

annual
report 2009

Against All Odds



Cambridge Technology Enterprises Ltd.

Against All Odds

Subprime Crisis in the US ... Credit Crisis... Global Meltdown...

Market Crashes, Tight Credit Access, Low Stock Evaluations,

Loss of Trust, weaker growth, volatile Rupee against Dollar...

We have seen it all during these challenging times.

But...We are not out...

Fighting against all odds

We rise up from the crisis stronger than before...

Index

Sl.No.	Contents	Page No.
1	Chairman's Message	4
2	CTE's Vision	5
3	Directors' Report	6
4	Management Discussion & Analysis Report	14
5	Corporate Governance Report	27
6	Auditors' Report - Standalone	43
7	Balance Sheet - Standalone	46
8	Profit & Loss Account - Standalone	47
9	Cash Flow Statement - Standalone	48
10	Schedules to Accounts - Standalone	50
11	Balance sheet abstract - Standalone	67
12	Information on the financials of subsidiaries	68
13	Statement under section 212(1)(e)	69
14	Auditor's Report - Consolidated	71
15	Balance Sheet - Consolidated	72
16	Profit & Loss Account - Consolidated	73
17	Cash Flow Statement - Consolidated	74
18	Schedules to Accounts - Consolidated	76
19	Balance sheet abstract - Consolidated	92

Board of Directors

Mr. Bhaskar C Panigrahi	–	Chairman & CEO
Mr. D.R.R. Swaroop	–	Wholetime Director
Mr. Tejesh Kumar Kodali	–	Wholetime Director (appointed w.e.f. 29/4/2009)
Mr. L. Sridhar	–	Director
Mr. B. Muralidhar	–	Director
Mr. K. R. Chari	–	Director

Committees of the Board**Audit Committee**

Mr. L. Sridhar	–	Chairman
Mr. B. Muralidhar	–	Member
Mr. D.R.R. Swaroop	–	Member

Investor Relations & Shareholders' Committee

Mr. K.R. Chari	–	Chairman
Mr. L. Sridhar	–	Member
Mr. D.R.R. Swaroop	–	Member

ESOP Administration Committee

Mr. D.R.R. Swaroop	–	Chairman
Mr. Y. Ramesh Reddy	–	Member
Mr. Jagdish Singh Negi	–	Member

Compliance Officer

Mr. T.N. Kannan	–	Company Secretary
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Statutory Auditors

M/s P. Murali & Company
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500082.

Internal Auditors

M/s Narven Associates
Chartered Accountants
302 & 303, Lingapur House, Himayatnagar
Hyderabad 500029.

Registrar & Share Transfer Agents

M/s Aarthi Consultants Private Limited
1-2-285, Domalguda, Hyderabad 500029.

Bankers

Axis Bank Limited
6-3-879/B, Greenlands, Begumpet Main Road
Hyderabad 500016.

Registered Office

Plot No.1244, Road No.36
Jubilee Hills, Hyderabad 500033.

Management



Bhaskar Panigrahi – Chairman & Chief Executive Officer

Bhaskar has rich experience of more than 17 years as a technology entrepreneur. He is a confident and an innovative leader, with a passion to build a brand of CTE to be the Single Stop General Contractor for IT services for midsize enterprises. Bhaskar has an extensive experience in setting up, building, formulating corporate strategy and direction for various successful organizations. Recently, Bhaskar led a successful IPO of Cambridge Technology Enterprises on both Bombay and National Stock Exchange in India. Under his leadership, Cambridge Technology has grown at 100% CAGR during last three years. Prior to Cambridge Technology Enterprises, Bhaskar served as CEO of CellExchange, an enterprise systems developer to Government enterprises. Before that he served as the CEO of Unique Computing Solutions, an Internet technology and services firm. He also co-founded e-Solutions Integrator in 1999, an e-business consulting firm, which subsequently merged with Unique Computing Solutions. Bhaskar promoted two other technology companies, Mascot Networks (product and solutions provider in education space) and Trading Research Design (financial risk management solution provider). He started his career as a technologist at IBM, State Street Bank and TELCO as the chief architect of some of the Web's earliest products. Bhaskar holds a BS in Computer Science from National Institute of Technology, Suratkal, India. Bhaskar firmly believes that the most valuable assets for a company is the deep relationship with the customer coupled with excellent execution and superior talent. He spends time as much as possible to coach and mentor his management team and making his employees to embrace that working at CTE is more than just developing revolutionary solutions and applications for clients or innovating with the latest technologies. Besides his entrepreneurial interests, he enjoys golf, keenly follows cricket and loves social networking.



Ravi Joseph – President, North America Operations

Ravi Joseph heads the North America Business Unit at CTE. Ravi has significant international experience in growing organizations, participating in every aspect of business – strategy, sales & marketing and delivery, and putting in place infrastructure, systems and processes to scale global IT & BPO services businesses. He has worked with over 60 Global 2000 companies in North America, Europe, Japan, Australia, Singapore and the Middle East, and has over 18 years of client facing and India delivery experience in structuring and managing large global outsourcing deals.

Ravi was a key member of several successful global IT & BPO services firms. Most recently, he was Senior Vice President at Cambridge Solutions (BSE/NSE listed), where he headed the Manufacturing and Logistics IT Outsourcing business unit. Before this, he was President – CIBER India, a joint-venture between CIBER (NYSE listed) and iGATE (NASDAQ listed). At iGATE, he held various executive positions including Senior Vice President, heading iGATE's North America Outsourcing business unit. Over a 10 year period at iGATE he played a pivotal role in scaling iGATE's outsourcing operation from less than \$1M to over \$125M. Before joining iGATE, Ravi was with Cognizant Technology Solutions (NASDAQ listed). Prior to starting his career in the global IT & BPO services industry, Ravi was associated for over 5 years with C-DAC (Center for Development of Advanced Computing), Pune, and IIT, Chennai, doing R&D in the area of modeling and simulation of dataflow-based machine vision systems. He has a graduate engineering degree from MIT, Chennai.



Ramesh Reddy – Chief Financial Officer

Ramesh heads the Finance function at CTE. Prior to joining CTE, he was with Virinchi Consultants, a Hyderabad based start up in e-Business and Web-based analytical solutions. He was SBU head for Malaysia operations with full accountability for all project deliverables through multiple project teams onsite and offshore. In the start-up phase of Virinchi, he played a key role as the Head of the Product Development and Chief Functional Architect, where he defined Virinchi's product scope for B2B Exchanges, and managed the entire development and release of its exchange product suite. Ramesh Reddy is a Chemical Engineer from IIT, Chennai, and holds a Management

Degree in Finance & Marketing from XLRI, Jamshedpur.

**Jagdish Negi – Head of India Operations**

Jagdish Negi is responsible for leading CTE's India Operations and managing all project delivery out of and Hyderabad & Bangalore development centers. He has over 17 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 of 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.

**Girish Chaitanya – Country Manager, India**

Girish is the Country Manager at CTE and is responsible for the Indian Sales.

He has more than a decade of experience in the Indian Market. He was the co-founder of Q-Soft Systems and Solutions Pvt Ltd, (currently known as 'Cambridge Technology India Pvt. Ltd.,') now a 100% subsidiary of CTE. Q-Soft is a Certified Partner for Oracle and is well known for Oracle Services. In the role of Business Development Director at Q-Soft, Girish was responsible for setting up Q-Soft operation in Mumbai and Chennai. Girish holds a graduate Engineering degree from University of Mysore.



Chairman's Message

Dear Shareholders,

We have never seen such tumultuous economic times. While it all began with the sub-prime crisis in the US about two years ago, in the last year or so, the world has faced the most serious of the economic problems in half a century. Some of the events that unfolded, with the biggest of the companies going bankrupt, have left a deep impact on economies, nations and companies alike. Tightening of credit markets, unfavorable US policy on outsourcing and volatile Rupee Vs. dollar added to the woes. The going got tough and CTE got going, fighting against all odds.

The consolidated revenues for the fiscal FY 2008-2009 were Rs. 178.32 Crores compared to Rs. 90.27 Crores of revenues for the fiscal 2007-2008 with the growth translating over 97% year on year on annualized basis. Unfortunately, our profits could not match the revenue growth, and posted a reduction in profit of 63% year on year on annualized basis. Our profit margins were affected mainly due to decline in our Government division's business, essentially due to delay in renewal of the contracts, new ERP projects failing to kick-off, the speed with which the economy tumbled and our inability to align costs to revenues to improve the overall profitability at the same speed. We have now aligned costs to revenues and are optimistic that the contracts would get renewed as per the policies of the new government in the US but there would be impact on the combined companies' revenue for next couple of quarters till this happens.

I'm happy to share with you that we figured at 169 in the DataQuest 'Top 200' list for the technology companies in India in their 2009 survey improving our position of 182 from last year. We were also placed fifth among the fastest growing companies in India by DataQuest. We were ranked 11th in the Technology Fast 50 for India 2008 program and ranked 101 in the Technology Fast 500 for Asia Pacific by Deloitte.

During the last few years we were busy harnessing growth and building strategies to sustain that growth. We are now carefully reviewing all the growth plans – both organic and inorganic to add additional layers of due-diligence to evaluate the potential risks to our current and future business and proceeding cautiously on the growth plan implementation. However, the global economic pressures have changed the priorities and we are focusing on customer retention strategies, cost containment and providing alternate technology solutions with an intension to save costs for our customers. I am reminded of a saying that, "Success always comes when preparation meets opportunities". During this downturn, we are preparing ourselves for the opportunities that will be open for us when the markets turnaround. We are focusing on developing alternative delivery models such as Remote Infrastructure Managed Services and new industrialized offerings which are expected to become main-stream in the coming years.

The Governments, central banks, political and business leadership around the world are working in coherence towards managing the crisis and minimizing the impact of global meltdown. The Indian economy is now definitely showing signs of recovery in various sectors though it may take sometime for other economies to be back on growth tracks. I feel that the growth in the Indian economy is based on the pillars of strong fundamentals - one of the largest populations with a large work force, large domestic market, and increased per-capita income leading to empowerment of millions of individuals. For IT sector to be back to near pre-crisis growth trajectory, it is pertinent that the world economy shows signs of recovery. We look forward to FY 2010/2011 with cautious optimism and hope to bring back the growth trajectory to earlier levels.

I acknowledge the role of our investors, bankers, customers and government in making this journey a success. I salute each and every one of you.

With all your continued support and trust, Cambridge Technology Enterprises Limited (CTE) should achieve higher levels of excellence creating value for all stakeholders.

Bhaskar C. Panigrahi

Vision

"To be the
single-stop-shop
for
all IT services
for
midsize enterprises."

Mission

"To create a distinct
business advantage
for midsize enterprises
through differential thinking,
out of box innovation and
100% value delivery."

Directors' Report

Dear Shareholders,

Your Directors are pleased to present the 10th Annual Report for the year ended March 31st 2009. The financial highlights are given below:

FINANCIAL HIGHLIGHTS

The below table gives the financial highlights of the Company in the financial year 2008-09 as compared to previous financial year on Indian GAAP standalone basis. Your Company's Turnover has increased by 76% as compared to the previous year.

Financial highlights for the year ended March 31st 2009 are given hereunder:

		Rs. In lakhs	
Sl.No.	Particulars	2009	2008
1	Income	4807.69	2755.20
2	Gross Profit	1116.38	1016.30
3	Depreciation	458.94	110.94
4	Interest	167.49	39.80
5	Profit before tax	489.95	865.56
6	Tax Expense	29.38	87.49
7	Net profit for the year	460.57	778.07
8	Add: Profit brought forward from previous year	1187.66	603.38
9	Less: Appropriation towards dividend declared @ Re.1/- per share last year including dividend tax	—	185.13
10	Add: Undeclared dividend & dividend tax adjustment consequent to reduction in the rate of dividend to 0.50 Ps. per share**	149.74	—
11	Less: Adjustment for Retirement Benefits	—	8.66
12	Balance carried to Balance Sheet	1797.97	1187.66

*** During the previous year 2007-08, the Board of Directors of your Company had recommended a dividend of Re.1/- per share. However, with the consent of the shareholders in the Annual General Meeting held on 23rd October 2008, your Company had reduced the rate of dividend from Re.1/- per share to 0.50 Ps. per share in view of the tight liquidity position. Moreover, none of the Promoters of the Company had participated in the dividend declared and hence this adjustment is being made in the current year financials of the Company.*

DIVIDEND

Keeping in view the tight liquidity position and in order to conserve available resources, your directors have not recommended any dividend for the financial year 2008-09.

EMPLOYEE STOCK OPTION SCHEME

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 31st 2009 under Cambridge Technology Enterprises Employee Stock Option Schemes 2006 and 2008 are set out in Annexure - I to the Directors' Report.

CANCELLATION OF 42,50,000 CONVERTIBLE EQUITY WARRANTS ISSUED ON PREFERENTIAL BASIS:

Your Company had issued and allotted 42,50,000 Equity warrants convertible into 42,50,000 Equity shares of Rs. 10/- each on preferential basis to two overseas foreign entities v.i.z. Rosebury Investments Pte. Ltd. and Prime Genius Investments Pte. Ltd. at a price of Rs. 55/- per share for cash consideration at the Board Meeting of the Company held on 17th December 2007. As per the terms of issue of warrants, the aforesaid 42,50,000 warrants were to be converted into equal number of equity shares on or before 18 months from the date of allotment of warrants i.e. on or before 16th June 2009. Your Company had received the upfront 10% application money as per the preferential issue guidelines and the balance 90% of the application money was payable by them on or before 16th June 2009 to exercise their right to convert the warrants into equity shares.

However, in view of the prevailing tight liquidity position, the aforesaid Companies were unable to pay the balance 90% of the application money and therefore, your Company had to cancel the allotment of warrants and forfeit the 10% upfront application money received from them.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION TO SHAREHOLDERS

A detailed report on the Corporate Governance system and practices of the Company are given in a separate

section in this annual report. Detailed information for the shareholders is given in additional shareholders' information section.

MANAGEMENT DISCUSSION AND ANALYSIS

A detailed Management Discussion and Analysis is provided in the annual report.

SUBSIDIARY COMPANIES

Your Company has three direct wholly owned subsidiary Companies and three step-down Subsidiary Companies as on 31st March 2009. The members may refer to the statement under Section 212 of the Companies Act, 1956 and information on the financials of subsidiaries appended to the above statement under Section 212 of the Companies Act, 1956 in this Annual Report for further information on these subsidiaries.

The Ministry of Corporate Affairs vide its letter No. 47/353/2009-CL-III dated 14th May 2009 granted approval under Section 212 (8) of the Companies Act, 1956 to the Company for not attaching the standalone financials of subsidiary Companies to the financials of your Company for the financial year 2008-09.

The members, if they desire, may write to the Company Secretary at Cambridge Technology Enterprises Limited, Plot No.1244, Road No.36, Jubilee Hills, Hyderabad 500033 to obtain a copy of the standalone financials of the Subsidiary Companies.

DIRECTORS' 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 if any;
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 2008-09 and of profit of the Company for the period 2008-09;

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 has 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. B. Muralidhar and Mr. D.R.R. Swaroop, Directors retire by rotation at the ensuing Annual General Meeting scheduled on 30th September 2009 and being eligible, offer themselves for re-appointment. The brief profile of Mr. B. Muralidhar and Mr. D.R.R. Swaroop is given in the Corporate Governance section for the reference of members.

Your Company had appointed Mr. L. Sridhar and Mr. K.R. Chari as members of the Board in the capacity of Independent Directors and Mr. Tejesh Kumar Kodali as member of the Board in the capacity of Wholetime Director. The said Directors have been inducted as "Additional Directors" pursuant to the provisions of Section 260 of the Companies Act, 1956 to hold office till the conclusion of this Annual General Meeting. Mr. L. Sridhar, Mr. K.R. Chari and Mr. Tejesh Kumar Kodali are proposed to be appointed as Directors in the Annual General Meeting scheduled to take place on 30th September 2009 and notice under Section 257 of the Companies Act 1956 has been received from a member proposing their appointments. The brief profiles of Mr. L. Sridhar, Mr. K.R. Chari and Mr. Tejesh Kumar Kodali are given in the Corporate Governance section for the reference of members.

Mr. Krishna P. Nangegadda, Wholetime Director had resigned from the Board w.e.f. 13th February 2009 and Mr. Tejesh Kumar Kodali has been appointed as

Wholetime Director in his place. Mr. Kamlesh Gandhi, Independent Director had resigned from the Board w.e.f. 25th September 2008 and Mr. H.K. Katti, Independent Director had resigned from the Board w.e.f. 5th January 2009. Mr. L. Sridhar and Mr. K.R. Chari were appointed in the capacity of Independent Directors in the place of Mr. Kamlesh Gandhi and Mr. H.K. Katti.

The brief profiles of Mr. Tejesh Kumar Kodali, Mr. L. Sridhar and Mr. K.R. Chari are given in the Corporate Governance section for the reference of members.

The Board placed on record its appreciation for the services rendered by Mr. Krishna P. Nangegadda, Mr. Kamlesh Gandhi and Mr. H.K. Katti during their tenure in the capacity of Directors.

AUDITORS

The Statutory Auditors of the Company M/s P. Murali & Co., Chartered Accountants retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office of Statutory Auditors, if re-appointed. The Audit Committee and the Board of Directors recommend the appointment of M/s P. Murali & Co., as the Statutory Auditors of the Company for the financial year 2009-10 for 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 as amended, the names and other particulars of employees are set out in Annexure - 2 to the Directors' Report.

TERMINATION OF PROPOSED ACQUISITION OF M/S PROTÉGÉ SOFTWARE SERVICES INC., USA.

Your Company had signed a Stock Purchase Agreement on 5th September 2008 towards acquisition of M/s Protégé Software Services Inc., USA for a total purchase consideration of USD 11 Million, payable partly by cash and issue of 8,00,000 shares on preferential basis to the shareholders of M/s Protégé Software Services Inc., USA. In this regard, shareholders approval was obtained in the Annual General Meeting of the Company held on 23rd October 2008.

However, due to prevailing adverse market conditions, the said agreement was terminated with the mutual consent of both the parties and approved by the Board of Directors in their meeting held on 20th January 2009. Consequently, the proposed preferential allotment of 8,00,000 equity shares on preferential basis was also withdrawn.

