price of the underlying share in market at the time of option grant	₹ 24.15	

A. Employee-wise details of options granted to:

a. Senior managerial personnel

S.No.	Name	Exercise Price per option (₹)	No. of options
1	Ravi Joseph*	25.90	122,250
2	Y Ramesh Reddy	33.00	105,909
3	D R R Swaroop	33.00	86,818

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

S.No.	Name	Exercise Price per option (₹)	% of total options granted
1	Ravi Joseph*	122,250	8.15%
2	Y Ramesh Reddy	105,909	7.06%
3	D R R Swaroop	86,818	5.79%

*Relieved from services of the company effective 30th June, 2010 and eventually the options were lapsed.

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	25,000 options issued at ₹ 24.15 per option
2	Exercise price is greater than market price (₹)	Nil
3	Exercise price is less than market price	284,960 options issued at ₹ 23.00 per option

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 2009-10 would be ₹ 3,27,704.

Annexure - 2

Pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employee(s) are as under:

(Amount in ₹)

Name of the Employee	Age (years)	Designation	Gross Remuneration	Qualification	Years of experience	Date of joining	Previous employment
Y. Ramesh Reddy	43	CFO	35,64,115	B.Tech., IIT, and PGDM, XLRI	20	1 st July, 2003	Virinchi Technologies Ltd.
Jagdish Singh Negi	41	Head-India Sales	28,28,398	B.E., REC, Allahabad	20	26 th June, 2006	Persistent Systems Pvt. Ltd.

Annexure - 3
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 environmental 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	2009-10	2008-09
Foreign Exchange Earnings	242.80	362.47
Foreign Exchange Outgo	123.01	286.39

For Cambridge Technology Enterprises Limited

Sd/-
D.R.R. Swaroop
Wholetime Director

Sd/-
L. Sridhar
Director

Place : Hyderabad
Date : 13th August, 2010

Management Discussion and Analysis Report

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Overall

2009, a landmark year for the IT Services industry, the sector experienced significant pressure on pricing, arising out of the cost reduction requirements of clients. This actually resulted in a paradigm shift for the industry, forcing many companies to concentrate on core offerings, value additions and internal productivity and cost reduction measures. While on one side there were cost pressures, on the other, the devaluation of the Rupee helped matters.

This environment, where customers embraced abstinence and frugality, proved to be tough for IT Services companies, who had to re-evaluate their value proposition for clients. The focus of the industry in the last two years was therefore on providing solutions that targeted client pain points more forcefully and provided them with higher value, at lower prices.

Whether it's the leaders of the IT Services industry, business analysts, or even the IT user community – all the stakeholders in the eco-system have been quick to acknowledge that 2009 has had its fair share of ups and downs. Companies, large and small, have been impacted by the vagaries of 2009 – market volatility, fluctuating global currencies and the uncertain international economic climate. All of 2009 witnessed a significant plummeting of IT Services industry revenues, and known methods of cost pruning proving insufficient to keep bottom lines in tune with business projections.

With demand going down for products and services, organizations across the world, in different industry verticals, unveiled measures to rein costs, improve productivity, retain old customers and gain new ones. Many did this even as they lowered IT spend, put on hold investment decisions particularly those related to IT, kept operational spending to the barest minimum and froze hiring.

Relooking at value proposition

Interestingly, these trends compelled solutions providers to become more innovative and come up with offerings that companies actually needed in these circumstances. Recognizing current-day requirements, vendors developed out-of-the-box products and services that helped their client's go-to-market faster. In 2009, vendors supported clients with subject matter experts and domain specialists and enabled users to maintain competitiveness, especially in the difficult quarters.

As the turn of events demanded, customers became very risk-averse in 2009, making de-risking a predominant factor, and increasing the need for multi-vendor scenarios. Precise and proactive project management and

communication was a significant improvement area. Companies were buoyed by their survival instincts, and directed their energies towards efficiency improvements. Overall the mantra was customer friendliness, empowerment and satisfaction.

These challenges also provided an opportunity for many IT and BPO companies to deepen relationships with their clients, and become more and more involved in strategic initiatives designed to drive enhanced business value.

Landscape in 2010

It would appear that the IT Services industry is gearing up for an end to the global recession in 2010. The belief is that the world is exiting from the downturn, albeit slowly and that several positives will emerge from the dark period, especially for India.

With companies carrying over the lessons of the past year into 2010, the expectation is that it will be a more mature Indian IT-BPO industry that will emerge from the existing scenario. Business leaders feel that companies will change in accordance with the new rules of the game, where the customer will dictate the outcomes. It is expected that going forward there will be a greater degree of services specialization, moving beyond vertical-specific into very narrow sub-industry niches and client-specific offerings.

Enterprise wide solutions improving efficiencies, SaaS, automation, customer analytics, energy-efficient systems, compliance etc. – all leading to cost optimization, would be the trends of the day. According to McKinsey & Co., recession or no recession, corporate and IT leaders continue to see a key role for IT, especially in regard to capturing efficiencies across the enterprise. Many expect IT investments to grow soon.

The results of the McKinsey Survey in its fourth annual survey on information technology strategy and spending, affirm the continuing importance of IT to strategic success. CIOs have felt strong pressure to deliver ever greater levels of efficiency in the downturn, but overall satisfaction with IT organizations remains high. In addition, most respondents foresee an increase in IT investment, perhaps because companies are applying IT to solve problems across the business. Meanwhile, as technology-related disruptions continue to affect businesses, executives persist in pushing for closer integration between business units and IT.

Cloud Strategy

Information Technology as a service is a comparatively new concept in the IT arena. Known as Cloud Computing, this novel concept that is realizing fast provides opportunity to save cost and reduce overall spending on IT to lower

the project cost with limited resources for the business. CTEL offers consulting services, as well as development, testing and infrastructure management services for Cloud Computing. We help our customers strategize, develop and implement service activities for cloud environments. Cloud computing helps accelerate application deployment and that in turn helps ease conception and building of new designs that provides better and productive outputs. Also customer saves on the capital expenditure / infrastructure expenses using cost-effective payment types such as pay per usage etc.

☞ *Service Oriented Architecture (SOA)*

Adapting SOA is touted as a transformation that an enterprise must make to its IT approach that helps effectively manage IT resources integrating business to adopt and respond to constantly-changing business conditions. With smart SOA formulation, enterprises can be ready to speedy, agile responses that are possible only when its business decision-making processes.

CTEL's innovative and unique IT development methodology, called Adaptable and Affordable IT (A2IT), enables enterprises to plan and create IT infrastructure and architecture that is simple, flexible, and cost-efficient. CTEL A2IT framework provides the platform for managing an entire organization's IT resources, while also allowing for the development of next-generation plans to revamp technology infrastructure and enterprise architecture.

☞ *Custom Application Development*

CTE offers advice and guidance for development services and cloud solutions that helps customers identify and understand their challenges and decide effective IT and business transformation solutions that deliver real business value. Our solutions span the full development life cycle. We utilize a wide array of development tools from our partners such as IBM, Oracle and Microsoft. With our integrated teams of business process analysts, systems architects, and systems engineers, our clients get the benefit of working with one solutions provider that can deliver a comprehensive custom solution both within the enterprise and in the B2C and B2B space.

With Cloud applications enterprises can do away with installation, running and maintenance of applications that are in the cloud of the application provider. CTEL partners with its customers to develop new application or to enhance existing applications with the right cost resources as needed. CTELL has deep process maturity to ensure that the custom application development stays on budget and per schedule.

☞ *Product Engineering*

CTEL offers product engineering services for Independent Software Vendors across verticals such as Life Sciences, Mobile and Wireless, and AS/400 and cloud based product engineering services in the areas of product development, product maintenance, product migration and testing.

☞ *Cloud Infrastructure & Application Management*

Clients trust CTEL for taking up complete ownership of managing & supporting the infrastructure and enterprise application on their Cloud environment. CTEL provides the flexibility to accommodate complex scenario such as isolated applications on the Cloud, client hosted enterprise applications integrating with the applications on the Cloud or a complete integrated environment where applications exists on client premise, at external data center and on the Cloud through a secured VPN tunnels. CTEL provides a comprehensive plan to meet the business service level commitments.

☞ *Oracle DB / MW / Application Management*

Oracle Fusion Middleware is widely accepted to manage business processes, increase enterprise agility, enhance informed decision making and reduce the cost of doing business. CTE fully embraces the evolution of Oracle's technology and understands the importance of its adoption for Oracle's application client base. 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.

☞ *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, Integrate Applications and Automate Business Processes, which enables organizations of all sizes to be more responsive to changing business requirements.

☞ *Hosting and Managed Solutions*

CTEL has expertise in hosting and managed services solution and 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. CTEL recommends its customers using collocation centre to host the data centre for cost effectiveness unless until they are very mission critical and security critical.

Transformation Solutions

CTEL provide robust and customer centric transformation solutions that are derived from our expertise in providing similar services for over a decade. Our solutions help our customers deliver better solutions to their customers by exploring innovative ways of doing what our customers do or by giving a new direction that brings quantifiable savings. We achieve this by providing alternative approach to create more agile, conciliatory and state-of-the-art solutions using tools and technologies available that brings healthy transformation. Our solutions have provided scalable business models with predictable costs, complete accountability and quick service and assured cost benefit backed by high quality deliverables.

CTEL helps organizations to migrate their entire or partial application environment to the Cloud.

Tools Assisted SAP Migration

CTEL's SAP migration approach is one of the most successful in the market. Through our experiences, we have developed processes, templates, tools, accelerators, and other project-critical elements that make our migration methodology more complete. We focus on developing strategy that best meets the needs of our customers. The pain point we address is the adoption and modernization of ABAP custom code.

Enterprise Application Migration

CTEL undertakes migration of legacy applications. The activities we focus on include migration of applications developed on Forms & Reports to later versions of Oracle Forms & Reports. We also undertake customization of the migrated application to manage the changing needs of businesses. In conjunction with the migration of application CTEL also undertake migration of databases – from earlier versions of Oracle to later versions and also from other RDBMS to Oracle databases, and migration from one technology to newer technology including application migration to clouds. The integrated solution enables organizations to take advantage of the cost savings offered by the cloud computing.

Optimize Business Process

CTEL's Business Optimization services aims at cost reduction through process optimization. Cost reductions are a necessity in today's economy and internal support groups are a frequent cost reduction

target. Business Process Outsourcing teams and support teams need to ensure that their services are clearly defined and aligned with business needs. CTEL provides range of cost-effective services such as Data Management, Lead Generation, Financial Services and Customer Support services. CTEL has been providing services to banking, financial services, and insurance (BFSI), Security and Energy & Utilities successfully.

Opportunities and Threats

CTEL's unique CCD methodology combines intense workshops, solution visualization, and spiral-based Rapid Application Development (RAD) to achieve demonstrable value in short business cycles. Benefits of CCD are:

- ❖ Risk mitigation when clear business objectives, executive support, and user involvement are lacking and when user / IT / executive goals are misaligned. Risks can be reduced from the outset by securing support from the client's senior leadership and with deep buy-in from the end users.
- ❖ Provides measurable business case that allows stakeholders to determine the ROI of the effort.
- ❖ On-budget and on-time delivery in multiple spirals that mitigate business and technology risks by identifying and resolving most problems during early phase of the development cycle.
- ❖ Optimal timeline for realizing business value.
- ❖ Building trust and long-lasting relationships with clients by fostering collaboration and joint ownership of the design and delivery processes.

CTEL's Enterprise level services benefit to client through enhanced focus and proactive approach to service provision, and serving better-quality and quicker turnaround of customer requests enabling improved teamwork and communication. Overall, the CTEL services helps an organization manage applications in a better way reducing negative business impact and improves usage of resources and increased productivity of business personnel.

With CTEL's proven track record in delivering innovative solutions to customers across the spectrum, we are well poised to capitalize on the above trends in the transformation and cloud computing business markets.

Outlook

Management of CTEL has taken the following initiatives over the year gone by.

- ❖ Attracting new market opportunities and acquiring new customers.

