



CEREBRA

Total I.T. Solutions

An ISO 9001:2000 Company

Cerebra Integrated Technologies Ltd.

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10th

A N N U A L R E P O R T

2003-2004

CEREBRA INTEGRATED TECHNOLOGIES LTD.

BOARD OF DIRECTORS

V. Ranganathan - *Managing Director*
Gururaja K. Upadhya - *Director Technical*
Shridhar S. Hegde - *Director*
P. Vishwamurthy - *Director*
T. S. Suresh Kumar - *Director*
P. E. Krishnan - *Director*
S. Gopalakrishnan - *Director*

REGISTERED OFFICE, FACTORY AND WORKSTATION

#S-5, off 3rd Cross, I Stage,
Peenya Industrial Area,
Bangalore - 560 058
Tel: 91 - 80 - 28370282/4
Fax: 91 - 80 - 28372609
Web: www.cerebracomputers.com
Email: info@cerebracomputers.com

OVERSEAS OFFICES

#14433, Settlers Landing Way, North Potomac,
MD 20878 U S A
Tel: 301 - 294 - 6206 Fax. 301 - 738 - 2419

Werner-Egk-str.6
D-85591, Vaterstetten, Germany
Tel/fax: +498106 898434
Fax: +49 8106 898432
Mob: +49 171 2343469

STATUTORY AUDITORS

M.S.Reddy & Associates
Chartered Accountants
#726, II Floor, 3rd Main, 3rd Cross, "D" Block, II Stage,
Rajajinagar, Bangalore - 560 010.
Tel. 91 - 80 - 3422430

REGISTRARS & SHARE TRANSFER AGENTS

Karvy Computershare Pvt Limited,
T K N Complex, #51/2, Vanivilas Road,
Opp. National College, Basavanagudi,
Bangalore - 560 004
Tel.91 - 80 - 6621184/6621192/93 Fax.91 - 80 - 6621169

BANKERS

Canara Bank
State Bank of India

ENLISTMENTS

Bangalore Stock Exchange Limited
The Stock Exchange of Mumbai (BSE)
The Stock Exchange of Ahmedabad
Calcutta Stock Exchange Association Limited

DEPOSITORIES

National Securities Depository Limited
Central Depository Services Limited

LETTER TO STAKEHOLDERS

Dear Stakeholders,

We have all now understood very clearly what "surviving against all odds" means. We undertook a massive expansion during the years 2001, 2002 and 2003 especially when the IT industry was going through a slump, a slump from which a few industries failed to recover.

It is only a big miracle that we are all still alive and to say that the last 18 months have been the worst period in our history, will be a severe understatement. The market has started picking up but it will take your Company another year or year and a half before I can confidently say that we are now stable. We have been in ICU for a very long time and have slowly started showing signs of a slow recovery!

We have seen quite a lot of troubles during the last 18 months but I am still not very confident to say that we have seen the worst. I can only say we can see a faint light at the end of a long dark tunnel and are making our way towards that light surmounting a lot of hurdles on the way.

Your Company was able to meet a meagre topline of Rs. 275.14 lacs and also slipped very badly in terms of bottom line by recording a loss of Rs. 2968.73 lacs. Your Company's Management continues its focus in both the Hardware Division and Software Division. Your Company is expecting a reasonable turnover by the end of March 2005.

Several drastic measures have been taken to cut costs, consolidating all its businesses under one roof, removal of branch offices, cutting down on employee strength which should result in our becoming a stable company by the year ending March 2006.

We are hopeful that the banks will support us during these tough times that your Company has been facing. Our accounts in both our banks have been classified as 'Non Performing Asset' as on 1st April 2003. The banks are still quite supportive; however, we urgently require infusion of funds to make sure we survive. The management is working towards this direction. We wish to inform you that we are very confident that we will revive the Company very fast and we look forward to your co-operation as always.

I take this opportunity to thank all the Stakeholders, Banks, Channel Partners, Customers, Vendors and the Employees of Cerebra who have still remained a great source of strength. As they all say, there are still quite a lot of good and helpful people around.

