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CYBERSCAPE
MULTIMEDIA LIMITED



BOARD OF DIRECTORS

Anand S.K.
Managing Director

M.S. Sridhar
Joint Managing Director

Dr. Mohan S. Kankanhalli
Director

M. Siva Shankar
Director

T.S. Ramachandran
Director

C.N. Kshetragna
Director

Auditors

Manish D. Ladage & Co.,
Chartered Accountants
2124, 2nd Floor, Oberoi Garden Estates,
Chandivli Farms Road, Off Saki Vihar Road,
Chandivli, Mumbai-400072.

COMMITTEES OF THE BOARD

Audit Committee

T.S. Ramachandran, Chairman
M. Siva Shankar
C.N. Kshetragna

Shareholders/Investors Grievances Committee

M. Siva Shankar, Chairman
T.S. Ramachandran
Anand S.K.

Share Transfer Committee

Anand S.K.
M.S. Sridhar
M. Siva Shankar

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 :

Unit No. 108, Sector No. 3, Bldg. No. 3,
Millennium Business Park, Mahape-400701.
Tel.: 91-22-27782779 / 80 / 81

New Delhi :

M-5, Swastik Bhavan, Ranjeetnagar Complex
Near Satyam Cinema
New Delhi-110008.

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.
Vijaya Bank

NOTICE TO SHAREHOLDERS



NOTICE is hereby given that the 12th Annual General Meeting of the shareholders of **Cyberscape Multimedia Limited** will be held at 10:00 a.m. on Tuesday, the 30th September 2008 at Suchitra Main Hall, Suchitra Film Society, 36, 9th Main Road, Banashankari 2nd Stage, Bangalore-560 070 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended March 31, 2008 and the Balance Sheet as at that date together with the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in the place of Mr. M. Siva Shankar, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s Shabbir and Rita Associates, Chartered Accountants, Mumbai as Auditors of the Company to hold office from conclusion of this meeting until the conclusion of the next Annual General Meeting in place of retiring auditors M/s Manish D. Ladage & Co., Chartered Accountants, Mumbai, who have expressed their unwillingness to be re-appointed and to fix their remuneration. The letter of consent and the declaration under Section 224(1B) of the Companies Act, 1956 has been received from M/s Shabbir and Rita Associates, Chartered Accountants, Mumbai. In this connection, to consider, and if thought

fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s Shabbir and Rita Associates, Chartered Accountants, Mumbai be and are hereby appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting, on such remuneration as may be determined by the Board of Directors in consultation with the Auditors."

SPECIAL BUSINESS

4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. C.N. Kshetragna, who was appointed as an Additional Director of the Company under Section 260 of the Companies Act, 1956, and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

By Order of the Board

ANAND S.K.

Bangalore, June 30, 2008 Managing Director

NOTES

1. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote instead of himself/herself. The proxy need not be a member of the Company. Proxy to be valid must be deposited with the Company not later than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 26th September,

2008 to 30th September, 2008 (both days inclusive).

3. Members holding shares in physical form are requested to intimate immediately any change in their address to the Registrar and Share Transfer Agents and the members holding shares in dematerialised form may inform the same to their respective depository participants.
4. Members desirous of getting any information in respect of accounts are requested to send their queries in writing to the Company at the Registered Office so as to reach the Company 7 days before the meeting.



5. As members are aware, equity shares of the Company are traded in electronic form for all shareholders. Members who hold equity shares in physical form may dematerialise the same. ISIN allotted to the Company for this purpose is INE519B01019 (Fully Paid-up) and INE9519B01017 (Partly Paid-up).
6. Members/Proxies are requested to bring their copy of the Annual Report and the Attendance Slip sent herewith duly filled in to the Annual General Meeting.
7. Members who hold shares in physical form in multiple folios in identical names or joint accounts in the same order of names are requested to send the share certificates to the Company's Registrars and Share Transfer Agents M/s Alpha Systems Private Limited, for consolidation into a single folio.
8. The Company has received notice under Section 224(2)(b) of the Companies Act, 1956 from the present Auditors M/s Manish D. Ladage & Co., Chartered Accountants, Mumbai, expressing their unwillingness to be re-appointed at the ensuing Annual General Meeting. The Board hereby vide Item No. 3 of this Notice proposes for your approval, the appointment of M/s Shabbir and Rita Associates, Chartered Accountants, Mumbai as Auditors of the Company in place of present Auditors to hold office from the conclusion of this Meeting upto the next Annual General Meeting of the Company.