- ❖ Improving existing products by integrating them with latest technologies
- ❖ Improving supply chain and revenue models and increase profitability
- ❖ Improving customer service and satisfaction
- ❖ Upgrading internal communication between functions

All these initiatives are expected to pay rich dividends in the future.

Review of Consolidated Balance Sheet

(₹ in Millions)

Particulars	31 st March, 2010	31 st March, 2009
Shareholder's Funds		
(a) Share Capital	158.24	158.24
(b) Reserves and Surplus	197.25	351.63
Equity Share Warrants	-	23.38
Loan Funds	546.61	654.59
Deferred Tax Liabilities (Net)	2.88	0.83
TOTAL	904.99	1,188.67
Consolidated Goodwill	634.98	634.98
Fixed Assets	225.57	311.38
Current Assets, Loans and Advances		
(a) Inventories	0.22	0.22
(b) Sundry Debtors	168.81	621.81
(c) Cash and Bank Balances	28.60	53.60
(d) Loans and Advances	50.69	81.14
Less: Current Liabilities and Provisions		
(a) Current Liabilities	(191.49)	(489.84)
(b) Provisions	(12.39)	(24.61)
TOTAL	904.99	11,88.67

a. Reserves and Surplus

Reserves and Surplus have come down from ₹ 351.63 Mn in FY 2008-09 to ₹ 197.25 Mn in FY 2009-10 because of (1) loss of ₹ 204.23 Mn incurred for FY 2009-10 on consolidation of all subsidiaries of CTEL, and (2) Recognition of Foreign Currency Translation Reserve of a negative ₹ 35.43 Mn for FY 2009-10, amount arising from translation of balance sheets of subsidiaries stated in currency other than in INR.

b. Secured Loans

Secured Loans, secured against current assets and fixed assets of the Company, have come down to ₹ 534.54 Mn in FY 2009-10 from ₹ 635.53 Mn in FY

Risks, and Concerns

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.

2008-09. During the period under review, there was reduction in finance lease and factoring obligations of ₹ 38.57 Mn; complete discharge of term loan obligation of ₹ 18.29 Mn; and reduction in other secured loan obligation by ₹ 75.93 Mn. On the other hand, there was an increase in utilization of working capital facilities by ₹ 31.81 Mn.

c. Goodwill

Goodwill has remained same from last year, accumulated, from acquisitions over a period of time, now standing at ₹ 634.98 Mn.

d. Fixed Assets

Gross fixed assets have gone up to ₹ 400.95 in FY 2009-10 from ₹ 338.65 Mn, an increase of ₹ 62.30 Mn, upon completion of capital work in progress of previous financial year. Net fixed assets have increased from ₹ 149.81 Mn in FY 2008-09 to ₹ 164.77 Mn for the period ended 31st March, 2010. Reusable components library has been written off to the tune of ₹ 72.36 Mn, upon prudent recognition that economic value of this library has been lost.

e. Debtors

Receivable exceeding more than 6 months have increased from ₹ 55.12 Mn in FY 2008-09 to ₹ 95.24 Mn. However, all these debtors are considered good and realizable. Debtors of less than 6 months old have come down from ₹ 566.67 Mn (116 days) in FY 2008-09 to ₹ 73.57 Mn (37 days) in FY 2009-10.

Establishment of better debtors management practices have yielded debtors realizations faster, especially in our US subsidiaries.

f. Loans & Advances

Loans and Advances have come down by ₹ 30.45 Mn from ₹ 81.14 Mn in FY 2008-09, to ₹ 50.69 Mn, mainly because of receipt of entire notes receivable of ₹ 13.60 Mn outstanding during FY 2008-09, and a realization of service tax entitlement of ₹ 1.69 Mn, from ₹ 4.2 Mn in FY 2008-09 to ₹ 2.52 Mn in FY 2009-10.

g. Current Liabilities

Current Liabilities have come down to ₹ 191.49 Mn for the period under review as against ₹ 489.84 Mn in FY 2008-09, that is a reduction of ₹ 298.35 Mn upon discharge of ₹ 271.01 Mn worth of liabilities of CTEL and subsidiaries.

Review of Consolidated Profit and Loss Account

(₹ in Millions)

Particulars	31 st March, 2010	31 st March, 2009
Income from Operations	703.28	1783.18
Profit from Operations before other income, interest, and exceptional items	(202.74)	111.85
Other Income	35.07	6.0
Interest	31.54	48.17
Profit from ordinary activities before tax	(199.21)	69.68
Tax Expense	5.02	13.23
Net Profit for the year	(204.24)	56.46

a. Income from Operations

Income has decreased by about 61% from FY 2008-09 to ₹ 703.28 Mn during the year under review. Major portion of revenue of your Company used to come from defense projects from US Government. Because of recession, in the cost control process, US Government has stopped awarding governmental contracts to private vendors. Coupled with this, the recessionary environment has forced companies to cut costs and defer IT contracts till emergence of stable conditions. Keeping in view to manage the risk associated with depending upon limited sources of revenue, management has decided to venture into new areas and new technologies.

b. Expenditures
i. Employee Cost

Employee cost has come down from ₹ 855.52

Mn in FY 2008-09 to ₹ 322.83 Mn in period under review. Cost rationalization and reduction of staff in US offices has contributed to the substantial reduction in employee cost.

ii. General and Administrative Expenses

General and administrative expenses have come down by about 45%, mainly comprising of power and fuel by ₹ 41.59 Mn on closing of some development centre and consequent reduction in power and fuel expenses; reduction in rent expenses by ₹ 29.47 Mn, on moving some of the office to lower rent locations; reduction in bad debt write off by ₹ 17.12 Mn; and reduction by ₹ 19.65 Mn in business development expenses and ₹ 31.47 Mn in miscellaneous expenses on cost rationalization.

iii. Sub-contracting fee

There was also a reduction in sub-contracting fee by ₹ 110.86 Mn with the new projects being executed by the Company itself and gradually reducing dependency on sub-contractors.

c. Depreciation

There is no significant addition to fixed assets during the year under review. Increase in gross fixed assets is because of completion of capital work in progress at the end of financial year 2008-09.

d. Other Income

There is an increase in other income of ₹ 29.07 Mn, during FY 2009-10 to ₹ 35.07 Mn. Of the increase, ₹ 23.38 Mn was recognized upon forfeiture of warrant 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.

e. Interest and Finance charges

Interest and finance charges have come down from ₹ 48.17 Mn in FY 2008-09 to ₹ 31.54 Mn, because of reduction of in secured loan from ₹ 635.53 Mn in FY 2008-09 to ₹ 534.54 Mn in FY 2009-10.

f. Profit After Tax

There was a dip in the bottom line from a profit of ₹ 56.46 Mn in FY 2008-09 to a loss ₹ 204.23 Mn in FY 2009-10. Mainly on account of substantial reduction in sales volume and costs remaining stagnant or not having come down in the same proportion as of sales. Total costs as proportion of total income during FY 2008-09 was at 96%, which has increased to 127% in FY 2009-10, resulting in substantial loss. Management is putting much emphasis on improving the profitability of the Company along with increased business.

Review of Standalone Balance Sheet

(₹ in Millions)

Particulars	31 st March, 2010	31 st March, 2009
Shareholder's Funds		
(a) Share Capital	158.24	158.24
(b) Reserves and Surplus	353.18	352.22
Equity Share Warrants	-	23.38
Loan Funds	109.48	164.49
Deferred Tax Liabilities (Net)	15.02	8.76
TOTAL	635.93	707.09
Fixed Assets	178.00	227.55
Investments	457.35	463.60
Current Assets, Loans and Advances		
(a) Sundry Debtors	160.31	226.71
(b) Cash and Bank Balances	1.94	12.22
(c) Loans and Advances	25.92	44.71
Less: Current Liabilities and Provisions		
(a) Current Liabilities	(183.93)	(258.86)
(b) Provisions	(3.66)	(8.84)
TOTAL	635.93	707.09

a. Reserves and Surplus

Reserves and Surplus had marginally increased from ₹ 352.22 Mn in FY 2008-09 to ₹ 353.18 Mn in FY 2009-10 because of marginal profits Company made during the year under review to the tune of ₹ 963,153/-. There is no other item that contributed to the reserves and surpluses like share premium etc.

b. Loan Funds

Loan Funds, secured and unsecured, have come down by ₹ 55.01 Mn, to ₹ 109.48 Mn for the period under review. Of the ₹ 55.01 Mn reduction, about ₹ 7.0 Mn was paid to discharge unsecured loans. In the secured loan segment, there was reduction in factoring facility by ₹ 37.61 Mn; complete discharge of term loan of ₹ 18.29 Mn, and a consequent increase in utilization of working capital facility.

c. Fixed Assets

Gross fixed assets have gone up by ₹ 168.08 Mn to ₹ 309.19 Mn, mainly upon completion of capital work in progress of previous financial year, whereas net fixed assets have increased from ₹ 70.88 Mn in FY 2008-09 to ₹ 136.74 Mn for the period ended 31st March, 2010.

d. Investments

There is reduction in value of investments to the extent of ₹ 6.25 Mn, now standing at ₹ 457.35 Mn, result of divestment of 100% equity in ComCreation Technologies Private Limited.

e. Debtors

Receivable exceeding more than 6 months have increased from ₹ 41.83 Mn in FY 2008-09 to ₹ 69.41 Mn in FY 2009-10, mainly for delay in receipt of receivables from 2 clients. However, all these debtors are considered good and realizable. Debtors of less than 6 months old have come down by more than half to ₹ 90.90 Mn (102 days) in FY 2009-10 from ₹ 184.88 Mn (141 days) in FY 2008-09. Efforts of management in debtor management have resulted in quick recovery.

f. Loans & Advances

Loans and Advances have come down by ₹ 18.79 Mn from ₹ 44.71 Mn in FY 2008-09 to ₹ 25.92 Mn in FY 2009-10, mainly because of recovery of ₹ 17.91 Mn loan & advances extended to subsidiaries.

g. Current Liabilities

Current Liabilities have come down to ₹ 183.93 Mn for the period under review as against ₹ 258.86 Mn in FY 2009-10, that is a reduction of ₹ 74.93 Mn upon discharge of ₹ 97.58 Mn worth of Other liabilities consisting of sub-contract fee payables, which have come down to ₹ 0.41 Mn in FY 2009-10 from ₹ 111.44 Mn in FY 2008-09. On the other hand there was an increase of financial charges payables of ₹ 5.10 Mn in FY 2009-10 from NIL in FY 2008-09.

Review of Standalone Profit and Loss Account:

(₹ in Millions)

Particulars	31 st March, 2010	31 st March, 2009
Income from Operations	327.78	480.53
Profit from Operations before other income, interest, and exceptional items	(8.01)	62.63
Other Income	33.11	3.12
Interest	17.88	16.75
Profit from ordinary activities before tax	7.22	48.99
Tax Expense	6.26	2.94
Net Profit for the year	0.96	46.06

a. Income from Operations

Income has decreased by about 32% from FY 2008-09 to ₹ 327.78 Mn for the year under review. The major cause for this reduction is the reduction of the business being delivered through other System Integrators indirectly by your company. This was done to reduce the risk for the company to avoid business risks associated with doing business as sub-contractors to other System Integrators in the US which was majorly affected by the down turn. To mitigate the risk and continue the growth, the company has renewed its focus on new technology & service areas related to Cloud Computing and Migration services using automated technology tools with emphasis on direct customer business.

b. Expenditures

i. Employee Cost

Employee cost has increased by about 5% for the year ended 31st March, 2010 which stood at ₹ 108.73 Mn as against ₹ 103.50 Mn a year earlier. Even though revenue had taken a significant beating, Company did not reduce employees, keeping in view the expected projects and revenue visibility. It is expected that employee utilization will reach fullest extent in the months to come.

ii. General and Administrative Expenses

General and administrative expenses have increased by about 3% during FY 2009-10, from that of previous financial year to ₹ 52.16 Mn, because of increase in travel expenses by ₹ 5.52 Mn, on increased business travel.

iii. Sub-contracting fee

There was also a reduction in sub-contracting fee by ₹ 145.12 Mn with the new projects being executed by the Company itself and gradually reducing dependency on sub-contractors and migrated the delivery to in house teams.

c. Depreciation

There is a significant increase in depreciation from ₹ 45.89 Mn to ₹ 102.22 Mn in FY 2009-10, majorly because of amortization of internally developed software - reusable components library to the tune of ₹ 73.71 Mn in FY 2009-10 against ₹ 25.52 amortization for the same item upto 1st April, 2009.

d. Other Income

The other income during the FY 2009-10 was ₹ 33.11 Mn, whereas the same was ₹ 3.11 Mn in FY 2008-09. Of the increase ₹ 23.73 Mn was recognized upon forfeiture of warrant 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, and ₹ 9.29 Mn arisen as a exchange fluctuation gain.

e. Interest and Finance charges

Interest and finance charges have marginally increased from ₹ 15.14 Mn in FY 2008-09 to ₹ 17.47 Mn in FY 2009-10, because of increased usage of working capital facilities from cash credit account to manage funds flow.

f. Profit After Tax

There was a reduction in the bottom line from ₹ 46.06 Mn in FY 2008-09 to a profit of ₹ 0.96 Mn in FY 2009-10. This is mainly on account of substantial reduction in sales volume and no reduction in costs by the same proportion. Total expenditure as proportion of total income) during FY 2008-09 was at 90%, which has increased to 98% in FY 2009-10, resulting in erosion of profitability. Management has been putting much emphasis on improving the profitability of the Company along with increased business.

