

CYBER MEDIA

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CYBER MEDIA (INDIA) LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

NOTICE

Notice is hereby given that **Twenty Fourth Annual General Meeting** of the members of the Company is scheduled to be held on Thursday, the 31st day of August, 2006 at 10.30 a.m. at the Singhania Hall, PHD Chambers of Commerce, 4/2, Siri Institutional Area, August Kant Marg, New Delhi 100016 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2006 and the Balance Sheet as at that date and the reports of the Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a director in place of Mr. K S Mehta who retires by rotation and being eligible offers himself for reappointment.

4. To appoint a director in place of Dr. Ashok Agarwal who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. M/s N K Goel & Co, retiring auditors are eligible for re-appointment.

By the order of the Board

Place: New Delhi
Date: May 18, 2006

Manhar Kapoor
Company Secretary

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a member of the company. The proxy should be submitted to the company so as to reach the company's registered office not later than 48 hours before the commencement of the meeting. Form of proxy is enclosed.
2. The register of members and Share Transfer Books of the Company will remain closed from August 22, 2006 to August 31, 2006 (both days inclusive).
3. Members/proxies should bring the attendance slips duly filled in for attending the meeting.



Directors' Report

Dear Members,

Your Directors have pleasure in presenting the Twenty Fourth Annual Report on the business and operations of your Company together with the Audited Annual Accounts of the Company for the financial year ended 31st March 2006.

Financial Results

The comparative position of the working results for the year under report vis-à-vis the previous year is as under:

Particulars	In Rs. Million			
	Standalone		Consolidated	
	FY 06	FY 05	FY 06	FY 05
Total Income	553.76	384.83	805.52	667.68
Expenditure				
–Direct Expenses	283.86	201.11	414.50	391.95
–Personnel Expenses	97.41	65.97	156.01	110.21
–Other Expenses	76.25	51.45	111.82	75.62
–Financial Expenses	8.06	8.34	12.48	11.89
–Depreciation	12.61	8.46	18.43	12.36
Profit Before Tax for the year	75.57	49.50	92.28	65.61
Provision for taxation	24.90	16.00	31.54	22.37
Profit After Tax for the year	50.67	33.50	60.74	43.25

Dividend

Your Company's policy has always been to share its growth with its shareholders. In view of the positive performance and encouraging financial results of the Company for the year 2005-06, your Directors are pleased to recommend a dividend of 10% on the capital of the Company. This will entail a payment of **Rs. 10,001,242** as dividend.

Management Discussion and Analysis Report

Please refer to the Management Discussion and Analysis Report for a detailed assessment of the business and the future outlook.

Listing at Stock Exchanges

The Equity Shares of the Company are listed at The Stock Exchange, Mumbai and the National Stock Exchange. The annual listing fee for the year 2006-07 has been paid.

Technology Absorption and Adaptation

The company's business is informing the users about the latest trends in various technologies. Consequently, the company is itself an early adopter of technology.

- CyberMedia uses a diverse mix of technology platforms across its national and regional headquarters that's partly driven by business need; partly by its publications' need to test a lot of technologies they write about both within its extensive test labs *and* in a real business environment; and finally, by its need to use a number of the technology areas that it evangelizes, such as intranet applications and the Linux platform.
- Virtually every employee has a PC in a fully networked environment.
- CyberHouse and all three CyberMedia regional headquarters are also wireless-enabled, with Wi-Fi access points deployed, and wireless-enabled laptops with editors and managers.
- The applications include Circulation, Accounts, CRM, and HR2

Directors' Responsibility Statement

The Directors' Responsibility Statement setting out the compliance with the accounting and financial reporting requirements specified under Section 217(2AA) of the Companies Act, 1956, in respect of the financial statements, is as follows:

The Directors hereby state:

- That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- That the Directors had selected such accounting policies and applied them consistently and made judgment 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 and of the profit and loss of the Company for that period.
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for prevention and detection of fraud and other irregularities.
- That the Directors had prepared the annual accounts on an ongoing basis.

Human Resource Development

Your Company has always valued its employees. To create an ownership attitude among the employees and further to motivate and optimise the output of the employees, the Company has been initiating various human resource development programs.

