

CEREBRA INTEGRATED TECHNOLOGIES LIMITED

Report  Junction.com

12th

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

2005 – 2006

BOARD OF DIRECTORS

V. Ranganathan - *Managing Director*
Gururaj K. Upadhy - *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 WORKS**

#S-5, off 3rd Cross, I Stage,
Peenya Industrial Area,
Bangalore - 560 058
Tel: 91 - 80 - 28370282 / 284
Fax: 91 - 80 - 28372609
Web: www.cerebracomputers.com
Email: info@cerebracomputers.com

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 - 23422430

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

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 - 26621192
Fax.91 - 80 - 26621169

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 Twelfth Annual General Meeting of the Company will be held at 10.00 a.m. on Saturday, the 30th day of December 2006 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, 2006 and the Profit and Loss Account for the year 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. P.E. Krishnan, 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 ensuing Annual General Meeting and being eligible, offer themselves for appointment and to authorise the Board of Directors of the Company to fix their remuneration.

SPECIAL BUSINESS

5. To re-appoint Mr. V RANGANATHAN as Managing Director and fix his remuneration.

To consider and if thought fit, to pass with or without modification/s the following resolution as an special resolution:

"RESOLVED THAT subject to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 as amended upto date and subject to the provisions of Schedule XIII thereto and subject to the approval of the shareholders at the ensuing annual general meeting of the Company Mr. V. Ranganathan, be and is hereby re-appointed as Managing Director of the Company for a period of three years w.e.f. 01.01.2006 on a remuneration as approved by the duly appointed remuneration committee on the following terms and conditions:

REMUNERATION:

- | | | |
|-----------------------------|---|-----------------------|
| (i) Basic | - | Rs. 9,250/- per month |
| (ii) House Rent Allowance | - | Rs. 4,500/- per month |
| (iii) Medical Reimbursement | - | Rs. 1,250/- per month |
| (iv) Conveyance Allowance: | | |

He will be eligible for reimbursement towards fuel and Car maintenance expenses at actuals on production of bills. He shall not be entitled for any other allowances or benefits, other than mentioned above.

(v) Leave Facilities:

He will be provided with 21 days of Leave and 5 days of Casual Leave during the Tenure. Unutilised shall not be eligible for Carry Forward / Cash Reimbursement.

"RESOLVED FUTHER THAT in the event of loss or inadequacy of profits during any financial year the aforesaid salary and perquisites shall be the minimum remuneration payable to Mr. V. Ranganthan as per the aforementioned terms and conditions of the agreement."

6. To re-appoint Mr. Gururaj K. Upadhya as a Director (Technical) and fix his remuneration.

To consider and if thought fit, to pass with or without modification/s the following resolution as an special resolution:

"RESOLVED THAT subject to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 as amended upto date and subject to the provisions of Schedule XIII thereto and subject to the approval of the shareholders at the ensuing annual general meeting of the Company, Mr. Gururaj K. Upadhyay, be and is hereby re-appointed as Director (Technical) of the Company for a period of three years w.e.f. 01.01.2006 on a remuneration as approved by the duly appointed remuneration committee on the following terms and conditions :

REMUNERATION:

- | | | |
|-----------------------------|---|-----------------------|
| (i) Basic | - | Rs. 9,250/- per month |
| (ii) House Rent Allowance | - | Rs. 4,500/- per month |
| (iii) Medical Reimbursement | - | Rs. 1,250/- per month |
| (iv) Conveyance Allowance: | | |

He will be eligible for reimbursement towards fuel and Car maintenance expenses at actuals on production of bills. He shall not be entitled for any other allowances or benefits, other than mentioned above.

(v) Leave Facilities:

He will be provided with 21 days of Leave and 5 days of Casual Leave during the Tenure. Unutilised shall not be eligible for Carry Forward / Cash Reimbursement.

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits during any financial year the aforesaid salary and perquisites shall be the minimum remuneration payable to Mr. Gururaj K. Upadhyay as per the aforementioned terms and conditions of the agreement."

7. To consider and if thought fit, to pass with or without modification/s the following resolution as an special resolution:

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956 and the rules framed thereunder, Listing Agreements, and all other applicable Laws, Rules, Regulations and Guidelines and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modification(s) as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this resolution), be and is hereby authorized to accept, the consent of the Company be and is hereby accorded to the Board to de-list the equity shares of the Company from the Stock Exchange at all or any of the Stock Exchanges at Kolkata, Ahmedabad and / or Bangalore".