Internal Control system 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. CTET 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 31st March, 2010, CTET and its subsidiaries had employed approximately 370 employees. The key elements that define our culture include professional working environment, training and development, and compensation.

CEO & CFO Certificate and Certificate of Compliance

CEO & CFO CERTIFICATION

We, Bhaskar C Panigrahi, Chairman & CEO and Y.Ramesh Reddy, CFO of Cambridge Technology Enterprises Ltd, to the best of our knowledge and belief, certify that:

1. We have reviewed the financial statements and the cash flow statement for the year and to the best of our knowledge and belief certify that:
 - a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) 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.
2. There are to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls and that we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
4. We have indicated to the auditors and the Audit Committee
 - a) Significant changes in internal control during the year
 - b) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - c) 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.

Date: 18th May, 2010

Sd/-
Bhaskar C Panigrahi
Chairman & CEO

Sd/-
Y. Ramesh Reddy
Chief Financial Officer

CERTIFICATE OF COMPLIANCE

To
The Members of Cambridge Technology Enterprises Ltd

We have examined the Compliance of conditions of Corporate Governance by Cambridge Technology Enterprises Ltd ("the Company"), for the year ended on 31st March, 2010, 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. Our 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 our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing agreement.

We 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.

B. Krishnaveni
Practising Company Secretary

Place : Hyderabad
Date: 13th August, 2010

Consolidated Financial Statements

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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 (As per List appearing in Note 3.1 on Schedule 18) collectively referred to as "the Cambridge Group" as at 31st March, 2010 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 some consolidated entities whose financial statements reflect total assets of Rs. 123,270,860 as at March 31, 2010 total revenues of Rs. 143,971,557 and net cash flows amounting to Rs. 461,993 for the year then ended. 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 the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.
 - (a) in the case of the Consolidated balance Sheet, of the consolidated state of affairs of the Cambridge Group as at 31st March, 2010.
 - (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 : 27th May, 2010

P. Murali Mohana Rao
Partner
Membership No:23412

Consolidated Balance Sheet

		Amount in Rs.	
	Schedule No.	As at March 31, 2010	As at March 31, 2009
I. SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
(a) Capital	1	158,244,150	158,244,150
(b) Reserves and Surplus	2	197,253,283	351,631,794
EQUITY SHARE WARRANTS	3	-	23,375,000
LOAN FUNDS			
(a) Secured Loans	4	534,542,020	635,529,794
(b) Unsecured Loans	5	12,069,581	19,063,911
DEFERRED TAX LIABILITY		2,879,831	828,281
TOTAL		904,988,865	1,188,672,930
II. APPLICATION OF FUNDS			
GOODWILL		634,976,206	634,976,206
FIXED ASSETS			
(a) Gross: Block	6	400,946,846	338,646,321
(b) Less: Depreciation and Amortization		236,174,089	188,835,886
(c) Net Block		164,772,756	149,810,435
(d) Capital work in progress		60,794,794	161,569,354
TOTAL		225,567,550	311,379,789
CURRENT ASSETS, LOANS AND ADVANCES			
(a) Inventories	7	223,132	216,420
(b) Sundry Debtors & Unbilled Revenue	8	168,813,261	621,810,717
(c) Cash and Bank Balances	9	28,596,534	53,599,083
(d) Loans and Advances	10	50,688,858	81,140,293
TOTAL		248,321,785	756,766,513
Less:			
CURRENT LIABILITIES AND PROVISIONS			
(a) Liabilities	11	191,492,095	489,841,987
(b) Provisions	12	12,384,582	24,607,591
		203,876,677	514,449,578
NET CURRENT ASSETS		44,445,108	242,316,935
TOTAL		904,988,865	1,188,672,930
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS	17		

The Schedules referred to above and Significant accounting policies and notes to accounts form an integral part of the Financial Statements. This is the Balance Sheet referred to in our report of even date.

For P. Murali & Co.
Chartered Accountants
FRN : 007257S

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

Place: Hyderabad
Date: 27th May, 2010

Y. Ramesh Reddy
Chief Financial Officer

V. Ramana Reddy
Company Secretary

Consolidated Profit and Loss Account

		Amount in Rs.	
	Schedule No.	For the Year ended March 31, 2010	For the Year ended March 31, 2009
I. INCOME			
Income From Software Services and Products		703,275,156	1,783,187,391
Other Income	13	35,066,227	5,996,512
		738,341,383	1,789,183,903
II. EXPENDITURE			
Software Development Expenses	14	607,474,518	1,251,022,361
General and Administration Expenses	15	168,915,676	305,506,666
Depreciation and Amortisation	6	129,621,146	86,482,195
Impaired Intangible Asset written off		-	28,321,997
Interest and Finance Charges	16	31,543,058	48,167,478
		937,554,398	1,719,500,697
Profit before Tax		(199,213,015)	69,683,206
Income tax expense			
Current Tax		-	17,550,058
Prior Period Expenses(Income Tax)		-	925,704
MAT Credit Benefit		-	(5,508,209)
Deferred Tax		5,021,883	(470,627)
Fringe Benefit Tax		-	729,452
Profit after Tax		(204,234,898)	56,456,828
Balance brought forward from previous year		264,651,185	193,220,069
Adjustment undeclared dividend and dividend tax		-	14,974,287
Profit available for Appropriation		60,416,286	264,651,184
Balance Carried to Balance Sheet		60,416,286	264,651,184
EARNINGS PER SHARE - EPS			
Equity shares of par value Rs. 10/- each			
Basic (in Rs.)		-	3.57
Diluted (in Rs.)		-	2.81
Number of shares for calculating EPS			
Basic		15,824,415	15,824,415
Diluted		15,824,415	20,074,415
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS	17		

The Schedules referred to above and Significant accounting policies and notes to accounts form an integral part of the Financial Statements. This is the Profit and Loss Account referred to in our report of even date.

For P. Murali & Co.
Chartered Accountants
FRN : 007257S

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

Place: Hyderabad
Date: 27th May, 2010

Y. Ramesh Reddy
Chief Financial Officer

V. Ramana Reddy
Company Secretary

Consolidated Cashflow Statement

	Amount in Rs.	
	For the Year ended with March 31, 2010	For the Year ended with March 31, 2009
A. Cash Flow from Operating Activities		
Net Profit / (Loss) before tax	(199,213,015)	69,683,206
Adjustment for :		
Depreciation & Amortization	129,621,146	114,804,192
Dividend Income from Mutual Funds	(2,494)	173,062
Interest Income	(1,065,000)	264,966
Interest Expenses(net)	31,543,058	48,167,478
Provision for Gratuity	(340,404)	(2,031,677)
Loss on sale of Assets(Net)	-	-
Provision for bad and doubtful debts	-	-
Operating profit before working capital changes	(39,456,709)	231,061,227
Adjustment for:		
Change in Sundry Debtors	452,997,456	(231,426,252)
Change in Inventory	(6,712)	550,512
Change in Loans & Advances	30,451,435	32,494,531
Change in Current Liabilities and Provision	(324,911,131)	(116,330,784)
Cash generated from operations	119,074,339	(83,650,765)
Income tax (paid)/ refunded	11,708,301	10,261,231
Net cash from operating activities	A	(73,389,534)
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets (Incl capital working progress)	(43,808,908)	(190,742,160)
Payment for Acquisitions	-	-
Sale of Fixed Assets	-	6,774,998
Purchase of Investments	-	-
Interest received	1,065,000	(264,966)
Dividend Income from Mutual Funds	2,494	(173,062)
Payment for internally developed software	-	155,812,176
Sale of investments	-	4,186,727
Net cash from investing activities	B	(24,406,287)

		Amount in Rs.	
		For the Year ended with March 31, 2010	For the Year ended with March 31, 2009
C.	Cash Flows from Financing Activities		
	Proceeds from issue of share warrants	(23,375,000)	-
	Increase (Decrease) in Term Loans (net)	(100,987,774)	229,191,467
	Increase (Decrease) in Unsecured loan	(6,994,330)	19,063,911
	Interest Paid	(31,543,058)	(48,167,478)
	Dividend paid	-	(3,539,487)
	Net cash used from financing activities	(162,900,163)	196,548,413
D.	Effect of foreign translation	49,856,387	(84,051,157)
	Net change in cash (A + B + C + D)	(25,002,550)	14,701,435
	Cash and cash equivalents at beginning of year	53,599,083	38,897,648
	Cash and cash equivalents at end of year	28,596,534	53,599,083

Notes :

- 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 Institute of Chartered Accountants of India.

For P. Murali & Co.
Chartered Accountants
FRN : 007257S

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

Place: Hyderabad
Date: 27th May, 2010

Y. Ramesh Reddy
Chief Financial Officer

V. Ramana Reddy
Company Secretary

Schedule forming part of Consolidated Balance Sheet

	Amount in Rs.	
	As at March 31, 2010	As at March 31, 2009
Schedule 1		
SHARE CAPITAL		
Authorised		
30,000,000 (Previous year: 30,000,000) equity shares of Rs.10/- each	<u>300,000,000</u>	<u>300,000,000</u>
Issued, Subscribed and Paid-up		
15,824,415 (Previous year: 15,824,415) equity shares of Rs. 10/- each fully paid	<u>158,244,150</u>	<u>158,244,150</u>
	<u>158,244,150</u>	<u>158,244,150</u>
Schedule 2		
RESERVES AND SURPLUS		
Capital Redemption Reserve	<u>499,000</u>	<u>499,000</u>
	<u>499,000</u>	<u>499,000</u>
Share Premium account		
As per Last Balance Sheet	171,923,178	171,923,178
Add : Received during the Period	<u>-</u>	<u>-</u>
Less:	171,923,178	171,923,178
Amount utilised for bonus Issue	-	-
Initial Public Issue expenses written off	<u>-</u>	<u>-</u>
	<u>171,923,178</u>	<u>171,923,178</u>
Surplus in Profit and Loss account	264,498,038	208,041,209
As per Last Balance Sheet		
Add : Profit for the year	<u>(204,234,898)</u>	<u>56,456,829</u>
	<u>60,263,140</u>	<u>264,498,038</u>
Adjustment : Conversion		
Foreign currency Translation Reserve	<u>(35,432,035)</u>	<u>(85,288,422)</u>
TOTAL	<u>197,253,283</u>	<u>351,631,794</u>

	Amount in Rs.	
	As at March 31, 2010	As at March 31, 2009
Schedule 3		
EQUITY SHARE WARRANTS		
Equity Share Warrants	-	23,375,000
Nil - [Previous year Upfront consideration of Rs.5.50 per warrant received towards preferential allotment of 4,250,000 Equity share warrants of Rs.55 each to Rosebury Investments Pte Limited and Prime Genius Investments Pte Limited, which are convertible into equivalent number of equity shares of Rs.10/- each at a premium of Rs.45 per equity share on exercise of option by the warrant holders on or before expiry of 18 months from the date of allotment (i.e., December 17, 2007)] - read with note 3.11		
	<u>-</u>	<u>23,375,000</u>
Schedule 4		
SECURED LOANS		
Loans and Advances from Banks	533,648,399	633,673,846
(Secured against the current assets and fixed assets of the company)		
Finance Lease Obligations (Secured against computers)	893,621	1,855,948
	<u>534,542,020</u>	<u>635,529,794</u>
Schedule 5		
UNSECURED LOANS		
From Directors	-	-
From Others	12,069,581	19,063,911
	<u>12,069,581</u>	<u>19,063,911</u>

Schedule 6. FIXED ASSETS

Amount in Rs.