AWARDS, RATINGS AND RECOGNITIONS

1. Your Company was awarded highest rating in SME sector by CRISIL, which is India's leading Ratings, Research, Risk and Policy Advisory agency. Your Company has secured SME1 rank, which indicates the highest level of creditworthiness, adjudged in relation to other SMEs. This CRISIL SME rating is provided as a one-time assessment and rating is valid till September 2009.
2. Your Company was ranked 11th in the Deloitte's Technology Fast 50 Program for India 2008, which is a listing of the 50 fastest growing technology companies in India by Deloitte Touché , one of the nation's leading professional services firms. Your Company's growth in revenues of 513.15% from FY 2006 to FY 2008 resulted in a ranking of 11th in the Fast 50 for India and 101 in the Deloitte Technology Fast 500 Asia Pacific Program 2008, which ranks Asia Pacific's top 500 fastest growing technology companies consisting of Australia, China (includes Hong Kong), India, Indonesia, Japan, Korea, Malaysia, New Zealand, Singapore, Thailand and Taiwan.
3. Your Company has been ranked at 169 in the Data Quest Top 200 Technology companies in India and was ranked 5th in the 'Growth Club' of the Top 200

companies, by Data Quest in its latest IT industry survey (Source: Data Quest Magazine dated 15th July 2009 issue). Your Company improved its position from 182nd in the last year's survey to 169th in the present year.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO.

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are set out in Annexure - 3 to the Directors' Report.

ACKNOWLEDGEMENT

Your Directors place on record their sincere appreciation for significant contribution made by the employees through their dedication, hard work and commitment and the trust reposed on us by our clients.

We 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/-
B. Muralidhar
Director

Place : Hyderabad

Date : 28-08-2009

ANNEXURE TO THE DIRECTORS' 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, 2009 under CTET Employee Stock Option Scheme 2006 and CTET Employee Stock Option Scheme 2008 are as under:

A. Summary of status of ESOPs granted:

Sl. No.	Particulars	CTET Employee Stock Option Scheme - 2006	CTET Employee Stock Option Scheme - 2008
1	Details of the meeting approving the Stock Options	Annual General Meeting held on 21.04.2006	Resolution approved through Postal Ballot result declared on 5th March 2008 and partial modification of the said resolution in the AGM held on 23rd October 2008.
2	Approved options	15,00,000	15,00,000
3	The pricing formula	The options are exercisable at a price of Rs.20/- per share (i.e. face value of Rs.10/- plus premium of Rs.10/- per share).	The options are exercisable at a price as decided by the Board / Sub-committee which is equal to either: 1. The latest available closing market price at the Stock Exchange on the date prior to the date on which the Board / Sub committee finalizes the specific number of options to be granted to the employees OR 2. At an exercise price equal to 25% discount to the latest available closing market price at the Stock Exchange on the date prior to the date on which the Board / Sub committee finalizes the specific number of options to be granted to the employees
4	Options Granted	677,582	1,500,000
5	Options vested	385,666	617,430
6	Options exercised	9258	Nil
7	Options forfeited / surrendered	123,854	84,940
8	Options lapsed	Nil	Nil
9	Total number of options in force	544,470	1,415,060
10	Variation in terms of ESOP	Not Applicable	Not Applicable
11	Total number of shares arising as a result of exercise of options	9,258	Nil
12	Money realized by exercise of options (Rs. In lakhs)	1.85	Nil

B. Employee wise details of options granted during the financial year 2008-09 to:**(i) Senior Managerial Personnel**

Name	Exercise Price (Rs.)	No. of Options
Mr. Ravi Joseph	Rs. 25.90 per share	115,000
Mr. Ramesh Reddy Yerradoddi	Rs. 33.00 per share	105,909
Mr. Dharani Raghu Rama Swaroop	Rs. 33.00 per share	86,818

(ii) Employees who were granted, during any one year, options amounting to 5% or more of option granted during the year.

Name of the Employee	No. of options granted	% to total options granted
Mr. Ravi Joseph	115,000	12.46%
Mr. Ramesh Reddy Yerradoddi	105,909	11.47%
Mr. Dharani Raghu Rama Swaroop	86,818	9.49%

(iii) Identified employees who were granted option, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.

Name of the Employee	No. of options granted	% to total Paid-up capital
Nil	Nil	Nil

C. Weighted average exercise price of options granted during the year whose:

(a)	Exercise price equals market price (Rs.)	NA
(b)	Exercise price is greater than market price (Rs.)	30.59
(c)	Exercise price is less than market price (Rs.)	25.90

Weighted average fair value of options granted during the year whose:

(a)	Exercise price equals market price (Rs.)	NA
(b)	Exercise price is greater than market price (Rs.)	14.96
(c)	Exercise price is less than market price (Rs.)	15.97

D. The stock based compensation cost calculated as per the intrinsic value method for the financial year 2008-09 is Rs. 354,552. If the stock based compensation cost was calculated as per the fair value method prescribed by SEBI, the total cost to be recognized in the financial statements for the year 2008-09 would be Rs. 19,303,456. The effect of adopting the fair value method on the net income and earnings per share is presented below:

E.

Sl.No.	Description	Details		
13	Diluted Earnings per share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with AS - 20.	Rs. 2.29		
14	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options shall be disclosed. The impact of this difference on profits and on the EPS of the company shall also be disclosed.	<p>The Company has opted for the intrinsic method for accounting of compensation cost.</p> <p>The employee compensation cost on account of ESOP in the financial year 2008-09 based on Intrinsic value method is Rs. 3,54,552. If the employee compensation cost was calculated as per the Fair value method prescribed by SEBI , the total cost to be recognized in the financial statements for the year 2008-09 would be Rs. 1,93,03,456. Consequently, the profits would have been lower by Rs. 1,89,48,904 and the Basic EPS would have been Rs. 1.71 (lower by Rs. 1.20 per share) and the Diluted EPS would have been Rs 1.55 (lower by Rs. 0.74 per share)</p>		
15	Weighted average exercise prices and weighted average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	<p>i. The weighted average exercise price of options granted during the year exceeding the market price was Rs. 30.59 and lesser than the market price was Rs. 25.90.</p> <p>ii. The weighted average fair value of options granted during the year exceeding the market price was Rs. 14.96 and lesser than the market price was Rs. 15.97.</p>		
16	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. Date(s) of Grant		2nd April 08	17th Oct 08	21st Oct 08
ii. Risk free interest rate		7.21%	7.66% - 7.86%	7.42% - 7.73%
iii. Expected life		2.50	2.5 - 4.5 years	2.5 - 4.5 years
iv. Expected volatility		72.66%	68.75%	63.77%
v. Dividend Yield		0.00%	0.00%	0.00%
The price of the underlying share in market at the time of option grant (Rs.)		32.85	28.45	25.80

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:

Name of the Employee	Age	Designation	Gross Remuneration (Amt. in Rs.)	Qualification	Yrs. of experience	Date of joining	Particulars of previous employment
Y. Ramesh Reddy	42 Yrs	CFO	40,54,498	Chemical Engineer - IIT and Management Graduate from XLRI	19 Yrs	July 1st, 2003	M/s Virinchi Technologies Ltd.
Jagdish Singh Negi	40 Yrs	Head - India Operations	30,97,061	B.E. Computer Science, REC, Allahabad	19 Yrs	June 26th, 2006	M/s Persistent Systems Ltd.
Raja Rathnam Emmadi	43 Yrs	Group Head Engineering	24,18,996	M.Tech	18 yrs	October 29th, 2007	M/s Persistent Systems Ltd.

ANNEXURE 3**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO.**

The particulars as prescribed under sub-section (1)(e) of Section 217 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. Some of the measures taken are:

- All new PC's and laptops are the latest energy efficient products from Intel which saves up to 40% power and thus reduces CO₂ emissions.
- Old PC's and other products are dispatched to the vendor for effective recycling.
- Your Company uses energy efficient lighting.
- Your Company uses automatic temperature controlled centralized air conditioners.
- Your Company follows a process to allow 12 hrs. switch off time for each PC everyday using special software.
- Your Company conducts training sessions on saving energy for employees every quarterly.
- Flexible working hours and working from home wherever feasible, are permitted thus reducing emissions from commuting to work place.

2. Technology Absorption:

Your Company trains its software engineers on a regular basis on the latest trends and technologies. Your Company has invested in offering Remote Infrastructure Managed Services (RIMS) during the year and looks forward to pursue aggressively this year. Besides, Your Company has also taken small steps towards providing server virtualization services using Open Source technologies.

3. Foreign Exchange Earnings and Outgo:

(Rs. In lakhs)

Particulars	2008-09	2007-08
Foreign Exchange Earnings	3624.74	2729.02
Foreign Exchange Outgo	2860.64	2438.51

For CAMBRIDGE TECHNOLOGY ENTERPRISES LIMITED

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

Sd/-
B. Muralidhar
Director

Place : Hyderabad
Date : 28-08-2009

Management Discussion and Analysis Report

1. Industry Overview

Cambridge Technology Enterprises Limited (CTE) is focused to become a single stop IT services provider to mid-sized customer segments driven by three major industry and technology trends in the IT space. The first trend emanates from the technology vendor consolidation where the major technology companies like Oracle, HP, IBM, and Microsoft who are investing heavily, to the tune of billions of dollars to acquire specialized or top 10 technology providers in specific technology verticals. The second trend is associated with efforts from major technology vendors and pure Open Source players to migrate their technology stack to various SOA platforms. These two major trends have forced mid-sized enterprises to deal with single services vendor as compared to multiple niche solution providers.

There are three major factors driving the market dynamics and pushing towards the Technology consolidation. The three key players in the mid market scenario are:

- The CIOs of midsize enterprises
- The major technology providers - Oracle, HP, SAP, Microsoft, IBM and pure Open Source players
- The current mid market IT service providers

During this uncertain economy, the CIOs of the mid-sized enterprises are facing challenges to lower their IT costs, improve flexibility of the IT applications to align to rapidly changing business requirements and improve their strategic visibility to meet new business challenges.

Although the North American technology market saw stronger than expected growth in the first nine months of 2008, the outlook for 2009 is not as favorable, reports technology research firm Gartner, in one of its reports. According to Gartner, all geographies have, to some degree felt the impact of a slowdown in software spending in Q4 of 2008, and will continue to do so in the FY 2009. In their forecast update for 2009, Gartner has estimated that the global IT spending this year would be down to -3.8% annual growth in U.S. dollar terms. However, Gartner predicts that the Indian IT services market is the fastest-growing in the Asia Pacific region and forecast to grow at a five year CAGR of 16.4% through 2013

in local currency. With the conclusion of recent political elections and a more-stable political environment to be expected, investment prospects in India in the next one to two years appear to have improved. This improved investment climate may help re-ignite interest in IT projects and government initiatives, some of which could have been delayed recently due to the global slowdown. With an increasingly open economy, supported by an ample supply of skilled IT labor, Indian BPO is forecast to grow rapidly in the next five years due to its compelling cost-value proposition, which allows businesses to selectively outsource noncore, IT enabled business processes and focus on its core business.

Gartner has forecast that global Enterprise Software spending will grow by 0.3% in 2009, down from their prior forecast of 6.6% growth. Their total Enterprise Software revenue worldwide forecast for 2009 is \$222.6 billion, reflecting a flat 0.3% annual growth rate (AGR) from the \$221.9 billion of 2008. This new forecast has been revised down to 6.3 percentage points from their previous forecast for 2009 as projections for global economies continue to worsen.

Gartner has forecast global IT services spending to decline by 1.7% in 2009, down from 0.9% growth previously. They estimate that IT services spending will decline by 1.7% in U.S. dollar terms in 2009, down from positive 0.9% growth in the previous forecast, though representing 2.1% positive growth in constant currency.

Source: "Gartner Dataquest Market Databook, March 2009 Update"

	2008	2009	2010
Software			
Spending (USD in Billion)	221.9	222.6	233.6
Annual Growth	10.3%	0.3%	5.0%
IT Services			
Spending (USD in Billion)	809.5	796.1	826.5
Annual Growth	7.6%	-1.7%	3.8%

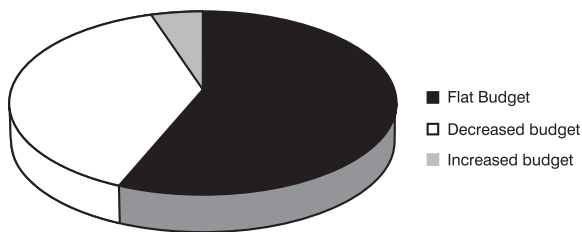
Mid market IT spending

It is expected that 2009 will be a challenging year globally for end users and IT providers. Most midsize businesses are altering IT investment plans based on their specific established and planned IT projects. Midsize businesses are prioritizing IT projects that provide the highest cost savings first. Initiatives that

improve business performance and support customer related business processes are getting a higher priority than general IT projects. IT projects that are capital intensive are being postponed until a recovery is apparent.

Many midsize businesses in North America were preparing to revise IT budgets downward to account for current economic conditions that began to unfold during the 2009 budget planning cycle (Source: "Dataquest Insight: North American Midsize Businesses Cautious About IT Spending for 2009" from Gartner). In January 2009, it was revealed that there were very specific drivers and business benefits required to justify spending for IT solutions in the first quarter of 2009. In another recent worldwide survey of approximately 500 mid market CIOs by Gartner Executive Programs conducted from 1st March to 30th April 2009, 56% of the respondents reported flat budgets, 39% reported a decrease in their IT budget, and only 5% reported an increase in their IT budget since the start of 2009.

IT budget pattern for mid market businesses 2009



According to the responses from an on-site survey by 75 mid market companies of Gartner during May 2009, 48% of midsize businesses cited flat IT budgets when compared with the beginning of 2009, and 41% of the respondents cited downward pressure in their IT budgets. Simply put, IT budget is revised periodically according to the market dynamics. According to Gartner, the majority of midsize businesses are expected to return to IT budget growth by 2010.

The weak economy has placed the focus on cost cutting. IT is being asked to focus first on initiatives that help control and/or reduce costs immediately.

Within IT, many companies are taking actions such as deferring hardware and software upgrades and reducing support and maintenance expenses.

However, business process management services will lead the overall IT services market in India and world wide which would help improve processes and reduce operating cost.

2. Market Environment and Economic Impact

The global economic downturn has created profound uncertainty. Gartner observes that many companies are positioning themselves to be competitive when the economy rebounds. Hence, many companies are today outsourcing, or looking at outsourcing, as a tool to help them weather the current economic downturn. The ITO market is at a critical juncture when service providers face the following challenges:

- Softening market demand and buyer requirements for cost takeout - "more for less, or less for less"
- The challenge to retain (or improve) profit levels
- Hyper competition in the market
- Market consolidation and the creation of "new" competitors
- Cautious buyers, many unwilling to undertake large ITO deals
- Changing technologies and the emergence of alternative delivery models and cloud Computing

a. Increased outsourcing trends

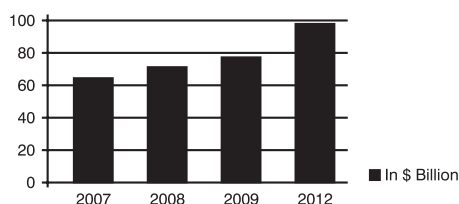
Organizations are under extreme pressure to cut IT costs. Outsourcing can help organizations to work through financial and competitive challenges. For most buyers, a concerted and deliberate focus will be put on cost cutting or driving predictability of costs through outsourcing.

In 2008, organizations' willingness to use external providers for Application Outsourcing continued to grow worldwide. Drivers for external sourcing of application services are business and technology-related, including cost savings, ability to scale, skills shortages, lack of IT budget to hire more staff, access to better processes, past successes in application outsourcing and business mandates to outsource.

Gartner forecasts that the application outsourcing market will grow from an estimated \$70.9 billion (2008) to \$76.9 billion (2009), a 7.8% annual growth rate. Between 2007 and

2012, their forecast indicates growth from \$64 billion in 2007 to \$97.9 billion in 2012, representing a five year CAGR of 8.9%.

Application Outsourcing Forecast



Gartner has forecast that Infrastructure, Applications and Business Process Outsourcing will increase. However, they feel that in the application area, critical application modernization and portfolio rationalization may be overlooked to avoid near-term cost. In infrastructure outsourcing, pressure to standardize, virtualize and automate to gain cost-benefits and variable pricing will subtly shift the market away from highly customized environments. The current challenging economic climate makes the enterprise infrastructure a key target for outsourcing as buyers seek both cost reduction and rationalization of the IT environment. While the financial services sector is likely to go through a period of transition in the near term, government, manufacturing and, to some extent, retail remain key growth markets for infrastructure outsourcing to achieve cost reduction or to modernize platforms. Buyers will look to process management, including core business process outsourcing (BPO) and business process utility (BPU), as a remedy for short-term cost control.

b. Changing technologies and the emergence of alternative delivery models

Driven by the current economic conditions, the market excitement over new delivery models is intensifying due to the services that promise greater flexibility, speed-to-solution, lowered capital investment, and pay-for-use models. Major forces that are being evolved as global delivery and other alternative delivery models are infrastructure utility, Software as a Service (SaaS) and cloud computing. These new approaches are based more on automation,

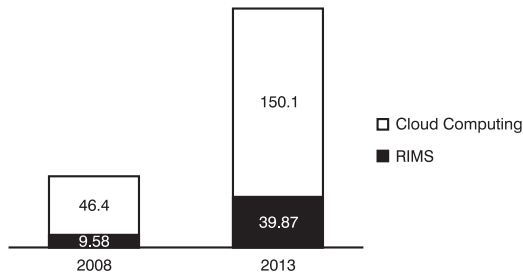
standardization and one-to-many services. Gartner expects that during the next five to seven years, a broad set of alternative IT delivery models will become conventional. Alternative delivery models show significant percentages of adoption, with solid plans for growth.

In a recent report Gartner predicts that Infrastructure utilities and remote managed services are the most likely alternative delivery models to be currently used or planned for the next 24 months. This high level of uptake occurs because these services can be performed remotely, (ideally from low-cost locations like India) in a consolidated one-to-many fashion, and enhance the quality of service delivery by pro-actively identifying and addressing outages, minimizing the impact on end-user operations while providing consistent cost advantages. Remote infrastructure services can reduce labor costs by 10% to 50%, depending on the delivery location, resulting in a 3% to 30% overall net savings.