Your Company has revamped the Online Performance Management System and has integrated it with other HR aspects like recruitment and movement of employee. The system is in the process of implementation and will result in more effective recruitment, appraisal and movement of all employees. The HR department conducted a salary survey, and the Company has introduced the Performance Based Remuneration Scheme. This scheme

will further enhance productivity and result in optimization of resources by rewarding the best employees.

Your company has conducted various training programs across departments for enhancing the productivity of its employees. Programs like 'productivity workshop', 'enhancing emotional intelligence', 'self and organization growth workshop', 'key account management' and various other sales, market research and editorial sessions have been successfully carried out.

Your company has facilitated the annual awards ceremony and the star performers of the year were awarded Gold and Silver awards for their contributions to their particular group or function.

Industrial Relations

The relations between the Company and its employees continued to be cordial and harmonious throughout the year under review.

Material Changes after the Date of Balance Sheet

There are no material changes/events after the date of the Balance Sheet.

Particulars Regarding Energy Conservation

The particulars as described under Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988, are not applicable to the company.

Foreign Exchange Earnings and Expenditures

As per the requirement of clause (e) of subsection (1) of Section 217 of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988, the particulars are given as under:

Foreign Exchange Particulars	(Rs. in '000)
a) Foreign Exchange Earnings	37,753
b) Foreign Exchange Expenditure	10,783

Corporate Governance

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance along with a certificate from the Company's Auditors confirming compliance is set out in the Annexure forming part of this report.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. K S Mehta, Director and Dr. Ashok Agarwal, Director, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Your Directors recommend their re-appointment.

Auditors' Report

The observations made by the Auditors with reference to notes on accounts for the year under report are self-explanatory.

Auditors

M/s N K Goel & Co., Chartered Accountants and Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Your Directors recommend their re-appointment.

Particulars of Employees in Terms of Section 217(2A) of the Companies Act, 1956

The information required to be furnished under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, is as under:

Name	Shyam Malhotra
Designation	Executive Director
Age	51 years
Remuneration	Rs. 3,181,776
Qualification	B. Tech IIT (Delhi), MBA IIM (Calcutta)
Experience	28 years
Date of commencement of employment	October 1, 1995
Last employment	Eicher Goodearth Ltd.

Acknowledgement

Your Directors would like to take this opportunity to express sincere thanks to the valued members and associates of the Company with a special reference to the valuable services and support of The State Bank of Mysore.

The Directors would also like to express their deep sense of appreciation to all the employees who are committed to strong work ethics, excellent performance and commendable teamwork and have thrived in a challenging environment.

The Directors thank the valued customers for the continued patronage extended by them to your Company. Finally, the Directors wish to express their gratitude to the valued shareholders for their unwavering trust and support.

For and on behalf of the Board of Directors of
Cyber Media (India) Ltd

Place: New Delhi
Date: May 18, 2006

Pradeep Gupta
Managing Director

Krishan Kant Tulshan
Director

Management Discussion and Analysis

I. Industry Performance & Outlook

Your company is engaged in two segments of business activity. These are:

- Media
- Media Services

Media

The media business segment of your company is engaged in a healthy growth phase given the following key driving factors:

- The entertainment & media sector, worldwide, in a growth phase
- The Indian media industry growing well
- Advertisement spends are going up
- There is a shift towards niche markets

Our presence in the niche media sector in India positions us well to take advantage of these trends.

