

***9th ANNUAL REPORT***  
***2004-05***



**CYBERSCAPE**  
**MULTIMEDIA LIMITED**

## 9<sup>th</sup> Annual Report

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### **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](mailto:alfint@vsnl.com)

### **Bankers**

ICICI Bank Ltd.  
Vijaya Bank

## NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 9th Annual General Meeting of the Shareholders of the Company will be held on Friday, the 30th day of September, 2005 at 10:30 a.m. at Suchitra Main Hall, Suchitra Film Society, # 36, 9<sup>th</sup> Main Road, 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, 2005 together with the Reports of Auditors and Directors thereon.
2. To appoint a Director in place of Dr. Mohan S. Kankanhalli, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. T.S. Ramachandran, 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 have expressed their unwillingness to be reappointed. The Company has received a special notice intending to move the following resolution as an ordinary resolution not to appoint the retiring auditors M/s H.S. Arunachala & Co., Chartered Accountants, Bangalore, who have expressed their unwillingness to be re-appointed and to appoint M/s Manish D. Ladage & Co., Chartered Accountants, Mumbai as the statutory auditors of the Company in place of the said retiring auditors:

**"RESOLVED** that M/s H.S. Arunachala & Co., Chartered Accountants, Bangalore, the retiring auditors of the Company be and hereby not re-appointed at the said Annual General Meeting and in their stead M/s Manish D. Ladage & Co., Chartered Accountants, Mumbai, be and are hereby appointed Auditors of the Company from the conclusion of the said Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, at a remuneration as may be decided by the Board of Directors in negotiation with the said M/s Manish D. Ladage & Co., Chartered Accountants, Mumbai."

### Special Business

5. To consider and if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution:

**"RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 or any amendment or modification thereof read with conditions specified in Schedule XIII to the Act, consent of the members be and is hereby accorded to the re-appointment of **Mr. Anand S.K.** as Managing Director of the Company with effect from 1st April, 2005 for a further period of 5 years on the following terms and conditions:

1. Salary : Rs. 30,000/- per month
2. Perquisites shall be restricted to an amount equal to the annual salary.

The perquisites are classified into three categories A, B & C.

#### Category A

**1. Housing :** Furnished residential accommodation, the perquisite value for which, shall be calculated in accordance with the Income Tax Rules, 1962. The perquisite value of provision of, or reimbursement of expenditure incurred on gas, electricity, water and furnishings being valued in accordance with the Income Tax Rules, 1962. **OR** House rent allowance equivalent to 60% of the salary.

**2. Medical Benefits :** \* Reimbursement of Medical expenses incurred for the Managing Director and his family (including hospitalisation, nursing home and surgical charges) shall be made by the company. This shall be subject to a ceiling of one month's salary in a financial year.

\* Health Insurance for the Managing Director and his family subject to a ceiling of Rs. 10,000/- in a financial year on the premium payable in respect of such insurance.

**3. Leave Travel Concession:** Leave Travel Concession (for the Managing Director and his family

## 9<sup>th</sup> Annual Report

once in a financial year incurred in accordance with the Rules specified by the Company) subject to a ceiling of one month's salary in a financial year.

**4. Club Fees:** Reimbursement of fees of a maximum of two clubs, subject to a ceiling of Rs. 50,000/- in a financial year.

**5. Personal Accident Insurance:** Personal Accident Insurance subject to a ceiling of Rs. 10,000/- in a financial year on the premium payable in respect of such insurance.

For the purpose of medical benefits and leave travel concession under Category A, 'family' means the spouse and dependent children of the Managing Director.

### Category B

1. Company's contributions towards Provident Fund, Superannuation Fund or Annuity Funds as per the Rules framed under the Company's relevant Scheme.

These shall be subject to ceiling of the amount upto which the said contributions are either singly or put together not taxable, under the Income Tax Act, 1961.

2. Gratuity not exceeding one half month's salary for each completed year of service. Such gratuity shall be payable at the end of the tenure or at the time of determination of this Agreement, whichever is earlier.

3. Earned/privilege leave, on full pay and allowance, not exceeding 30 days in a financial year. Encashment of leaves will be permissible in accordance with the Rules specified by the Company. Casual/Sick leave as per the Rules of the Company.

### Category C

I (1) Provision of motor car with driver.

(2) Provision of free telephone facilities or reimbursement of telephone expenses at residence

II Unless otherwise stipulated, for the purpose of this resolution, the perquisite shall be evaluated as per Income Tax Rules wherever applicable. In the absence of any such Rule, perquisites shall be evaluated at actual cost.

In the event of loss or inadequacy of profits, in any financial year of the Company during the tenure of service of Mr. Anand S.K., the Company will pay the above remuneration by way of salary, perquisites and allowances not exceeding the limits as specified under Section II, Part II of Schedule XIII to the Companies Act, 1956, (including any statutory modifications or re-enactment thereof for the time being in force).