Interest in cloud computing has exploded during the past year. It was driven, in part, by the growing maturity and robustness of its underlying technologies and service delivery capabilities, but also in recent months by the global economic slowdown. Cloud computing is based on the Internet and Web emerging as a mechanism to build and deliver very adaptive services to consumers (individuals or businesses). It also builds on and extends data center-inspired concepts such as real-time infrastructure, virtualization and high-performance parallel processing. However, cloud computing isn't just the sum of these initiatives. It's a synthesis of these trends into a new computing style with a unique set of attributes that defines how cloud services are built, delivered and consumed. Awareness of cloud computing continues to increase and support for more of its attributes opens the door to a great value proposition for consumers, and greater flexibility and potential cost reductions for providers.

The remote IT monitoring and management services market is worth \$9.58 billion and is expected to reach almost \$30 billion by the end of 2012. Gartner estimates the current market for cloud services is \$46.4 billion. By 2013, the market will reach \$150.1 billion.

Market Forecast

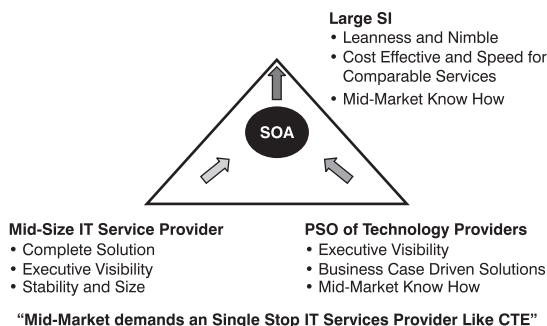


SOA Governance Technologies formed a new market segment for 2008, driven by the rising importance of this area. SOA governance technologies are an increasingly important aspect of the toolset required to successfully deploy SOA and B2B projects. Revenue in the SOA governance market in 2008 was \$301 million, up 36% from 2007. But Gartner forecasts that the economic downturn will cause delays of SOA projects in the short term. In the long term, recovery of SOA projects will be slow but predicts that SOA is here to stay.

3. Positioning of CTE vis-à-vis the Industry trends

CTE has positioned itself in a unique position of strength to be the Single Stop IT services provider for the mid market with an excellent mid market knowhow as opposed to customizing global 2000 engagements for midsize enterprises, executive visibility and access to define and manage customers' strategic IT road map, low price points to meet mid market budgets and requirements and with capability to meet end-to-end services requirements. In the market CTE faces three types of competitors - Large SIs, PSOs of Technology providers like (Oracle, IBM, SAP, Microsoft etc) and Small and midsize IT providers. CTE has acquired and developed capabilities that differentiate it from each of these competitors.

CTE's Competitive Differentiation



CTE is known for comprehensive Service Oriented Architecture (SOA)-based Enterprise Transformation and Integration Solutions and Services. Our deep expertise in software development enables us to provide high-end IT Consulting, Enterprise Solution, Software Product Development, Business Process Outsourcing and Infrastructure Management Services.

With the global meltdown and emergence of low cost delivery models and alternative delivery models, CTE has positioned itself to offer new technologies like cloud computing, remote infrastructure managed services to its customers. CTE is looking forward to pursue them aggressively in the current year. CTE has also built capabilities and is providing server virtualization services using Open Source technologies keeping up with the trends.

4. Growth Strategy - Organic + Inorganic to meet its vision

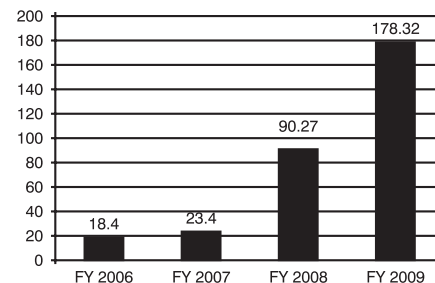
CTE has a four pronged growth strategy to meet its vision:

1. Build core platform for enabling innovation, mature global delivery and robust shared services center to optimize and enable rapid integration with partners
2. Identify and acquire companies that have excellent mid market focus with complementary services capabilities
3. Develop and implement a rapid integration framework to realize the key combination synergies over a 18 month road map
4. Invest in IP to build bolt-on blocks to rapidly implement solutions for customers

This strategy has enabled the company to grow from Rs 90.27 Cr. revenue in FY 2008 to Rs 178.32 Cr in FY 2009 with over 97% growth in revenues mainly due to realization of synergies from the earlier acquisitions.

Revenue Trend - FY 2006 to FY 2009

5. Future Outlook



Key global sourcing drivers will continue to be cost, access to talent, business improvements, increasing speed-to-market and access to emerging markets. The future outlook for all these drivers is positive, leading to increased momentum for global sourcing. The focus on cost reduction is expected to increase, keeping in mind the current recessionary environment. Access to talent is likely to become more decisive as workforce demographics indicate a shortfall in the long term, in all major developed countries such as USA, UK, France, Germany, Japan and some developing countries as well. While the 2009 outlook for global technology related spending is affected by the recessionary environment, a rebound is expected from 2010 onwards. Worldwide adoption of outsourcing is also expected to rise significantly in the coming years.

NASSCOM in its 'Annual Strategic Review 2009' estimates that the Indian IT-BPO industry to achieve revenues of USD 71.7 billion in FY 2009, with the IT software and services industry accounting for USD 60 billion of revenues. During this period, direct employment is expected to reach nearly 2.23 million, an addition of 226,000 employees, while indirect job creation is estimated to touch 8 million.

Further NASSCOM projects that the Remote infrastructure management, expected to deliver almost 30 per cent net savings to customers, continues its robust performance, with an above average growth of 25 per cent expected in FY 2009. BPO is the fastest growing segment of the industry and is estimated to reach USD 12.8 billion in FY 2009, growing at 17.5 per cent. Additionally, the engineering, R&D, and software products segment is also expected to grow by 14.4 per cent in the current fiscal, to touch USD 7.3 billion.

The domestic market presents a significant opportunity as IT spending in India is growing at a pace faster than any other country in the Asia Pacific region. The demand for off-shoring is driven by specialized skill sets and not just labor arbitrage. Domestic IT-BPO revenues are expected to grow at almost 20 per cent to reach INR 1,113 billion in FY 2009, driven by increased IT-BPO adoption, by increased acceptance of IT as a growth enabler, and a competitive tool for Indian corporations looking to compete in an increasingly globalised environment. Increased IT adoption in not only the large/mid-sized companies, but also the 35 million strong small and medium business (SMB) segment is expected to drive growth in the future.

In line with the NASSCOM expectations, Gartner expects a recovery to begin in most Asia/Pacific countries in 2010, followed by a return to near pre-crisis growth rates from 2011 onward. Sound fundamentals, high population growth rates, underdeveloped infrastructure, high savings rates, continued high inflow of capital investments into the region, large government stimulus packages committed recently, and relatively low debt levels are expected to be key growth drivers in this region through 2013. In percentage terms, the strongest service line growth markets in Asia/Pacific through 2013 are expected in consulting, process management and software support services, with five-year compound annual growth rates (CAGRs) of 5.4%, 5.4% and 4.6%, respectively.

Your Company will use this downturn to improve its competitive position and is thinking more strategically to reposition itself for the new market realities and beginning to execute on steps to ensure successful exit from the downturn and expects to be back on growth path once the economy rebounds.

6. Risks & Mitigation

The growth plans of the company have necessitated the need to identify risks in a proactive manner and address those risks. The Company has looked at managing risks through broad basing of the decision making process for the key Operational and Corporate functions. The risks identified can be classified into three categories Strategic, Operations and Compliance.

Strategic Risks cover organic growth like business mix, Client/ Geographic concentrations, financial leverage and organic growth through acquisitions.

These risks are being managed through a supervised Business Planning process by defining the key threshold limits for - client concentration, expansion of business mix, balanced debt /equity ratio for operations and for acquisitions - the thresholds in terms of valuation parameters, rigorous and well documented independent due-diligence process pre-acquisition from financial and legal perspective. Elaborate and well laid out process of identifying the key synergies, risks of taking the target and mutually working out the integration road map with tight alignment of rewards for mutual performance.

Operations risks cover business operations, asset procurement and safety, systems security, quality of delivery, accounting, financial, legal and employee related risks.

This is being managed by well-documented processes adopting models like SEI CMM Level 5 for software services and defining a detailed policy across various geographic locations and subsidiaries.

Compliance Risk: The company has a separate Compliance Department headed by a wholetime director on the board of the company which ensures that compliances are met by way of a confirmation from heads of each of the entities, business heads and subsidiaries at appropriate periodic intervals.

5. Human Resources

The rate of change facing organizations has never been greater and organizations must absorb and manage change at a much faster rate than in the past. In order to implement a successful business strategy to face this challenge, organizations, large or small, must ensure that they have the right people capable of delivering the strategy.

Your Company ensures that the business is correctly staffed by the right number of people with the skills relevant to the business needs, at all times. The

market place for talented, skilled people is competitive and expensive. Your Company, through its 'Train the trainer' method, an innovative strategy, trained the technology professionals at a low cost without compromising on the quality.

Employees continue to build new skills and competencies with training programs aimed at technology professionals to enhance their skill-sets in alignment with their roles. This in turn promotes knowledge sharing, building effective teams, cross training, and rotation across projects.

Your Company continued to build its talented workforce. At the close of FY 09, CTE's employee strength stood close to 450. Attrition continues to be under control, in line with industry norms.

Summary of Consolidated Financial Analysis

Profit & Loss Account Summary

		Rs. In lakhs	
Sl.No.	Particulars	2008-09	2007-08
1	Income from operations	17,831.87	9,027.47
	Other Income	59.97	78.85
2	Profit before Interest, Depreciation & Tax	2,326.55	2,199.02
3	Depreciation	1,148.04	275.84
4	Interest	481.67	91.38
5	Profit before tax	696.84	1,831.80
6	Tax Expense	132.26	287.97
7	Net profit for the year	564.58	1,543.83

Revenues

In FY 2008-09, the major portion of revenues came from United States of America (USA) and a portion of revenues came from India domestic markets. Out of the total revenue from operations of Rs 17831.87 lakhs about Rs 1218.38 lakhs came from India market and balance came from the US markets. Thus, the revenue from India market constituted about 7% of the total revenue in FY 2008-09.

The major segments from which these revenues came were (1) Government (2) Healthcare & Life Sciences (3) Process Manufacturing (4) Services & Hi-Tech and a small portion from BFSI sector.

More than 98% of this revenue has been realized from sale of IT services through T&M and fixed price contracts. Bulk of revenue was realized through T&M contracts where all the revenues are recognized based on the effort clocked in by the billable resources and for fixed price contracts the same is based on percentage of cost to completion method to recognize the revenues.

Commentary on major expenses:

Employee Costs:

This consists of salaries and other manpower related costs. This forms a major portion of the company's expenses. Employee costs as a percentage to the total income for FY 2008-09 was about 48% as compared to about 36% in FY 2007-08. However, the cost increased dramatically by Rs. 5297.25 lakhs over the previous year on account of increase in the scale of operations due to the company's inorganic growth. Due to this, the gross profit margin is 30% for FY 2008-09 as against 41% for FY 2007-08.

General and Administration Expenditure:

The net increase in the General and Administration expenditure during the year has been Rs. 1494.21 lakhs compared to the previous year. Some of the major upward variances in the expenditure heads as compared to the previous year are detailed hereunder:

Rs. In Lakhs

Sl.No.	Nature of Expenditure	2008-09	2007-08	Variance	Reasons for variance
1	Power and Fuel	438.58	39.00	399.58	Full year costs of all the subsidiaries are added as against costs of only those subsidiaries which were acquired during the previous year.
2	Rent	623.30	218.45	404.85	- do -
3	Consultancy & Professional charges	298.54	138.01	160.53	- do -
4	Bad Debts written off	206.11	14.51	191.60	Long outstanding receivables have been written off ,after making attempts for their recovery.
5	Liquidated Damages	20.00	Nil	20.00	One time settlement amount paid to Microsoft, towards License fee
6	Miscl. Expenses (incl. material consumed)	536.82	66.15	470.67	Major portion of material cost included
7	Business Development Expenses	273.07	42.02	231.05	Company invested in business development activities to develop business through integrated cross selling of combined offerings of the acquired companies

Finance charges

Finance charges have increased during the year by Rs. 390.29 lakhs over the previous year. The increase in the charges is on account of Rs.72.20 lakhs paid towards factoring and balance towards interest on working capital facility and term loan.

Depreciation and Amortization

Depreciation and Amortization increased from Rs 275.84 lakhs in FY 2007-08 to Rs. 1148.04 lakhs in FY 2008-09, essentially on account of the increased size of the asset base post all the acquisitions and capitalization of the investments in progress in creation of IP in terms of the reusable components library and bolt-on components to enhance our service delivery pace and quality. Additionally, the acquisitions added to the base of assets.

Cash Flow

During the year, the net cash generated from operating activities was Rs. (733.89) lakhs, cash outflow from investing activities was Rs. 244.06 lakhs, and net cash used from financing activities was Rs. 1965.48 lakhs respectively. The net increase in cash at the end of the year was Rs. 147.01 lakhs respectively.

Balance Sheet Summary

Rs. In lakhs

	FY 2008-09	FY 2007-08
Sources Of Funds		
Share Capital & Reserves	5,098.76	5,226.49
Equity share warrants	233.75	233.75
Loan Funds	6,545.94	4,063.38
Deferred Tax Liability	87.64	54.40
Total	11,966.09	9,578.02
Applications Of Funds		
Goodwill on Consolidation	6,349.76	8,191.10
Net Fixed Assets	3,113.80	2,138.94
Investments	–	41.87
Deferred tax Assets	79.36	–
Net Current Assets	2,423.17	(793.89)
Total	11966.09	9,578.02

A few significant Balance Sheet items have been discussed below:

Share Capital

There is no increase in the Authorized and Paid up Share Capital over the previous year.

Reserves and Surplus

The Reserves and Surplus account has decreased by Rs. 127.73 lakhs i.e. from Rs. 3644.05 lakhs (in the previous year) to Rs. 3516.32 lakhs (in the current year) on account of the following reasons:

- Profit during the year transferred to Reserves and Surplus account after making adjustments to opening reserves aggregating to Rs. 712.78 lakhs
- Foreign Currency Translation loss transferred to Reserve aggregating to Rs. 840.51 lakhs

Secured Loans

The below table gives the status of loans outstanding as on 31st March 2009:

Sl.No.	Name of the Company	Nature of loan / Facility	Outstanding as on FY 2008-09 Rs. In lakhs	Outstanding as on FY 2007-08 Rs. In lakhs
1	Cambridge Technology Enterprises Limited, India	Short Term Corporate Loan	182.87	399.47
2	Cambridge Technology Enterprises Limited, India	Cash Credit	425.95	300.00
3	Cambridge Technology Enterprises Limited, India	Factoring	864.04	Nil
4	Cambridge Technology India Pvt. Ltd.	Cash Credit	252.32	Nil
5	Cambridge Technology Enterprises Inc., USA	Line of Credit	2122.82	385.59
6	Cambridge Technology Enterprises Inc., USA	Term Loan	2488.74	2,797.90
Total			6,336.74	3,882.96

All the aforesaid loans were secured against the current assets and fixed assets of the Company. The Company availed a short term corporate loan that has a term repayment of two years. The funds from this source have been utilized for enhancing the facilities and operations of the company and its subsidiaries which included purchase of fixed assets.

Goodwill

Goodwill constitutes goodwill on consolidation arising out of the acquisitions that the company has made. Excess of consideration paid over the value of the net worth of the Company is shown as goodwill arising in accordance with Accounting Standard 21 on 'Consolidated Financial Statements.' This Goodwill arising on account of acquisition of companies is not being amortized but is reviewed every year for impairment. The Company has no reason to have impairment on the goodwill till date.

For all the acquisitions made as on 31st March, 2009, the total consideration and costs is Rs 8057 lakhs. Based on this amount, the goodwill on consolidation amounts to Rs 6349.76 lakhs, a decrease of Rs 1841.34 lakhs over FY 2007-08 due to waiver of the balance purchase consideration to be paid vide the 'tranche-2' of the total purchase consideration for acquiring CellExchange Inc., USA.

Fixed Assets

The variation in fixed assets during the year compared to the previous year has been on account of the following:

- Additions to the fixed assets were amounting to Rs. 1092.17 lakhs during the year compared to Rs. 2151.44 lakhs in the previous year as detailed hereunder:

		Rs. In Lakhs	
Sl.No.	Name of the Asset	Additions during the year (2008-09)	Additions during previous year (2007-08)
	Tangible Assets		
1	Land	–	62.13
2	Building	47.16	72.45
3	Plant & Machinery	35.87	249.80
4	Computers	482.98	276.69
5	Furniture & Fittings	52.61	360.82
	Intangible Assets		
6	Computer Software (used in development of projects)	325.37	473.45
7	Re-usable Components Library	148.18	656.10
	Total	1,092.17	2,151.44

- Gross value of assets sold during the year was Rs. 67.75 lakhs as compared to Rs. 1.98 lakhs in the previous year as detailed hereunder:

		Rs. In Lakhs	
Sl.No.	Name of the Asset	Deletions during the year (2008-09)	Deletions during previous year (2007-08)
	Tangible Assets		
1	Land	–	–
2	Building	–	–
3	Plant & Machinery	–	1.27
4	Computers	0.21	–
5	Furniture & Fittings	–	0.71
	Intangible Assets		
6	Computer Software (used in development of projects)	–	–
7	Re-usable Components Library	67.54	–
	Total	67.75	1.98

Net Current Assets

The variation in the net current assets as compared to the previous year is on account of the following:

- Increase in sundry debtors by Rs. 2314.27 lakhs on account of the increase in the level of business as well as increase in the credit period extended to certain customers based on the nature of work carried out by the company.
- Increase in cash and bank balances by Rs. 147.01 lakhs on account of inflows from operations and funds from discounting of the outstanding with some debtors.
- Decrease in Loans and Advances by Rs. 269.87 lakhs compared to previous year as detailed hereunder:

Rs. In Lakhs

Sl.No.	Particulars of Loans & Advances	Value of Loans & Advances made during the year (2008-09)	Value of Loans & Advances made during previous year (2007-08)
1	Employee advances	5.66	70.90
2	Cambridge Technology ESOP Trust	–	300.00
3	Security Deposits	91.05	128.04
4	Pre-paid expenses	147.83	477.08
5	Advance tax	–	9.83
6	Others	566.86	95.41
	Total	811.40	1,081.26

- Decrease in current liabilities by Rs. 915.14 lakhs compared to previous year as detailed hereunder:

Rs. In Lakhs

Sl.No.	Particulars of current liabilities	Value of current liabilities during the year (2008-09)	Value of current liabilities during previous year (2007-08)
1	Sundry Creditors for supply of goods and services	3,574.42	2,132.82
2	Other liabilities and expenses	1,324.00	3,680.74
	Total	4,898.42	5,813.56

Provisions

Decrease in Provision made for current liabilities by Rs. 116.01 lakhs compared to previous year as detailed hereunder:

Rs. In Lakhs

Sl.No.	Particulars of Provisions made	Value of provision made during the year (2008-09)	Value of provision made during previous year (2007-08)
1	Provision for FBT	1.74	3.05
2	Provision for income tax	204.32	113.57
3	Provision for gratuity	40.01	60.33
4	Proposed Dividend	–	185.14
	Total	246.07	362.09

Debtors and Unbilled Revenue

Debtors are booked receivables in the Company's books as per the invoices raised as per contract with the customers.

