



Report Junction
CYBERSCAPE

MULTIMEDIA LIMITED

8th Annual Report
2003-04

BOARD OF DIRECTORS

Mr. Anand S.K.
Managing Director

Mr. M.S. Sridhar
Joint Managing Director

Dr. Mohan S. Kankanahalli
Director

Mr. B. Venkata Rami Reddy
Director

Mr. M. Siva Shankar
Director

Mr. T.S. Ramachandran
Director

Company Secretary

Mr. Krishnakant Parashar

Auditors

H.S. Arunachala & Co.
Chartered Accountants
59/3, Sree Rama Temple Building
1st Model House Street, Basavanagudi
Bangalore-560 004.

COMMITTEES OF THE BOARD

Audit Committee

Mr. B. Venkata Rami Reddy
Mr. T.S. Ramachandran
Mr. M. Siva Shankar

Shareholders/Investors Grievances Committee

Mr. M. Siva Shankar
Mr. B. Venkata Rami Reddy
Mr. Anand S.K.

Share Transfer Committee

Mr. Anand S.K.
Mr. M.S. Sridhar
Mr. M. Siva Shankar
Mr. Krishnakant Parashar (Secretary)

Registered & Corporate Office

941, 21st Main, 22nd 'A' Cross
Opp: BDA Complex
Banashankari II Stage
Bangalore-560 070.
Telefax: 91-80-26714446 / 26710925

Branches

Mumbai & New Delhi

Registrars & Share Transfer Agents

Alpha Systems Pvt. Ltd.,
30, Ramana Residency
4th Cross, Sampige Road
Malleswaram
Bangalore-560 003.
Tel: 91-80-23460815 - 818
Fax: 91-80-23460819
E-mail: alfint@vsnl.com

Bankers

ICICI Bank Ltd.
Citibank N.A.

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 8th Annual General Meeting of the Shareholders of the Company will be held on Monday, the 27th day of September, 2004 at 10:30 a.m. at Sri Lakshmi Venkateswara Hall, # 3, 6th Main Road, 23rd Cross Road, Karesandra, Banashankari 2nd Stage, Bangalore-560070 to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the audited accounts of the Company for the period ended March 31, 2004 together with the Reports of Auditors and Directors thereon.
2. To appoint a Director in place of Mr. B. Venkata Rami Reddy, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. M. Siva Shankar, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Statutory Auditors and to fix their remuneration. The retiring auditors M/s H.S. Arunachala & Co., Chartered Accountants are eligible for re-appointment. The declaration under Section 224(1B) of the Companies Act, 1956 has been received. In this connection, to consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

“RESOLVED THAT the retiring auditors M/s H.S. Arunachala & Co., Chartered Accountants, Bangalore, be and are hereby re-appointed as the Statutory Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration as may be approved by the Board of Directors of the Company.”

By Order of the Board of Directors

Place: Bangalore
Date: June 17, 2004

KRISHNAKANT PARASHAR
Company Secretary

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself. The proxy need not be a member of the Company. The proxy form duly filled in, stamped and signed must be deposited at the Registered Office of the Company at least 48 hours before the commencement of the meeting.
2. For the convenience of Members and for proper conduct of the Meeting, entry to the place of Meeting will be regulated by an Attendance Slip, which is annexed to the Proxy Form. Members are requested to kindly complete the same, affix the signature at the place provided on the Attendance Slip and hand it over at the entrance of the meeting hall. Attendance at the Annual General Meeting will not be allowed without production of the Attendance Slip duly filled in and signed. Members whose shares are in dematerialised form are requested to bring their Depository Account No. for identification.
3. Members desiring any information with regard to Accounts and Operations of the Company are requested to write to the Company at least 7 days before the date of the meeting so as to enable the management to keep the information available at the Meeting.
4. The Register of Members and Share Transfer books will remain closed from 23rd September, 2004 to 27th September, 2004 (both days inclusive).
5. Members are requested to bring their own copy of Annual Report along with them to the Annual General Meeting. Extra copies of the Annual Report will not be supplied at the Meeting.
6. Members are requested to notify immediately any change in their address to the Registrars and Share Transfer Agents of the Company M/s Alpha Systems (P) Ltd., 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore-560 003. Phone: 080-23460815/6/7/8, Fax: 080-23460819, e-mail: alfint@vsnl.com.