Description	Gross Block			Depreciation			Net Block		
	As at April 1, 2009	Additions During the year	Deletions during the year	As at March 31, 2010	As at April 1, 2009	For the Period	Deletions during the year	As at March 31, 2010	As at March 31, 2009
Tangible Assets									
Land	6,212,880	-	-	6,212,880	-	-	-	6,212,880	6,212,880
Building	11,960,807	-	4,715,420	7,245,387	4,902,157	331,008	4,313,305	6,325,527	7,058,650
Plant & Machinery	31,095,784	2,690,317	13,673,483	20,112,618	19,413,130	5,490,169	13,673,484	8,882,803	11,682,654
Computers	90,857,684	992,143	30,025,652	61,824,175	79,990,882	9,296,122	30,025,652	2,562,823	10,866,802
Furniture & Fittings	42,464,159	2,503,379	26,789,263	18,178,275	28,204,697	13,918,322	26,789,263	2,844,519	14,259,462
	182,591,314	6,185,839	75,203,819	113,573,334	132,510,866	29,035,621	74,801,704	26,828,551	50,080,448
Intangible Assets									
Computer Software									
Used in Development of Projects	82,381,539	6,010,693	22,591,616	65,800,616	29,466,084	28,221,784	7,481,239	15,593,987	52,915,455
Internally developed Software - Reusable Components Library	73,673,468	147,899,428	-	221,572,896	26,858,936	72,363,741	-	122,350,219	46,814,532
	156,055,007	153,910,121	22,591,616	287,373,512	56,325,020	100,585,525	7,481,239	149,429,306	99,729,987
TOTAL	338,646,321	160,095,960	97,795,435	400,946,846	188,835,886	129,621,146	82,282,943	164,772,756	149,810,435
Previous Year	236,204,621	109,216,698	6,774,998	338,646,321	40,969,881	149,012,525	1,146,520	149,810,435	195,234,740

	As at	Amount in Rs.
	March 31, 2010	As at March 31, 2009
Schedule 7		
INVENTORIES		
Stock of course material	223,132	216,420
	<u>223,132</u>	<u>216,420</u>
Schedule 8		
SUNDRY DEBTORS		
(Unsecured and considered good)		
-Debts outstanding for a period exceeding six months	95,244,341	55,115,182
-Other debts	73,568,920	566,695,535
	<u>168,813,261</u>	<u>621,810,717</u>
Schedule 9		
CASH AND BANK		
Cash in hand	106,186	241,777
Balances with Banks in		
Current Accounts	27,912,625	53,357,305
Deposit Accounts	577,722	-
	<u>28,596,534</u>	<u>53,599,083</u>

	Amount in Rs.	
	As at March 31, 2010	As at March 31, 2009
Schedule 10		
LOANS AND ADVANCES		
(Unsecured, Considered good except stated otherwise)		
Advance recoverable in cash or in kind or for value to be received -		
Employee Advances	3,662,957	566,413
Security Deposits	7,459,738	9,104,537
Prepaid Expenses	3,964,557	14,783,245
Advances Tax	516,176	-
Others	35,085,430	56,686,098
	<u>50,688,858</u>	<u>81,140,293</u>
Schedule 11		
LIABILITIES		
(a) Sundry Creditors	-	-
- Total outstanding dues of creditors other than Micro enterprises and Small enterprises	86,353,017	357,441,647
(b) For other liabilities	105,139,078	132,400,340
	<u>191,492,095</u>	<u>489,841,987</u>
Schedule 12		
PROVISIONS		
Provision for Fringe Benefit Tax	-	174,304
Provision for Income Tax (subsidiary)	8,723,772	20,432,073
Provision for Gratuity	3,660,810	4,001,214
	<u>12,384,582</u>	<u>24,607,591</u>

Schedule forming part of Consolidated Profit and Loss Account

	Amount in Rs.	
	For the Year ended 31.03.2010	For the Year ended 31.03.2009
Schedule 13		
OTHER INCOME		
Interest Income	1,065,000	264,966
Dividend received on mutual funds	2,494	173,062
Exchange Fluctuation Gain	10,175,871	2,874,172
Miscellaneous Income (refer note 3.11)	23,822,862	2,684,312
	35,066,227	5,996,512
Schedule 14		
EMPLOYEE COST		
Salaries, Wages and Bonus	320,927,585	798,528,962
Contribution to provident Fund and other funds	459,747	54,643,660
Staff Welfare Expenses	1,444,513	2,346,745
Sub-contract fee	284,642,672	395,502,994
	607,474,518	1,251,022,361
Schedule 15		
OPERATING, GENERAL AND ADMINISTRATION EXPENSES		
Power and Fuel	2,269,783	43,857,824
Rent	32,856,539	62,329,679
Consultancy and professional Charges	40,540,767	29,853,767
Traveling and Conveyance (Incl.Foreign Travel)	29,693,238	38,257,919
Insurance Expenses	1,006,584	3,348,466
Rates and Taxes	2,628,347	1,887,119
Exchange Fluctuation Loss	-	3,061,424
Communication Expenses	8,405,344	7,233,025
Computer hire charges	2,559,230	2,950,423
Auditor's Remuneration		
Audit Fees	675,000	669,854
For certification work including tax audit fees	125,000	125,000
Bad Debts written off	3,489,899	20,611,315
Office Maintenance	14,798,202	8,332,101
Liquidated damages	-	2,000,000
Business development expenses	7,870,456	27,517,689
Miscellaneous Expenses (includes Material Consumed)	21,997,287	53,471,060
	168,915,676	305,506,666
Schedule 16		
FINANCE CHARGES		
Interest on working capital loan and Other loans	23,237,946	36,494,846
Finance & Bank Charges	8,305,112	11,672,632
	31,543,058	48,167,478

Schedule -17 Significant Accounting Policies and Notes to the Consolidated Financial Statements

(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 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, 2010. 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 and the cost of assets not put to use before the year-end are also 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 (Other than Computers)	10 to 20 years
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.

3. Notes on Accounts

3.1 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, 2010	March 31, 2009
<i>Subsidiaries of Cambridge Technology Enterprises Limited</i>			
Cambridge Technology Enterprises Inc	United States of America	100%	100%
Cambridge Technology India Pvt. Ltd. (Formerly known as Qsoft Systems and Solutions Private Limited)	India	100%	100%
<i>Subsidiaries of Cambridge Technology Enterprises Inc*</i>			
Reilly & Associates Inc	United States of America	100%	100%
Comcreation Inc	United States of America	100%	100%
CellExchange Inc	United States of America	100%	100%

* Refer note 3.3 for details

3.2 Goodwill on Consolidation

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.

3.3 Details of investments in and disposal of securities

	Year ended March 31,	
	2010	2009
Investment in Liquid Mutual Funds	402,494	-
Redemption of investments in Liquid Mutual Funds	402,494	4,186,727
Net movement in Liquid Mutual Funds	-	(4,186,727)

3.4 Employee Stock Option Scheme

The Group has two 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 987,542 options were granted till date of 31st March, 2010.

Changes in number of options outstanding were as follows:

	As at March 31	
	2010	2009
Options outstanding beginning of period	554,958	987,542
Granted during the year	Nil	Nil
Less: Exercised	Nil	11,622
Forfeited	309,960	420,962
Options outstanding, end of period	244,998	554,958

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, which provides for 1,500,000 options.

Changes in the number of options outstanding:

	As at March 31	
	2010	2009
Options outstanding beginning of period	1,190,040	1,274,980
Granted during the year	309,960	Nil
Less: Exercised	826,314	84,940
Forfeited	284,526	Nil
Options outstanding end of period	389,160	1,190,040

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,	
	2010	2009
Net Profit (as reported)	(204,234,898)	56,456,829
Add: Stock based employee compensation	327,704	354,552
Less: Stock based compensation expenses determined under fair value method (pro forma)	-	19,303,456
Net Profit (Pro forma)	(203,907,194)	37,507,925
Earnings per share (Rs.)		
Basic - as reported	-	3.57
- as pro forma	-	2.37
Diluted - as reported	-	2.81
- as pro forma	-	2.14

The key assumptions used in Black-Scholes' model for calculating fair value are: risk-free interest rate ranging from 7.21% to 7.73 % (2009 – 7.57% to 7.61%), expected life: 2.5 years to 4 years (2009 – 2.5 years to 4.5 years), expected volatility of shares 63.77% to 72.66% (2009 – 63.77% to 72.66%), dividend yield 0% (2009 – 0%). The range variables detailed herein represent the highs and the lows of the assumptions during the pendency of the grant dates.

3.5 Related party transactions
Key Management Personnel

Bhaskar Panigrahi Chairman and Chief Executive Officer
 D.R.R Swaroop Whole-time Director

Enterprises over which Control exists

CellExchange Inc

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

D.S. Unics infotech limited D.R.R. Swaroop is a Director in the Company

Amount in Rs.

Nature of Transaction	Year ended March 31	
	2010	2009
<i>Transactions with key management personnel</i>		
Remuneration *		
-Bhaskar Panigrahi	1,200,000	10,841,100
-Krishna Nangegadda	-	10,687,529
-D.R.R. Swaroop	1,200,000	1,200,000
Amount Payable		
-Bhaskar Panigrahi	66,010	251,416
-Krishna Nangegadda	-	185,406
-D.R.R. Swaroop	53,913	94,749
<i>Transactions with member of family of key management personnel</i>		
Guest maintenance expenses	-	297,660
<i>Transactions with enterprises over which control exists</i>		
Sub contracting Expenses-CellExchange Inc. (billed by CTI)	-	9,641,100

3.6 Reconciliation of basic and diluted shares used in computing earnings per share

	As at March 31,	
	2010	2009
Number of shares considered as basic weighted average shares outstanding	15,824,415	15,824,415
Add: Effect of dilutive issue of stock options	-	4,250,000
Number of shares considered as weighted average shares and potential shares outstanding	15,824,415	20,074,415

3.7 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.32, 856,539/- (Previous year Rs.62, 329,679).

Finance Leases

A subsidiary of the group has taken computers under finance lease. Future minimum lease payments under finance leases as at March 31, 2010 are as follows:

Lease Obligations	Present value of minimum lease payments	Future interest	Minimum lease payments
Within one year of the balance sheet date	1,834,210	77,412	1,911,622
Due in period between one year and five years	-	-	-

3.8 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. The Group's total exports are to United States of America.

3.9 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, 2010 and 2009 are as follows:

(Amount in Rs.)

Year ended March 31,	2010	2009
Remuneration*	6,766,625	22,728,629
Perquisites & Allowances	-	-
Directors sitting fee	280,000	190,000

*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 15 and 16.

3.10 Retirement benefits to employees

Defined contribution plan

During year ended March 31, 2010, the Group contributed Rs.459, 747/- to provident fund.

Defined benefit plan – gratuity and privilege leave (previous year – gratuity)

The amounts recognized in the balance sheet as at March 31, 2010 are as follows:

(Amount in Rs.)