Unbilled Revenue is revenue recognized in the books as per percentage completion of work done but not yet billed or invoiced to the Customer since it is not due for billing as per the billing schedule in the contract. Also, in case of Time and Material (T&M) contracts where periodic billing takes place per contracts (weekly, bi-weekly, monthly etc) the revenue accrued as per the time-sheets as on date of the books closing is taken as un-billed revenue.

Rs. In lakhs

	Sales Outstanding	
	FY 2008-09	FY 2007-08
Debtors	5658.31	3589.36
Unbilled Revenue	559.80	314.48
Total	6218.11	3903.84

CAUTIONARY STATEMENT

Certain statements in the Management Discussion and Analysis Report relating to the company's objectives, projections, outlook, expectations, estimates etc, may constitute 'forward looking statements' within the meaning of the applicable laws and regulations. Actual results may differ from such expectations, projections etc., whether express or implied. Several factors could make a significant difference to the company's operations. These include climatic and economic conditions affecting demand and supply, government regulations and taxation, natural calamities etc over which the Company does not have any direct control.

Corporate Governance Report

Corporate Governance Report

(Pursuant to Clause 49 of the Listing Agreement)

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 Ltd ("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

The Board of CTETL consists of 6 Directors, comprising three Executive Directors including Chairman, and three Independent Directors. Every Director informs the company on annual basis about their position on Board and Board Committee he occupies in other companies including Chairmanships and notifies changes as and when they take place.

Composition of CTETL's Board as on 31st March, 2009.

Table-1

Name	Position	Date of joining	Directorship in India u/s 275 of the Companies Act, 1956	• Other Directorships	Committee Membership	Chairmanship in Committees
Mr. Bhaskar C Panigrahi	Chairman & CEO	22/1/2004	6	1	Nil	Nil
Mr. Krishna P Nangegadda*	Wholetime Director	28/1/1999	4	3	Nil	Nil
Mr. DRR Swaroop	Wholetime Director	28/1/1999	3	1	2	Nil
Mr. B.Muralidhar	Independent Director	04/4/2008	2	2	2	1
Mr. H K Katti**	Independent Director	30/4/2006	1	1	1	Nil
Mr. Kamlesh S Gandhi***	Independent Director	31/7/2007	4	1	2	Nil
Mr. K.R.Chari	Independent Director	20/1/2009	2	Nil	1	1
Mr. L.Sridhar	Independent Director	20/1/2009	Nil	Nil	2	1

• Other Directorships are those, which are not covered under Section 275 of the Companies Act, 1956.

*Mr.Krishna P Nangegadda, Wholetime Director resigned from the Board w.e.f.13th February, 2009.

**Independent Director Mr. H. K. Katti, resigned w.e.f. 5.1.2009 and in his place Mr. K.R. Chari Independent Director has been inducted on the Board effective on 20th January, 2009.

*** Independent Director Mr. Kamlesh S Gandhi Resigned w.e.f. 25th September, 2008 and in his place Mr. L. Sridhar Independent Director has been inducted on the Board effective on 20th January, 2009.

Note: None of the Directors is related to any other Director of the Company.

B. Directors' attendance at CTET's Board Meetings and AGM.**Table-2**

Name	No. of Meetings held during the year	No. of Meetings attended physically	No. of Meetings attended through Tele/Video conferencing	Attendance in last AGM held on 23rd October, 2008
Mr. Bhaskar C Panigrahi	14	Nil	5	Present
Mr. Krishna P Nangegadda \$	14	Nil	4	No
Mr. DRR Swaroop	14	14	Nil	Present
Mr. B.Muralidhar	14	13	Nil	Present
Mr.Kamlesh S Gandhi*	14	3	Nil	No
Mr. H K Katti*	14	Nil	Nil	No
Mr.L.Sridhar @	14	2	Nil	N.A.
Mr. K.R.Chari @	14	1	Nil	N.A.

\$ Resigned w.e.f 13th February, 2009.

*Resigned w.e.f.25th September 2008 and 5th January, 2009 respectively.

@Appointed as Additional Directors w.e.f.20th January, 2009.

C. Shares and Stock options held by Directors.**Table-3**

As on March 31, 2009		
Name	No. of Shares held	Stock Options held
Mr. Bhaskar C Panigrahi	1,447,952	Nil
Mr. Krishna P Nangegadda	1,171,725	Nil
Mr. DRR Swaroop	90,000	75,000

D. Meetings

The Board of Directors must meet at least four times in a year, with a maximum time gap of four months between any two Board meetings. CTET Board has met 14 times during the year under review - on 4/4/2008, 22/4/2008, 5/5/2008, 30/6/2008, 30/7/2008, 18/8/2008, 5/9/2008, 25/9/2008, 16/10/2008, 31/10/2008, 4/12/2008, 20/1/2009, 31/1/2009 and 18/2/2009.

E. Code of business conduct and ethics

CTET is committed to maintain sound standards of Business conduct and Corporate Governance. The Board of Directors ("the Board") and the Senior Management of CTET undertake to abide by following Code of Conduct adopted by the Board and affirm compliance with this code on annual basis.

The Code is named as "Code of Conduct for the Board of Directors and Senior Management of CTET" and the same is hosted in the company's website www.ctetpl.com. CTET Board has adopted this Code of Conduct as a guide to the high ethical and legal standards expected of its members.

2. Audit Committee & Committees of the Board

The Board has constituted the following committees:

- Audit Committee
- Investor Relations & Shareholders Committee
- ESOP Administration Committee

a. Audit Committee

The Management is responsible for the Company's internal controls and the financial reporting process whereas the statutory auditors are responsible for performing independent audits of the Company's financial statements in accordance with generally accepted auditing practices and for issuing reports based on such audits. The Board of Directors has entrusted the Audit Committee to supervise these process and thus ensure accurate and timely disclosure that maintain the transparency, integrity and quality financial control and reporting. The primary responsibilities of the Audit Committee are to:

- i. Regularly report to the Board of Directors its conclusions with respect to the various matters that the Audit Committee has considered.
- ii. Review and reassess the adequacy of the Charter annually and submit it to the Board of Directors for consideration and approval.
- iii. Review management's monitoring of compliance with Company's standards of Business conduct.
- iv. Reviewing in conjunction with counsel, any legal matters that could have a significant impact on the Company's financial statement.
- v. Overseeing compliance with SEBI/Stock Exchanges requirements for disclosure of auditor's services and audit committee members and activities.
- vi. Overseeing and reviewing of the Company's asset management policies, including an annual review of the Company's investment policies and performance for cash and short term investments.

Table-4

Audit Committee attendance	During the Financial year 2008-2009		
	Position	Meetings held	Meetings attended
Committee Members			
Mr. B. Muralidhar	*Chairman	4	3
DRR Swaroop	Member	4	4
Kamlesh S Gandhi	Member	4	2
L. Sridhar	*Chairman	4	1

**Mr. B.Muralidhar was appointed as Chairman of the Audit Committee during the period 25th September 2008 to 19th January 2009 consequent to the resignation of Mr. Kamlesh S Gandhi, Chairman of the Audit Committee. Subsequently, Mr. L. Sridhar was appointed as Chairman of the Audit Committee consequent to his appointment effective 20th January 2009.*

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 on quarterly basis;
- Review of the corporate actions post IPO related work.
- Monitoring of the work done by the Company's Registrar and Share Transfer Agents.

The Committee consists of three independent directors and the committee meets as and when required. The committee met four times during the financial year 2007-2008.

Table-5

Investor Relation & Shareholders Committee meeting attendance	During the Financial year 2008-2009		
	Position	Meetings held	Meetings attended
Committee Members			
Kamlesh S Gandhi	*Chairman	3	2
DRR Swaroop	Member	3	3
B.Muralidhar	Member	3	2
L.Sridhar	Member	3	1
Mr.K.R.Chari	*Chairman	3	1

Note: The Committee was re-constituted effective 20th January, 2009 consequent to the resignation of Mr. Kamlesh S Gandhi, Chairman of the committee and in view of the reconstitution of the Committee, Mr. K. R. Chari was appointed as Chairman of the committee w.e.f. 20th April, 2009.

Mr. T.N. Kannan, 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.

c. ESOP Administration Committee

The object of the committee is to ensure administration of ESOPs granted to various employees of the company including its subsidiaries expeditiously including transfer of shares both in physical and electronic form. Brief scope and constitution of the committee are as under:

1. Mr. DRR Swaroop – Chairman
2. Mr. Y Ramesh Reddy – Member
3. Mr. Jagdish Negi – Member
4. Mr. T.N. Kannan – Company Secretary

Brief objects of the Committee are as under:

1. To approve issue/transfer of shares arising out of exercise of stock options granted to employees.
2. To review the exercise of notices submitted to the committee for its consideration or to reject the same in case of deficiencies or on technical grounds.
3. To approve the valid exercise notices received by the committee.
4. To approve share transfers, issue split share certificates and consolidated certificates.
5. The committee may meet as and when required to issue ESOP grant letters after the same are approved by the Board.
6. To approve transfer of shares and issue the duly transferred share certificates to the respective ESOP holders with respect to physical shares arising out of Grant of ESOPs.
7. To electronically transfer/credit the shares arising out of grant of options in case of shares held in electronic/dematerialized form.
8. All the members shall present at all committee meetings and the minutes of the meetings to be placed before the Board at its subsequent meeting for its ratification.
9. To fix the Grant date, exercise price, number of Options, Eligibility Criteria and vesting schedule and other terms and conditions of ESOP Grant.

The committee could not meet during the financial year April 2008 to March 2009 as there were no ESOP related issues to be considered by the Committee.

3. Subsidiary Companies

During the year, the Audit committee reviewed the financial statements of the subsidiary companies. The Audit Committee of the company also reviewed the minutes of the Board Meetings of the subsidiary companies and statement of all significant transactions and arrangement entered into by the subsidiary companies.

4. Disclosures**A. Related Party Transactions**

The details of related party transactions are discussed in detail in Schedule 18 of this Annual Report. All related party transactions taken place during the year, whether in the ordinary course of business or not, were placed before the Audit Committee. All related party transactions were on arm's length basis.

B. Disclosure on Accounting Treatment

In the preparation of financial statements for the financial year 2008-2009, there is no treatment of any transaction different from that prescribed in Accounting Standards.

C. Remuneration of Directors

Non-Executive Directors were paid sitting fees @ Rs.10,000/- each for Board and Committee Meetings respectively.

D. Management discussion and Analysis.

This has been furnished as separate section after the topic on Directors' Report.

E. Information to Shareholders:

The following are the brief profiles furnished hereunder with respect to:

- a. Directors liable to retire at this AGM and being considered for re-appointment.
- b. Additional Directors eligible for appointment as Directors.

Mr. DRR Swaroop

Director

Prior to his association with the Company, Mr. DRR Swaroop co-founded a successful IT Systems Integration company with a team size of over 150 personnel. Mr.DRR Swaroop is a Graduate Engineer in Electrical Engineering from Jawaharlal Nehru Technological University, India.

Mr. Swaroop heads the overall operations in India and specifically responsible for all the corporate governance and statutory compliances related aspects of the Company.

Mr. B. Muralidhar

Independent Director

Mr. B.Muralidhar is Director on Board of DS Unics Infotech Ltd and is responsible for the Finance and Accounts of the Company. He is a Commerce Graduate from Andhra University and MBA from Birla Institute of Technology and Science (BITS), Ranchi. He has played key role in setting up and scaling extensive IT hardware sales, services for the company and has all round exposure to Software deployment, maintenance and support services for customers in India. Prior to joining DS Unics, he worked with Southern Agencies, and established the dealer network for them in and across the state in South India.

Mr. L. Sridhar

Independent Director

Lalpet Sridhar is a practicing Chartered Accountant with wide experience in the fields of Finance and Accounting. Prior to his career as CA, he has served as the General Manager (Finance & Accounts) in Sree Rayalaseema Alkalies & Allied Chemical Limited, an ISO certified and listed Company. Before that he has served as the Finance Manager and Company Secretary of Gayatri Starchkem Limited and Divyashakti Granites Ltd., both based at Hyderabad, India. Prior to that, he was the Accounts Manager in Hyderabad

Allwyn Ltd. He is a graduate, a fellow member of the Institute of Chartered Accountants of India (ICAI), a fellow member of the Institute of Company Secretaries of India (ICSI) and also a holder of Diploma in information System Audit from ICAI.

Mr. K. R. Chari

Independent Director

Kumanduri Ranga Chari has a B.E. in Mechanical Engineering and has a Masters in Industrial Engineering Program.

Kumanduri Ranga Chari is an esteemed professor in the Operations Management area at Birla Institute of Management Technology, New Delhi. In the recent past he was the Energy Advisor, National Productivity Council and also the President and CEO of SRC Systems and Re-engineering Consultants. He has a blend of business and technology skills and has over 37 years of industry experience. Prior to be the advisor to National Productivity Council, he has served at the top management levels of various organizations in India and at the US, including ABC Consultants (P) Ltd, Indotronics Computers Private Limited, New Horizons Software Co., and Unique Computing Solutions. He started his career at National Productivity Council and went on to become the Regional Director for Andhra Pradesh. He has associated himself in various professional societies and activities such as Fellow of the Institution of Engineers (India), Convener (Industry group) of Energy Conservation Mission, Institution of Engineers (India)-Hyderabad Chapter, Member of Indian Value Engineering Society (INVEST) and is a qualified Lead Assessor of ISO 9000. He has authored more than 50 technical papers in various international, national and local technical forums. He has received many specialized international training programs in Industrial Application of Computers, Corporate Planning, computerization and Advanced Management program for senior consultants. He has a working exposure to more than 400 industrial, service and governmental organizations.

Tejesh Kumar Kodali

Whole time Director

Tejesh Kumar Kodali has more than fourteen years of functional experience in Software and finance industry and has good experience in strategic technology advisory services, Information system consultancy services, technology procurement, project-based capacity building and technological project management services. He has achieved great success in Technology integration, business management, marketing, and operations in the IT sector globally. Teja is former CEO and Chairman of LGS Global Ltd, a provider of information technology, business process outsourcing and business solutions to financial, healthcare and chemical companies based at Hyderabad, India.

F. Prohibition of Insider Trading

The Company has implemented a policy prohibiting Insider Trading as per the SEBI (Prohibition of Insider Trading) Regulations, 1992. The Company has laid necessary procedures prohibiting the persons/employees who are connected and deemed to have access for price sensitive information. The same has also been hosted in the Company's website www.ctepl.com

Annexure - I**Declaration of the Chief Executive Officer on Compliance with Code of Business conduct and ethics.**

Cambridge Technology Enterprises Ltd (CTEL) has adopted a Code of Business Conduct and Ethics ("the Code") which applied to all employees and Directors of the Company, its subsidiaries and affiliates. Under the code, it is the responsibility of all employees and Directors to familiarize themselves with the Code and comply with its standards.

I hereby certify that the Board members and senior management personnel of CTET's have affirmed compliance with the Code for the financial year 2008-2009.

Sd/-
Bhaskar C Panigrahi
 Chairman & CEO

CEO & CFO CERTIFICATION

We, Bhaskar C Panigrahi, Chairman & CEO and Y.Ramesh Reddy, CFO of **M/s 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.

Sd/-

Sd/-

Bhaskar C Panigrahi
 Chairman & CEO

Y.Ramesh Reddy
 Chief Financial Officer

Date: 25-06-2009

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 March 31, 2009, 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.

For **B. Krishnaveni & Associates**
B. Krishnaveni
 Practising Company Secretary

Hyderabad

Date: 28-08-2009

Additional Shareholders' Information**Contact Information****Registered and Corporate office:**

Cambridge Technology Enterprises Ltd
 Plot No.1244, Road No.36,
 Jubilee Hills, Hyderabad - 500 033.
 Andhra Pradesh, India.
 T +91-40-40234400
 F +91-40-40234600
 W <http://www.ctepl.com>

Representing Officers

Correspondence to the following officers may be addressed at the registered and corporate office of the Company.

Chief Financial Officer**Mr. Y. Ramesh Reddy**

T +91-40-40234400
 F +91-40-40234600
 E investors@ctepl.com

Company Secretary & Compliance Officer**Mr. T.N.Kannan**

T +91-40-40234400
 F +91-40-40234600
 E investors@ctepl.com

Events for Financial Year 2008-2009

- a. Annual General Meeting
 Date: 30th September, 2009
 Time: 2.00 p.m.
 Venue: KLN Prasad Auditorium, Federation House,
 11-6-841, Red Hills, Hyderabad - 500 004.
- b. Last date for receipt of Proxy Forms: 28th September, 2009 at 2.00 p.m.

- c. Book Closure Date: **23rd September, 2009 to 30th September, 2009**
 (Both days inclusive)
- d. Dividend: Nil
- e. Listing on Stock Exchanges, Stock Codes and Stock data.

Table-6

Equity Shares	Stock Codes
The Bombay Stock Exchange Ltd ("BSE")	532801
The National Stock Exchange of India Limited ("NSE")	CTE

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.

CIN Number

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

f. 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
 E info@aarthiconsultants.com

Contact Person -

Mr. G.Bhaskara Murthy, Manager.