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DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors take pleasure in presenting the Eighth Annual Report on the business and operations of the Company together with the audited Statement of Accounts for the year ended March 31, 2004.

Financial Results

(Rs. in lakhs)

| Particulars | Financial Year ended March 31, 2004 | Financial Year ended March 31, 2003 |
|----------------------------|--|--|
| Total Income | 509.52 | 528.63 |
| Operating Profit (PBIDT) | (115.85) | (21.96) |
| Interest | 1.74 | 2.19 |
| Depreciation | 48.15 | 59.03 |
| Profit before Taxation | (165.74) | (83.18) |
| Provision for Deferred Tax | 19.72 | - |
| Prior Period Income/(Loss) | - | 5.88 |
| Profit after Tax | (185.46) | (77.30) |
| Reserves & Surplus | (148.62) | 36.83 |
| Proposed Dividend | - | - |

Review of Operations

The Company recorded a decrease in the total income from Rs. 528.63 lakhs to Rs. 509.52 lakhs over the previous year and incurred a loss of Rs. 185.46 lakhs (including depreciation of Rs. 48.15 lakhs, Provision for diminution of investments of Rs. 47.47 lakhs and Provision for doubtful debts of Rs. 24.97 lakhs) as against Loss after Tax of Rs. 77.30 lakhs in the last year. Your Company took a conscious decision to write down the value of receivables and investments after a detailed and careful scrutiny. Demand for IT products and services remained weak during this year too as in the last year for the small and medium IT companies like yours. Lower realisations due to cut-throat competition aggravated the tough situation.

Investors Relations

Alpha Systems Pvt Ltd, a SEBI registered transfer agent, is the Company's share transfer agent. All correspondence regarding our securities and investor grievances are being attended to at the Registered Office or at the Share Transfer Agent's office located at Malleswaram, Bangalore. The Company, with an objective of friendly investor relations has set up a Shareholders'/Investors' Grievance Committee. This Committee ensures that all the queries and suggestions are properly attended to.

Dividends

In view of the loss for the period under review, your Directors regret their inability to recommend any dividend for the year under consideration.

Corporate Governance

The Report on Corporate Governance and the Auditors' Certificate on Corporate Governance form part of this Annual Report.

Fixed Deposits

The Company has not accepted 'deposits' from the public during the period under review.

Particulars of Employees' Remuneration

None of the employees was in receipt of remuneration in excess of limits specified in Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Particulars regarding conservation of energy, technology absorption and foreign exchange earnings and outgo:

The Company's operations do not involve high-energy consumption. However, an effort to conserve energy goes on a continual basis. As regards particulars related to technology absorption, though it is not strictly applicable to us, there are continuous ongoing efforts to refine techniques and technologies resulting in enhancement of overall quality and productivity. The information related to foreign exchange earnings and outgo during the year under review is given in notes on accounts.

Directors

Mr. B. Venkata Rami Reddy and Mr. M. Siva Shankar retire by rotation and being eligible offer themselves for re-appointment.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- i. in the preparation of the annual accounts, the Generally Accepted Accounting Principles (GAAP) and the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii. the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 profits of the Company for the year under review.
- iii. 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 preventing and detecting fraud and other irregularities.
- iv. the Directors have prepared the annual accounts for the financial year on a 'going concern' basis.

Replies to Auditors' observations

With regard to the observations of the Auditors in the notes appearing in Annexure 2 to the Auditors Report and referred to by the Auditors in their report, we have to state as under:

i. As regards the investments in M/s. Forethought Technologies Pvt. Ltd. (FTPL) the provision for diminution in investments has already been made as advised by the auditors on the basis of revaluation based on the Balance Sheet of FTPL for the financial year 2003. Further such provision can be considered in consultation with the management of that Company and only after their audited Balance Sheet for the financial year ending March 31, 2004 is ready. Your Directors are hopeful of improving marketing of **e-Karyalaya**, a product of FTPL from which realisation of its investment would be achieved.

ii. As regards the slow moving stock amounting to Rs. 10,60,030/- of computer hardware items at our Mumbai branch, no provision is considered necessary as positive negotiations are on with specific buyers to dispose off the stocks within the first quarter of the current year and the management is hopeful of recovering the book value of the stocks.