	31 st March 2010	31 st March 2009
Present value of obligations	5,822,639	4,750,070
Fair value of plan assets	-	-
Net liability	5,822,639	4,750,070
Amount in balance sheet		
Liability	5,822,639	4,750,070
Asset	-	-
Net Liability	5,822,639	4,750,070

The amounts recognized in the profit and loss account for the year ended March 31, 2010 are as follows:

	31 st March 2010	31 st March 2009
Current service cost	835,087	624,678
Interest cost	429,478	474,162
Expected return on plan assets	-	-
Recognized net actuarial loss (net)	1,333,006	(1,918,025)
Total included in 'employee benefit expenses' (net)	2,597,571	(819,185)
Actual return on plan assets	-	-

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

	31 st March 2010	31 st March 2009
Defined benefit obligation at beginning of the year	5,423,761	6,032,091
Current service cost	835,087	624,678
Interest cost	429,478	474,162
Benefits Paid (net)	(2,198,693)	-
Actuarial loss (net)	1,333,006	1,918,025
Defined benefit obligation at end of the year	5,822,639	4,750,070

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

	31 st March 2010	31 st March 2009
Fair value of plan assets at beginning of the year	-	-
Expected return on plan assets	-	-
Actuarial gains	-	-
Contribution by employer	2,198,693	462,836
Benefits paid	2,198,693	462,836
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:

	31 st March 2010		31 st March 2009	
	CTEL	CTIPL	CTEL	CTIPL
Discount Rate	8.00%	7.60%	8.00%	7.60%
Expected return on plan assets	8.00%	7.60%	8.00%	7.60%
Salary Escalation	7.00%	17.19%	7.00%	17.19%

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.

3.11 Miscellaneous Income

Miscellaneous Income includes 2.33 Crores on account of cancellation of option of exercising preferential warrants.

3.12 Commitments and contingencies

Contingent consideration payable in respect of acquired subsidiary Companies Rs. 43,209,544/-

3.13 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
FRN : 007257S

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

Y. Ramesh Reddy
Chief Financial Officer

V. Ramana Reddy
Company Secretary

Place: Hyderabad
Date: 27th May, 2010

Standalone Financial Statements

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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, 2010 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 , 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March , 2010 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 give a true and fair view in conformity with the accounting principles generally accepted in India ;
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (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 : 27th May, 2010

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, 2010

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 (l) 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 : 27th May, 2010

P. Murali Mohana Rao
Partner
Membership No. 23412

Standalone Balance Sheet

	Schedule No	As at March 31, 2010	Amount in Rs. As at March 31, 2009
I. SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
(a) Capital	1	158,244,150	158,244,150
(b) Reserves and Surplus	2	353,183,740	352,220,586
EQUITY SHARE WARRANTS	3	-	23,375,000
LOAN FUNDS			
(a) Secured Loans	4	97,411,304	145,430,486
(b) Unsecured Loans	5	12,069,581	19,063,911
DEFERRED TAX LIABILITY		15,018,713	8,763,770
TOTAL		<u>635,927,487</u>	<u>707,097,903</u>
II. APPLICATION OF FUNDS			
FIXED ASSETS			
(a) Gross Block	6	309,193,334	141,116,501
(b) Less : Depreciation and Amortization		<u>172,450,166</u>	<u>70,236,519</u>
(c) Net Block		136,743,168	70,879,982
(d) Capital work in progress		<u>41,261,010</u>	<u>156,671,250</u>
TOTAL		<u>178,004,178</u>	<u>227,551,232</u>
INVESTMENTS	7	457,354,234	463,604,234
CURRENT ASSETS, LOANS AND ADVANCES			
(a) Sundry Debtors	8	160,305,305	226,706,049
(b) Cash and Bank Balances	9	1,935,602	12,224,919
(c) Loans and Advances	10	<u>25,919,939</u>	<u>44,713,725</u>
TOTAL		<u>188,160,846</u>	<u>283,644,693</u>
Less:			
CURRENT LIABILITIES AND PROVISIONS			
(a) Liabilities	11	183,930,961	258,859,346
(b) Provisions	12	<u>3,660,810</u>	<u>8,842,909</u>
		<u>187,591,772</u>	<u>267,702,255</u>
NET CURRENT ASSETS		<u>569,075</u>	<u>15,942,438</u>
TOTAL		<u>635,927,487</u>	<u>707,097,903</u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS	17		

The Schedules referred to above and Significant accounting policies and notes to accounts form an integral part of the Financial Statements. This is the Balance Sheet referred to in our report of even date.

For P. Murali & Co.
Chartered Accountants
FRN : 007257S

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

Place: Hyderabad
Date: 27th May, 2010

Y. Ramesh Reddy
Chief Financial Officer

V. Ramana Reddy
Company Secretary

Standalone Profit and Loss Account

Amount in Rs.

	Schedule No.	For the Year Ended March 31, 2010	For the Year Ended March 31, 2009
I. INCOME			
Income from Software Services and Products		327,778,744	480,527,397
Other Income	13	33,111,151	3,116,444
		360,889,895	483,643,841
II. EXPENDITURE			
Software Development Expenses	14	181,419,839	321,312,949
General and Administration Expenses	15	52,157,382	50,691,843
Depreciation and Amortisation	6	102,213,645	45,893,870
Interest and Finance Charges	16	17,880,933	16,748,884
		353,671,799	434,647,547
Profit before Tax		7,218,096	48,996,294
Income tax expense			
Current Tax		-	5,508,208
Prior Period Expenses(Income Tax)		-	925,704
MAT Credit Benefit		-	(5,508,208)
Deferred Tax		6,254,943	1,632,281
Fringe Benefit Tax		-	380,157
Profit after Tax		963,153	46,058,152
Balance brought forward from previous year		179,798,408	118,765,969
Adjustment undeclared dividend and dividend tax		-	14,974,287
Profit available for Appropriation		180,761,561	179,798,408
Balance Carried to Balance Sheet		180,761,561	179,798,408
EARNINGS PER SHARE			
Equity shares of par value Rs. 10/- each			
Basic (in Rs.)		0.06	2.91
Diluted (in Rs.)		0.06	2.29
Number of shares for calculating EPS			
Basic		15,824,415	15,824,415
Diluted		15,824,415	20,074,415
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS	17		

The Schedules referred to above and Significant accounting policies and notes to accounts form an integral part of the Financial Statements. This is the Profit and Loss Account referred to in our report of even date.

For P. Murali & Co.
Chartered Accountants
FRN : 007257S

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

Place: Hyderabad
Date: 27th May, 2010

Y. Ramesh Reddy
Chief Financial Officer

V. Ramana Reddy
Company Secretary

Standalone Cashflow Statement for the year ended 31st March 2010

	Amount in Rs.	
	For the Period ended with March 31, 2010	For the Period ended with March 31, 2009
A. Cash Flow from Operating Activities		
Net Profit / (Loss) before tax	7,218,096	48,996,294
Adjustment for :		
Depreciation & Amortization	102,213,645	45,893,870
Dividend Income from Mutual Funds	(2,494)	(173,062)
Interest Income	(89,874)	(69,210)
Interest Expenses(net)	17,880,933	16,748,884
Provision for Gratuity	450,012	(231,559)
Loss on sale of Assets(Net)	-	-
Operating profit before working capital changes	127,670,318	111,165,217
Adjustment for:		
Change in Sundry Debtors	66,400,744	(128,229,241)
Change in Inventory	-	47,126,918
Change in Loans & Advances	18,793,786	74,477,242
Change in Current Liabilities and Provision	(80,560,496)	179,077,131
Cash generated from operations	132,304,352	283,617,268
Income tax (paid)/ refunded	-	(5,285,591)
Net cash from operating activities	A	278,331,677
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets (Incl capital working progress)	(52,666,592)	(163,850,126)
Purchase of Investments	6,250,000	(173,062)
Interest received	89,874	69,210
Dividend Income from Mutual Funds	2,494	173,062
Sale of investments	-	4,359,789
Purchase of Investments in subsidiary	-	(179,077,131)
Net cash from investing activities	B	(338,498,258)

	Amount in Rs.	
	For the year ended March 31, 2010	For the year ended March 31, 2009
Cash Flows from Financing Activities		
Proceeds from issue of share warrants	(23,375,000)	
Increase (Decrease) in Term Loans (net)	(48,019,182)	72,331,245
Increase (Decrease) in Unsecured loan	(6,994,330)	19,063,911
Interest Paid	(17,880,933)	(16,748,884)
Dividend paid	-	(3,539,487)
C. Net cash used from financing activities	C (96,269,445)	71,106,785
Net change in cash (A + B + C)	(10,289,317)	10,940,203
Cash and cash equivalents at beginning of year	12,224,919	1,284,716
Cash and cash equivalents at end of year	1,935,602	12,224,919

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
FRN : 007257S

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

Place: Hyderabad
Date: 27th May, 2010

Y. Ramesh Reddy
Chief Financial Officer

V. Ramana Reddy
Company Secretary

Schedule forming part of Standalone Balance Sheet

	Amount in Rs.	
	As at March 31, 2010	As at March 31, 2009
Schedule 1		
SHARE CAPITAL		
30,000,000 (Previous year : 30,000,000) equity shares of Rs.10/- each	<u>300,000,000</u>	<u>300,000,000</u>
Issued, Subscribed and Paid-up		
15,824,415 (Previous year : 15,824,415) equity shares of Rs. 10/- each fully paid	158,244,150	158,244,150
Of the above-		
(i) 5,811,700 (Previous year : 5,811,700) equity shares of Rs.10/- each are allotted as fully paid up by way of bonus shares by capitalisation of surplus in the Profits and Loss Account.		
(ii) 2,500,000 (Previous year : 2,500,000) equity shares of Rs.10/- each are allotted as fully paid up bonus shares by capitalisation of share Premium.		
	<u>158,244,150</u>	<u>158,244,150</u>
Schedule 2		
RESERVES AND SURPLUS		
Capital Redemption Reserve	<u>499,000</u>	<u>499,000</u>
	<u>499,000</u>	<u>499,000</u>
Share Premium account		
As per Last Balance Sheet	171,923,178	171,923,178
Add : Received during the Period	-	-
	<u>171,923,178</u>	<u>171,923,178</u>
Less:		
Amount utilised for bonus Issue	-	-
Initial Public Issue expenses adjusted	-	-
	<u>171,923,178</u>	<u>171,923,178</u>
Balance in profit and loss account	180,761,561	179,798,408
Adjustment : Conversion		
	<u>353,183,740</u>	<u>352,220,586</u>

	Amount in Rs.	
	As at March 31, 2010	As at March 31, 2009
Schedule 3		
EQUITY SHARE WARRANTS		
Equity Share Warrants	-	23,375,000
Nil - [Previous year - Upfront consideration of Rs. 5.50 per warrant received towards preferential allotment of 4,250,000 Equity share warrants of Rs.55 each to Rosebury Investments Pte Limited and Prime Genius Investments Pte Limited, which are convertible into equivalent number of equity shares of Rs.10/- each at a premium of Rs. 45 per equity share on exercise of option by the warrant holders on or before expiry of 18 months from the date of allotment (i.e., December 17, 2007)]		
	<u>-</u>	<u>23,375,000</u>
Schedule 4		
SECURED LOANS		
Loans and Advances from Banks	97,411,304	145,430,486
(Secured against the current assets and fixed assets of the company.)		
-Finance Lease Obligations.		
	<u>97,411,304</u>	<u>145,430,486</u>
Schedule 5		
UNSECURED LOANS		
From Directors	-	-
From Others	12,069,581	19,063,911
	<u>12,069,581</u>	<u>19,063,911</u>

Schedule 6. FIXED ASSETS

Amount in Rs.