1. Equity History of the Company

The equity history of the Company from incorporation of the company till March 31, 2009 is given hereunder:

Table-7

Date of allotment	Particulars	Issued	Cancelled	Cumulative
28.01.1999	Subscription to Memorandum	200	–	200
18.12.2000	Issue to Promoters	425,000	–	425,200
18.12.2000	Allotment to others	49,800	–	475,000
18.05.2002	Buyback of shares	–	49900	425,100
31.10.2003	Allotment to others	5,000	–	430,100
30.07.2005	Bonus Shares	25,500	–	455,600
30.07.2005	Issue of Bonus Shares to Promoters	2,125,000	–	2,580,600
28.03.2006	Allotment to others	500,000	–	3,080,600
13.04.2006	Issue of Bonus shares to Promoters	5,100,400	–	8,181,000
13.04.2006	Bonus shares to others	1,060,800	–	9,241,800
28.05.2006	Preferential allotment to Promoters	266,670	–	9,508,470
01.02.2007	Allotment of equity shares through IPO to public	6,315,945	–	15,824,415

a. Description of voting rights

All shares issued by the Company carry equal rights.

b. Persons holding more than 1% of the shares

Persons holding 1 per cent or more of the shares in the Company

Table-8

		As on 31.3.2009	
Sl.no.	Name	No.of shares held	% of paid up capital
	Promoters		
1.	Mr. Bhaskar C Panigrahi	1,447,952	9.15
2.	Mr Krishna P Nangegadda	1,171,725	7.40
3.	M/s CellExchange Inc.,	1,200,747	7.59
4.	M/s Internet Business Capital Corporation	5,924,095	37.44
	Others		
5.	Ramesh Reddy Yerradoddi (Trustee-ESOP Trust)	1,488,378	9.41
	Alden Global (Mauritius) Ltd	585,234	3.70
6.	MTL Share and Stock Broker Ltd	218,428	1.38
7.	Master Capital Services Ltd	206,657	1.31

c. Stock Data

The 52 week high and low prices recorded in BSE and NSE during the financial year 2008-09 is as under:

Table-9

Stock Exchange	Date	High (in Rs.)	Low (Rs.)
BSE	September 11th, 2008	70.55	–
	March 13th, 2009	–	11.55
NSE	September 11th, 2008	69.70	–
	March 13th, 2009	–	11.10

2. Shareholding pattern as on 31.3.2009.

Table-10

Sl.no.	Name of the Shareholder & Category	No.of Shares held	% to the total equity capital
Promoters			
1.	Mr. Bhaskar C Panigrahi	1,447,952	9.15
2.	Mr. Krishna P Nangegadda	1,171,725	7.41
3.	M/s CellExchange Inc., USA	1,200,747	7.59
4.	M/s Internet Business Capital Corporation Inc., USA	5,924,095	37.44
	Sub-Total	9,744,519	61.59
Non-Promoters			
5.	Resident Individuals/Indian Public	2,665,315	16.84
6.	Bodies Corporates	959,715	6.06
7.	Foreign Institutional Investors	585,234	3.70
8.	Non-Resident Indians (NRIs)	87,259	0.55
9.	Foreign Companies	76,472	0.48
10.	Foreign Nationals	217,523	1.37
11.	CTEL Trust	1,488,378	9.41
	Sub-Total	5,120,181	38.41
	Grand Total	15,824,415	100.00

a. Distribution of Shareholding according to shareholder class:

Table-11

As on March 31, 2009

Range in (Rs)	No. of Shareholders	% of Shareholders	No. of shares held	% of Shareholding
1-5,000	6,888	89.66	968,007	6.12
5,001-10,000	411	5.35	338,417	2.14
10,001-20,000	159	2.07	242,253	1.53
20,001-30,000	61	0.80	160,179	1.01
30,001-40,000	32	0.42	115,989	0.73
40,001-50,000	35	0.46	166,625	1.05
50,001-1,00,000	36	0.46	252,422	1.60
1,00,001 and above	60	0.78	13,580,523	85.82
	7682	100.00	15,824,415	100.00

3. Share Transfer System

All services relating to share transfers/transmissions and information may be addressed to:

M/s Aarthi Consultants Private Ltd

1-2-285, Domalguda, Hyderabad - 500 029.

T +91-40-27638111, F +91-40-27632184

E info@aarthiconsultants.com

Contact Person - Mr. G.Bhaskara Murthy, Manager.

The Company periodically audits the operations and reviews status on investors' complaints with share transfer agent. The number of shares transferred /transmitted in physical form apart from investor's queries and complaints are as under:

Shares transferred/transmitted in physical form -
Table-12

Number of transfers / transmissions	3
Number of Shares	67,211

4. Dematerialization of shares

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

5. Secretarial Audit

During the quarter i.e. as on 31st March, 2009, a qualified practicing Company Secretary carried out secretarial audits to reconcile the total admitted equity share capital with National Securities Depository Ltd (NSDL) and Central Depository Services (India) Limited (CDSL) and total issued and listed capital. The audit reports confirm that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

6. Shareholder queries received and replied:
INVESTOR REQUESTS/GRIEVANCES REPORT FOR THE
PERIOD 01.04.2008 to 31.03.2009
Table-13

Sl.	Particulars	Received	Resolved	Pending
A	REQUESTS			
a	Change/Correction of address	0	0	0
b	Change / Correction of Bank Mandate	0	0	0
c	Change of company name stickers	0	0	0
d	Receipt of D/W for revalidation/correction of Bank mandate	1	1	0
e	Registration of Power of Attorney	0	0	0
f	Request for ECS facility (Electronic Clearance Services)	0	0	0
g	Loss of securities and request for issue of duplicate s/c	0	0	0
h	Receipt of I/B and affidavit for issue of duplicate securities	0	0	0
i	Request for stop transfer of securities	0	0	0
j	Request for consolidation / split of securities/ Exchange of S/c	0	0	0
k	Request for issue of duplicate dividend warrants	0	0	0
l	Deletion of joint name due to death	0	0	0
m	Request for transmission	0	0	0
n	Request for transposition	0	0	0
o	Specimen Sign change/not mentioned in Appln. & intimation of the same	0	0	0
	TOTAL	1	1	0
B	COMPLAINTS			
a	Non receipt of dividend warrants	3	3	0
b	Non receipt of Annual reports	2	2	0
c	Complaints from Stock Exchanges	0	0	0
d	Complaints from SEBI	0	0	0
e	Legal Notice	0	0	0
f	Non receipt of refund order	0	0	0
g	Correction of name on Securities	0	0	0
h	Non receipt of Electronic credit	0	0	0
	TOTAL	5	5	0
	GRAND TOTAL (A+B)	6	6	Nil

7. 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.

Table-14

Financial year	Date of Declaration of dividend	Last date for claiming unpaid dividend	Total Unclaimed amount as on 31st March, 2009	Due date for transfer to Investor Education and Protection Fund.
2007-2008	23rd October, 2008	22nd October, 2015	Rs.86,436	28th November, 2015.

Members are requested to correspond with the Registrar and Share Transfer Agent M/s Aarthi Consultants Pvt Ltd, Hyderabad for en-cashing the unclaimed dividend if any, standing to their credit. No claims shall lie against the 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.

8. General Body Meetings.**a. Last three Annual General Meetings.****Table-15**

Year	Date and Time	Location
2005-2006	21st April, 2006, at 10.00 a.m.	At the registered office of the company.
2006-2007	29th September, 2007 at 11.00 a.m.	At Hotel Aditya Park Inn, Senate 1&2, Aditya Trade Centre, Ameerpet, Hyderabad - 500038.
2007-2008	23rd October, 2008 at 11.30 a.m.	At KLN Prasad Auditorium, Federation House, 11-6-841, Red Hills, Hyderabad - 500 004.

b. Whether any Special Resolutions passed in the previous 3 AGM: Yes**Table-16**

Date of Event	Subject matter of Special Resolution	Authority of passing or agreeing to the Resolution
23rd October, 2008	a. Amendment to Article 182 authorizing company to convene Board Meetings through Video or Tele-conferencing. b. Consent of Shareholders u/s 81,81(1A) of the Companies Act, 1956 for issue of ADR's/GDR's/FCCB's and Equity shares on preferential basis. c. Investment in M/s Protégé Software Services Inc., u/s 372A of the Companies Act, 1956. d. Issue and allotment of 8,00,000 equity shares by way of swap of shares to the shareholders of M/s Protégé Software Services Inc., on preferential basis u/s 81 (1A) of the Companies Act, 1956. e. Allotment of 30,00,000 equity shares to Foreign entities on preferential basis u/s 81(1A) of the Companies Act, 1956. f. Issue/Transfer of 15,00,000 Equity Shares by way grant of ESOPs. g. Grant of ESOPs upto 15,00,000 Equity shares to the Employees of Company's subsidiaries. h. Further issue and allotment of 15,00,000 equity shares by way of Grant of ESOPs either through Trust or allotment mode u/s 81(1A) of the Companies Act, 1956.	Approved by Shareholders at AGM

Date of Event	Subject matter of Special Resolution	Authority of passing or agreeing to the Resolution
29th September, 2007	<ul style="list-style-type: none"> a. Shifting of Register of Members u/s 163 of the Companies Act, 1956. b. Approval of shareholders for issue of Stock Options to Directors other than Managing/Wholetime Directors. c. Consent of Shareholders u/s 81,81(1A) of the Companies Act, 1956 for issue of ADR's/GDR's/FCCB's and Equity shares on preferential basis. d. Consent of Shareholders u/s 372A of the Companies Act, 1956 to make investment in M/s Reilly & Associates Inc., USA. e. Consent of Shareholders u/s 81(1A) of the Companies Act, 1956 for offer, issue and allot 42,50,000 Equity Warrants on preferential basis. f. Increase in Authorized Share Capital from Rs.20 Crores to Rs.30 Crores u/s 94(1)(a) of the Companies Act, 1956. 	Approved by shareholders at AGM
21st April, 2006	<ul style="list-style-type: none"> a. Issue of Bonus Shares b. Consent of shareholders u/s 81 of the Companies Act, 1956 for issue of bonus shares. c. Consent of shareholders under section 81(1A) for issue of ESOPs. d. Consent of shareholders under section 81(1A) for issue of shares other than existing shareholders through IPO. e. Consent of shareholders under section 81 of the Companies Act, 1956 for Allotment of shares to CellExchange Inc., USA. 	Approved by shareholders at AGM

c. Special Resolution passed last year through postal ballot: No.

- a. Whether any Special Resolution is proposed to be conducted through postal Ballot in the ensuing Annual General Meeting: **No.**

9. Means of Communication

1. Quarterly Results: Tentative dates for declaration of un-audited/audited financial results.
 - 1st Quarter - During 3rd or 4th week of July
 - 2nd Quarter - During 3rd or 4th week of October
 - 3rd Quarter - During 3rd or 4th week of January
 - 4th Quarter - During 3rd or 4th week of June
2. Newspapers wherein results are normally published: Financial Express & Andhra Prabha.
3. Website wherein the financial results and official news releases are displayed and made available for investors: www.ctepl.com

10. Software Development Locations**USA**

Cambridge Technology Enterprises Inc.
101 Main Street, 16th Floor,
Cambridge, MA 02142
Phone: 617-528-2100
Fax: 617-528-2199

Kansas

120 SE 6th Avenue,
Suite 230
Topeka, KS 66603
Phone: 785-354-4300
Fax: 785-354-4377

Pennsylvania

2345 Murray Ave
Pittsburgh, PA 15217-2360
Phone : 412-422-4930
Fax : 412-422-4969

INDIA**Hyderabad**

Road No. 36, Jubilee Hills
Hyderabad - 500 033, Andhra Pradesh, India
Phone: +91-40-4023 4400
Fax: +91-40-4023 4600

Bangalore**Development Centre 1**

70, GR Plaza, J P Nagar 6th Phase,
Kanakpura Main Road
Bangalore - 560 076
Phone: +91-80-2664 1667, +91-80-4155 5600
Fax: +91-80-2664 1668

Development Centre 2

#305, 2nd Floor, 40th Cross,
2nd Main, Jayanagar 8th Block,
Bangalore - 560 070
Phone: +91-80-2654 4135, 2244 0507, 4299 5777
Fax: +91-80-2654 4134

Development Centre 3

#2, 'VASUDHA', 15th Cross,
38th Main, J.P. Nagar 6th Phase,
Bangalore - 560 078
Phone: +91-80-4299 5600

Development Centre 4

#22, 1st Main Road,
Electronic city 1st Phase (Opp. Fanuc India),
Bangalore - 560 100
Phone: +91-80-4157 3800, 2852 1773

Mumbai

#Plot No 75, Road No 14,
Opp. Seepz Material Gate, Andheri East, MIDC,
Mumbai - 400 093
Phone: +91-22-2826 1301 /302/303

Chennai

Y-213, "SAI SIVAM", 'Y' Block,
2nd Avenue, Anna Nagar,
Chennai - 600 040
Phone: +91-44-4261 5078/79
+91-44-4203 2256/57

Standalone Financials

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 March 31, 2009, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that 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 the 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 statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The audit for the corresponding previous year ended March 31, 2008 was carried out and reported by another firm of Chartered Accountants; vide their audit report dated June 30th, 2008.
4. As required by the Companies (Auditor's Report) Order, 2003 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
5. Further to our comments in 3 and 4 above, we report that:
 - a. 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;
 - b. 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;
 - c. The financial statements dealt with by this report are in agreement with the books of account;
 - d. On the basis of written representations received from the directors, as on March 31, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
 - e. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act and the Rules framed there under and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:
 - i) the Balance Sheet, of the state of affairs of the Company as at March 31, 2009;
 - ii) the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii) the Cash Flow Statement, of the cash flows for the year ended on that date

For P. Murali & Co.
Chartered Accountants

P. Murali Mohana Rao
Partner
Membership No. 23412

Place : Hyderabad
Date : 30-06-2009

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, 2009.

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, a substantial part of fixed assets has not been disposed off 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 loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clauses 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 under section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.
- (iv) In our opinion, the Company has an adequate internal control system commensurate with the size of the Company and the nature of its business with regards to purchase of fixed assets and with regards to sale of services. In our opinion, there is no continuing failure by the company to correct any major weakness 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) In our opinion, the Company has not accepted any deposits from the public within the meaning of sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act, in respect of the services rendered by the Company. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.
- (ix) (a) The Company is regular in depositing the undisputed statutory dues including provident fund, income tax, cess and other material statutory dues, as applicable, with the appropriate authorities. Further, no undisputed amounts payable in respect of above mentioned taxes were outstanding, at the year end for a period of more than six months from the date they become payable.

- (b) In our opinion, there are no dues in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess that have not been deposited with the appropriate authorities on account of any dispute.
- (x) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current 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) In our opinion, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- (xiii) The Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) In our opinion, the Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable.
- (xvi) The Company did not have any term loans outstanding during the year. Accordingly, the provisions of clause 4(xvi) of the Order are not applicable.
- (xvii) On the basis of our examination of the books and accounts and 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) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.
- (xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) According to information and explanation 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 by Public Issue is not applicable.
- (xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For P. Murali & Co.
Chartered Accountants

P. Murali Mohana Rao
Partner
Membership No. 23412

Place : Hyderabad
Date : 30-06-2009

Standalone Balance Sheet

Amount in Rs.

	Schedule No.	As at March 31, 2009	As at March 31, 2008
I. SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
(a) Capital	1	158,244,150	158,244,150
(b) Reserves and Surplus	2	352,220,586	291,188,148
EQUITY SHARE WARRANTS	3	23,375,000	23,375,000
LOAN FUNDS			
(a) Secured Loans	4	145,430,486	73,099,241
(b) Unsecured Loans	5	19,063,911	–
DEFERRED TAX LIABILITY		8,763,770	7,131,489
		707,097,903	553,038,027
II. APPLICATION OF FUNDS			
FIXED ASSETS			
(a) Gross Block	6	141,116,501	133,937,625
(b) Less: Depreciation and Amortization		70,236,519	24,342,650
(c) Net Block		70,879,982	109,594,975
(d) Capital work in progress		156,671,250	–
		227,551,232	109,594,975
INVESTMENTS	7	463,604,234	288,713,830
CURRENT ASSETS, LOANS AND ADVANCES			
(a) Sundry Debtors	8	226,706,049	98,476,808
(b) Cash and Bank Balances	9	12,224,919	1,284,716
(c) Other Current Assets	10	–	179,077,131
(d) Loans and Advances	11	44,713,725	91,840,643
		283,644,693	370,679,298
Less:			
CURRENT LIABILITIES AND PROVISIONS			
(a) Liabilities	12	258,859,346	184,382,104
(b) Provisions	13	8,842,909	31,567,972
		267,702,255	215,950,076
NET CURRENT ASSETS		15,942,438	154,729,222
TOTAL		707,097,903	553,038,027
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS	18		

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

For and on behalf of board

P. Murali Mohana Rao
Partner
Membership No: 23412

D.R.R. Swaroop
Wholetime Director

B. Muralidhar
Director

L. Sridhar
Director

Y. Ramesh Reddy
Chief Financial Officer

T.N. Kannan
Company Secretary

Place: Hyderabad
Date : 30-06-2009

Standalone Profit and Loss Account

Amount in Rs.

	Schedule No.	For the Year ended March 31, 2009	For the Year ended March 31, 2008
I. INCOME			
Income from Software Services and Products		480,527,397	272,902,306
Other Income	14	242,272	2,618,459
		<u>480,769,669</u>	<u>275,520,765</u>
II. EXPENDITURE			
Software Development Expenses	15	321,312,949	121,981,738
General and Administration Expenses	16	47,817,671	51,908,462
Depreciation and Amortisation	6	45,893,870	11,094,031
Interest and Finance Charges	17	16,748,884	3,979,765
		<u>431,773,375</u>	<u>188,963,996</u>
Profit before Tax		<u>48,996,294</u>	<u>86,556,769</u>
Income tax expense			
Current Tax		5,508,208	9,677,162
Prior Period Expenses (Income Tax)		925,704	–
MAT Credit Benefit		(5,508,208)	(8,432,822)
Deferred Tax		1,632,281	7,131,489
Fringe Benefit Tax		380,157	373,028
		<u>46,058,152</u>	<u>77,807,912</u>
Profit after Tax		<u>118,765,969</u>	<u>60,338,053</u>
Balance brought forward from previous year		–	(866,222)
Adjustment for retirement benefits		14,974,287	–
Adjustment of undeclared dividend and dividend tax		<u>179,798,408</u>	<u>137,279,743</u>
Profit available for Appropriation		<u>179,798,408</u>	<u>137,279,743</u>
Final Dividend @ Re. 1 per Equity share of Rs. 10 each		–	15,824,415
Dividend tax		–	2,689,359
		<u>179,798,408</u>	<u>118,765,969</u>
Balance carried to Balance Sheet			
EARNINGS PER SHARE - EPS			
Equity shares of par value Rs. 10/- each			
Basic EPS (in Rs.)		2.91	4.92
Diluted EPS (in Rs.)		2.29	4.46
Number of shares for calculating EPS			
Basic		15,824,415	15,824,415
Diluted		20,074,415	17,453,315
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS	18		

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

For and on behalf of board

P. Murali Mohana Rao
Partner
Membership No: 23412

D.R.R. Swaroop
Wholetime Director

B. Muralidhar
Director

L. Sridhar
Director

Y. Ramesh Reddy
Chief Financial Officer

T.N. Kannan
Company Secretary

Place: Hyderabad
Date : 30-06-2009

Standalone Cash Flow Statement for the year ended 2009

Amount in Rs.