Thank you,

V. RANGANATHAN
Managing Director

15-11-2004

CEREBRA INTEGRATED TECHNOLOGIES LIMITED

Regd Off.: # S-5, off 3rd Cross, I Stage, Peenya Industrial Area, Bangalore - 560 058

NOTICE

NOTICE is hereby given that the Tenth Annual General Meeting of the Company will be held at 10.00 a.m. on Tuesday, the 21st day of December 2004 at the registered office of the Company to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at September 30, 2004 and the Profit and Loss Account for the 18 months period ended on that date along with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Shridhar S Hegde who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Gururaj K Upadhyaya who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Messrs. M.S. Reddy & Associates, Chartered Accountants, Bangalore who retire at the end of the Tenth Annual General Meeting and being eligible, offer themselves for appointment and to authorise the Board of Directors of the Company to fix their remuneration.

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By Order of the Board

Place : Bangalore

Date : 15th November 2004

V. RANGANATHAN

Managing Director

NOTES:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to vote instead of himself/herself and the proxy appointed need not be a member. The duly filled in proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.
2. Members/proxies should bring in the duly filled in attendance slips sent herewith for attending the meeting.
3. The Register of Members and the share transfer books of the Company will remain closed on 21.12.2004
4. Members are requested to notify their change in address to the Registrars and Transfer Agents by quoting their relevant registered Folio Number.
5. Members are requested to carry the Annual Report circulated to them. As a measure of economy, no copies of the Annual Report will be made available to the Members at the Meeting.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE ANNUAL GENERAL MEETING:

1. Mr. Shridhar S Hegde :

Date of Birth: 27.1.1961

Qualification: Bachelor of Science

Expertise: Marketing the products - Both Hardware and Software

No. of Board Meeting attended during the 18 months period ended 30.9.2004: 6

2. Mr. Gururaj K Upadhy:

Date of Birth: 15.6.1964

Qualification: Bachelor of Engineering

Expertise: Software Development

No. of Board Meeting attended during the 18 months period ended 30.9.2004: 6



CEREBRA INTEGRATED TECHNOLOGIES LIMITED

Regd Off.: #S-5, off 3rd Cross, I Stage, Peenya Industrial Area, Bangalore - 560 058

DIRECTORS' REPORT

Your Directors present their Tenth Annual Report together with the audited Balance Sheet and Profit and Loss Account for the 18 Months period ended September 30, 2004.

FINANCIAL RESULTS:

Particulars	(Rs.in lakhs)	
	2003-2004 (18 Months)	2002-2003 (12 Months)
Total Income	275.14	3196.78
Total Expenditure	2968.63	3422.69
Operating Profits (PBIDT)	-2693.50	-225.91
Interest	201.69	207.21
Depreciation	88.99	70.59
Profit Before Tax (PBT)	-2984.17	-503.71
Provision for Tax – Current	0.00	0.00
Profit after Current Tax but before Deferred Tax	-2984.17	-503.71
Deferred Tax	-14.48	-12.21
Profit available for appropriations/(Loss)	-2969.69	-491.50

Review of operations

Your Company had to write off a huge amount as bad debts since with our present infrastructure it is impossible to collect these amounts. Moreover, some of the customers abroad have wound up the company and again the Company had to make provision for bad debts for these amounts. However, the management is still trying their best to collect these monies. This has resulted in a negative bottom line.

DIVIDEND:

Your Directors regret to inform you that no dividend is declared for the 18 Months period ended 30.9.2004 in view of the losses incurred.

DIRECTORS:

Mr. Shridhar S Hegde and Mr. Gururaj K Upadhya Directors, retire by rotation. In accordance with the Companies Act, 1956 and Articles of Association of the Company they being eligible, offer themselves for re-appointment.

FIXED DEPOSITS:

Your Company has neither accepted nor renewed any Fixed Deposits during the 18 Months period ended September 30, 2004

AUDITORS:

Messrs. M S Reddy & Associates, Chartered Accountants, Bangalore, Auditors of the Company retire at the end of forthcoming Annual General Meeting and are eligible for appointment.