9. A brief resume of the Directors proposed to be re-appointed vide Item No. 2 under Ordinary Business and vide Item No. 4 under Special Business in the Notice as required under Clause 49 of the Listing Agreement:

(i) Mr. M. Siva Shankar (37 years) is a Chartered Accountant and is in professional practice for more than 15 years. He is further pursuing DISA (ICAI) and ICWAI(Final). He has also done a Diploma in Computer Software at NIIT. He was appointed as a Director of the Company with effect from March 6, 2001. He is a Fellow Member of the Institute of Chartered Accountants of India and a Law Graduate. He is a member of the Audit Committee and Chairman of the Shareholders' Grievances Committee.

(ii) Mr. C.N. Kshetragna (44 years) is M. Com., M.B.A. and his specialization is Marketing, CRM and Branding. He has 13 years experience in Financial Services and Banking Industry. He has worked as Associate Vice President in Kotak Mahindra Group and as Regional Head (Karnataka & Andhra Pradesh) in HDFC Bank Ltd. He is presently into academics. He has been working as a Professor in Christ University of Management, Bangalore since the year 2004. He is a member of the Audit Committee.

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

ITEM NO. 4

The Board of Directors of the Company under Section 260 of the Companies Act, 1956 appointed Mr. C.N. Kshetragna as an Additional Director of the Company with effect from October 30, 2007.

In terms of Section 260 of the Companies Act, 1956, Mr. C.N. Kshetragna holds office upto the date of the ensuing Annual General Meeting. In terms of Section 257 of the Companies Act, 1956 the Company has received a notice in writing from a member along with a deposit of Rs. 500/- proposing the candidature of Mr. C.N. Kshetragna for the office of Director.

Mr. C.N. Kshetragna is M. Com., M.B.A. and his specialization is Marketing, CRM and Branding. He has 13 years experience in Financial Services and Banking Industry. Mr. C.N. Kshetragna is not disqualified from being appointed as Director under Section 274(1)(g) of

the Companies Act, 1956 and has complied with the requirement of obtaining the Director Identification Number in terms of Section 266A of the said Act. The Company has received the requisite Form 'DD-A' from Mr. C.N. Kshetragna in terms of Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956) Rules, 2003 confirming his eligibility for such appointment.

None of the Directors of the Company except Mr. C.N. Kshetragna, is in any way, concerned or interested in this Resolution.

The Board recommends the Resolution for your approval.

By Order of the Board

Bangalore, June 30, 2008

ANAND S.K.
Managing Director

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 12th Annual Report together with the audited accounts of the Company for the year ended March 31, 2008.

FINANCIAL RESULTS

(Rupees in lacs)

| PARTICULARS | 2007-08 | 2006-07 |
|---|----------------|----------------|
| Total Income | 970.70 | 708.20 |
| Operating Profit (PBIDT) | 34.19 | 4.96 |
| Interest | 1.29 | 1.00 |
| Depreciation | 23.70 | 24.77 |
| Profit/(Loss) before Taxation | 9.19 | (20.81) |
| Provision for Deferred Tax | 5.83 | (0.34) |
| Fringe Benefit Tax | 0.76 | 0.83 |
| Income Tax for earlier years | 0.49 | 0.36 |
| Profit / (Loss) after Tax | 2.11 | (21.66) |
| Balance of Profit / (Loss) from previous year | (226.33) | (204.67) |
| Amount available for appropriation | (224.21) | (226.33) |

During the year, the Company has recorded a significant increase in the total income from Rs. 708.20 lacs to Rs. 970.70 lacs over the previous year and posted operating profit of Rs. 34.19 lacs. After depreciation and interest the Company has made a profit of Rs. 9.19 lacs as against a loss of Rs. 20.81 lacs in the previous year. The increase in turnover is primarily on account of trading in computer software, which has little effect on the profitability of the Company. Depreciation was Rs. 23.70 lacs as against Rs. 24.77 in the previous year. The Profit after tax was Rs. 2.11 whereas there was a loss after tax of Rs. 21.66 lacs in the previous year.

