

REPORT OF THE AUDIT COMMITTEE OF CAMBRIDGE TECHNOLOGY ENTERPRISES LIMITED BEARING CIN: L72200AP1999PLC030997 ("COMPANY") RECOMMENDING THE DRAFT SCHEME OF REDUCTION OF CAPITAL BETWEEN THE CAMBRIDGE TECHNOLOGY ENTERPRISES LIMITED AND ITS SHAREHOLDERS AND CREDITORS, ISSUED CONSEQUENT TO THE MEETING OF THE AUDIT COMMITTEE OF THE COMPANY HELD ON WEDNESDAY, THE 18TH DAY OF NOVEMBER, 2015 AT 3.00 P.M. AT THE REGISTERED OFFICE OF THE COMPANY SITUATED AT UNIT NO. 04-03, LEVEL 4, BLOCK 1, CYBER PEARL, HITEC-CITY, MADHAPUR, HYDERABAD- 500081.

Members Present:

Shri Venkat Motaparthy	- Chairman
Shri B. Muralidhar	- Member
Shri Dharani Raghurama Swaroop	- Member

In Attendance:

Shri T. Sivaprasad	- CFO and Company Secretary
Shri Ashish Bhattad	- Assistant Company Secretary

1. Background

1.1 A meeting of the members of the Audit Committee of the Company was held on 18th day of November, 2015 to consider and to recommend to the Board for its consideration and approval, the proposed "**Scheme of Reduction of Capital between Cambridge Technology Enterprises Limited and its shareholders and creditors**" ("**Scheme**") providing for writing off the goodwill amounting to Rs. 9,77,14,002/- (Rupee Nine Crores Seventy Seven Lakhs Fourteen Thousand and Two only) and the accumulated losses to the extent of Rs. 12,75,01,576/- (Rupees Twelve Crores Seventy Five Lakhs One Thousand Five Hundred and Seventy Six only) against the balance lying in the Securities Premium Account of the Company and presented under the provisions of Sections 100 to 103 of the Companies Act, 1956 read with Section 52 and other applicable provisions, if any, of the Companies Act, 2013, Article 20 of the Articles of Association of the Company, relevant rules of the Companies (Court) Rules, 1959, SEBI Circulars dated 04th February and 21st May, 2013.

1.2 This report of the Audit Committee is made in order to comply with the requirements of Circulars issued by the Securities Exchange Board of India ("**SEBI**") vide its Circular No. CIR/CFD/DIU5/2013 dated 4th February, 2013, read with Circular No. CIR/CFD/DIU8/2013 dated 21st May, 2013 ("**SEBI Circulars**").

1.3 The Draft Scheme duly initialed by the Company Secretary of the Company for the purpose of identification; was placed before the members of the Audit Committee.

Registered & Corporate Office:

Cambridge Technology Enterprises Ltd.

Unit No 04 - 03, Level 4, Block 1
Cyber Pearl, Hitec City, Madhapur
Hyderabad - 500 081, Telangana, India
Tel: +91-40-4023 4400
Fax: +91-40-4023 4600

Bangalore

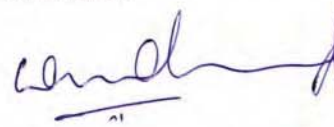
Sagar Complex, 2nd Floor, No 6/1
Banerghatta Main Road
Bangalore - 560 029, Karnataka
Tel: +91-80-4299 5777/2552 1044
Fax: +91-80-40995779

Mumbai

Level 4, A-Wing, Dynasty Business Park
Andheri-Kurla Road Andheri (E)
Mumbai - 400 059, Maharashtra
Tel: +91-22-6786 7410
Fax: +91-22-6786 9199

Chennai

No 136, 3rd Floor, Shyamala Tower
Arcot Road Saligramam
Chennai - 600 093, Tamil Nadu
Tel: +91-44-6686 4469/4470




2. Proposed Scheme

2.1 The members of the Audit Committee noted the rationale and the benefits of the Scheme which are as follows:

a) **Rationale:**

- i. The Company has incurred business losses in the past few years and the accumulated losses as on 31.03.2015, amounts to Rs. 15,06,44,130/- (Rupees Fifteen Crores Six Lakhs Forty Four Thousand One Hundred and Thirty only).
- ii. The Company also has an amount of Rs. 22,52,15,578/- (Rupees Twenty Two Crores Fifty Two Lakhs Fifteen Thousand Five Hundred and Seventy Eight only) lying in the Securities Premium Account of the Company as on 31.03.2015.
- iii. The Company also has in its balance sheet Goodwill of Rs. 9,77,14,002/- (Rupee Nine Crores Seventy Seven Lakhs Fourteen Thousand and Two only) which was created consequent to the amalgamation of Cambridge Technology India Private Limited (a Wholly Owned Subsidiary Company) into the Company pursuant to the Order passed by the Hon'ble High Court of Karnataka at Bangalore, dated 07.08.2014, under a scheme of Amalgamation in terms of the provisions of section 391 to 394 of the Companies Act, 1956.
- iv. In order to present a true and factual financial position of the Company, it would be prudent to utilize the balance lying in the Securities Premium Account of the Company to write off the entire Goodwill and the balance against the accumulated losses of the Company which is the most practical and economically efficient option available to the Company in the present scenario.

b) **Benefits:**

- i. The reduction of capital will result in reflecting the actual Net Worth of the Company.
- ii. The Company's financial position will become more accurate after the capital reduction.
- iii. The proposed capital reduction will enable the company to use the amount which is lying unutilized in the securities premium account of the company in an effective manner for the benefit of the company.

2.2 The Audit Committee also took note of the following documents:

- a) **Undertaking** with regard to non - applicability of the para 5.16 of the SEBI Circular No. CIR/CFD/DIL/5/2013 dated 04th February, 2013 and as replaced with para 5.16 (a) of the SEBI Circular No. CIR/CFD/DIL/8/2013, dated 21st May, 2013, certified by the Statutory Auditors of the Company.




- b) **Certificate** issued by the Statutory Auditors of the Company pursuant to para 4.2 of SEBI Circular No. CIR/CFD/DIL/8/2013, dated 21st May, 2013, stating that the valuation report from an independent chartered accountant need not be required since there is no change in the shareholding pattern of the Company.
- c) **Certificate** issued by the Statutory Auditors of the Company in terms of Clause 24 (i) of the Listing Agreement, confirming the proposed accounting treatment as contemplated under clause 14 of the Scheme of Reduction of Capital between the Cambridge Technology Enterprises Limited and its shareholders and creditors.
- d) **Networth Certificate** pre and post Scheme of Reduction of Capital of Company, issued by the Statutory Auditors of the Company.

3. Recommendation of the Audit Committee

Taking into consideration the benefits of the Scheme of Reduction of Capital of the Company, the undertaking certified by the statutory auditors of the Company and other Certificates issued by the Statutory Auditors of the Company, the Audit Committee do hereby recommends the draft Scheme to the Board of Directors of the Company for its consideration and approval.

**BY THE ORDER OF THE AUDIT COMMITTEE
FOR CAMBRIDGE TECHNOLOGY ENTERPRISES LIMITED**



**DHARANI RAGHURAMA SWAROOP
WHOLE-TIME DIRECTOR
(DIN: 00453250)**

**Place: Hyderabad
Date: 18.11.2015**