Entertainment & media sector

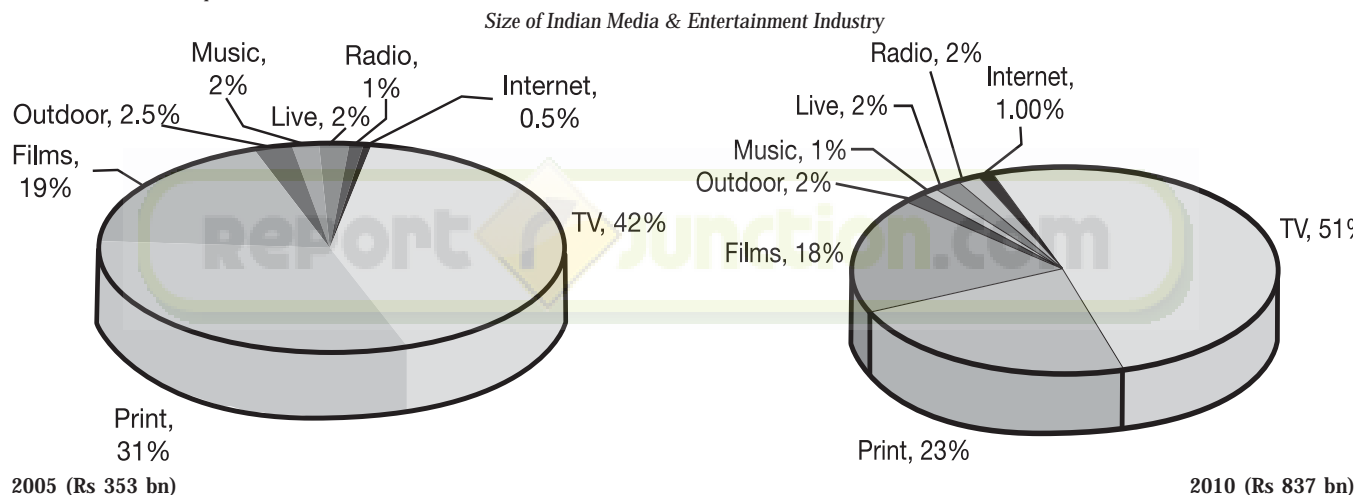
- Global media and entertainment industry is expected to reach \$ 1.67 trillion in 2008 from \$ 1.23 trillion in 2004.
- Asia Pacific region expected to grow at 9.8% over the period 2004-2008.
- Global advertising revenue to increase at 5.3% CAGR to reach \$ 412 billion in 2008.
- India and China are expected to have the fastest growth.

Source: PriceWaterhouseCoopers

Some of the characteristics of the Indian media and entertainment industry are:

- Indian entertainment and media sector is expected to grow at 19% to \$ 18.6 billion by 2010 from \$ 7.84 billion in 2005
- Low media penetration and ad spends; significant room for expansion for print media
- Total online advertising industry is expected to touch \$ 166 million by 2010 from \$22.2 million in 2005.

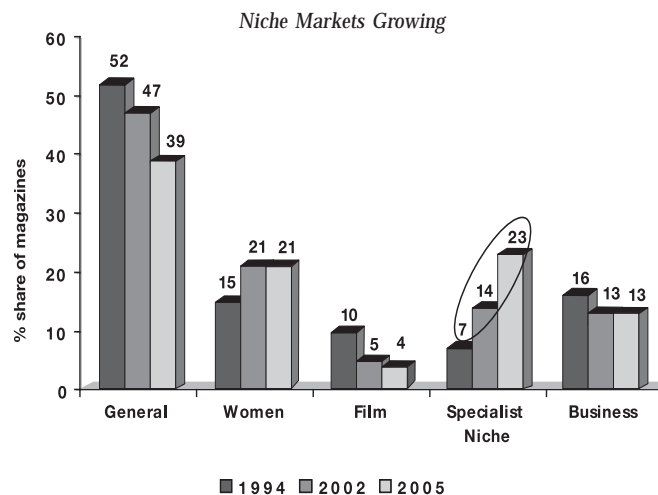
Source: FICCI-PwC Report



There has been a strong growth in advertisement expenditure in 2005. This trend is likely to continue in 2006 as illustrated by the table below.

Media	2004	2005	2006 E	Growth 05	Growth 06 E
Television	43.50	50.03	57.53	15.0%	15.0%
Print	49.61	49.61	68.40	14.9%	20.0%
Radio	1.50	2.00	2.70	33.3%	35.0%
Outdoor	8.00	8.70	9.48	8.7%	9.0%
Internet	0.70	1.10	1.65	57.1%	50.0%
Cinema	0.23	0.32	0.45	39.1%	40.6%
Total	103.54	119.15	140.21	15.1%	17.7%

Source: Pitch-Madison Media Survey



Media Services

India is emerging as a destination for high quality, low cost, back office work. As per NASSCOM estimates Business Process Outsourcing (BPO) in the "content" related area from India was at \$500 million in 2005. This is slated to grow further as more and more publishers are finding India as a favored destination in their effort to cut costs by outsourcing some of their processes.

