

annual
report 2013

Transforming your IT



CTE

CAMBRIDGE TECHNOLOGY ENTERPRISES

BOARD OF DIRECTORS :

- | | |
|----------------------|--------------------------------------|
| 1. Stefan Hetges | - Director & Chief Executive Officer |
| 2. D R R Swaroop | - Whole-time Director |
| 3. Venkat Motaparthy | - Independent Director |
| 4. Anand Mallipudi | - Independent Director |

AUDIT COMMITTEE :

- | | |
|----------------------|------------|
| 1. Venkat Motaparthy | - Chairman |
| 2. D R R Swaroop | - Member |
| 3. Anand Mallipudi | - Member |

BANKERS :

Axis Bank Limited

STATUTORY AUDITORS :

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

COMPANY SECRETARY :

V Ramana Reddy

REGISTERED & CORPORATE OFFICE :

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

REGISTRAR AND SHARE TRANSFER AGENTS :

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

14th ANNUAL GENERAL MEETING

Day : Monday
Date : 30th December, 2013
Time : 3.30 p.m.
Venue : Hotel Aditya Park Inn, Senate 1,
Aditya Trade Centre,
Ameerpet, Hyderabad - 500 038
Andhra Pradesh, India

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Management Team

Stefan Hetges, Director & Chief Executive Officer

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

Arjun Chopra, Chief Technology Officer

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

Joerg Wirthmann, Senior Vice President of Sales, Europe

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

Notice

NOTICE

NOTICE is hereby given that 14th Annual General Meeting of the Cambridge Technology Enterprises Limited will be held on Monday, the 30th day of December, 2013 at Hotel Aditya Park Inn, Senate 1, Aditya Trade Centre, Ameerpet, Hyderabad - 500 038 at 3.30 p.m. to transact the following business:-

Ordinary Business:

1. To receive, consider and adopt the Balance Sheet of the Company as at 31st March, 2013 and the Profit and Loss Account for the year ended on that date together with the Reports of Directors and Auditors' thereon.
2. To appoint Anand Mallipudi who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint P.Murali & Co., Chartered Accountants, Hyderabad, the retiring Auditors, as Statutory Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of next Annual General Meeting and to authorize the Board to approve their remuneration.

For and on behalf of the Board

Sd/-

V Ramana Reddy

Company Secretary

Place : Hyderabad

Date : 29th November, 2013

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
2. The Proxy form, in order to be effective, must be deposited at the registered office of the Company not less than 48 hours before commencement of the meeting.
3. The Register of Members and Share Transfer books shall remain closed from Friday the 27th day of December, 2013 to Monday the 30th day of December, 2013 (both days inclusive).
4. The members holding shares in the dematerialized mode are requested to intimate all changes with respect to their bank details, mandate, nomination, power of attorney, change of address, change in name etc., to their Depository Participant (DP). These changes will be automatically reflected in the Company's records which will help the Company to provide efficient and better service to the members.
5. Members desiring to seek any information/clarifications on the annual accounts are requested to write to the Company at least 7 (Seven) days before the date of AGM to enable the management to compile and keep the information ready.
6. Corporate members intending to send their Authorized Representatives to attend the meeting are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the meeting.
7. Members/proxies are requested to bring their copies of Annual Reports to the meeting. Copies of Annual Reports will not be provided at the meeting.
8. Physical Share Transfers - PAN Copy:

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

Directors' Report

Directors' Report

Dear Shareholders,

We are happy to present on behalf of the Board of Directors, the 14th Directors' Report along with the Balance Sheet, and Profit and Loss Account for the year ended 31st March, 2013.

Financial Performance

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

(₹ in millions)

S.No.	Particulars	Consolidated Results		Stand Alone Results	
		FY 2013	FY 2012	FY 2013	FY 2012
1	Revenue from operations	904.76	749.98	217.98	307.94
2	Expenses	(1,059.91)	(736.81)	(427.03)	(196.09)
3	Depreciation & Amortization	(10.36)	(98.41)	(4.76)	(83.05)
4	Profit from operations before interest, other income and exceptional items	(166.39)	(85.24)	(213.81)	28.80
5	Finance Charges	(23.79)	(28.99)	(1.41)	(5.36)
6	Other Income	122.89	23.02	14.95	20.65
7	Impairment of intangible assets	-	(44.52)	-	(30.25)
8	Impairment of goodwill	-	(458.10)	-	-
9	Prior period expenses	(10.54)	15.01	(10.54)	15.01
10	Change in carrying value of investments	-	-	(272.90)	(37.78)
11	Profit from Ordinary Activities Before Tax	(76.94)	(578.82)	(483.71)	(8.93)
12	Extra-ordinary item	(52.30)	-	-	-
13	Tax Expense	(6.16)	9.49	(2.91)	10.53
14	Net Profit	(135.40)	(569.33)	(486.62)	1.60
15	Profit & Loss Account Balance Brought Forward	(38.93)	(124.86)	178.95	177.35
16	Amount Available for Appropriation	(174.33)	(694.19)	(307.66)	178.95