Description	Gross Block				Depreciation				Net Block	
	Cost as at April 1, 2009	Additions during the year	Deletions during the year	Cost as at March 31, 2010	Up to April 1, 2009	For the Year	Deletions during the year	Total Up to March 31, 2010	As at March 31, 2010	As at April 1, 2009
Tangible Assets										
Plant & Machinery	-	1,641,009	-	1,641,009	-	225,790	-	225,790	1,415,219	-
Electrical Fittings	1,154,043	47,840	-	1,201,883	376,141	111,269	-	487,410	714,473	777,902
Furniture & Fixtures	1,124,084	2,484,479	-	3,608,563	421,697	348,375	-	770,072	2,838,491	702,387
Computers	18,879,633	992,143	-	19,871,776	14,885,173	1,793,193	-	16,678,366	3,193,410	3,994,460
Office Equipment	1,422,530	937,868	-	2,360,398	425,125	202,519	-	627,644	1,732,754	997,405
Software	9,007,580	6,010,693	-	15,018,273	4,247,576	6,272,093	-	10,519,669	4,498,604	4,760,004
Total	31,587,870	12,114,032	-	43,701,902	20,355,712	8,953,240	-	29,308,952	14,392,950	11,232,158
Intangible Assets										
Computer Software Used in Development of Projects	43,918,535	-	-	43,918,535	24,365,766	19,552,769	-	43,918,535	-	19,552,769
Internally developed Software - Reusable Components Library	65,610,096	155,962,800	-	221,572,896	25,515,041	73,707,636	-	99,222,677	122,350,219	40,095,055
Total	109,528,631	155,962,800	-	265,491,431	49,880,807	93,260,405	-	143,141,212	122,350,219	59,647,824
Total	141,116,501	168,076,832	-	309,193,333	70,236,519	102,213,645	-	172,450,164	136,743,169	70,879,982
Previous Year	133,937,625	7,178,876	-	141,116,501	24,342,649	45,893,870	-	70,236,519	70,879,982	109,594,976

	As at March 31, 2010	Amount in Rs. As at March 31, 2009
Schedule 7		
INVESTMENTS		
Long Term Investments (At cost)		
Investments in subsidiaries		
(Non-Trade;Unquoted, Fully paid-up)		
- Cambridge Technology Enterprises Inc.	321,868,688	321,868,688
(4,287,976 (Previous year 4,287,976) Common stock of USD 0.01 each)		
- CTE Global Solutions Pvt. Ltd.,	-	6,250,000
(Formerly known as Comcreation Technologies Pvt. Ltd.) Nil - (Previous year 625,000) Common stock of Rs.10 each)		
- Cambridge Technology India Private Limited	135,485,546	135,485,546
(Formerly known as Q-Soft Systems and Solutions Pvt. Ltd.) (457,100 (Previous year 457,100) Common stock of Rs. 10 each)		
	457,354,234	463,604,234
Schedule 8		
SUNDRY DEBTORS		
(Unsecured and considered good)		
-Debts outstanding for a period exceeding six months.	69,407,702	41,825,161
-Other debts	90,897,603	184,880,889
	160,305,305	226,706,049
Schedule 9		
CASH AND BANK		
Cash in hand	12,486	37,611
Balances with Scheduled Banks		
on Current Accounts	1,345,394	12,187,307
on deposit Account	577,722	-
	1,935,602	12,224,919
Schedule 10		
LOANS AND ADVANCES		
(Unsecured, Considered good)		
Advances and Loans to Subsidiaries:	-	17,905,533
- Security Deposits	7,188,738	6,161,853
- Others	18,731,201	20,646,339
	25,919,939	44,713,725

	Amount in Rs.	
	As at March 31, 2010	As at March 31, 2009
Schedule 11		
LIABILITIES		
Sundry Creditors		
-Total outstanding dues of creditors other than Micro enterprises and Small enterprises	18,614,490	13,769,815
Subsidiary Companies	96,683,115	78,879,334
-Due to CTE Inc.		
Other liabilities [#]	68,633,357	166,210,198
(# Includes unclaimed share application money of Rs.150,499; Previous year Rs.195,529)		
	<u>183,930,961</u>	<u>258,859,346</u>

Schedule 12

PROVISIONS

Provision for Fringe Benefit Tax	-	123,903
Provision for Income Tax (Net of TDS & Advance Tax)	-	5,508,208
Provision for Gratuity	3,660,810	3,210,798
	<u>3,660,810</u>	<u>8,842,909</u>

Schedules forming part of Standalone Profit and Loss Account

	Amount in Rs.	
	As at March 31, 2010	As at March 31, 2009
Schedule 13		
OTHER INCOME		
Interest Income (on bank deposits)	89,874	69,210
Exchange gain	9,293,783	2,874,172
Dividend received on Mutual Funds	2,494	173,062
Miscellaneous Income (refer note 3.10)	23,725,000	-
	33,111,151	3,116,444
Schedule 14		
SOFTWARE DEVELOPMENT EXPENSES		
Salaries, Wages and Bonus	107,086,555	102,026,974
Contribution to provident Fund and other funds	459,747	244,640
Staff Welfare Expenses	1,186,033	1,232,000
Subcontract Fee	72,687,504	217,809,335
	181,419,839	321,312,949
Schedule 15		
GENERAL AND ADMINISTRATION EXPENSES		
Power and Fuel	2,269,783	2,402,987
Rent	10,373,663	10,921,390
Repairs to Buildings	1,448,157	650,116
Computer peripherals	129,508	80,352
Consultancy and professional Charges	10,811,426	11,623,850
Traveling and Conveyance (Incl. Foreign Travel)	14,534,064	9,017,998
Insurance Expenses	1,006,584	3,295,426
Rates and Taxes	1,263,267	616,994
Exchange Loss (net)	-	-
Communication Expenses	2,932,581	3,498,820
Computer hire charges	2,559,230	1,513,747
Auditor's Remuneration		
Audit Fees	625,000	400,000
For certification work including tax audit fees	75,000	75,000
Office Maintenance	2,213,890	1,606,764
Liquidated damages	-	2,000,000
Miscellaneous Expenses	1,915,228	2,988,399
	52,157,382	50,691,843
Schedule 16		
INTEREST AND FINANCE CHARGES		
Interest on working capital loan and Other loans	17,468,077	15,136,218
Bank Charges	412,856	1,612,666
	17,880,933	16,748,884

SCHEDULE -17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

(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.

3. Notes to Accounts
3.1 Details of Investments
(i) Details of investments in and disposals of securities

Amount in Rs.

	Year ended March 31,	
	2010	2009
Investment in securities		
Long term investments	-	179,077,131
Liquid Mutual Funds	402,494	173,062
Redemption /disposal of investments in securities		
Long term investments	6,250,000	-
Liquid Mutual Funds	402,494	4,359,789
Net movement in Investments		
Long term investments	(6,250,000)	179,077,131
Liquid Mutual Funds	-	(4,186,727)

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

Particulars	Units	Cost	Value
Reliance Money Manager Fund	402	1,001	402,494
Shares of CTE Global Solutions Pvt. Ltd. (formerly known as Comcreation Technologies Pvt. Ltd.)	625,000	10	6,250,000

3.2 Employee Stock Option Scheme

The Company has two 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 987,542 options were granted till date of 31st March, 2010.

Changes in number of options outstanding were as follows:

	As at March 31	
	2010	2009
Options outstanding beginning of period	554,958	987,542
Granted during the year	Nil	Nil
Less: Exercised	Nil	11,622
Forfeited	309,960	420,962
Options outstanding, end of period	244,998	554,958

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, which provides for 1,500,000 options.

Changes in the number of options outstanding:

	As at March 31	
	2010	2009
Options outstanding beginning of period	1,190,040	1,274,980
Granted during the year	309,960	Nil
Less: Exercised	826,314	84,940
Forfeited	284,526	Nil
Options outstanding end of period	389,160	1,190,040

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,	
	2010	2009
Net Profit (as reported)	963,153	46,058,152
Add: Stock based employee compensation	327,704	354,552
Less: Stock based compensation expenses determined under fair value method (pro forma)	-	19,303,456
Net Profit (Pro forma)	1,290,857	27,109,248
Earnings per share (Rs.)		
Basic - as reported	0.06	2.91
- as pro forma	0.06	1.71
Diluted - as reported	0.06	2.63
- as pro forma	0.06	1.55

The key assumptions used in Black-Scholes' model for calculating fair value are: risk-free interest rate ranging from 7.21% to 7.73 % (2009 – 7.57% to 7.61%), expected life: 2.5 years to 4 years (2009 – 2.5 years to 4.5 years), expected volatility of shares 63.77% to 72.66% (2009 – 63.77% to 72.66%), dividend yield 0% (2009 – 0%). The range variables detailed herein represent the highs and the lows of the assumptions during the pendency of the grant dates.

3.3 Related party transactions
Key Management Personnel

Bhaskar Panigrahi	Chairman and Chief Executive Officer
Cambridge Technology Enterprises Inc ('CTI')	Wholly owned subsidiary
CTE Global Solutions Pvt. Ltd. (Formerly known as Comcreation Technologies Private Limited ('CTPL'))	Wholly owned subsidiary w.e.f. February, 2008 till October, 2009
Cambridge Technology India Pvt. Ltd. ('CTIPL') (Formerly known as Qsoft System and Solutions Private Limited ('Qsoft'))	Wholly owned subsidiary w.e.f. October, 2008
Comcreation Inc ('CCI') Reilly & Associates Inc ('Reilly') CellExchange Inc ('CX')**	Wholly owned subsidiary of Cambridge Technology Enterprises Inc, w.e.f 2007-08. *

* refer note 3.1 for details

** CellExchange Inc was a company under Common control till December 31, 2007.

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

D.S. Unics Infotech limited

D.R.R. Swaroop is a Director in the Company

Nature of Transaction	Year ended March 31	
	2010	2009
<i>Transactions with key management personnel</i>		
Remuneration*		
-Bhaskar panigrahi	1,200,000	1,200,000
-Krishna Nangegadda	-	1,046,429
-D.R.R. Swaroop	1,200,000	1,200,000
Amount Payable		
-Bhaskar panigrahi	66,010	66,010
-D.R.R. Swaroop	53,913	94,749
<i>Transactions with member of family of key management personnel</i>		
Mahalaxmi Nangegadda-Guest house maintenance expenses	-	297,660
<i>Transactions with enterprises over which Control exists</i>		
Sale of services – CTE Inc	291,479,339	158,148,635
Sale of services- CellExchange Inc	-	-
Expenses reimbursement, net- CTE Inc	95,374,734	6,310,998

Nature of Transaction	Year ended March 31	
	2010	2009
Balance receivable/(payable)	(12,991,390)	(78,879,334)
Loans and advances		
Loans and advances given		
-CTE Inc	-	-
-CTE Global Solutions Pvt. Ltd. <i>(Formerly known as ComCreation Technologies Pvt. Ltd.)</i>	20,100,000	15,770,000
-Cambridge Technology India Pvt. Ltd. <i>(Formerly known as Q-soft Systems and Solutions Pvt. Ltd.)</i>	3,370,000	600,000
Repayment of loans and advances		
-CTE Inc	-	17,330,992
-CTE Global Solutions Pvt. Ltd. <i>(Formerly known as ComCreation Technologies Pvt. Ltd.)</i>	20,100,000	15,770,000
-Cambridge Technology India Pvt. Ltd. <i>(Formerly known as Q-soft Systems and Solutions Pvt. Ltd.)</i>	22,583,914	7,494,467
Balance outstanding		
-CTE Inc	-	-
-CTE Global Solutions Pvt. Ltd. <i>(Formerly known as ComCreation Technologies Pvt. Ltd.)</i>	-	-
-Cambridge Technology India Pvt. Ltd. <i>(Formerly known as Q-soft Systems and Solutions Pvt. Ltd.)</i>	(1,308,381)	17,905,533
Investment made in shares	457,241,709	463,604,234

3.4 Reconciliation of basic and diluted shares used in computing earnings per share

	As at March 31,	
	2010	2009
Number of shares considered as basic weighted average shares outstanding	15,824,415	15,824,415
Add: Effect of dilutive issue of stock options	-	4,250,000
Number of shares considered as weighted average shares and potential shares outstanding	-	20,074,415

3.5 Leases

Operating Lease

The Company has taken leased 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.10, 046,237 / (Previous year Rs.10, 623,730).