II. Opportunities and Threats.

Opportunities

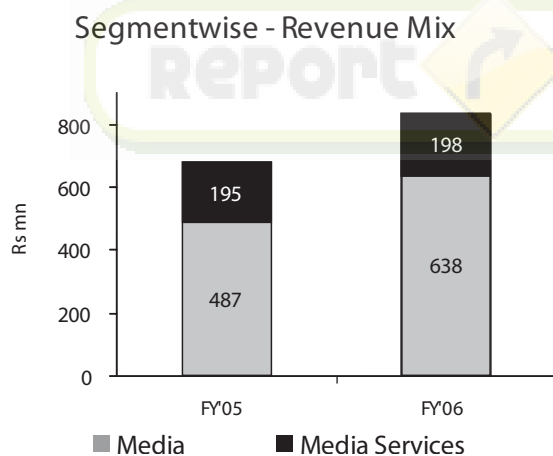
- The entry of International titles into the India media space
- Heightened international interest in India and consequent international tie-ups
- Buyoant advertisement spending
- Growth of the niche markets in India.

Threats

- Entry of foreign media is a challenge to domestic titles
- Increase in paper prices has pushed up direct costs
- Manpower costs are on the rise

Your company has adapted a strategy of global expansion. Following such strategy implementation the company has acquired a 20% stake in SX2 Media Labs LLC and a 50% stake in CMP-CyberMedia LLC. The investment bring in an opportunity to CyberMedia to engage in active business-to-business co-operation with JV/alliance partners for achieving an accelrated growth rate in future years.

III. Segment-wise Performance.



Gross sales are up 22.7% YoY from Rs 682mn in FY'05 to Rs 836 mn in FY'06 (gross of inter-segment adjustments). Revenue contribution of Media Segment increased to 76% in FY'06 from 71% in FY'05

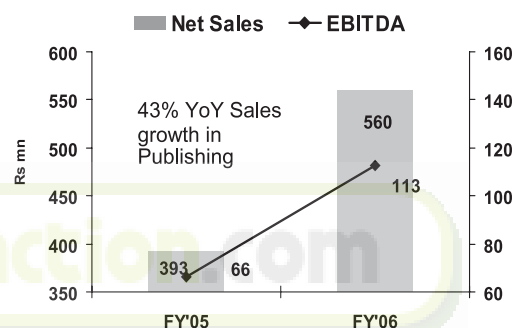
Media

The media business grew from Rs. 487 mn to Rs. 638 mn a top line growth of 31%. The EBITDA moved up from Rs. 72 mn to Rs 128 mn.

- a. **Print:** Print continues to be the chief source of revenue for the company. In this sub-segment, the top-line grew from Rs. 385 mn to Rs. 560 mn while the EBITDA moved up from Rs 66 mn to Rs. 113 mn. This growth was on the basis of an increase in number of ad pages from 5216 pages to 6181 pages and an increase in ad rates. The company also maintained its market share through its dominant brands viz. Dataquest, PC Quest, Voice & Data, Living Digital, The DQ Week, DQ Channels and BioSpectrum. The company also launched Global Services and in joint venture with CMP Media of USA. This 50-50 JV initiative is a unique modle of globel parterniship with two-thirds of the operational team located in India and one-third located in USA. The objective of the Global Services Media portfolio, comprising of print, online and events is to create buyer-seller interaction platform bridging diverse geographies and communities along the demand-supply axis. The first leg of operation is off to a good start with print having achieved more than 27.000 opt-ins.

Similary, the Bio Spectrum Asia Edition launched in Singapore has been very well recieved by the Asian Bio Tech community. This media portfolio comprises of a website, a fortnightly digital magazine and a by-monthly print product.

Publications

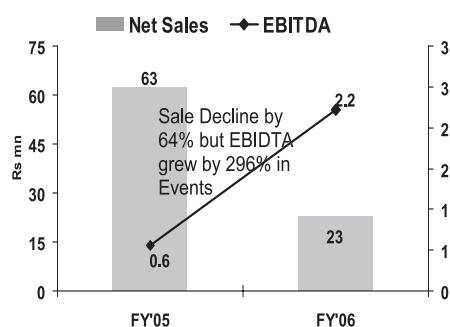


- b. **Events:** In FY 06 Cyber Media Events Limited, a wholly owned subsidiary of the Company, signed a MoU with Expomedia Group Plc to host international ICT and Life Science event in India. First edition of both the events will be held later this year.