Auditors

M/s H.S. Arunachala & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and having furnished a certificate under Section 224(1B) of the Companies Act, 1956, they are eligible for re-appointment.

Acknowledgements

The Directors wish to thank the Company's esteemed customers, bankers, suppliers, shareholders and investors, regulatory and Governmental authorities for their continued support and co-operation. The Directors also thank the employees for their valued contribution at all levels.

On behalf of the Board of Directors

Anand S.K.
Managing Director

M.S. Sridhar
Joint Managing Director

Bangalore
June 17, 2004

REPORT ON CORPORATE GOVERNANCE

- Corporate Philosophy:** Cyberscape is committed to Corporate Governance. The Company's philosophy in establishing a good corporate governance is to ensure accountability, transparency and investors' protection.
- Board of Directors:** The Board comprises of six Directors. Mr. Anand S.K. is the Managing Director and Mr. M.S. Sridhar is the Joint Managing Director of the Company. The rest of the Directors are non-executive Directors. A report on the Board meetings and Directors' other interests is enclosed.
- Board Committees:** The Company has constituted Audit Committee and Shareholders'/Investors' Grievances Committee in order to establish good corporate governance. A report on Committees of the Board is given elsewhere in this Annual Report.
- Disclosures:** The remuneration to the Whole-time Directors is enumerated in the Notes on Accounts. There are no instances of non-compliance, penalty etc. from SEBI/Stock Exchange or any statutory authority on any matter relating to the capital market.
- General Body Meetings:** Details of Annual General Meetings held during the last 3 years are as under:

| Meeting | Day, Date and Time of the Meeting | Venue |
|----------------------------|---|---|
| 5th Annual General Meeting | Wednesday, August 29, 2001 at 10:00 A.M. Bangalore-560025 | Mini Hall, Woodlands Hotel, # 5, Raja Rammohan Roy Road. |
| 6th Annual General Meeting | Thursday, September 19, 2002 at 10:30 A.M. Bangalore-560025 | Mini Hall, Woodlands Hotel, # 5, Raja Rammohan Roy Road. |
| 7th Annual General Meeting | Saturday, September 27, 2003 at 10:30 A.M. Bangalore-560025 | Mini Hall, Woodlands Hotel, # 5, Raja Rammohan Roy Road. |

- Means of Communication:** The Company's quarterly / half yearly and yearly financial results are forwarded to the Stock Exchanges immediately after they are approved by the Board. They are also published in leading English and vernacular dailies, normally in Business Standard and Sanje Vani or Hosadigantha. The Management Discussion and Analysis section is a part of the Annual Report. Electronic Data Information Filing and Retrieval (EDIFAR) System, which has recently been mandated by SEBI, is an automated system for filing, retrieval and dissemination of time sensitive corporate information, which till recently was being filed in physical form alone by the listed companies with the stock exchanges. EDIFAR has been launched by SEBI in collaboration with National Informatics Centre (NIC). With effect from quarter ending 30th June, 2003 the Company is required to upload the financial statements comprising of balance sheet, profit and loss account and full version of annual report; half yearly financial statements including cash flow statements and quarterly financial statements, corporate governance reports, quarterly shareholding pattern statements and any action taken against the company by any regulatory agency on EDIFAR website and the data would also be filed simultaneously with the information being filed with the stock exchanges as provided in Clause 51 of the Listing Agreement. The EDIFAR website can be accessed through a hyper link in SEBI's website www.sebi.gov.in
- General Shareholder Information:** The Company's shares are listed at Stock Exchanges at Bangalore, Mumbai and Kolkata. The Company's shares are tradable in 'Demat' form only, where the transfers are on-line. In order to facilitate the physical-certificate holders, the Share Transfer Committee meetings are held within a fortnight of receipt of the documents for transfer and the certificates are despatched to the transferees within 30 days of receipt.