PARTICULARS OF EMPLOYEES:

There was no employee drawing remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975.

COMPLIANCE OF STOCK EXCHANGE FORMALITIES:

Your Company has fully complied with the Listing formalities of all Stock Exchanges where the Company's shares are listed. Your Directors have taken necessary action in connection with the Guidelines/Regulations issued by Securities and Exchange Board of India (SEBI) on Insider Trading.

ACCOUNTING STANDARDS:

The Company has followed the mandatory Accounting Standards for preparation of Financial Statements for the 18 months' period ended September 30, 2004.

CORPORATE GOVERNANCE:

A detailed report on Corporate Governance has been included separately in the Annual Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Information pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 is Nil.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

Foreign Exchange Earnings: Rs. 22.89 Lakhs

Foreign Exchange Outgo: NIL

DIRECTORS' RESPONSIBILITY STATEMENT:

As per Section 217(2AA) of the Companies (Amendment) Act, 2000 your Directors hereby confirm that -

- In the preparation of these accounts for the period ended 30.9.2004, the applicable accounting policies and standards are followed, as issued by the Institute of Chartered Accountants India (ICAI) and the requirements of the Companies Act, 1956, to the extent applicable. No material departures are noticed from the prescribed accounting standards;
- The accounting policies are consistently applied and reasonable, prudent judgment and estimates are made so as to give a true and fair view of the state of affairs of the Company as at the end of the 18 Months period ended September 30, 2004 and of the (Loss) of the Company for that period;
- The accounts for the 18 months period ended 30.9.2004 have been prepared on a system of historical cost, on a going concern and on accrual basis;
- Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud, errors and other irregularities;
- Financial Statements have been audited by Messrs. MS Reddy & Associates, Chartered Accountants, Bangalore being the Statutory Auditors of the Company.

ACKNOWLEDGEMENTS:

Your Directors thank the Shareholders/Investors for their response and confidence, Customers, Vendors, Bankers, Canbank Factors, Channel Partners, Software Technology Park of India, Bangalore, the Customs and Central Excise Departments, Sales Tax and Income Tax Departments and other Government Departments for their invaluable co-operation and support for your Company's survival.

Despite the uncertainty and tough market conditions faced with reduced spending by IT Companies, your Directors believe that by optimizing the resources and by being increasingly market conscious, better results are achievable in the days to come.

For and on behalf of the Board

Place : Bangalore

Date : 15.11.2004

V Ranganathan

Managing Director

Shridhar S. Hegde

Director

REPORT ON CORPORATE GOVERNANCE (In terms of recommendations by SEBI)**INTRODUCTION**

Your Company has implemented and complied with the Corporate Governance Code recommended by the Securities and Exchange Board of India (SEBI). Your Company shall always be managed with the principles of Good Corporate Governance with a view to enhance overall shareholder value and to run the business effectively to achieve its corporate objectives.

I. BOARD OF DIRECTORS

A. The Board of Directors of the Company has 2 Executive and 5 non-executive Directors out of which 3 are Non-Executive Independent Directors.

After due circulation of agenda and notes thereon, the Board of Directors have met at reasonable periods of intervals to transact business on various Board's functions, responsibilities and accountabilities. Compliances of various Laws and Regulations along with the Corporate Philosophy, goal, plans and strategies have been dwelt at length by the Board at its various proceedings.

The details of the Directors' attendance at the meetings of the Board of your Company during the 18 Months period ended 30.9.2004 are given below:

Sl. No.	Name	Designation	No. of Board Meeting held	No. of Board Meetings attended
Executive Directors				
1.	V Ranganathan	Managing Director	6	6
2.	Gururaj K Upadhya	Director - Technical	6	6
Non-Executive				
3.	Shridhar S Hegde	Director	6	6
4.	P Vishwamurthy	Director	6	6
Non-Executive and Independent Directors				
5.	Suresh Kumar TS	Director	6	6
6.	PE Krishnan	Director	6	6
7.	S Gopalakrishnan	Director	6	6

The Board Meeting dates being 30.6.2003, 30.7.2003, 30.10.2003, 30.1.2004, 29.4.2004 and 30.7.2004.