By Order of the Board
For Cerebra Integrated Technologies Limited

Place : Bangalore
Date : 30th November 2006

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. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item no. 5, 6 and 7 is annexed herewith.
3. Members/proxies should bring in the duly filled in attendance slips sent herewith for attending the meeting.
4. The Register of Members and the share transfer books of the Company will remain closed on 30.12.2006.
5. Members are requested to notify their change in address to the Registrars and Transfer Agents by quoting their relevant registered Folio Number.
6. 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-APPOINTMENT AT THE ANNUAL GENERAL MEETING:

- 1. Mr. Shridhar S Hegde:**
Date of Birth: 27.01.1961
Qualification: Bachelor of Science
Expertise: Marketing & Sales
Number of Board Meeting attended during the year: 4
- 2. Mr. P E Krishnan:**
Date of Birth: 13-01-1965
Qualification: B.Com
Expertise: Independent Director
Number of Board Meeting attended during the year : 1

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM 5 AND 6 :

Mr. V. Ranganathan and Mr. Gururaj K. Upadhyaya were appointed as Managing Director and Director (Technical) of the Company at the Board of Directors Meeting held on 30.11.2005 for a period of three years with the remuneration which was approved by the Remuneration Committee and the Board of Directors meeting held on 30.11.2005 subject to the approval of shareholders in general meeting and the same has been placed before the members for their approval.

None of the Directors of the Company is interested in the above resolution except Mr. V. Ranganathan and Mr. Gururaj K Upadhyaya. This may be deemed as compliance under section 302 of the Companies Act, 1956. Your Directors recommend the resolution for your approval.

ITEM NO. 7

Your Company's Shares are enlisted on the following Stock Exchanges:

- | | |
|---------------------------------------|--|
| 1. Bangalore Stock Exchange Limited | 3. Calcutta Stock Exchange Association Limited |
| 2. The Stock Exchange of Mumbai (BSE) | 4. Ahmedabad Stock Exchange Limited |

The Listing Regulatory Authorities have introduced new Guidelines namely the SEBI (Delisting of Securities) Guidelines 2003 which came in to force some to ago and have simplified the procedural requirements for Delisting.

Approval of the Members is being sought by way of a Special resolution to enable the Board to delist the Company's Equity Shares, from the all the Exchanges except The Stock Exchange of Mumbai.

Your Company pays Listing Fees annually to the various Stock Exchanges. Delisting if approved at all levels, would save your Company such amount and other operational costs for compliance with the listing Regularities of the Stock Exchanges. Needless to add, these compliances are in any case required to be done with respect to the Stock Exchange at Mumbai.

Your Company's Shares will continue to be listed on the Stock Exchange of Mumbai which is a premier Exchange. We shall make an application to list on the National Stock Exchange (NSE), at an appropriate time, subject to satisfying the listing Rules & Regulations of NSE.

The delisting will take effect after all approvals, permissions and sanctions are received.

The proposed delisting of the Company's Shares from the aforementioned Stock Exchanges shall not cause any hardships to the investors, since, trading on your Company's Shares on the BSE can be done from anywhere in India. None of the Directors are interested or concerned in the resolution except as Shareholders.

Your Directors recommend the resolution for your approval.

By Order of the Board
For Cerebra Integrated Technologies Limited

V. RANGANATHAN
MANAGING DIRECTOR

Place : Bangalore

Date : 30th November 2006

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 Twelfth Annual Report together with the audited Balance Sheet and Profit and Loss Account for the year ended September 30, 2006.

FINANCIAL RESULTS:

	(Rs.in lakhs)	
Particulars	2005-06	2004-05
Total Income	16.57	222.93
Total Expenditure	47.49	761.98
Operating Loss	30.92	539.06
Interest	96.57	123.86
Depreciation	19.80	38.41
Loss Before Tax	147.28	701.32
Provision for Tax – Current	0.00	0.00
– Fringe Benefit Tax	0.21	0.00
Loss after Current Tax but before Deferred Tax	147.49	701.32
Deferred Tax	0.00	-6.81
Loss Transferred to Balance Sheet	147.49	694.50

REVIEW OF OPERATIONS:

The Company during the year executed a major order from one of the Engineering Colleges and is concentrating on trading of Computer Systems. The Company is concentrating on EMS / job work for its SMT Division and also small BPO orders for its software division. The losses are due to amount of write off and impairment of fixed assets. The Company continues to remain under BIFR and has since made no progress. We have been talking to a few investors, who are looking at complete take over of the Company. We have also negotiated a One Time Settlement with the Banks.

DIVIDEND:

Your Directors regret to inform you that no dividend is declared for the year-ended 30.9.2006 in view of the losses incurred.