The Board of Directors shall have authority to change, alter or vary the terms and conditions (including remuneration) of Mr. Anand S.K.'s appointment as Managing Director without further reference to shareholders subject to the condition that the terms and conditions so changed, altered or varied shall always be within the limits prescribed therefor under Schedule XIII or other applicable provisions of the Companies Act, 1956 for the time being and from time to time in force.

In the event of any re-enactment or re-codification of the Companies Act, 1956 or the Income Tax Act, 1961 or amendments thereto, this Resolution shall continue to remain in force and the reference to various provisions of the Companies Act, 1956 or the Income Tax Act, 1961 shall be deemed to be substituted by the corresponding provisions of the new Act or the amendments thereto or the rules and notifications issued thereunder."

6. To consider and if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution:

**"RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 or any amendment or modification thereof read with conditions specified in Schedule XIII to the Act, consent of the members be and is hereby accorded to the re-appointment of **Mr. M.S. Sridhar** as Joint Managing Director of the Company with effect from 1st April, 2005 for a further period of 5 years on the following terms and conditions:

1. Salary : Rs. 30,000/- per month

2. Perquisites shall be restricted to an amount equal to the annual salary.

The perquisites are classified into three categories A, B & C.

#### **Category A**

1. **Housing** : Furnished residential accommodation, the perquisite value for which, shall be calculated in accordance with the Income Tax Rules, 1962. The perquisite value of provision of, or reimbursement of expenditure incurred on gas, electricity, water and furnishings being valued in accordance with the Income Tax Rules, 1962. **OR** House rent allowance equivalent to 60% of the salary.

2. **Medical Benefits** : \* Reimbursement of Medical expenses incurred for the Joint Managing Director and his family (including hospitalisation, nursing home and surgical charges) shall be made by the company. This shall be subject to a ceiling of one month's salary in a financial year.

\* Health Insurance for the Joint Managing Director and his family subject to a ceiling of Rs. 10,000/- in a financial year on the premium payable in respect of such insurance.

3. **Leave Travel Concession**: Leave Travel Concession (for the Joint Managing Director and his family once in a financial year incurred in accordance with the Rules specified by the Company) subject to a ceiling of one month's salary in a financial year.

4. **Club Fees**: Reimbursement of fees of a maximum of two clubs, subject to a ceiling of Rs. 50,000/- in a financial year.

5. **Personal Accident Insurance**: Personal Accident Insurance subject to a ceiling of Rs. 10,000/- in a financial year on the premium payable in respect of such insurance.

For the purpose of medical benefits and leave travel concession under Category A, 'family' means the spouse and dependent children of the Joint Managing Director.

#### **Category B**

1. Company's contributions towards Provident Fund, Superannuation Fund or Annuity Funds as per the Rules framed under the Company's relevant Scheme.

These shall be subject to ceiling of the amount upto which the said contributions are either singly or put together not taxable, under the Income Tax Act, 1961.

2. Gratuity not exceeding one half month's salary for each completed year of service. Such gratuity shall be payable at the end of the tenure or at the time of determination of this Agreement, whichever is earlier.

3. Earned/privilege leave, on full pay and allowance, not exceeding 30 days in a financial year. Encashment of leaves will be permissible in accordance with the Rules specified by the Company. Casual/Sick leave as per the Rules of the Company.

#### **Category C**

I (1) Provision of motor car with driver.

(2) Provision of free telephone facilities or reimbursement of telephone expenses at residence

II Unless otherwise stipulated, for the purpose of this resolution, the perquisite shall be evaluated as per Income Tax Rules wherever applicable. In the absence of any such Rule, perquisites shall be evaluated at actual cost.

In the event of loss or inadequacy of profits, in any financial year of the Company during the tenure of service of Mr. M.S. Sridhar, the Company will pay the above remuneration by way of salary, perquisites and allowances not exceeding the limits as specified under Section II, Part II of Schedule XIII to the Companies Act, 1956, (including any statutory modifications or re-enactment thereof for the time being in force).

The Board of Directors shall have authority to change, alter or vary the terms and conditions (including remuneration) of Mr. M.S. Sridhar's appointment as Joint Managing Director without further reference to shareholders subject to the condition that the terms and conditions so changed, altered or varied shall always be within the limits prescribed therefor under Schedule XIII or other applicable provisions

## 9<sup>th</sup> Annual Report

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of the Companies Act, 1956 for the time being and from time to time in force.

In the event of any re-enactment or re-codification of the Companies Act, 1956 or the Income Tax Act, 1961 or amendments thereto, this Resolution shall continue to remain in force and the reference to various provisions of the Companies Act, 1956 or the Income Tax Act, 1961 shall be deemed to be substituted by the corresponding provisions of the new Act or the amendments thereto or the rules and notifications issued thereunder."

By Order of the Board of Directors

Place: Bangalore

Date : July 30, 2005

**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. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 relating to Special Business to be transacted at the meeting is annexed hereto.
3. 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.
4. 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.
5. The Register of Members and Share Transfer books will remain closed from 26th September, 2005 to 30th September, 2005 (both days inclusive).
6. 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.
7. 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](mailto:alfint@vsnl.com).