DIVIDEND

Your Directors do not recommend any dividend for the year.

INVESTORS RELATIONS

Alpha Systems Pvt Ltd., a SEBI registered Transfer Agent, is the Company's Share Transfer Agent. All correspondence regarding 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' Grievances Committee. The

Committee ensures that all the queries and suggestions are properly attended to.

CORPORATE GOVERNANCE

Your Company adheres to all the mandatory recommendations of Corporate Governance Code laid down under Clause 49 of the Listing Agreement with Bombay Stock Exchange. A report on Corporate Governance is provided in this Report. The Auditors' Certificate on Corporate Governance forms part of this Annual Report.

PUBLIC DEPOSITS

Your Company has not accepted any deposits from the public during the year under review.

PARTICULARS OF EMPLOYEES

None of the employees of the Company employed through out the year or part of the year was in receipt of remuneration in excess of limits specified in Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

ADDITIONAL INFORMATION

Particulars pursuant to Section 217(1)(e) of the Companies Act, 1956 and Companies (Disclosure of



Particulars in the report of Board of Directors) Rules, 1988.

A. Conservation of energy and technology absorption

The Company's operations are not energy intensive. However, adequate measures have been taken to reduce energy consumption by using energy efficient computers with latest technologies. An effort to conserve energy goes on a continual basis.

B. Foreign Exchange Earnings and outgo

The information related to foreign exchange earnings and outgo during the year under review is given in notes on accounts.

DIRECTORS

Mr. M. Siva Shankar retires by rotation and being eligible, offers himself for re-appointment.

Mr. C. N. Kshetragna was appointed as an additional Director during the year under Section 260 of the Companies Act, 1956. The Company has received a notice under Section 257 of the Companies Act, 1956 for his appointment as a Director.

A brief profile of these Directors is given in the Notice of the Annual General Meeting.

Necessary resolutions are submitted for your approval.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors accept the responsibility for the integrity and objectivity of the Profit and Loss Account for the year ended March 31, 2008 and the Balance Sheet as at that date. Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- i. In the preparation of annual accounts for the year 2007-08 the Generally Accepted Accounting Principles (GAAP) of India 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 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 ended March 31, 2008 on a 'going concern' basis.

AUDITORS

M/s Manish D. Ladage & Co., Chartered Accountants, the Statutory Auditors of the Company will be retiring at the conclusion of the ensuing Annual General Meeting and have expressed their unwillingness to be re-appointed at the ensuing Annual General Meeting. The Audit Committee and Board of Directors of the Company respectively at their meeting held on 30th June, 2008 proposed, subject to approval of the Shareholders, the appointment of M/s Shabbir and Rita Associates, Chartered Accountants, Mumbai as Statutory Auditors of the Company in place of present Auditors to hold office from the conclusion of ensuing Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company. M/s Shabbir and Rita Associates, Chartered Accountants, Mumbai have given their consent confirming that their appointment, if made, would be within the limits specified u/s 224 (1B) of the Companies Act, 1956.

STATUTORY DISCLOSURE

None of the Directors of the Company is disqualified under the provisions of Section 274(1)(g) of the Companies Act, 1956. Your Directors have made necessary disclosures as required under various provisions of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis forming part of this Annual Report is attached.

ACKNOWLEDGEMENTS

The Directors wish to thank the Company's customers, bankers, suppliers, shareholders, business associates, regulatory authorities, Government departments and Government agencies for their support and co-operation. The Directors also appreciate and value the contributions made by every member of the Cyberscape family.