During the period under review, in respect of the Events business of your company, a deliberate strategy of moving away from low-margin third party event management business yielded positive results with an increase of 296% in EBITDA margins from Rs. 0.56 mn in FY-05 to Rs. 2.21 mn in FY-06, despite a large negative growth in the top-line which moved from Rs. 62 mn in FY-05 to Rs. 23 mn in FY-06

During the financial year 2006-07, Cyber Media Events Limited is expected to be merged into the holding company following the approval of the draft scheme of amalgamation that is pending before the High Court of Delhi.

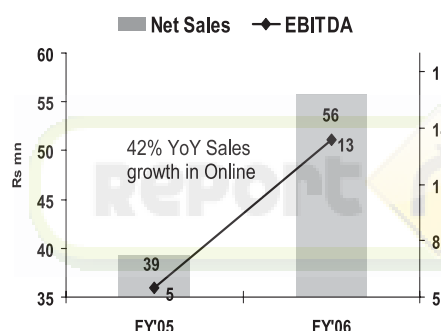
Events



c. Internet:

During the period under review the Online business witnessed a robust 42% growth in Sales with EBITDA rising from Rs. 5 mn to Rs. 13 mn. The primary growth driver for the Online business has been increased internet ad spends by the industry following an impressive growth in monthly page views from 12 mn in FY-05 to 45 mn in FY-06.

Online

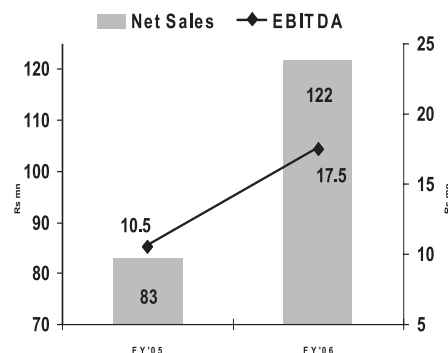


Media Services

- Job Board:** In CyberMedia Dice Careers Limited, further investment of \$1mn has been made by the Company and the JV partner Dice India Holdings Inc. The management expects the online job market to grow. The job board is still at an early investment phase and is likely to mature in the coming year. With a portfolio of about 100 clients, the number of job postings, stands at a round 8,000 and the number of registered users is close to 250,000.
- Content Services:** The first year of this new business stream saw a few major breakthroughs with global publishing houses - CMP, Encyclopedia Britannica and Expomedia. The company acquired around 33 clients in FY-06. In FY-07 the content services business is expected to grow rapidly.
- Market Research:** IDC (India) Limited, a wholly owned subsidiary of the company continues to be one of the most frequently quoted source of information for the IT and Telecom industry. It has more than 30 highly skilled analysts catering to 150 clients. Average revenue per employee for the year 2006 exceeds

Rs 3 million that resulted in a 47% growth in top-line from Rs. 83 mn to Rs. 122 mn. The industry outlook for IT and Telecom industries is excellent which indicates a robust demand for rich research based information.

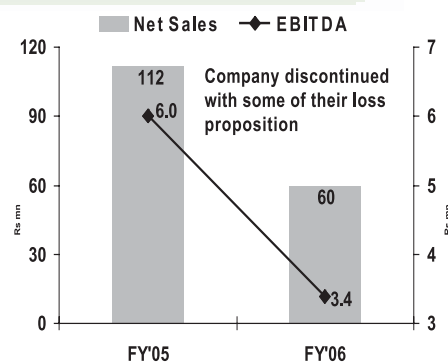
Research



During the year under review, the Company focused on streamlining the internal business processes, which enabled it to align appropriately with the market opportunities.

- Content Distribution:** During FY-06, CyberMedia Digital Limited, one of wholly owned subsidiaries of the company, exited from trading business of low margin hardware products following a strategy to focus on content distribution. This resulted in a decline of the top-line from Rs. 112 mn in FY-05 to Rs. 60 mn in FY-06 with EBITDA margin improving slightly from 5.4% in FY-05 to 5.7% in FY-06. This uptrend in EBITDA margins is expected to improve further in FY-07.