**ANNEXURE TO THE NOTICE****EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No. 5**

The term of office of Mr Anand S.K. as the Managing Director of the Company expired on 31<sup>st</sup> March 2005. The Board of Directors in their meeting held on 29<sup>th</sup> April 2005 have approved his re-appointment for a term of 5 years with effect from 1<sup>st</sup> April 2005 on the terms and conditions stated in the resolution subject to the approval of the shareholders in the ensuing Annual General Meeting.

Mr. Anand S.K. has been at the helm of affairs of the Company since inception, built a strong foundation and managed the company through difficult times. His vision and foresightedness should help the Company grow in future. It is therefore now recommended that Mr Anand S.K. be re-appointed as the Managing Director for a further period of 5 years from 1<sup>st</sup> April 2005 on the terms and conditions stated in the resolution, which are in conformity with the conditions specified in Schedule XIII of the Companies Act 1956.

Your Directors recommend the resolution for approval of the members. Mr Anand S.K. is interested in the resolution as it relates to his appointment. Dr Mohan S. Kankanhalli, Director, being related to Mr. Anand S.K., is also interested in the resolution. None of the other Directors of the Company is, in any way, concerned or interested in the resolution.

**Item No. 6**

The term of office of Mr M.S. Sridhar as the Joint Managing Director of the Company expired on 31<sup>st</sup> March 2005. The Board of Directors in their meeting held on 29<sup>th</sup> April 2005 have approved his re-appointment for a term of 5 years with effect from 1<sup>st</sup> April 2005 on the terms and conditions stated in the resolution subject to the approval of the shareholders in the ensuing Annual General Meeting.

Mr. M.S. Sridhar has been a Director of the Company since inception, built a strong technical base and managed the company through difficult times alongwith Mr. Anand S.K.. His experience in the field of technology, administration and marketing should help the Company build a strong product base. It is, therefore, now recommended that Mr M.S. Sridhar be re-appointed as the Joint Managing Director for a further period of 5 years from 1<sup>st</sup> April 2005 on the terms and conditions stated in the resolution, which are in conformity with the conditions specified in Schedule XIII of the Companies Act 1956.

Your Directors recommend the resolution for approval of the members. Mr M.S. Sridhar is interested in the resolution as it relates to his appointment. None of the other Directors of the Company is, in any way, concerned or interested in the resolution.

By Order of the Board of Directors

Place: Bangalore

Date : July 30, 2005

**KRISHNAKANT PARASHAR**

Company Secretary

## 9<sup>th</sup> Annual Report

### DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors take pleasure in presenting the Ninth Annual Report on the business and operations of the Company together with the audited Statement of Accounts for the year ended March 31, 2005.

#### Financial Results

(Rs. in lakhs)

Particulars	Financial Year ended March 31, 2005	Financial Year ended March 31, 2004
Total Income	518.28	509.52
Operating Profit (PBIDT)	(5.75)	(115.85)
Interest	1.92	1.74
Depreciation	36.25	48.15
Prior Period Income/(Loss)	2.29	-
Profit before Taxation	41.63	(165.74)
Provision for Deferred Tax	12.99	(19.72)
Profit after Tax	(28.64)	(185.46)
Reserves & Surplus	(177.27)	(148.62)
Proposed Dividend	-	-

#### Review of Operations

The Company recorded a marginal increase in the total income from Rs. 509.52 lakhs to Rs. 518.28 lakhs and incurred a loss of Rs. 41.63 lakhs including depreciation of Rs. 36.25 lakhs and cash loss of Rs. 5.37 lakhs as against a net loss of Rs. 165.74 lakhs in the previous year. Due to the recession-like conditions abroad the company has been unable to obtain any significant revenue from its products like cyDOCS and cyKNIT (Document and Knowledge Management products). Nor has its attempts to enter the software outsourcing market borne any fruit. Most of the company's products for the domestic market are also targeted at the government and public sector where because of the inherent sluggishness it leads to very long ordering, delivery, implementation and payment realization cycle. The management is trying its best to enter into partnerships with overseas and domestic marketing agencies to improve sales at nominal cost rather than hire its own marketing personnel.

#### 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**

Dr. Mohan S. Kankanhalli and Mr. T. S. Ramachandran retire by rotation and being eligible offer themselves for re-appointment.

The Board in the meeting held on 29<sup>th</sup> April 2005 has re-appointed Mr. Anand S.K. as Managing Director and Mr. M.S. Sridhar as Joint Managing Director for a period of 5 years with effect from 1<sup>st</sup> April, 2005. Shareholders' approval is required for the re-appointment and remuneration.

### **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.

## 9<sup>th</sup> Annual Report

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### 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:

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. The I.P. rights have been further amortised by FTPL in the financial year ending March 31, 2004 to the extent of Rs. 19,98,000/-. 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, 2005 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.

### Auditors

M/s H.S. Arunachala & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and they have expressed their unwillingness to be re-appointed. The Company has received a special notice intending to move a resolution to appoint M/s Manish D. Ladage & Co., Chartered Accountants, Mumbai as the statutory auditors of the Company in place of the said retiring auditors:

### 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  
July 30, 2005