	For the Year ended March 31, 2009	For the Year ended March 31, 2008
Cash Flow from Operating Activities		
Net Profit / (Loss) before tax	48,996,294	86,556,769
Adjustment for :		
Depreciation & Amortization	45,893,870	11,094,031
Dividend Income from Mutual Funds	(173,062)	(2,440,057)
Interest Income	(69,210)	(116,867)
Interest Expenses (net)	16,748,884	3,979,765
Provision for Gratuity	(231,559)	1,863,092
Loss on sale of Assets (Net)	—	80,085
Operating profit before working capital changes	111,165,217	101,016,818
Adjustment for:		
Change in Sundry Debtors	(128,229,241)	(8,946,050)
Change in Loans & Advances	47,126,918	4,603,959
Change in Current Liabilities and Provision	74,477,242	12,360,487
Other Current Assets	179,077,131	—
Cash generated from operations	283,617,268	109,035,214
Income tax (paid)/ refunded	(5,285,591)	(569,613)
Net cash from operating activities	A 278,331,677	108,465,601
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(163,850,126)	(93,800,398)
Sale of Fixed Assets	—	76,000
Purchase of Investments	(173,062)	(472,440,058)
Interest received	69,210	116,867
Dividend Income from Mutual Funds	173,062	2,440,057
Sale of investments	4,359,789	570,106,412
Purchase of Investments in subsidiary	(179,077,131)	(270,535,804)
Net cash from investing activities	B (338,498,258)	(264,036,924)

Amount in Rs.

	For the Year ended March 31, 2009	For the Year ended March 31, 2008
Cash Flows from Financing Activities		
Proceeds from issue of share capital	—	—
Proceeds from issue of share warrants	—	23,375,000
Issue expenses	—	—
Increase (Decrease) in Term Loans (net)	72,331,245	70,010,823
Increase in unsecured loans	19,063,911	—
Interest Paid	(16,748,884)	(3,979,765)
Dividends paid	(3,539,487)	—
Net cash used from financing activities	C	89,406,058
Net change in cash (A+B+C)	10,940,203	(66,165,265)
Cash and cash equivalents at beginning of year	1,284,716	67,449,981
Cash and cash equivalents at end of year	12,224,919	1,284,716

Notes

1. The above Cash Flow statement is prepared under the Indirect Method set out in the Accounting standard on Cash Flow Statements (AS-3) issued by the Institute of Chartered Accountants of India.
2. The comparative figures for the previous year have been re-arranged to confirm to the current year's presentation.

For P. Murali & Co.
Chartered Accountants

For and on behalf of board

P. Murali Mohana Rao
Partner
Membership No: 23412

D.R.R. Swaroop
Wholetime Director

B. Muralidhar
Director

L. Sridhar
Director

Y. Ramesh Reddy
Chief Financial Officer

T.N. Kannan
Company Secretary

Place: Hyderabad
Date : 30-06-2009

Schedules forming part of Standalone Balance Sheet

	Amount in Rs.	
	As at March 31, 2009	As at March 31, 2008
Schedule 1		
SHARE CAPITAL		
Authorised		
30,000,000 equity shares of Rs.10/- each	300,000,000	300,000,000
Issued, Subscribed and Paid-up		
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 Profit 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.		
	158,244,150	158,244,150
Schedule 2		
RESERVES AND SURPLUS		
Capital Redemption Reserve	499,000	499,000
	499,000	499,000
Share Premium account		
As per Last Balance Sheet	171,923,178	171,923,178
Add: Received during the Period	—	—
	171,923,178	171,923,178
Less:		
Amount utilised for bonus Issue	—	—
Initial Public Issue expenses adjusted	—	—
	171,923,178	171,923,178
Balance in profit and loss account	179,798,408	118,765,969
Adjustment: Conversion	—	—
	352,220,586	291,188,148

Amount in Rs.

	As at March 31, 2009	As at March 31, 2008
Schedule 3		
EQUITY SHARE WARRANTS		
Equity Share Warrants	23,375,000	23,375,000
[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. Ltd. and Prime Genius Investments Pte. Ltd., 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)]		
	23,375,000	23,375,000
Schedule 4		
SECURED LOANS		
Loans and Advances from Banks	145,430,486	70,332,082
(Secured against the current assets and fixed assets of the company)		
-Finance Lease obligations.	—	2,767,159
	145,430,486	73,099,241
Schedule 5		
UNSECURED LOANS		
CG Harshavardhan	12,155,181	—
Girish R Chaitanya	6,153,689	—
M Giridhar	755,041	—
	19,063,911	—

Schedule 6. FIXED ASSETS

Description	GROSS BLOCK					DEPRECIATION/AMORTISATION				NET BLOCK	
	As at April 1, 2008	Additions during the year	Deletions during the year	As at March 31, 2009		As at April 1, 2008	For the period	Deletions during the year	As at March 31, 2009	As at March 31, 2009	As at March 31, 2008
Tangible Assets											
Electrical Fittings	1,154,043	–	–	1,154,043		250,451	125,690	–	376,141	777,902	903,592
Furniture & Fixtures	1,121,215	2,869	–	1,124,084		266,809	154,888	–	421,697	702,387	854,406
Computers	18,108,574	771,059	–	18,879,633		12,545,737	2,339,436	–	14,885,173	3,994,460	5,562,837
Office Equipment	1,384,780	37,750	–	1,422,530		266,073	159,053	–	425,126	997,404	1,118,707
Software	2,640,382	6,367,198	–	9,007,580		2,555,584	1,691,992	–	4,247,576	4,760,004	84,798
	24,408,994	7,178,876	–	31,587,870		15,884,654	4,471,058	–	20,355,712	11,232,158	8,524,340
Intangible Assets											
Computer Software Used in Development of Projects	43,918,535	–	–	43,918,535		4,812,990	19,552,776	–	24,365,766	19,552,769	39,105,545
Internally developed Software - 'Reusable Components Library'	65,610,096	–	–	65,610,096		3,645,005	21,870,036	–	25,515,041	40,095,055	61,965,091
	109,528,631	–	–	109,528,631		8,457,995	41,422,812	–	49,880,807	59,647,824	101,070,636
Total	133,937,625	7,178,876	–	141,116,501		24,342,649	45,893,870	–	70,236,519	70,879,982	109,594,976
Previous Year	20,729,837	113,405,524	197,736	133,937,625		13,290,270	11,094,031	41,651	24,342,650	109,594,975	7,439,567

Amount in Rs.

	As at March 31, 2009	As at March 31, 2008
Schedule 7		
INVESTMENTS		
Long Term Investments (At cost)		
Investments in subsidiaries		
(Non-Trade; Unquoted, Fully paid-up)		
– Cambridge Technology Enterprises Inc.	321,868,688	142,791,557
(1,000,000 common stock		
of USD 0.01 each)		
– ComCreation Technologies Pvt Ltd	6,250,000	6,250,000
(625,000 Common stock of Rs.10 each)		
– Cambridge Technology India Pvt. Ltd.,	135,485,546	135,485,546
(Formerly known as Q Soft Systems and Solutions Pvt. Ltd.)		
(457,100 Common stock of Rs. 10 each)		
Current Investments (at the lower of cost & fair value)		
(Non trade; unquoted)		
Liquid mutual funds	–	4,186,727
	463,604,234	288,713,830
Schedule 8		
SUNDRY DEBTORS		
(Unsecured and considered good)		
-Debts outstanding for a period exceeding six months.	41,825,161	–
-Other debts	184,880,889	98,476,808
	226,706,049	98,476,808
Schedule 9		
CASH AND BANK		
Cash in hand	37,611	1,496
Balances with Scheduled Banks		
in Current Accounts	12,187,307	1,175,392
in Deposit Account	–	107,828
	12,224,919	1,284,716
Schedule 10		
OTHER CURRENT ASSETS		
Receivable for sale of investments	–	179,077,131
	–	179,077,131

	Amount in Rs.	
	As at March 31, 2009	As at March 31, 2008
Schedule 11		
LOANS AND ADVANCES		
(Unsecured and considered good)		
Advances and Loans to Subsidiaries:	17,905,533	42,748,873
Advance recoverable in cash or in kind or for value to be received:		
- Cambridge Technology ESOP Trust	–	30,000,000
- Security Deposits	6,161,853	8,615,214
- Others	20,646,339	10,476,556
	44,713,725	91,840,643
Schedule 12		
LIABILITIES		
Sundry Creditors		
-Total outstanding dues of Micro enterprises and Small enterprises	–	–
-Total outstanding dues of creditors other than Micro enterprises and Small enterprises	13,769,815	6,243,060
Subsidiary Companies		
-Due to CTE Inc.	78,879,334	45,460,759
Other liabilities #	166,210,198	132,678,285
(# Includes unclaimed share application money of Rs.195,529; Previous year Rs.275,329)		
	258,859,346	184,382,104
Schedule 13		
PROVISIONS		
Provision for Fringe Benefit Tax	123,903	305,501
Provision for Income Tax (Net of TDS & Advance Tax)	5,508,208	9,306,340
Provision for Gratuity	3,210,798	3,442,357
Proposed dividend (including tax thereon)	–	18,513,774
	8,842,909	31,567,972

Schedules forming part of Standalone Profit and Loss Account

Amount in Rs.

	As at March 31, 2009	As at March 31, 2008
Schedule 14		
OTHER INCOME		
Interest Income	69,210	116,867
Dividend received on Mutual funds	173,062	2,440,057
Miscellaneous Income	–	61,535
	242,272	2,618,459
Schedule 15		
SOFTWARE DEVELOPMENT EXPENSES		
Salaries, Wages and Bonus.	102,026,974	85,304,846
Contribution to Provident Fund and other funds.	244,640	306,989
Staff Welfare Expenses.	1,232,000	954,429
Sub-contract fee.	217,809,335	35,415,474
	321,312,949	121,981,738
Schedule 16		
GENERAL AND ADMINISTRATION EXPENSES		
Power and Fuel	2,402,987	1,840,992
Rent	10,921,390	8,367,406
Repairs to Buildings	650,116	2,414,974
Computer peripherals	80,352	–
Consultancy and professional Charges	11,623,850	9,343,508
Traveling and Conveyance (Incl. Foreign Travel)	9,017,998	7,917,029
Insurance Expenses	3,295,426	514,627
Rates and Taxes	616,994	1,372,915
Exchange Loss (net)	(2,874,172)	8,075,196
Communication Expenses	3,498,820	3,666,432
Computer hire charges	1,513,747	1,588,315
Auditor's Remuneration		
Audit Fee	400,000	561,800
For certification work including tax audit fee	75,000	802,247
Reimbursement of out of pocket expenses	–	81,789
Office Maintenance	1,606,764	1,264,634
Liquidated damages	2,000,000	–
Miscellaneous Expenses	2,988,399	4,096,598
	47,817,671	51,908,462
Schedule 17		
INTEREST AND FINANCE CHARGES		
Interest on working capital loan and other loans	15,136,218	2,156,006
Bank Charges	1,612,666	1,823,759
	16,748,884	3,979,765

Schedule - 18 Significant Accounting Policies and Notes to the Standalone Financial Statements

1. Company overview

Cambridge Technology Enterprises Limited, "the Company" is an information technology service 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 provision for doubtful debts, future obligations under employee retirement benefit plans, income taxes and the useful lives of fixed assets and intangible assets. Management periodically assess 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 un-utilized 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 sale 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 of projects is 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, deferred tax and Fringe Benefit Expense.

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 Alternative 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.

Consequent to the introduction of Fringe Benefit Tax

(FBT) effective 1 April, 2005, in accordance with the guidance note on accounting for fringe benefits tax issued by the ICAI, the Company has made provision for FBT under income taxes.

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. 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 on Accounts

3.1 Details of Investments

(iv) Details of investments in and disposals of securities

Amount in Rs.

	Year ended March 31,	
	2009	2008
Investment in securities		
Long term investments	179,077,131	389,734,124
Liquid Mutual Funds	173,062	472,440,058
Redemption /disposal of investments in securities		
Long term investments	–	179,077,131
Liquid Mutual Funds	4,359,789	570,106,412
Net movement in Investments		
Long term investments	179,077,131	210,656,993
Liquid Mutual Funds	(4,186,727)	(97,666,354)

(v) Current Investments-Liquid mutual funds

Amount in Rs.

Particulars	Number of units as at March 31		Amount as at March 31	
	2009	2008	2009	2008
DSP Meryill Lynch Fund	–	108,371	–	1,344,451
Reliance Liquid Fund	–	115,267	–	1,756,967
Standard Chartered Mutual Fund	–	108,475	–	1,090,716
At cost			–	4,192,134
At Market value			–	4,186,727

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

Particulars	Units	Cost	Value in Rs.
Standard Chartered Fixed Maturity Plan	112,621	10.02	1,128,121
Reliance Liquid Fund	120,079	15.24	1,830,316
DSP Meryill Lynch	112,961	12.41	1,401,352

3.2 Employee Stock Option Scheme

The Company has two stock option plans that are currently operational.

CTEL ESOP 2006 ('the 2006 Plan')

The 2006 Plan was approved by the board of directors on April 13, 2006 and by the shareholders on April 21, 2006, which provides for 990,000 shares. The committee has granted 626,004 shares as of April 29, 2006 and 3,067 shares as of October 2007. As per the scheme, Forty percent (40%) of the options allotted under the scheme carry one year vesting period, thirty percent (30%) of the options allotted have a two year vesting period and the balance thirty percent (30%) carry three year vesting period.

Changes in number of options outstanding were as follows:

	As at March 31,	
	2009	2008
Options outstanding beginning of period	614,313	626,004
Granted during the year	1,563,269	3,067
Less: Exercised	829,770	9,258
Forfeited	328,052	5,500
Options outstanding, end of period	1,019,760	614,313

CTEL ESOP SCHEME 2-2008 ('the 2008 Plan')

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 shares.

The committee has granted 617,430 shares as of March 20, 2008. As per the scheme, the options would vest not less than one year and not more than three years from the date of grant of such options. Vesting of options would be subject to continued employment with the Company and thus the options would vest on passage of time.

The committee has granted 923,217 shares during months of April 2008 and October 2008. As per the scheme, the options would vest not less than one year and not more than three years from the date of grant of such options. Vesting of options would be subject to continued employment with the Company and thus the options would vest on passage of time.

Changes in the number of options outstanding:

	As at March 31,	
	2009	2008
Options outstanding beginning of period	617,430	–
Granted during the year	923,217	617,430
Less: Exercised	208,340	–
Forfeited	84,940	–
Options outstanding end of period	1,247,367	617,430

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 Company's net profit and earnings per share would have been as follows:

Amount in Rs.

	Year ended March 31,	
	2009	2008
Net Profit (as reported)	46,058,152	77,807,912
Add: Stock based employee compensation	354,552	–
Less: Stock based compensation expenses determined under fair value method (pro forma)	19,303,456	1,369,608
Net Profit (Pro forma)	27,109,248	76,438,304
Earnings per share (Rs.)		
Basic - as reported	2.91	4.92
- as pro forma	1.71	4.83
Diluted - as reported	2.63	4.46
- as pro forma	1.55	4.37

The key assumptions used in Black-Scholes' model for calculating fair value are: risk-free interest rate ranging from 7.21% to 7.73 % (2008-7.57% to 7.61%), expected life: 2.5 years to 4.5 years (2008-3.5 years to 4 years), expected volatility of shares 63.77% to 72.66% (2008- 63.77% to 72.66%), dividend yield 0% (2008-0%). 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
Krishna Nangegadda	Whole time Director (upto 13-02-2009)
D.R.R Swaroop	Wholetime Director

Member of family of key Management personnel

Mahalaxmi Nangegadda	Wife of Krishna Nangegadda (Whole time Director)
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Enterprises over which Control exists

Cambridge Technology Enterprises Inc ('CTE Inc')	Wholly owned subsidiary
ComCreation Technologies Private Limited ('CCTPL')	Wholly owned subsidiary w.e.f February 2008
Cambridge Technology India Pvt. Ltd., (Formerly known as Qsoft System and Solutions Pvt. Ltd.)	Wholly owned subsidiary w.e.f October 2008
ComCreation Inc ('CCI')	} Wholly owned subsidiary of Cambridge Technology Enterprises Inc, w.e.f 2007-08. *
Reilly & Associates Inc ('Reilly')	
CellExchange Inc ('CX')	

*refer note 3.1 for details

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
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Amount in Rs.

Nature of Transaction	Year ended March 31,	
	2009	2008
<i>Transactions with key management personnel</i>		
Remuneration *		
-Bhaskar panigrahi	1,200,000	1,200,000
-Krishna Nangegadda	1,046,429	1,200,000
-D.R.R. Swaroop	1,200,000	1,200,000
Amount Payable		
-Bhaskar panigrahi	66,010	66,010
-Krishna Nangegadda	—	66,010
-D.R.R. Swaroop	94,749	66,584

Amount in Rs.