a. Consolidated Results for FY 2013

Your Company has achieved a turnover of ₹ 904.76 Mn for the year ended 31st March, 2013, as against a turnover of ₹ 749.98 Mn in the previous year and posted operating loss of ₹ 166.39 Mn versus an operating loss of ₹ 85.24 Mn recorded in the previous financial year. Net Loss for the year ended 31st March, 2013 was ₹ 135.40 Mn, and the same was ₹ 569.33 Mn, for the year ended 31st March, 2012. Detailed analysis of consolidated financial statements is given in Management Discussion and Analysis Report forming part of this Annual Report.

b. Standalone Results for FY 2013

CTEL has achieved a turnover of ₹ 217.98 Mn for the year ended 31st March, 2013, as against a turnover of ₹ 307.94 Mn in the previous year. The Company posted an operating loss of ₹ 213.81 Mn for the year under review, whereas it was a profit of ₹ 28.80 Mn in the year ending 31st March, 2012. Net Loss for the year ended 31st March, 2013 was ₹ 486.62 Mn, and the same was a profit of ₹ 1.60 Mn, for the year ended 31st March, 2012. Detailed analysis of stand-alone financial statements is given in Management Discussion and Analysis Report forming part of this Annual Report.

Dividend

Keeping in view the difficult operating environment that prevailed in the year gone by and the expected cash flow requirements for the future growth of the Company, your Directors were not able to recommend any dividend for the financial year ended 31st March, 2013.

Employee Stock Option Scheme

The details of employee stock option as on 31st March, 2013 are given as Annexure-1 to this report, as per Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

Corporate Governance Report

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

Management Discussion and Analysis Report

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

Subsidiary Companies

During the financial year your Company has made an application with the High Court of Karnataka for merger between the company and Cambridge Technology India Private Limited (formerly Q-soft Systems & Solutions Private Limited), Bangalore., The debt holders of smartShiftgroup Limited (formerly Cambridge Technology Enterprises - Mauritius Limited) exercised their right to convert their debt into equity shares, which consequently lead to dilution of equity held by your company. The residual shareholding tuning to 29.68%, in smartShiftgroup Limited (formerly Cambridge Technology Enterprises - Mauritius Limited) was sold to smartShiftgroup Inc., for a consideration of USD 25,000.

Your company had made an application on 10th May, 2013 to Reserve Bank of India for write off of trade receivables due from erstwhile foreign subsidiary smartShift Technologies Inc., (formerly Cambridge Technology Enterprises Inc.,) and also for ratification of the transaction involving the sale of shares of the overseas subsidiary smartShift Group Limited (formerly Cambridge Technology Enterprises - Mauritius Limited). Company is waiting for disposal of these two applications by the Reserve Bank of India.

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.

Your company had filed merger petition on 18th July, 2013 before the Hon'ble High Court of Karnataka for merger of the Company's 100% subsidiary M/s. Cambridge Technology India Private Limited ("CTIPL"), Bangalore with its Holding company viz., Cambridge Technology Enterprises Limited in order to have efficient integration and greater financial strength and flexibility consequent to the proposed amalgamation of CTIPL.

The Ministry of Corporate Affairs vide its General circulars has laid down a set of conditions upon fulfillment of which, Ministry has conferred automatic exemption from attaching subsidiary financials to the financials of the Company for the financial year 2012-13. Your company has complied with those conditions and hence consolidated financials with rupee equivalents, wherever applicable are made available in this annual report.

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

Directors' Responsibility Statement

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

- i. In preparation of Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- ii. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2012-13 and of profit of the Company for that period;
- iii. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. We have prepared the annual accounts on an on-going concern basis.

Fixed Deposits

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

Directors

Mr. Anand Mallipudi, Independent Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. A brief profile of Mr. Anand Mallipudi, retiring director is given in the Corporate Governance section of this Annual Report.

During the year under review Mr. Samir Bhatia, Director & Chief Financial Officer had resigned w.e.f. 1st March, 2013 and Mr. L Sridhar, Independent director resigned w.e.f. 21st December, 2012. The Board of Directors places on record its appreciation for the services rendered by them during their tenure as Directors.

Auditors

The Statutory Auditors of the Company P Murali & Co., Chartered Accountants retiring at this Annual General Meeting have confirmed their eligibility and willingness to accept the office of Statutory Auditors, if re-appointed for the next financial year. The Audit Committee and the Board of Directors recommend P Murali & Co., as the Statutory Auditors of the Company for the financial year 2013-14 subject to the shareholders approval.

Particulars of Employees

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

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

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