All other Directors attended the Ninth Annual General Meeting. No Extraordinary General Meeting was held during the year under report.

II. AUDIT COMMITTEE

The functions of Audit Committee are as follows:

- To oversee the company's financial reporting process and disclosure of its financial information;
- To recommend the appointment of statutory auditors and fixation of the audit fee;
- To review and discuss with the auditors about internal control systems, the scope of audit including the observations of the Auditors, adequacy of the internal audit function, major accounting policies, practices and entries;
- Compliance with accounting standards;
- Compliance with the Stock Exchange and legal requirements concerning financial statement and related party transactions, if any;
- To review the company's financial and risk management policies;
- Discuss with the internal auditors any significant findings for follow-up thereon;
- To review the quarterly, half yearly and annual financial statement before submission to the Board of Directors.

The committee also meets the management team and reviews the operations, new initiatives and performance of the business units. The minutes of the audit committee are circulated to the Board, discussed and taken note of.

The details of attendance of the meetings of the Audit Committee for the 18 Months period ended 30.9.2004 are as follows:

Sl. No.	Name	No. of meeting held during the year	No. of meetings attended during the year
1.	S Gopalakrishnan	6	6
2.	TS Suresh Kumar	6	6
3.	PE Krishnan	6	6

The Audit Committee reviewed the financial results, accounting and financial controls as well as policies and practices as also internal control and internal audit systems.

III REMUNERATION COMMITTEE

The functions of Remuneration Committee are as follows:

- To review, assess and recommend the appointment of executive and non-executive Director from time to time;
- Periodically review the remuneration package of the executive Directors and recommend suitable revision to the Board;
- To recommend compensation to the non-executive Directors in accordance with the provisions of the Companies Act, 1956;
- To consider and recommend Employee Stock Option Schemes from time to time and to administer and supervise the same.

Remuneration of employees largely consists of base remuneration, perquisites and performance incentives.

The Remuneration Committee consists of the following Directors:

1. Mr. S.Gopalakrishnan – Chairman
2. Mr. T.S Suresh Kumar – Member
3. Mr. P.E.Krishnan – Member

There was no occasion for the Committee to meet during the year since there was no review of the remuneration payable to the Directors.

Details of Remuneration of all Directors:

(Amount in Rs.)

Sl. No.	Name	Designation	Salary	Sitting fee*
Executive Directors				
1.	V Ranganathan	Managing Director	Nil	Nil
2.	Gururaj K Upadhya	Director – Technical	Nil	Nil
Non-Executive				
3.	Shridhar S Hegde	Director	Nil	Nil
4.	P Viswamurthy	Director	Nil	Nil
Non-Executive and Independent Directors,				
5.	Suresh Kumar TS	Director	Nil	Nil
6.	PE Krishnan	Director	Nil	Nil
7.	S Gopalakrishnan	Director	Nil	Nil

Note: In view of the poor performance the whole time directors did not draw remuneration.

IV INVESTORS GRIEVANCES-COMMITTEE:

The functions of Investors Grievances Committee are as follows:

- To look into the shareholders complaints, if any and to redress the same expeditiously.
- To approve the request for issue of duplicate share certificates and issue of certificates after split/consolidation.

The Investors Grievance-Committee consists of the following:

1. Mr. S Gopalakrishnan – Chairman
2. Mr. T S Suresh Kumar – Member
3. Mr. P E Krishnan – Member

The Sub-Committee duly appointed by the aforesaid Committee met continuously to address the various issues relating to the investors, including non-receipt of Annual Reports, Dividend related issues, Change of addresses, transfers of shares, dematerialization and other related aspects. The Company has also continuously requisitioned the services of an independent Practicing Company Secretary to review the procedures followed by the RTA. No major grievance of any investor was pending as on 30.9.2004.