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| Financial Calendar: | | Annual General Meeting | |
|--|----------------------|------------------------|---|
| Year ending | : March 31 | Date | : 27th September, 2004 |
| First Quarter Results | : July end | Time | : 10:30 a.m. |
| Second Quarter Results | : October end | Venue | : Sri Lakshmi Venkateshwara Hall, # 3, 6th Main Road, 23rd Cross Road, Karesandra, Banashankari 2nd Stage, Bangalore-560 070. |
| Third Quarter Results | : January end | | |
| Last Quarter Results | : July end (audited) | | |
| Book Closure : 23rd September to 27th September, 2004 (both days inclusive) | | | |

Listing on Stock Exchanges:

The shares of the Company are listed at Bangalore, Mumbai and Calcutta Stock Exchanges.

| Name of the Stock Exchange | Address | Scrp Code |
|---|--|--|
| The Stock Exchange, Mumbai | P.J. Towers, Dalal Street Mumbai-400 001 | For Demat Segment 532364 For Normal Segment 32364 |
| Bangalore Stock Exchange Ltd. * | 51, Stock Exchange Towers 1st Cross, J.C. Road Bangalore-560 027 | |
| The Calcutta Stock Exchange Association Ltd. | 7, Lyons Range Kolkata-700 001 | 13338 |

Market Price Data

| Month | Bombay Stock Exchange | | | Calcutta Stock Exchange | | |
|----------|-----------------------|--------------|------------------|-------------------------|--------------|------------------|
| | High (Rs.) | Low (Rs.) | Volume (Nos.) | High (Rs.) | Low (Rs.) | Volume (Nos.) |
| Apr 2003 | 1.20 | 1.15 | 200 | - | - | ** |
| May | 1.80 | 1.25 | 2,849 | 2.00 | 1.20 | 7,549 |
| June | 4.55 | 1.15 | 23,127 | 3.15 | 2.25 | 950 |
| July | 3.00 | 1.92 | 31,222 | 2.20 | 2.20 | 1,100 |
| Aug | 4.33 | 1.07 | 1,27,299 | - | - | ** |
| Sept | 3.50 | 1.21 | 10,156 | 1.40 | 1.40 | 100 |
| Oct | 2.30 | 1.41 | 9,813 | - | - | ** |
| Nov | 2.40 | 1.41 | 3,532 | - | - | ** |
| Dec | 3.00 | 1.26 | 19,686 | - | - | ** |
| Jan 2004 | 3.39 | 1.65 | 16,109 | - | - | ** |
| Feb | 2.79 | 1.03 | 5,461 | 1.40 | 1.40 | 100 |
| Mar | 1.46 | 0.70 | 14,630 | 1.50 | 1.00 | 34,922 |

* There was no trading at Bangalore Stock Exchange.

** The shares were not traded during the month at Calcutta Stock Exchange.

Registered Office

941, 21st Main, 22nd 'A' Cross, Opp: BDA Complex
 Banashankari 2nd Stage, Bangalore-560 070
 Phone / Fax: 26710925, 26714446

Registrars & Share Transfer Agents for Physical as well as Electronic Transfers**Alpha Systems Pvt Ltd.,**

30, Ramana Residency
 4th Cross, Sampige Road,
 Malleswaram,
 Bangalore-560 003
 Phone: 23460815 - 818
 Fax: 23460819
 E-mail: alfint@vsnl.com

Share Transfer System

The authority relating to transfer of shares has been delegated to a share transfer committee which meets as often as may be necessary to ensure that the transfer process is completed without any delay. Shares sent for transfer in physical form are generally registered and returned within 30 days from the date of receipt of documents. The total number of shares transferred in physical form during the period 1.4.2003 to 30.06.2004 is as follows:

| | No. of Transfer Deeds | No. of Shares |
|----------------------------|-----------------------|---------------|
| Transfer Requests Received | 5 | 1,200 |
| Accepted for Transfer | 5 | 1,200 |

International Securities Identification Number (ISIN)

Fully Paid-up INE519B01019 (NSDL & CDSL)
 Partly Paid-up, IN9519B01017 (NSDL & CDSL)

Shareholding Pattern as at June 30, 2004

| Category | No. of Holders | No. of Shares | % Shareholding |
|----------------------|----------------|---------------|----------------|
| Promoters* | 8 | 31,17,200 | 30.86 |
| NRIs | 27 | 78,400 | 0.78 |
| Bodies Corporate | 137 | 50,59,910 | 50.08 |
| Public - Individuals | 3,495 | 18,46,990 | 18.28 |
| Total | 3,667 | 1,01,02,500 | 100.00 |

* Promoters include all individuals in the promoter group