Nature of Transaction	Year ended March 31,	
	2009	2008
<i>Transactions with member of family of key management personnel</i>		
Mahalaxmi Nangegadda-Guest maintenance expenses	297,660	333,600
<i>Transactions with enterprises over which Control exists</i>		
Sale of services - CTE Inc	158,148,635	126,384,693
Sale of services- CellExchange Inc	—	—
Expenses reimbursement, net- CTE Inc	6,310,998	22,134,521
Balance receivable/(payable)	(78,879,334)	(45,460,759)
Loans and advances		
Loans and advances given		
-CTE Inc	—	—
-ComCreation Technologies Private Limited	15,770,000	6,917,881
-Cambridge Technology India Pvt. Ltd., (Formerly known as Qsoft System and Solutions Pvt. Ltd.)	600,000	24,800,000
Repayment of loans and advances		
-CTE Inc	17,330,992	23,364,632
-ComCreation Technologies Private Limited	15,770,000	6,300,000
-Cambridge Technology India Pvt. Ltd., (Formerly known as Qsoft System and Solutions Pvt. Ltd.)	7,494,467	—
Balance outstanding		
-CTE Inc	—	17,330,992
-ComCreation Technologies Private Limited	—	617,881
-Cambridge Technology India Pvt. Ltd., (Formerly known as Qsoft System and Solutions Pvt. Ltd.)	17,905,533	24,800,000
Investment made in shares*	463,604,234	389,733,927
Sale of investments in Reilly and CCI to CTE Inc	—	179,077,131
Receivable from CTE Inc for sale of investments	—	179,077,131
*refer note 3.1 for details		

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

	As at March 31,	
	2009	2008
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	1,628,900
Number of shares considered as weighted average shares and potential shares outstanding	20,074,415	17,453,315

3.5 Leases

Operating Lease

The Company leases office premises under operating lease agreement that is renewable on a periodic basis at the option of the both the lessor and the lessee. Rental expense under those leases was Rs.10, 623,730 (Previous year Rs.8,367,406).

Finance Leases

The Company has taken computers under finance lease. Future minimum lease payments under finance leases as at March 31, 2009 are as follows:

Amount in Rs.			
Lease Obligations	Present value of minimum lease payments	Future interest	Minimum lease payments
Within one year of the balance sheet date	1,306,884	138,306	1,445,190
Due in period between one year and five years	1,089,070	52,776	1,141,846

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, 2009 and 2008 are as follows:

Amount in Rs.		
Nature of Transaction	Year ended March 31,	
	2009	2008
Remuneration*	3,446,429	3,600,000
Perquisites and Allowances	–	–
Directors sitting fee	190,000	200,000

*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

Amount in Rs.				
Name of Subsidiary	Balance outstanding as at March 31,		Maximum balance outstanding as at March 31,	
	2009	2008	2009	2008
Cambridge Technology Enterprises Inc	–	17,330,992	–	40,695,624
Cambridge Technology India Pvt. Ltd., (Formerly known as Qsoft System and Solutions Pvt. Ltd.)	17,905,533	24,800,000	25,400,000	24,800,000
ComCreation Technologies Pvt. Ltd.,	–	617,881	11,962,524	7,537,558

3.9 Retirement benefits to employees*Defined contribution plan*

During year ended March 31, 2009, the Company contributed Rs.244,640/- to provident fund (Previous Year Rs.306,989/- was contributed to provident fund).

Defined benefit plan - gratuity

The amounts recognized in the balance sheet as at March 31, 2009 are as follows:

Amount in Rs.

	As at March 31,	
	2009	2008
Present value of funded obligations	3,210,798	3,442,357
Fair value of plan assets	—	—
Net liability	3,210,798	3,442,357
Amount in balance sheet	—	—
Liability	3,210,798	3,442,357
Asset	—	—
Net Liability	3,210,798	3,442,357

The amounts recognized in the profit and loss account for the year ended March 31, 2009 are as follows:

Amount in Rs.

	As at March 31,	
	2009	2008
Current service cost	69,005	1,344,389
Interest cost	275,389	200,548
Expected return on plan assets	—	—
Recognized net actuarial loss	(341,578)	230,979
Net Benefit Expense	2,816	825,393

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

Amount in Rs.

	As at March 31,	
	2009	2008
Defined benefit obligation at beginning of the year	3,442,357	2,445,707
Current service cost	69,005	1,344,389
Interest cost	275,389	200,548
Benefits paid	(234,375)	317,308
Actuarial loss/(gains)	(341,578)	230,979
Defined benefit obligation at end of the year	3,210,798	3,442,357

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

	As at March 31,	
	2009	2008
Fair value of plan assets at beginning of the year	—	—
Expected return on plan assets	—	—
Actuarial gains	—	—
Contribution by employer	234,375	317,308
Benefits paid	234,375	317,308
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%	8.20%
Expected return on plan assets	8.00%	8.20%
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 Supplementary Information

(i) Commitments and contingencies

Contingent consideration payable as at March 31, 2009 in respect of acquired subsidiary Companies 69,909,000/-

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

Amount in Rs.

	Year ended March 31,	
	2009	2008
Software development and services	480,527,397	272,902,306
Total	480,527,397	272,902,306

(iii) Expenditure in foreign currency, on accrual basis

Amount in Rs.

	Year ended March 31,	
	2009	2008
Subcontracting Expenses	217,190,621	39,979,676
Traveling & Others	5,009,538	3,881,147
Salaries, wages and bonus, capitalized	—	18,721,870
Total	222,200,159	62,582,693

(iv) Value of imports (CIF)

Amount in Rs.

Particulars	Year ended March 31,	
	2009	2008
Software Purchased	—	43,918,535
Laptop Purchased	329,910	—
Total	329,910	43,918,535

3.11 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, 2009.

3.12 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.

3.13 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

For and on behalf of board

P. Murali Mohana Rao
Partner
Membership No: 23412

D.R.R. Swaroop
Wholetime Director

B. Muralidhar
Director

L. Sridhar
Director

Y. Ramesh Reddy
Chief Financial Officer

T.N. Kannan
Company Secretary

Place: Hyderabad
Date : 30-06-2009

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	0	9
---	---	---	---	---	---	---	---	---	---

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

7	0	7	0	9	8
---	---	---	---	---	---

 Total Assets

7	0	7	0	9	8
---	---	---	---	---	---

Sources of Funds

Paid-up Capital

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

 Reserves & Surplus

3	5	2	2	2	0
---	---	---	---	---	---

 Secured Loans

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

 Unsecured Loans

	1	9	0	6	4
--	---	---	---	---	---

 Deferred Tax Liability

		8	7	6	4
--	--	---	---	---	---

 Equity Share Warrants

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

Application of Funds

Net Fixed Assets

	7	0	8	8	0
--	---	---	---	---	---

 Investments

4	6	3	6	0	4
---	---	---	---	---	---

 Capital work in progress

1	5	6	6	7	1
---	---	---	---	---	---

 Misc. Expenditure

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

 Net Current Assets

	1	5	9	4	3
--	---	---	---	---	---

 Deferred Tax

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

 Accumulated Losses

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

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

Turnover

4	8	0	5	2	7
---	---	---	---	---	---

 Total Expenditure

4	3	1	7	7	3
---	---	---	---	---	---

 Profit / Loss before tax

+	4	8	9	9	6
---	---	---	---	---	---

 Profit / Loss after tax

+	4	6	0	5	8
---	---	---	---	---	---

 Earning per share in Rs. Dividend rate %

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

 Basic

		2	.	9	1
--	--	---	---	---	---

 Diluted

		2	.	2	9
--	--	---	---	---	---

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
---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	---	---	---

CAMBRIDGE TECHNOLOGY ENTERPRISES LIMITED

Financial Statement on Subsidiaries pursuant to approval of the Central Government under Section 212(8) of the Companies Act, 1956

Amount in Rs.

Name of the Subsidiary	CTE Inc., USA	ComCreation Technologies Pvt Ltd	ComCreation Inc.,	Reilly & Associates Inc	Q-Soft Systems & Solutions Pvt Ltd	CellExchange, Inc.
1 Issued and Subscribed Share Capital	2,184,736	6,250,010	407,600	4,915,148	4,571,000	105,141,354
2 Reserves	340,205,907	12,214,730	26,877,469	4,949,962	4,887,221	(75,306,029)
3 Total Assets	342,390,642	18,464,740	27,285,069	9,865,110	27,363,754	29,835,325
4 Total Liabilities	342,390,642	18,464,740	27,285,069	9,865,110	27,363,754	29,835,325
5 Investments (except investment in subsidiaries)	Nil	Nil	Nil	Nil	Nil	Nil
6 Turnover	542,247,042	83,195,374	57,657,766	168,294,688	160,094,627	561,984,682
7 Profit/(Loss) Before Taxation	15,461,041	(1,739,360)	3,123,459	3,615,704	(3,356,934)	4,151,189
8 Provision for taxation	8,037,757	(1,988,613)	1,018,790	523,283	922,505	2,342,707
9 Profit/(Loss) After taxation	7,423,284	249,253	2,104,669	3,092,421	(4,279,439)	1,808,482
10 Proposed Dividend	Nil	Nil	Nil	Nil	Nil	Nil

CAMBRIDGE TECHNOLOGY ENTERPRISES LIMITED
Statement pursuant to Section 212 (1) (e) of the Companies Act, 1956

Name of the Company	CTE Inc.,	ComCreation Technologies Pvt Ltd	ComCreation Inc.,	Reilly & Associates Inc.,	Cambridge Technology India Pvt Ltd (formerly known as Q-Soft Systems & Solutions Pvt Ltd	CellExchange, Inc.
1 Financial year of the Subsidiary Company	31.3.2009	31.3.2009	31.3.2009	31.3.2009	31.3.2009	31.3.2009
2 Number of shares in the Subsidiary Company held by Cambridge Technology Enterprises Ltd on the above date	4,287,976	625,001	800,000	100	457,100	74,434,229
3 Holding Company's interest in percentage	100%	100%	Step down foreign subsidiary	Step down foreign subsidiary	100%	Step down foreign subsidiary
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	Nil
b) Not dealt within the accounts of Cambridge Technology Enterprises Ltd. (Rs.)	7,423,284	249,253	2,104,669	3,092,421	(4,279,439)	1,808,482
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	Nil
b) Not dealt within the accounts of Cambridge Technology Enterprises Ltd. (Rs.)	14,316,053	7,764,821	4,511,294	12,132,080	4,816,984	30,274,204
6 Changes in the interest of Cambridge Technology Enterprises Ltd between the last financial year and 31st March, 2009	Nil	Nil	Nil	Nil	Nil	Nil
7 Material changes between the end of the last financial year and 31st March, 2009	Nil	Nil	Nil	Nil	Nil	Nil

Consolidated Financials

Auditors' Report on Consolidated Financials

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 March 31, 2009, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on the date annexed thereto. These financial statements are the responsibility of the Cambridge Group's management and have been prepared by the management on the basis of separate financial statements of the entities of the Group. 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 misstatements. 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 the management, as well as evaluating the overall financial statement presentation. 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.124,570,734 as at March 31, 2009 total revenues of Rs.243,290,001 and net cash flows amounting to Rs.3,964,708 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 respect thereof is based solely on the report of such 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 21 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India.
5. Based on our audit and consideration of reports of their auditors on separate financial statements of the entities, and to the best of our information and according to explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India: in case of :
 - (a) The consolidated balance sheet, of the state of affairs of the Cambridge Group as at March 31, 2009;
 - (b) The consolidated profit and loss account, of the profit for the year ended on that date; and
 - (c) The consolidated cash flow statement, of the cash flows for the year ended on that date.

For P. Murali & Co.
Chartered Accountants

P. Murali Mohana Rao
Partner
Membership No: 23412

Place: Hyderabad
Date : 30-06-2009

Consolidated Balance Sheet

Amount in Rs.

	Schedule No.	As at March 31, 2009	As at March 31, 2008
I. SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
(a) Capital	1	158,244,150	158,244,150
(b) Reserves and Surplus	2	351,631,794	364,404,982
EQUITY SHARE WARRANTS	3	23,375,000	23,375,000
LOAN FUNDS			
(a) Secured Loans	4	635,529,794	406,338,327
(b) Unsecured Loans	5	19,063,911	–
DEFERRED TAX LIABILITY		828,281	5,440,120
		1,188,672,930	957,802,579
II. APPLICATION OF FUNDS			
GOODWILL		634,976,206	819,110,379
FIXED ASSETS			
(a) Gross: Block	6	338,646,321	236,204,621
(b) Less: Depreciation and Amortization		188,835,886	40,969,881
(c) Net Block		149,810,435	195,234,740
(d) Capital work in progress		161,569,354	18,660,082
		311,379,789	213,894,822
INVESTMENTS	7	–	4,186,727
CURRENT ASSETS, LOANS AND ADVANCES			
(a) Inventories	8	216,420	766,932
(b) Sundry Debtors & Unbilled Revenue	9	621,810,717	390,384,465
(c) Cash and Bank Balances	10	53,599,083	38,897,648
(d) Loans and Advances	11	81,140,293	108,126,615
		756,766,513	538,175,660
Less:			
CURRENT LIABILITIES AND PROVISIONS			
(a) Liabilities	12	489,841,987	581,355,950
(b) Provisions	13	24,607,591	36,209,059
		514,449,578	617,565,009
NET CURRENT ASSETS		242,316,935	(79,389,349)
TOTAL		1,188,672,930	957,802,579
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS.	18		

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

For and on behalf of board

P. Murali Mohana Rao
Partner
Membership No: 23412

D.R.R. Swaroop
Wholetime Director

B. Muralidhar
Director

L. Sridhar
Director

Y. Ramesh Reddy
Chief Financial Officer

T.N. Kannan
Company Secretary

Place: Hyderabad
Date : 30-06-2009

Consolidated Profit and Loss Account

Amount in Rs.

	Schedule No.	For the Year ended March 31, 2009	For the Year ended March 31, 2008
I. INCOME			
Income From Software Services and Products		1,783,187,391	902,747,417
Other Income	14	5,996,512	8,374,474
		1,789,183,903	911,121,891
II. EXPENDITURE			
Software Development Expenses	15	1,251,022,361	534,644,186
General and Administration Expenses	16	305,506,666	156,575,578
Depreciation and Amortisation		86,482,195	27,584,345
Impaired Intangible Asset w/o		28,321,997	–
Interest and Finance Charges	17	48,167,478	9,137,812
		1,719,500,697	727,941,922
Profit before Tax		69,683,206	183,179,970
Income tax expense			
Current Tax		17,550,058	29,789,983
Prior Period Expenses (Income Tax)		925,704	–
MAT Credit Benefit		(5,508,209)	(9,320,451)
Deferred Tax		(470,627)	7,284,636
Fringe Benefit Tax		729,452	1,043,245
Profit after Tax		56,456,829	154,382,557
Balance brought forward from previous year		193,220,069	58,217,508
Adjustment for retirement benefits			(866,222)
Adjustment of undeclared dividend and dividend tax		14,974,287	
Profit available for Appropriation		264,651,185	211,733,843
Final Dividend @ Re. 1 per Equity share of Rs. 10 each		–	15,824,415
Dividend tax		–	2,689,359
Balance Carried to Balance Sheet		264,651,185	193,220,069
EARNINGS PER SHARE - EPS			
Equity shares of par value Rs. 10/- each			
Basic EPS (in Rs.)		3.57	9.76
Diluted EPS (in Rs.)		2.81	8.85
Number of shares for calculating EPS			
Basic		15,824,415	15,824,415
Diluted		20,074,415	17,453,315

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS. 18

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

For and on behalf of board

P. Murali Mohana Rao
Partner
Membership No: 23412

D.R.R. Swaroop
Wholetime Director

B. Muralidhar
Director

L. Sridhar
Director

Y. Ramesh Reddy
Chief Financial Officer

T.N. Kannan
Company Secretary

Place: Hyderabad
Date : 30-06-2009

Consolidated Cash Flow Statement

	Amount in Rs.	
	For the Year ended March 31, 2009	For the Year ended March 31, 2008
Cash Flow from Operating Activities		
Net Profit / (Loss) before tax	69,683,206	183,179,969
Adjustment for :		
Depreciation & Amortization	114,804,192	27,584,345
Dividend Income from Mutual Funds	173,062	(2,440,057)
Interest Income	264,966	(995,141)
Interest Expenses (net)	48,167,478	9,137,812
Provision for Gratuity	(2,031,677)	3,917,865
Loss on sale of Assets (Net)	—	80,085
Provision for bad and doubtful debts	—	1,339,256
Operating profit before working capital changes	231,061,227	221,804,134
Adjustment for:		
Change in Sundry Debtors	(231,426,252)	(135,963,622)
Change in Inventory	550,512	(231,992)
Change in Loans & Advances	32,494,531	28,392,130
Change in Current Liabilities and Provision	(116,330,784)	(4,994,505)
Cash generated from operations	(83,650,765)	109,006,145
Income tax (paid)/ refunded	10,261,231	(17,334,142)
Net cash from operating activities	A	(73,389,534)
Cash Flow from Investing Activities		
Purchase of Fixed Assets (Incl capital working progress)	(190,742,160)	(147,146,561)
Payment for Acquisitions	—	(466,282,380)
Sale of Fixed Assets	6,774,998	76,000
Purchase of Investments	—	(472,440,058)
Interest received	(264,966)	995,141
Dividend Income from Mutual Funds	(173,062)	2,440,057
Payment for internally developed software	155,812,176	(18,660,082)
Sale of investments	4,186,727	570,106,412
Net cash from investing activities	B	(24,406,287)

Amount in Rs.

		For the Year ended March 31, 2009	For the Year ended March 31, 2008
Cash Flows from Financing Activities			
Proceeds from issue of share warrants		–	23,375,000
Increase (Decrease) in Term Loans (net)		229,191,467	387,974,603
Increase (Decrease) in Unsecured loan		19,063,911	(14,563,419)
Interest Paid		(48,167,478)	(9,137,813)
Dividend paid		(3,539,487)	–
Net cash used from financing activities	C	196,548,413	387,648,371
Effect of Exchange differences on translation of foreign currency on cash and cash equivalents.	D	(84,051,157)	(389,466)
Net change in cash (A+B+C+D)		14,701,435	(51,980,563)
Cash and cash equivalents at the beginning of the year		38,897,648	90,878,211
Cash and cash equivalents at the end of the year		53,599,083	38,897,648

Notes

1. The above Cash Flow statement is prepared under the Indirect Method set out in the Accounting standard on Cash Flow Statements (AS-3) issued by the Institute of Chartered Accountants of India.
2. The comparative figures for the previous year have been re-arranged to confirm to the current year's presentation.