DIRECTORS:

Mr. Sridhar Hegde and Mr. P E Krishnan, 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 year ended September 30, 2006.

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.

Auditors observations: Regarding comments of the Auditor in their report dated 30.11.2006 the Directors draw attention to the Notes to Accounts number 8 and Management is in the process of obtaining confirmation.

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 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 year ended September 30, 2006.

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: NIL

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 annual accounts, the applicable accounting policies and standards are followed, as issued by the Institute of Chartered Accountants of 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 year ended September 30, 2006 and of the "Profit/(Loss)" of the Company for that year;
- The accounts for the year-ended 30.9.2006 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. M S 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, Channel Partners, Software Technology Park of India, Bangalore, the Customs and Central Excise Departments, Sales Tax and Income Tax Departments and other Government Departments and other for their invaluable co-operation and support for your Company's survival.

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

By Order of the Board
For Cerebra Integrated Technologies Limited

Place: Bangalore

V Ranganathan
Managing Director

Shridhar S. Hegde
Director

Date: November 30, 2006

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

INTRODUCTION

As reported in the last Annual Report, 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 atlength by the Board at its various proceedings.

The details of the Directors' attendance at the meetings of the Board of your Company during the year ended 30.9.2006 are given below:

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

The Board Meeting dates being 30.11.2005, 31.01.2006, 29.04.2006, 30.06.2006 and 31.07.2006

All other Directors attended the Eleventh 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 Audit Committee is comprised of the following Directors:

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

The details of attendance of the meetings of the Audit Committee for the year ended 30.9.2006 are as follows :

Sl No.	Name	No. of meeting held during the year	No. of meetings attended during the year
1.	S Gopalakrishnan	4	4
2.	T S Suresh Kumar	4	4
3.	P E Krishnan	4	4

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 Upadhy	Director – Technical	NIL	NIL
Non-Executive				
3.	Shridhar S Hegde	Director	NIL	NIL
4.	P Vishwamurthy	Director	NIL	NIL
Non-Executive and Independent Directors				
5.	Suresh Kumar T S	Director	NIL	NIL
6.	P E Krishnan	Director	NIL	NIL
7.	S Gopalakrishnan	Director	NIL	NIL

Note: In view of the poor performance, no sitting fee was paid to the Directors.

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. TS 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 30th September 2006.

None of the Directors of the Company were members in more than 10 committees nor acted as Chairman of more than five committees across all companies in which they were Directors. During 2005-2006, no transactions of material nature had been entered into by the Company with the Management or their relatives that may have a potential conflict with interest of the Company.

V. MANAGEMENT

Clause 49 of the Listing Agreement with the Stock Exchanges states the following as regards the Management.

The Company agrees that as part of the Directors' Report or as an addition there to, a Management Discussion and Analysis report should form part of the annual report to the Shareholders. This Management Discussion & Analysis should include discussion on the following matters within the limits set by the Company's competitive position:

- i. Industry structure and developments
- ii. Opportunities and Threats
- iii. Segment wise or Product-wise performance
- iv. Outlook
- v. Risks and concerns
- vi. Internal control systems and their adequacy
- vii. Discussion on financial performance with respect to operational performance
- viii. Material developments on the Human Resources/ Industrial Relations front, including number of people employed

A 'Management Discussion and Analysis of Results of Operations and Financial Condition' report is included hereunder

The report contains all the information specified above.

The Company has a policy under which all the Directors of the Company are required to disclose all material financial and commercial transactions where they have a personal interest to the Board. All the related party transactions are disclosed as Note 13 under Notes to Accounts.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT FOR THE YEAR ENDED 30TH SEPTEMBER 2006:

The Management of Cerebra Integrated Technologies Limited presents the Analysis of Division wise performance of the Company for the year ended 30th September 06 and its outlook for the future. The outlook is based on assessment of the current business environment and may vary due to future economic and other developments both in India and abroad.

Cerebra- System Integration Division (S.I.D)

The System Integration Division is located at S5, Off 3rd cross, Peenya Industrial Area, Peenya I Stage Bangalore-560058 and manufactures PCs, Servers, Laptops, etc., and trades in all kinds of I.T products and peripherals. This division recorded a Gross Sales of Rs. 15.94 lacs in the year 2005-06 when compared to the gross sales of Rs.219.85 lacs during the Financial year 2004-05. This division is only trading in Computer Systems and is focusing on Channel sales. The division also executed a major order from one of the Engineering Colleges in Pune. The management plans to put more thrust on this division and are hoping to do better during this financial year.