Finance Leases

The Company has taken computers under finance lease. Future minimum lease payments under finance leases as at March 31, 2010 are as follows:

Lease Obligations	Present value of minimum lease payments	Future interest	Minimum lease payments
Within one year of the balance sheet date	1,834,210	77,412	1,911,622
Due in period between one year and five years	Nil	Nil	Nil

3.6 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. The Company's total exports are to United States of America.

3.7 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, 2010 and 2009 are as follows:

	Year ended March 31,	
	2010	2009
Remuneration*	2,400,000	3,446,429
Perquisites and Allowances	-	-
Directors sitting fee	280,000	190,000

*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 14 and 15.

3.8 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,	
	2010	2009	2010	2009
Cambridge Technology Enterprises Inc	-	-	-	-
Cambridge Technology India Pvt. Ltd. (Formerly known as Qsoft Systems and Solutions Pvt. Ltd.,)	(1,308,381)	17,905,533	17,905,533	25,400,000
ComCreation Technologies Private Limited	-	-	2,700,000	11,962,524

3.9 Retirement benefits to employees
Defined contribution plan

During year ended March 31, 2010, the Company contributed Rs.459, 747/- to provident fund (Previous Year Rs.244, 640/- was contributed to provident fund).

Defined benefit plan – gratuity and privilege leave (previous year – gratuity)

The amounts recognized in the balance sheet as at March 31, 2010 are as follows:

	31 st March 2010	31 st March 2009
Present value of funded obligations	4,133,440	3,210,798
Fair value of plan assets	-	-
Net liability	4,133,440	3,210,798
Amount in balance sheet		
Liability	4,133,440	3,210,798
Asset	-	-
Net Liability	4,133,440	3,210,798

The amounts recognized in the profit and loss account for the year ended March 31, 2010 are as follows:

	31 st March 2010	31 st March 2009
Current service cost	458,346	69,005
Interest cost	345,462	275,389
Expected return on plan assets	Nil	Nil
Recognized net actuarial loss	623,436	(341,578)
Net Benefit Expense	1,427,244	2,816

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

	31 st March 2010	31 st March 2009
Defined benefit obligation at beginning of the year	4,318,282	3,442,357
Current service cost	458,346	69,005
Interest cost	345,462	275,389
Benefits paid	(1,612,086)	(234,375)
Actuarial loss/(gains)	623,436	(341,578)
Defined benefit obligation at end of the year	4,133,440	3,210,798

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

	31 st March 2010	31 st March 2009
Fair value of plan assets at beginning of the year	-	-
Expected return on plan assets	-	-
Actuarial gains	-	-
Contribution by employer	1,612,086	234,375
Benefits paid	1,612,086	234,375
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.

3.10 Misc. Income

Misc Income includes 2.33 Crores on account of cancellation of option of exercising preferential warrants and balance of 3.5 Lacs towards on account of gain on sale of investment.

3.11 Supplementary Information

(i) Commitments and contingencies

Contingent consideration payable as at March 31, 2010 in respect of acquired subsidiary Companies Rs. 27,580,450/-

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

	Year ended March 31,	
	2010	2009
Software development and services	327,578,744	480,527,397
Total	327,578,744	480,527,397

(iii) Expenditure in foreign currency, on accrual basis

	Year ended March 31,	
	2010	2009
Subcontracting Expenses	72,687,504	217,190,621
Traveling & Others	4,517,237	5,009,538
Total	77,204,741	222,200,159

(iv) Value of imports (CIF)

Particulars	Year ended March 31,	
	2010	2009
Laptop Purchased	-	329,910
Total	-	329,910

3.12 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, 2010.

3.13 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.

3.14 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
FRN : 007257S

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

Place: Hyderabad
Date : 27th May, 2010

Y. Ramesh Reddy
Chief Financial Officer

V. Ramana Reddy
Company Secretary

Standalone Balance Sheet Abstract and Company's General Business Profile

(Submitted in terms of Part IV to the Companies Act, 1956)

I Registration Details

Registration No.

0	1	-	3	0	9	9	7
---	---	---	---	---	---	---	---

 State Code

0	1
---	---

Balance Sheet Date

3	1	-	0	3	-	2	0	1	0
---	---	---	---	---	---	---	---	---	---

II Capital raised during the year (Amount in Rs. '000)

Public Issue

N	I	L
---	---	---

 Rights Issue

N	I	L
---	---	---

Bonus Issue

N	I	L
---	---	---

 Private Placement

N	I	L
---	---	---

III Position of Mobilization and Deployment of funds (Amount in Rs. '000)

Total Liabilities

6	3	5	9	2	8
---	---	---	---	---	---

 Total Assets

6	3	5	9	2	8
---	---	---	---	---	---

Sources of Funds

Paid-up Capital

1	5	8	2	4	4
---	---	---	---	---	---

 Reserves & Surplus

3	5	3	1	8	4
---	---	---	---	---	---

Secured Loans

9	7	4	1	1
---	---	---	---	---

 Unsecured Loans

1	2	0	7	0
---	---	---	---	---

Deferred Tax Liability

1	5	0	1	9
---	---	---	---	---

Application of Funds

Net Fixed Assets

1	7	8	0	0	4
---	---	---	---	---	---

 Investments

4	5	7	3	5	4
---	---	---	---	---	---

Net Current Assets

5	6	9
---	---	---

 Misc. Expenditure

N	I	L
---	---	---

Accumulated Losses

N	I	L
---	---	---

IV Performance of Company (Amount in Rs. '000)

Turnover

3	2	7	7	7	9
---	---	---	---	---	---

 Total Expenditure

3	5	3	6	7	2
---	---	---	---	---	---

(+) Profit / (-) Loss before tax

+	7	2	1	8
---	---	---	---	---

 (+) Profit / (-) Loss after tax

+	9	6	3
---	---	---	---

Earning per share in Rs. Dividend rate %

N	I	L
---	---	---

Basic

0	.	0	6
---	---	---	---

 Diluted

0	.	0	6
---	---	---	---

V Generic Names of Principal Products / Services of Company

(As per Monetary Terms)

Item Code Number (ITC Code)

8	5	2	4	5	3	9	.	1	0
---	---	---	---	---	---	---	---	---	---

Product Description

S	o	f	t	w	a	r	e		D	e	v	e	l	o	p	m	e	n	t
---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	---	---	---

Summary of Subsidiary Companies & Statement of Subsidiary Companies' Financials

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 31 March, 2010

Amount in Rs.

Name of the Subsidiary	CTE Inc., USA	ComCreation Inc.,	Reilly & Associates Inc	Q-Soft Systems & Solutions Pvt Ltd	CellExchange, Inc.
1 Issued and Subscribed Share Capital	2,184,736	407,600	4,915,148	4,571,000	105,141,354
2 Reserves	(163,904,187)	50,529,432	12,378,396	8,870,153	(43,905,212)
3 Total Assets	647,965,906	66,296,834	27,635,670	99,886,611	73,846,394
4 Total Liabilities	532,038,217	15,406,282	10,902,617	111,138,088	24,599,874
5 Investments (except investment in subsidiaries)	Nil	Nil	Nil	Nil	Nil
6 Turnover	440,550,707	76,175,973	77,321,494	143,971,557	54,455,759
7 Profit/(Loss) Before Taxation	(195,520,359)	28,066,379	8,396,637	2,749,872	(48,758,559)
8 Provision for taxation	1,365,080	-	-	-	-
9 Profit/(Loss) After taxation	(196,885,439)	28,066,379	8,396,637	3,982,932	(48,758,559)
10 Proposed Dividend	Nil	-	Nil	Nil	Nil

CAMBRIDGE TECHNOLOGY ENTERPRISES LTD

Statement pursuant to Section 212 (1) (e) of the Companies Act, 1956 as on 31st March, 2010

Amount in Rs.

Name of the Company	CTE Inc.,	ComCreation Inc.,	Reilly & Associates Inc.,	Cambridge Technology India Pvt Ltd (former known as Q-Soft Systems & Solutions Pvt Ltd	CellExchange, Inc.
1 Financial year of the Subsidiary Company	31.3.2010	31.3.2010	31.3.2010	31.3.2010	31.3.2010
2 Number of shares in the Subsidiary Company held by Cambridge Technology Enterprises Ltd on the above date	4287976	800000	100	457100	74434229
3 Holding Company's interest in percentage	100%	Step down foreign subsidiary	Step down foreign subsidiary	100%	Step down Subsidiary foreign
4 Net aggregate amount of Profit/(Loss) of the Subsidiary so far as they concern the members of the Cambridge Technology Enterprises Ltd:					
a) Dealt with in the accounts of Cambridge Technology Enterprises Ltd	Nil	Nil	Nil	Nil	Nil
b) Not dealt within the accounts of Cambridge Technology Enterprises Ltd (Rs)	(196,885,439)	28,066,379	8,396,637	3,982,932	(48,758,559)
5 Net aggregate amount of Profit/(Loss) for the previous financial years of the Subsidiary so far as they concern the members of the Cambridge Technology Enterprises Ltd:					
a) Dealt with in the accounts of Cambridge Technology Enterprises Ltd	Nil	Nil	Nil	Nil	Nil
b) Not dealt within the accounts of Cambridge Technology Enterprises Ltd (Rs)	7,423,284	2,104,669	3,092,421	(4,279,439)	1,808,482
6 Changes in the interest of Cambridge Technology Enterprises Ltd between the last financial year and 31st March, 2010	Nil	Nil	Nil	Nil	Nil
7 Material changes between the the end of the last financial year and 31st March, 2010	Nil	Nil	Nil	Nil	Nil

Corporate Governance Report

CORPORATE GOVERNANCE REPORT

Your Company has complied in all material 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, 2010, the Board of CTEL consists of 6 Directors, comprising 3 Executive and 3 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.

Composition of Board, and Directorships held as on 31st March, 2010.

Name	Age	No. of other Directorships ⁽¹⁾	Committee Membership ⁽²⁾	Chairmanship in Committees ⁽³⁾
Whole Time Directors				
Bhaskar C Panigrahi	41	4	Nil	Nil
DRR Swaroop	50	1	2	Nil
Tejesh Kumar Kodali ⁽⁴⁾	38	3	Nil	Nil
Independent Directors				
B. Muralidhar	48	Nil	1	Nil
K. R. Chari	62	1	1	1
L. Sridhar	56	Nil	2	1

Notes:

- (1) Excluding CTEL, and private limited companies
- (2) Including memberships in Committees of CTEL
- (3) Including chairmanships in Committees of CTEL
- (4) Ceased to be a Director effective from 19th April, 2010
- (5) None of the Directors is related to any other Director of the Company

B. Director's attendance at Board and General Meetings

Name	No. of Meetings held	No. of meetings attended	Attendance in last AGM
Bhaskar C Panigrahi	12	2@	Present
D R R Swaroop	12	12	Present
Tejesh Kumar Kodali	12	2	Present
B. Muralidhar	12	9	Present
L. Sridhar	12	6	Present
K. R. Chari	12	4	Absent

@ Attended 10 meetings through Tele / Video conference

2. Committees of the Board

The Board has constituted the following committees:

a. Audit Committee

The Board of Directors has entrusted the Audit Committee to supervise processes to ensure accurate and timely disclosure of financial reporting to all stakeholders. The primary responsibilities of the Audit Committee are to:

- i. To monitor and provide effective supervision of the Management's financial reporting process ensuring accurate and timely reporting and disclosures.
- ii. To regularly report to the Board of Directors, conclusions with respect to the various matters that the Committee has considered.
- iii. To review and reassess the adequacy of the Charter annually and submit it to the Board of Directors for consideration and approval.
- iv. To select, evaluate, and replace the independent auditor in accordance with the law, wherever possible.
- v. To review financial statements of all subsidiary companies, in particular, the investments made by the unlisted subsidiary company.
- vi. To review in conjunction with counsel, any legal matters that could have a significant impact on the Company's financial statement.
- vii. To oversee compliance with SEBI/Stock Exchanges requirements for disclosure of auditor's services and audit committee member's and activities.