For P. Murali & Co.
Chartered Accountants

For and on behalf of board

P. Murali Mohana Rao
Partner
Membership No: 23412

D.R.R. Swaroop
Wholetime Director

B. Muralidhar
Director

L. Sridhar
Director

Y. Ramesh Reddy
Chief Financial Officer

T.N. Kannan
Company Secretary

Place: Hyderabad
Date : 30-06-2009

Schedules forming part of Consolidated Balance Sheet

	Amount in Rs.	
	As at March 31, 2009	As at March 31, 2008
Schedule 1		
SHARE CAPITAL		
Authorised		
30,000,000 equity shares of Rs.10/- each	300,000,000	300,000,000
Issued, Subscribed and Paid-up		
15,824,415 equity shares of Rs. 10/- each fully paid	158,244,150	158,244,150
	158,244,150	158,244,150
Schedule 2		
RESERVES AND SURPLUS		
Capital Redemption Reserve	499,000	499,000
	499,000	499,000
Share Premium account		
As per Last Balance Sheet	171,923,178	171,923,178
Add: Received during the Period	—	—
Less:	171,923,178	171,923,178
Amount utilised for bonus Issue	—	—
Initial Public Issue expenses written off	—	—
	171,923,178	171,923,178
Surplus in Profit and Loss account	208,041,209	
As per Last Balance Sheet	—	
Add : Profit for the year	56,456,829	193,220,069
	264,498,038	193,220,069
Adjustment : Conversion		
Foreign currency Translation Reserve	(85,288,422)	(1,237,265)
TOTAL	351,631,794	364,404,982

Amount in Rs.

	As at March 31, 2009	As at March 31, 2008
Schedule 3		
EQUITY SHARE WARRANTS		
Equity Share Warrants	23,375,000	23,375,000
[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. Ltd., and Prime Genius Investments Pte. Ltd., 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)]		
	23,375,000	23,375,000
Schedule 4		
SECURED LOANS		
Loans and Advances from Banks	633,673,846	388,295,861
(Secured against the current assets and fixed assets of the company.)		
OTHER LOANS AND ADVANCES		
– Finance Lease Obligations (Secured against computers)	1,855,948	18,042,466
	635,529,794	406,338,327
Schedule 5		
UNSECURED LOANS		
CG Harshavardhan	12,155,181	–
Girish R Chaitanya	6,153,689	–
M Giridhar	755,041	–
	19,063,911	–

Schedule 6. FIXED ASSETS

Amount in Rs.

Description	GROSS BLOCK			DEPRECIATION/AMORTISATION			NET BLOCK	
	As at April 1, 2008	Additions during the year	Deletions during the year	As at March 31, 2009	As at April 1, 2008	For the period	Deletions during the year	As at March 31, 2009
Tangible Assets								
Land	6,212,880	–	–	6,212,880	–	–	–	6,212,880
Building	7,245,388	4,715,419	–	11,960,807	240,523	4,661,634	–	7,058,650
Plant & Machinery	27,508,579	3,587,205	–	31,095,784	1,028,700	18,384,430	–	11,682,654
Computers	42,580,220	48,298,288	20,824	90,857,684	22,975,913	57,035,793	20,824	10,866,801
Furniture & Fittings	37,203,208	5,260,951	–	42,464,159	6,140,680	22,064,017	–	14,259,462
	120,750,275	61,861,863	20,824	182,591,314	30,385,816	102,145,874	20,824	50,080,448
Intangible Assets								
Computer Software – Used in Development of Projects	49,844,250	32,537,289	–	82,381,539	6,939,060	22,527,024	–	52,915,455
Internally developed Software-‘Reusable Components Library’	65,610,096	14,817,546	6,754,174	73,673,468	3,645,005	24,339,627	1,125,696	46,814,532
	115,454,346	47,354,835	6,754,174	156,055,007	10,584,065	46,866,651	1,125,696	99,729,987
TOTAL	236,204,621	109,216,698	6,774,998	338,646,321	40,969,881	149,012,525	1,146,520	149,810,435
Previous Year	21,258,279	215,144,078	197,736	236,204,621	13,427,187	27,584,345	41,651	195,234,740

Amount in Rs.

	As at March 31, 2009	As at March 31, 2008
Schedule 7		
INVESTMENTS		
Non trade (unquoted), current investments, at the lower of cost and fair value		
Liquid mutual funds	—	4,186,727
	<u>—</u>	<u>4,186,727</u>
Schedule 8		
INVENTORIES		
Stock of course material	216,420	766,932
	<u>216,420</u>	<u>766,932</u>
Schedule 9		
SUNDRY DEBTORS		
Unsecured and considered good		
-Debts outstanding for a period exceeding six months.	55,115,182	9,404,323
-Other debts	566,695,535	380,980,142
Unsecured and considered doubtful		
-Debts outstanding for a period exceeding six months.	21,880,444	1,326,424
-Other debts	—	—
Less:		
Provision for doubtful debts	(21,880,444)	(1,326,424)
	<u>621,810,717</u>	<u>390,384,465</u>
Schedule 10		
CASH AND BANK		
Cash in hand	241,777	1,754,021
Balances with Scheduled Banks in		
Current Accounts	53,357,305	36,398,471
Deposit Accounts	—	145,606
Balances with other Banks		
Current Accounts	—	599,550
Deposit Accounts		
	<u>53,599,083</u>	<u>38,897,648</u>

	Amount in Rs.	
	As at March 31, 2009	As at March 31, 2008
Schedule 11		
LOANS AND ADVANCES		
(Unsecured, Considered good except stated otherwise.)		
Advance recoverable in cash or in kind or for value to be received -		
Employee Advances	566,413	7,089,824
Cambridge Technology ESOP Trust	—	30,000,000
Security Deposits	9,104,537	12,804,029
Prepaid Expenses	14,783,245	47,708,417
Advance Tax	—	982,925
Others	56,686,098	9,541,420
	81,140,293	108,126,615
Schedule 12		
LIABILITIES		
(a) Sundry Creditors		
-Total outstanding dues of Micro enterprises and Small enterprises;	—	—
-Total outstanding dues of creditors other than Micro enterprises and Small enterprises	357,441,647	213,281,822
(b) For other liabilities	132,400,340	368,074,128
	489,841,987	581,355,950
Schedule 13		
PROVISIONS		
Provision for Fringe Benefit Tax	174,304	304,984
Provision for Income Tax (Net of TDS Receivables)	20,432,073	11,357,410
Provision for Gratuity	4,001,214	6,032,891
Proposed dividend (Including tax thereon)	—	18,513,774
	24,607,591	36,209,059

Schedules forming part of Consolidated Profit and Loss Account

Amount in Rs.

	As at March 31, 2009	As at March 31, 2008
Schedule 14		
OTHER INCOME		
Interest Income	264,966	995,141
Dividend received on Mutual funds	173,062	2,440,057
Exchange Fluctuation Gain	2,874,172	3,416,077
Miscellaneous Income	2,684,312	1,523,199
	5,996,512	8,374,474
Schedule 15		
EMPLOYEE COST		
Salaries, Wages and Bonus.	798,528,962	313,057,350
Contribution to Provident Fund and other funds.	54,643,660	306,989
Staff Welfare Expenses.	2,346,745	12,429,395
Sub-contract fee.	395,502,994	208,850,452
	1,251,022,361	534,644,186
Schedule 16		
OPERATING, GENERAL AND ADMINISTRATION EXPENSES		
Power and Fuel	43,857,824	3,899,267
Rent	62,329,679	21,844,708
Consultancy and professional Charges	29,853,767	13,946,143
Traveling and Conveyance (Incl. Foreign Travel)	38,257,919	48,645,515
Insurance Expenses	3,348,466	3,166,424
Rates and Taxes	1,887,119	12,778,895
Exchange Fluctuation Loss	3,061,424	489,774
Communication Expenses	7,233,025	12,737,503
Computer hire charges	2,950,423	4,455,039
Auditor's Remuneration		
Audit Fees	669,854	1,511,999
For certification work including tax audit fees	125,000	802,247
Reimbursement of out of pocket expenses	—	81,789
Bad Debts written off	20,611,315	1,451,437
Provision for Bad Debts	—	1,339,256
Office Maintenance	8,332,101	18,608,034
Liquidated damages	2,000,000	—
Business development expenses	27,517,689	4,202,499
Miscellaneous Expenses (includes Material Consumed)	53,471,060	6,615,047
	305,506,666	156,085,804
Schedule 17		
FINANCE CHARGES		
Interest on working capital loan and Other loans	36,494,846	6,880,325
Finance & Bank Charges	11,672,632	2,257,487
	48,167,478	9,137,812

Schedule - 18 Significant Accounting Policies and Notes to the Consolidated Financial Statements

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, 2009. 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 un-utilized 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 of projects is 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, deferred tax and Fringe Benefit Expense.

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 Alternative 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.

Consequent to the introduction of Fringe Benefit Tax (FBT) effective 1 April, 2005, in accordance with the guidance note on accounting for fringe benefits tax issued by the ICAI, the Group has made provision for FBT under income taxes.

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. 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, 2009	March 31, 2008
<i>Subsidiaries of Cambridge Technology Enterprises Limited</i>			
Cambridge Technology Enterprises Inc	United States of America	100%	100%
Qsoft Systems and Solutions Private Limited	India	100%	100%
ComCreation Technology 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

- During the financial year 2008-09 an amount of Rs.4, 552,700/- is incurred as transaction cost relating to the acquisitions done in 2007-08 and to that extent goodwill has been adjusted.
- During January 2008, the Group acquired all the outstanding equity shares of CellExchange Inc, (company under common control) a software development company based in Boston, United States of America, which has substantial experience in both prime and subcontractor roles for large federal contracts and programs, for a initial cash consideration of Rs.488,108,070/- (inclusive of transaction costs) and a maximum amount of Rs.119,910,000/- payable on Deferred and Earn out consideration on the basis of achieving of certain revenue and performance targets.

In relating to the above acquisition an amount of twelve million dollars is fixed as consideration and out of which seven million dollars is paid in the financial year 2007-08 and the balance of five million dollars is outstanding as on 31st March 2008. Out of the total outstanding amount an amount of 4.6 million dollars (INR 188,686,873/-) is waived off during the current financial year 2008-09, and hence the same is adjusted to the good will account.

- 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 disposals of securities

Amount in Rs.

	Year ended March 31,	
	2009	2008
Investment in Liquid Mutual Funds	—	472,440,058
Redemption of investments in Liquid Mutual Funds	4,186,727	570,106,412
Net movement in Liquid Mutual Funds	(4,186,727)	(97,666,354)

3.4 Employee Stock Option Scheme

The Company has two stock option plans that are currently operational.

CTEL ESOP 2006 ('the 2006 Plan')

The 2006 Plan was approved by the board of directors on April 13, 2006 and by the shareholders on April 21, 2006, which provides for 990,00 shares. The committee has granted 626,004 shares as of April 29, 2006 and 3,067 shares as of October 2007. As per the scheme, Forty percent (40%) of the options allotted under the scheme carry one year vesting period, thirty percent (30%) of the options allotted have a two year vesting period and the balance thirty percent (30%) carry three year vesting period.

Changes in number of options outstanding were as follows:

	As at March 31,	
	2009	2008
Options outstanding beginning of period	614,313	626,004
Granted during the year	1,563,269	3,067
Less: Exercised	829,770	9,258
Forfeited	328,052	5,500
Options outstanding, end of period	1,019,760	614,313

CTEL ESOP SCHEME 2-2008 ('the 2008 Plan')

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 shares.

The committee has granted 923,217 shares during months of April 2008 and October 2008. As per the scheme, the options would vest not less than one year and not more than three years from the date of grant of such options. Vesting of options would be subject to continued employment with the Company and thus the options would vest on passage of time.

Changes in the number of options outstanding:

	As at March 31,	
	2009	2008
Options outstanding beginning of period	617,430	–
Granted during the year	923,217	617,430
Less: Exercised	208,340	–
Forfeited	84,940	–
Options outstanding end of period	1,247,367	617,430

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,	
	2009	2008
Net Profit (as reported)	56,456,829	154,382,557
Add: Stock based employee compensation	354,552	–
Less: Stock based compensation expenses determined under fair value method (pro forma)	19,303,456	1,369,608
Net Profit (Pro forma)	37,507,925	153,012,949
Earnings per share (Rs.)		
Basic - as reported	3.57	9.75
- as pro forma	2.37	9.67
Diluted - as reported	2.81	8.85
- as pro forma	2.14	8.77

The key assumptions used in Black-Scholes' model for calculating fair value are: risk-free interest rate ranging from 7.21% to 7.73 % (2008-7.57% to 7.61%), expected life: 2.5 years to 4.5 years (2008-3.5 years to 4 years), expected volatility of shares 63.77% to 72.66% (2008- 63.77% to 72.66%), dividend yield 0% (2008-0%). 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
Krishna Nangegadga	Whole time Director
D.R.R Swaroop	Wholetime Director

Member of family of key Management personnel

Mahalaxmi Nangegadga	Wife of Krishna Nangegadga (Whole time Director)
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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
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Amount in Rs.

Nature of Transaction	Year ended March 31,	
	2009	2008
<i>Transactions with key management personnel</i>		
Remuneration		
-Bhaskar panigrahi	10,841,100	3,873,149
-Krishna Nangegadda	10,687,529	3,873,149
-D.R.R. Swaroop	1,200,000	1,200,000
Amount Payable		
-Bhaskar panigrahi	251,416	445,426
-Krishna Nangegadda	185,406	445,426
-D.R.R. Swaroop	94,749	66,584
<i>Transactions with member of family of key management personnel</i>		
Guest maintenance expenses	297,660	336,600
<i>Transactions with enterprises over which Control exists</i>		
Sub contracting Expenses - CellExchange Inc. (billed by CTI)	9,641,100	11,982,846
Receivable/payable	—	—

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

	As at March 31,	
	2009	2008
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	1,628,900
Number of shares considered as weighted average shares and potential shares outstanding	20,074,415	17,453,315

3.8 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 was Rs.62, 329,679/- (Previous year Rs. 21,844,708).

Finance Leases

A subsidiary of the group has taken computers under finance lease. Future minimum lease payments under finance leases as at March 31, 2009 are as follows:

Amount in Rs.

Lease Obligations	Present value of minimum lease payments	Future interest	Minimum lease payments
Within one year of the balance sheet date	8,358,999	545,415	8,904,414
Due in period between one year and five years	2,712,544	135,099	2,847,643

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, 2009 and 2008 are as follows:

Amount in Rs.

Nature of Transaction	Year ended March 31,	
	2009	2008
Remuneration*	22,728,629	8,946,298
Perquisites & Allowances	—	—
Directors sitting fee	190,000	200,000

*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, 2009, the Group contributed Rs. 54,643,660 to provident fund.

Defined benefit plan - gratuity

The amounts recognized in the balance sheet as at March 31, 2009 are as follows:

Amount in Rs.

	As at March 31,	
	2009	2008
Present value of obligations	4,750,070	6,032,891
Fair value of plan assets	—	—
Net liability	4,750,070	6,032,891
Amount in balance sheet		
Liability	4,750,070	6,032,891
Asset	—	—
Net Liability	4,750,070	6,032,891

The amounts recognized in the profit and loss account for the year ended March 31, 2009 are as follows:

Amount in Rs.

	As at March 31,	
	2009	2008
Current service cost	624,678	3,209,090
Interest cost	474,162	657,283
Expected return on plan assets	—	—
Recognized net actuarial loss (net)	(1,918,025)	51,492
Total included in 'employee benefit expenses' (net)	(819,185)	3,917,865
Actual return on plan assets	—	—

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

	As at March 31,	
	2009	2008
Defined benefit obligation at beginning of the year	6,032,091	1,579,265
Current service cost	624,678	3,209,090
Interest cost	474,162	657,283
Benefits Paid (net)	—	—
Actuarial loss (net)	1,918,025	51,492
Defined benefit obligation at end of the year	4,750,070	6,032,891

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

	As at March 31,	
	2009	2008
Fair value of plan assets at beginning of the year	—	—
Expected return on plan assets	—	—
Actuarial gains	—	—
Contribution by employer	462,836	317,308
Benefits paid	462,836	317,308
Fair value of plan assets at the end of the year	—	—

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

	31st March 2009			31st March, 2008
	CTEL	CTIPL	CCTPL	
Discount Rate	8.00%	7.60%	7.00%	8.20%
Expected return on plan assets	8.00%	7.60%	7.00%	8.20%
Salary Escalation	7.00%	17.19%	6.00%	7.00%

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

3.11 Commitments and contingencies

Contingent consideration payable in respect of acquired subsidiary Companies Rs. 95,384,000/-

3.12 Prior year comparatives

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

For P. Murali & Co.
Chartered Accountants

For and on behalf of board

P. Murali Mohana Rao
Partner
Membership No: 23412

D.R.R. Swaroop
Wholetime Director

B. Muralidhar
Director

L. Sridhar
Director

Y. Ramesh Reddy
Chief Financial Officer

T.N. Kannan
Company Secretary

Place: Hyderabad
Date : 30-06-2009

Consolidated 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 0 9

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

1 1 9 6 6 0 9

Total Assets

1 1 9 6 6 0 9

Sources of Funds

Paid-up Capital

1 5 8 2 4 4

Reserves & Surplus

3 5 1 6 3 2

Secured Loans

6 3 5 5 3 0

Unsecured Loans

1 9 0 6 4

Deferred Tax Liability

8 7 6 4

Equity Share Warrants

2 3 3 7 5

Application of Funds

Goodwill

6 3 4 9 7 6

Net Fixed Assets

1 4 9 8 1 1

Capital work in progress

1 6 1 5 6 9

Net Current Assets

2 4 2 3 1 7

Accumulated Losses

N I L

Investments

N I L

Deferred Tax

7 9 3 6

Miscl. Expenditure

N I L

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

Turnover

1 7 8 3 1 8 7

Total Expenditure

1 7 1 9 5 0 1

Profit / Loss before tax

+ 6 9 6 8 3

Profit / Loss after tax

+ 5 6 4 5 7

Earning per share in Rs.

Dividend rate %

N I L

Basic

3 . 5 7

Diluted

2 . 8 1

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

ATTENTION SHAREHOLDERS

Shareholders are hereby informed that Registered Office of the company is being shifted to the following address w.e.f. 1st October, 2009 viz.

iLabs Centre,
11th floor, Block-D(4),
Plot No. 18,
Software Units Lay-out,
Madhapur,
Hyderabad-500 081

Henceforth, all correspondence and communications may please be sent to the above address only.

This image shows a full page of blank, lined paper. It features approximately 20 evenly spaced horizontal grey lines across its entire width, providing a template for writing or drawing. The margins are consistent on all sides.



Cambridge Technology Enterprises Ltd.

If undelivered please return to:

Plot No. 1244 Road No. 36

Jubilee Hills Hyderabad - 500 033 AP India

Tel: +91-40-40234400 Fax: +91-40-40234600

www.ctepl.com