Content Distribution



Cyber Media Digital Limited is proposed to be merged with the Company. A draft scheme of amalgamation has been approved by the respective boards. The amalgamation is subject to the subject to the approval and directions of the High Court of Delhi and approval of stock exchanges, creditors and shareholders.

IV. Future Outlook

The opening up of the media sector in India has brought in a wave of interest in Indian Media from established foreign players. While this is an obvious threat to the Media related business of your company, it also

opens up newer avenues for expansion and growth for this business segment by way of collaborative ventures and possibilities of your company's thrust into foreign markets.

In the Media Services business, your company is following a strategy of acquiring select companies in content management in USA to provide a front end to the Content Services business. Coupled with the ongoing strategy to engage and expand existing relationships, the Content Services business will witness a substantial growth in FY-07.

Overall Outlook for CyberMedia:

The Company is targeting a revenue growth in excess of 25% to reach Rs 1 billion with commensurate growth in profits with the following new initiatives:

Media

- 2-3 new projects being evaluated in the B2B space
- Successful International Foray, 17000 Opt-ins for Global Services and 5000 database for Bio Spectrum Asia.
- Advertising Response to international ventures is off to a good start. Majors include Infosys, Genpact, HCL, Mindtree, NIIT, Invitrogen, Agilent, Applied Bio Systems, etc

Media Services

- Acquisitions of front end businesses is proposed in the US to facilitate inorganic growth in the content services business.
- Expanding existing relationships with CMP, UBM, Encyclopedia Britannica and Expomedia.
- The CyberMedia-Dice brand is being created with a strong brand building campaign. It is expected to yield results with growth in registered profiles and number of clients.

V. Internal Control Systems and Their Adequacy

The company has adequate control procedures commensurate with its size and nature of business. The internal control systems are well documented, policies, guidelines, authorizations and approval procedures. The company has an audit committee, which comprises three non-executive independent directors - Dr. Ashok Agarwal (Chairman), Mr. Rohitasaava Chand and Mr. K.S. Mehta. The audit committee's observations are acted upon by the management.

VI. Human Resources

The company has always valued its employees. There exist many ongoing programs for training and skill enhancement within your company to enrich and increase the depth of the company's human resources.

During the period under review, the company has revamped the performance management system and has integrated it with existing HR processes. The new system is expected to result in more effective recruitment, appraisal and movement of all employees once implementation reaches a stage of maturity. In FY-06 the HR department has conducted a salary survey and then introduced a performance based remuneration scheme which will enhance productivity and result in optimization of resources by rewarding the best employees.

The total employee strength at the end of financial year 2005-06 was 545.

VII. Risks & Concerns

- **Paper Price** – Paper costs have reached a platform after a sharp rise and this directly affects the direct costs of the print business. The higher

costs are more than compensated by the brisk growth of both quantity and rates of the advertisement revenue stream as a result of which the management does not perceive substantial risk on this front.

- **Advertisement** – Advertisement revenue, which is inherently cyclical in nature, constitutes the main source of revenue for the Company. Following a consistent strategy of de-risking of the business, the non advertisement based streams of revenue the Company have been nurtured.
- **Competition** – Following the opening up of the Media sector to FDI investments, more players are expected to enter the market. The company has competed with a number of foreign titles in the past and is quite confident of maintaining its market dominance. Our operating domains - IT, telecom, consumer electronics, and bio-technology – are all growing rapidly and the company has successfully maintained market share despite entry of a number of publications.
- **Human Resources** – The Company has had a good track record of retaining people. The company conducts an annual salary survey. Increased outlays resulting from action based on the survey's findings have already been absorbed. The management does not perceive substantial risk on the human Resources front.
- **CyberMedia Dice** – The job board is still at an early investment phase and is likely to mature in the coming year. The market being addressed is large and even though your Company is a late entrant into this arena, its chosen business domain is a niche and it is confident of engaging with top IT and Tech companies in placement of middle and top level technical talent to establish and grow this business in India.