Audit Committee attendance

Committee Members	Position	Meetings held	Meetings attended
L. Sridhar	Chairman	4	4
D.R.R. Swaroop	Member	4	4
B. Muralidhar	Member	4	4

b. Investor Relation & Shareholders' Committee

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:

- Review of investor complaints and their redressal to the satisfaction of the shareholder.
- Review of the corporate actions viz., dividend payment, rights issue, split, bonus issue etc.
- Monitoring of the work done by the Company's Registrar and Share Transfer Agents.

The Committee consists of two independent directors and a whole time director. The committee meets as and when required.

Investor Relation & Shareholders' Committee attendance

Committee Members	Position	Meetings held	Meetings attended
K. R. Chari	Chairman	4	4
D. R. R. Swaroop	Member	4	4
L. Sridhar	Member	4	3

Company Secretary is the Compliance officer of the Company who attends and redresses all the investor related complaints and queries from time to time on behalf of the company.

3. ESOP Administration Committee

The object of the 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. Brief scope and constitution of the committee are as under:

1. DRR Swaroop – Chairman
2. Y Ramesh Reddy – Member
3. Jagdish Negi – Member

Brief objects of the Committee are as under:

- To determine the eligibility criteria and vesting schedule, fix grant date, exercise price, number of options, and other terms and conditions, as per applicable ESOP scheme.
- To issue ESOP grant letters after the same are approved by the Board.
- To review the exercise notices submitted to the committee for its consideration and approve transfer of shares arising out of exercise of stock options granted to employees from CTEL ESOP trust.
- To approve share transfers, issue split share certificates and consolidated certificates in respect of ESOPs, as and when the event arises.

ESOP Administration Committee attendance

Committee Members	Position	Meetings held	Meetings attended
D. R. R. Swaroop	Chairman	5	5
Y. Ramesh Reddy	Member	5	5
Jagdish Negi	Member	5	2

4. Code of Conduct

In compliance with Clause 49 of the Listing Agreement, 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, 2010.

5. Disclosures

a. Related Party Transactions:

There have been no materially significant related party transactions, monetary transactions or relationships between the Company and directors, the Management, subsidiary or relatives, except for those disclosed in the financial statements for the year ended March 31, 2010.

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

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

(Amount in ₹)

Name	Salary	Allowances / Commission	Sitting Fees	No. of Shares held	Stock Options
Bhaskar C Panigrahi	1,200,000	-	-	1,057,983	Nil
DRR Swaroop	1,200,000	-	-	176,818	Nil
B Muralidhar	-	-	80,000	288	Nil
L Sridhar	-	-	130,000	-	Nil
K R Chari	-	-	70,000	-	Nil

6. Profile of Directors

The following are the brief profiles of Directors who are liable to retire by rotation and expressed their consent to be re-appointed and of Executive Director Mr. Arjun Chopra who is to be appointed as such.

Name of Director	L. Sridhar	D.R.R. Swaroop	Arjun Chopra
Designation	Independent Director	Whole Time Director	Whole Time Director
Date of birth	13 th July, 1953	9 th April, 1959	26 th September, 1974
Educational qualification	B.Sc., FCA, FCS, Diploma in information System Audit from ICAI	B.E., JNTU	MBA, Harvard Business School
Previous employments	Sree Rayalaseema Alkalies & Allied Chemicals Ltd; Gayatri Starchkem Ltd; Divyashakthi Granites Ltd; Allwyn Ltd.	Co-founded DS Unics Infotech Private Limited, a successful IT systems integration company of more than 150 personnel.	Vox Holdings Inc.; Microsoft; Motive; IBCC.
Functional expertise	Practicing Chartered Accountant with wide experience in the fields of Finance, Accounting, and Company Secretarial matters.	He has functional expertise in investor relations, corporate laws.	He holds multiple technology patents, has worked extensively with Open Source Software for over 10 years.

Profile of other Directors:

Name of Director	Bhaskar Panigrahi	K. R. Chari	B. Muralidhar
Designation	Whole Time Director	Independent Director	Independent Director
Date of birth	6 th October, 1968	16 th August, 1949	20 th February, 1962
Educational qualification	B.Tech.,	B.E., Masters in Industrial Engineering Program	B.Com; MBA, BITS, Ranchi
Previous employments	IBM, State Street Bank, and Telco. In 1999, he co-founded e-Solutions Integrator, an e-business consulting firm that subsequently merged with Unique Computing Solutions	Energy Advisor, National Productivity Council; SRC Systems and Reengineering Consultants, ABC Consultants Pvt. Ltd; Indotronics Computers Pvt. Ltd; New Horizons Software Co.; Unique Computing Solutions Pvt. Ltd.	He is a Director on board of DS Unics Infotech Pvt. Ltd. and is responsible for the Finance & Accounts of the company. Prior to joining DS Unics, he was with Southern Agencies, and established the dealer network across the states in South India for them.
Functional expertise	Has more than 15 years of experience as a technology entrepreneur. Bhaskar has extensive experience in setting up, building, directing, and formulating corporate strategy for various successful organizations.	Currently he is a professor in Operations Management in Birla Institute of Management Technology. He has expertise in value engineering, energy and environmental issues and related technologies	He has played a key role in setting up and scaling extensive IT hardware sales, services and has all round exposure to Software deployment, maintenance and support services for customers in India.

Additional Shareholders' Information
Contact Information
1. Representing Officers:

- i. Chief Financial Officer
Y. Ramesh Reddy
- 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:

M/s Aarthi Consultants Private Ltd
 1-2-285, Domalguda
 Hyderabad – 500 029
 T +91-40-27638111
 F +91-40-27632184
info@aarthicconsultants.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, 2010

S.No.	Name	No. of shares held	% of paid up capital
Promoters			
1	Bhaskar C Panigrahi	1,057,983	6.69
2	CellExchange Inc.,	1,317,187	8.32
3	Internet Business Capital Corporation	7,369,349	46.57
SUB-TOTAL		9,744,519	61.58
Others			
4	Ramesh Reddy Yerradoddi (Trustee-ESOP Trust)	662,064	4.18
5	Girish Rajeshwar Chaitanya	320,690	2.03
6	MTL Share and Stock Broker Ltd	235,598	1.49
7	Master Capital Services Ltd	232,210	1.47
8	DRR Swaroop	176,818	1.12
SUB-TOTAL		1,627,380	10.28
GRAND TOTAL		11,371,899	71.86

7. Stock Data

The 52 week high and low prices recorded in BSE and NSE during the financial year 2009 - 10 is as under:

Stock Exchange	BSE	NSE
High	Rs. 35.75 (7 th September, 2009)	Rs. 35.50 (7 th September, 2009)
Low	Rs. 14.01 (1 st April, 2009)	Rs. 13.60 (8 th April, 2009)

8. Distribution of Shareholding as on 31st March, 2010.

Range (no. of shares)	No. of Shareholders	% of Shareholders	No. of shares held	% of Shareholding
1-500	6,995	86	1,056,686	6.68
5,01-1,000	545	7	456,225	2.88
1,001-2,000	255	3	385,472	2.44
20,01-3,000	95	1	249,024	1.57
3,001-4,000	52	1	185,918	1.17
4,001-5,000	50	1	239,878	1.52
5,001-10,000	61	1	433,535	2.74
10,001 and above	58	1	12,817,677	81.00
TOTAL	8,111	100.00	15,824,415	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 – Aarhi Consultants Private Ltd, Hyderabad who were appointed by the company.

Total number Demat and physical shares is as below:

S.No.	Mode	No. of shares	% of total paid up
1	Demat (NSDL)	11,192,080	70.73
2	Demat (CDSL)	4,358,169	27.54
3	Physical	274,166	1.73
	TOTAL	15,824,415	100.00

10. Secretarial Audit

For the year ended 31st March, 2010, a qualified practising 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 dividends that are unclaimed and due to be transferred to the Investor Education and Protection Fund administered by the Central Government. We furnish below a table providing the date(s) of declaration and corresponding date when the unclaimed dividend is due to be transferred to the Central Government pursuant to Section 205C of the Companies Act, 1956.

Financial year	Date of Declaration of dividend	Last date for claiming unpaid dividend	Total Unclaimed amount as on 31 st March, 2010	Due date for transfer to Education and Protection Fund.
2007-2008	23 rd October, 2008	22 nd October, 2015	Rs.84,171/-	21 st November, 2015.

Members are requested to correspond with the Registrar and Share Transfer Agent M/s Aarhi Consultants Pvt Ltd, Hyderabad for en-cashing the unclaimed dividend if any, standing to their credit. No claims shall lie against the said Fund or 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
2008-2009	30 th September, 2009	At KLN Prasad Auditorium, Federation House, 11-6-841, Red Hills, Hyderabad – 500 004.
2007-2008	23 rd October, 2008	At KLN Prasad Auditorium, Federation House, 11-6-841, Red Hills, Hyderabad – 500 004.
2006-2007	29 th September, 2007	At Hotel Aditya Park Inn, Senate 1&2, Aditya Trade Centre, Ameerpet, Hyderabad – 500038.

b. Special Resolution passed last year through postal ballot: **Yes.**

Date of Resolution	Subject matter of Special Resolution	Voted in favour of resolution %
12 th November, 2009	Special Resolution pursuant to Section 81(1A) of the Companies Act, 1956 for Preferential Allotment of 27,81,599 Convertible Equity Warrants to M/s Verve Developers Private Ltd on preferential basis.	99.96

13. Means of Communication

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

- 1st Quarter - 6th week from end of June, 2010
- 2nd Quarter - 6th week from end of September, 2010
- 3rd Quarter - 6th week from end of December, 2010
- 4th Quarter - 6th week from end of March, 2011

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

14. Software Development Locations

a. India

- i. Plot No. 18, 11th Floor, Block-D, iLabs Center, Software Units_Layout, Madhapur, Hyderabad – 500 081
- ii. No.70 GR Plaza, J P Nagar 6th Phase, Kanakpura Main Road, Bangalore – 560 078
- iii. #2, 'Vasudha', 15th Cross, 38th Main J.P.Nagar, 6th Phase, Bangalore – 560 078
- iv. #22 , 1st Main Road, Electronic city 1st Phase, (Opp. Fanuc India), Bangalore – 560 100
- v. # Y-213, "SAI SIVAM", 'Y' Block, 2nd Avenue, Anna Nagar, Chennai – 600 040
- vi. #Plot No 75, Road No 14, Opp Seepz Material Gate, Andheri East, MIDC, Mumbai – 400 093

b. USA

- i. 1 Main Street, Suite 530, Cambridge, Massachusetts 02142
- ii. 120 SE 6th Avenue, Suite 230, Topeka, Kansas 66603



CAMBRIDGE TECHNOLOGY ENTERPRISES

CAMBRIDGE TECHNOLOGY ENTERPRISES LIMITED

Regd. Office: Plot No.18, 11th Floor, Block-D, iLabs Center, Software Units Layout, Madhapur, Hyderabad - 500081.

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 30th September, 2010.

I hereby record my presence at 11th Annual General Meeting of the Company held at Swagath-De-Royal, , #2-36, Kothaguda, 'X' Roads, Kondapur, Hyderabad – 500081, at **3.00 p.m.** on **Thursday, the 30th September, 2010.**

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

Name of the Proxy (In Block Capitals) _____

Folio No./Clien 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.



CAMBRIDGE TECHNOLOGY ENTERPRISES

CAMBRIDGE TECHNOLOGY ENTERPRISES LIMITED

Regd. Office: Plot No.18, 11th Floor, Block-D, iLabs Center, Software Units Layout, Madhapur, Hyderabad - 500081.

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 11th Annual General

Meeting of the Company to be held on Thursday, the 30th day of September, 2010 and at any adjournment(s) thereof.

Signed this _____ day of _____ 2010.

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:

BOOK - POST PRINTED MATTER



If undelivered please return to :

GTE CAMBRIDGE TECHNOLOGY ENTERPRISES

Regd. Office: Plot No.18, 11th Floor,
Block-D, iLabs Center, Software Units Layout,
Madhapur, Hyderabad - 500081.