On behalf of the Board of Directors

Bangalore
June 30, 2008

Anand S.K.
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS**INDUSTRY OUTLOOK**

All top IT majors are seeing a decline in their valuation ratios, primarily price/earnings and market cap to sales ratio on BSE. The reason behind fall in IT companies' valuations is the loss of confidence of shareholders in very high IT earnings. Factors behind decline include dollar depreciation, rising wage costs and economic downturn in the US. Moreover, the valuations in the dotcom boom days were at very high levels and experts say that now the prices of their stocks are coming down to realistic levels. Because of rising salaries, shortage of talent and increasing competition from other sectors, companies' earnings have taken a hit. The rise of rupee by almost 14% last year is also a major factor. On an average a 1% rise in rupee hits IT companies' profit margins by almost 35-50 basis points. Experts predict a further downturn in valuations, if the rupee continues to rise against the dollar and US goes into a prolonged economic slowdown which may hurt IT earnings.

The recession effect in the USA because of the sub-prime crisis is having its effect on the IT sector in general and the domestic product market is also in a slow growth mode and yet to show any significant improvement in the multilingual software products. In fact in all areas that we operate we are seeing that the big players are still gaining ground because of their deep pockets at the expense of smaller local companies like ours. The optimism of last year has tapered off in the wake of high oil prices and the political uncertainties and nobody seems to know whether the worst is over or not.

As indicated in the previous year, the company is still dependent on the flagship product Akruti to generate revenues. We are still not seeing any traction for our other products in the domestic software segment. We are still expecting an upswing in the demand which is yet to happen. Though the number of players in the localized multilingual software segment has dwindled there is no upsurge in the off-take and our bottom line is more or less the same. We are seriously looking at other initiatives to break out of this vicious cycle by taking up products of

more established companies as solution partners to lift us from this predicament.

POSITIVES

We have a marginal cash profit and the turnover has grown slightly. We are still sitting on some unique products and some valuable IPR (Intellectual Property Rights) in non-overlapping areas like Multilingual Software, Banking and Micro-credit Sector, Document / Knowledge Management, E-Governance and Office Administration. We have also started exploring tie-ups with some companies in the area of security, messaging and health monitoring and hope to add to the bottom line in the coming years.

NEGATIVES

Due to the sluggish growth, we are losing human resources at above industry rates and are finding it difficult to get experienced replacements. Because of this we have to rely more on trainees and it is getting difficult to meet the project and development deadlines. Funding a sustained marketing campaign for our products is difficult under the circumstances resulting in low growth.

OPPORTUNITIES AND FUTURE PROSPECTS

Though there is a slowdown, according to CMIE, the Indian economy may touch nine percent growth rates pushing demand across all the sectors. We are still hoping for growth in all the dynamic sectors like retail, construction, telecommunication in the Tier II and Tier III cities. Communication and hence computing in local languages should grow. Frost & Sullivan have studies to show that the local language software applications market is poised to grow at a compounded growth rate of over 50% per annum. Our Akruti and related products should in these conditions have a good market.

A positive intervention by the Government could help take the IT industry to its next stage of growth. This is particularly opportune time on two counts : the growing Indian economy is now well poised to draw the benefits of embracing IT on an extensive scale ; and the Indian IT industry can better weather the global economic slowdown if the Government helps to create more opportunities in the domestic market.



This huge pool of expertise could develop solutions for India and thus boost demand for IT, leading to higher overall productivity, more revenue for the industry, and greater employment.

Micro Credit institutions are attracting the attention of urban oriented financial institutions and venture capital due to high profitability and growth prospects. The professionals are streamlining the co-operative banking and micro-credit institutions. The maximum action will be in the vernacular dominated Tier II and Tier III towns and stimulating demand for our vernacular language enabled solutions like cyBANK and cyCRED.

The rising expectations of the 300 million strong middle class aspirations are pushing state and central governments to streamline their administration and governance mechanisms using the latest information technology. E-Governance is a key method of improving the delivery of governance and so will be deployed in larger numbers. Thus e-Karyalaya, which is a multilingual e-Administration solution from your company, should have good demand in the coming years.

IT and IT enabled services is still going to be a key driver of our economy, but overseas outsourcers are insisting on tighter security for their precious data and IP. The maturing IT sector is adopting state-of-the-art Document and Knowledge Management systems to secure and extract the intangible knowledge assets. Thus two of our products cyDOCS and cyKNIT should find good demand in the coming years.