New Initiatives

- **Global Services** – The Global services Media portfolio is CyberMedia's first international forey. In keeping with the trend of B2B media portfolios which brake even in 20-30 months, this initiative is expected to incur losses for both FY07 and part of FY08. The magazine is however off to a good start and more than 27.000 opt-ins have been achieved
- **BioSpectrum Asia Edition** – BioSpectrum's Asia edition has been launched in February 06. A major portion of the cost has already been incurred for the existing Indian product. Being a small portfolio, it is unlikely to create any significant risk towards the overall performance of the company, even though this will contribute negatively to the bottom line in FY07.
- **Content Outsourcing** – There is a risk associated in case the company is not able to get orders or is not able to execute them well or is not able to retain its people. The company is planning acquisitions of front end businesses is proposed in the US to facilitate inorganic growth. Existing relationships with CMP, UBM, Encyclopedia Britannica and Expomedia will also be expanded. These measures will help in mitigating the risk.

Cautionary Statement

Statements in the Management discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.

Report on Corporate Governance

I. Company's Philosophy on Corporate Governance

The Company believes that in order to create wealth for all stakeholders it is imperative to adhere to the norms of good corporate governance.

The management believes that in order to be one with the corporate and social environment, an enterprise must conform to ethical business principles, processes and methodologies, so as to construct a robust structure, which besides generating value for its investors ensures effective discharge of its social obligations.

II. Board of Directors

(i) Composition

The Board of your Company consists of persons who are professionally sound and competent in their respective fields. It consists of three Executive Directors and three Non- Executive Independent Directors.

The Composition of the Board as on 31st March, 2006 is as follows:

Name	Category	Other Directorships	Committee Membership/Chairmanship in other companies
Mr. Pradeep Gupta	Managing Director	12	1
Mr. Krishan Kant Tulshan	Executive Director	7	Nil
Mr. Shyam Malhotra	Executive Director	6	Nil
Mr. K.S. Mehta	Non-Executive Independent Director	1	Nil
Dr. Ashok Agarwal	Non-Executive Independent Director	3	Nil
Mr. Rohit Chand	Non-Executive Independent Director	18	1

The Constitution of the Board as also various committees of the Board conforms to the requirements of the Code of Corporate Governance. Brief resume of the Directors who are proposed to be re-appointed at the ensuing Annual General Meeting, nature of their expertise in specific functional areas and names of companies in which they hold Directorship and the membership of the committees of the Board is as under :

Mr. K S Mehta is a B.Tech from IIT Delhi. He has over 26 years experience in the area of computers, software consultancy and computer education. Besides the Company, he holds directorship in Knowledge-based Systems and Management Pvt. Ltd..

Dr. Ashok Agarwal has studied mechanical engineering at BITS Pilani. He has a post graduate degree in Industrial Engineering and PhD in

operations research. He has been a professor at IIM Kolkata. He has over 33 years of experience. Besides the Company, he holds directorships in Era Software Systems Pvt. Ltd, ACS Technologies Ltd. And Reliance Cellulose Products Ltd.

(ii) Board Meetings

The Board met 6 times during the year under review. Meetings were held on 25.05.05, 02.06.05, 21.06.05, 26.07.05, 26.10.05 and 24.01.06.

Attendance of Directors at Board Meetings and Annual General Meeting

Name	No. of Board Meetings Attended	Whether attended the AGM held on August 4, 05
Mr. Pradeep Gupta	6	Yes
Mr. Rohitasava Chand	4	Yes
Dr. Ashok Agarwal	3	Yes
Mr. Kulmohan Singh Mehta	5	No
Mr. Shyam Malhotra	5	Yes
Mr. Krishan Kant Tulshan	6	Yes

III. Audit Committee

The Board of Directors of the Company has constituted an independent Audit Committee, comprising of three non-executive directors Dr. Ashok Agarwal (Chairman), Mr. Rohit Chand and Mr. KS Mehta.

The Committee met 4 times during the year under review. Meetings were held on 21.06.05, 26.07.05, 26.10.05 and 23.01.06.

Attendance of Directors at the Committee Meetings

Name	No. of Committee Meetings Attended
Mr. Rohitasava Chand	4
Dr. Ashok Agarwal	3
Mr. Kulmohan Singh Mehta	4

The Constitution of Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956.

The terms of reference stipulated by the Board of Directors to the Audit Committee are, as contained in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, as follows:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.