CHALLENGES

The challenge to convert our product IP into a steady revenue stream is still daunting. We are unable to spend on marketing due to resource constraints so by selling off some product lines or rights to bigger players in those areas, we hope to improve our finances to concentrate on fewer products and generate more revenue from them. To prevent obsolescence of the IP, substantial expenditure is

still incurred on upgrading our non-revenue generating products to keep them upgraded with new technology.

FINANCIAL SCENARIO AND OPERATIONAL PERFORMANCE

The total income of the company has increased from Rs. 704.58 lakhs in 2006-2007 to Rs. 966.76 lakhs in 2007-2008 and posted an operating profit of Rs. 34.19 lakhs as against Rs. 4.96 lakhs in the previous year. The company earned a marginal profit of Rs. 2.11 lakhs as against a loss of Rs. 21.66 lakhs in the previous year. The increase is primarily in trading turnover, which impacts the turnover significantly but has little effect on profitability.

HUMAN RESOURCES

As part of cost control, our Bangalore operations have been scaled down to the minimum and it is difficult to get experienced manpower due to presence of large companies. In Mumbai, we have inducted new staff as and when required. The Vice President (Marketing) is trying out innovative strategies for product marketing for Akriti and other products. Our core team needs to face up to new tasks. The dedication and sincerity of all our core staff members is commendable and we hope to reward them suitably in the future.

DISCLAIMER

The information given and opinion expressed in this section may contain certain forward looking statements, which the management believes to be true to the best of its knowledge at the time of its presentation. The Company cannot guarantee that these assumptions/expectations are accurate or will be realized. The management shall not be liable for any loss, which may arise as a result of any action taken on the basis of the information contained herein. The information contained herein should not be disclosed, reproduced or used in whole or in part for any purpose or furnished to any other person/s without the express prior written permission of the Company.

REPORT ON CORPORATE GOVERNANCE



Corporate Governance is about commitment to values and ethical business conduct. It is about how an organization is managed viz. its corporate and other structures, its culture, policies and the manner in which it deals with various stakeholders. Timely and accurate disclosure of information regarding the financial situation of the Company, its performance and ownership forms part of the Corporate Governance.

The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices. It is firmly believed that good corporate governance practices would ensure efficient conduct of the affairs of the Company and help the Company achieve its goal of maximizing value for all its stakeholders. The Company is in compliance with the requirements of the revised guidelines on corporate governance stipulated under Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited.

CORPORATE GOVERNANCE PHILOSOPHY

The corporate governance philosophy of the Company is driven by the following fundamental principles :

- i. Adhere to corporate governance standards beyond the letter of law.
- ii. Maintain transparency and high degree of disclosure levels.
- iii. Maintaining a clear distinction between the personal interest and corporate interest.
- iv. Transparent corporate structure driven by business needs and
- v. Ensuring compliance with applicable laws.

BOARD OF DIRECTORS

The corporate governance principles of the Company ensure that the Board remains informed, independent and involved in the company and that there are ongoing efforts towards better corporate governance to mitigate "non business" risks. The Board is fully aware of its fiduciary responsibilities and recognizes its 2008

responsibilities to stakeholders to uphold the highest standards in all matters concerning Cyberscape and has empowered responsible persons to implement its broad policies and guidelines and has set up adequate review process.

Cyberscape's commitment to ethical and lawful business conduct is a fundamental shared value of the Board of Directors, the senior management and all other employees of the Company. Consistent with its values and beliefs, the Company has formulated a Code of Conduct applicable to the Board and senior management. Further, the Company has also adopted an insider trading code for prevention of insider trading.

- i) The Company has 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.
- ii) All major policy decisions are taken at the Board Meetings. The Board Meetings constitute a very important and significant aspect of Company's functioning. The meetings are governed by a detailed agenda. All issues included in the agenda are backed by comprehensive background information to enable the Board to take decisions. All decisions are arrived at after due deliberations by the members of the Board. The Board plans, monitors and controls the business of the Company and ensures compliance with applicable laws and regulations.
- iii) None of the Directors on the Board is a member of more than 10 Committees or Chairman of more than 5 Committees across all the companies in which he is a Director. Necessary disclosures regarding Committee positions in other public companies as on March 31, 2008 have been made by the Directors.
- iv) The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and at the last Annual General Meeting and number of directorships and Committee Chairmanships/Memberships held by