

13th ANNUAL REPORT 2008-09



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
(upto 9.2.2009)

T.S. Ramachandran
Director

C.N. Kshetragna
Director

Auditors

Shabbir & Rita Associates
Chartered Accountants
63, Narayan Niwas,
Aarey Road, Goregaon (West)
Mumbai 400 062.
Tel: 28739939, 28720555
Email: shabbir.rita@gmail.com

COMMITTEES OF THE BOARD

Audit Committee

T.S. Ramachandran, Chairman
M. Siva Shankar (upto 9.2.2009)
C.N. Kshetragna

Shareholders/Investors Grievances Committee

C.N. Kshetragna, Chairman
T.S. Ramachandran
Anand S.K.

Share Transfer Committee

Anand S.K.
M.S. Sridhar
M. Siva Shankar (upto 9.2.2009)

Registered & Corporate Office

941, 21st Main, 22nd 'A' Cross
Opp: BDA Complex
Banashankari II Stage
Bangalore-560 070.
Telefax: 91-80-26714446 / 26710975

Branches

Mumbai :

Unit No. 108, Sector No. 3, Bldg. No. 2,
Millennium Business Park, Mahape - 400 071.
Tel.: 91-22-27782779 / 80 / 81

New Delhi :

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

Registrars & Share Transfer

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
The CKP Co-operative Bank Ltd.

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 13th Annual General Meeting of the shareholders of **Cyberscape Multimedia Limited** will be held at 10:00 a.m. on Friday, the 25th September 2009 at Suchitra Auditorium, 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, 2009 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 Dr. Mohan S. Kananahalli, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr. T.S. Ramachandran, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from conclusion of this meeting until the conclusion of the next Annual General

Meeting and to fix their remuneration. M/s Shabbir & Rita Associates, Chartered Accountants, Mumbai, retiring auditors, 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 M/s Shabbir & 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."

By Order of the Board

ANAND S.K.

Bangalore, June 25, 2009 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 21st September, 2009 to 25th September, 2009 (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. A brief resume of the Directors proposed to be re-appointed vide Item No. 2 and 3 under Ordinary Business in the Notice as required under Clause 49 of the Listing Agreement:

(i) Dr. Mohan S. Kanakanahalli (45 years) is B.Tech. (Hons.) in Electrical Engineering and M.S. and Ph.D. in Computer Systems Engineering. Having research interests in multimedia systems, signal processing and multimedia security, he has presented a number of research papers in international conferences. He has several books, publications and patents to his credit and currently working as professor and Vice-Dean, Dept. of Computer Science, National University of Singapore. He has been a director of the Company since 10-02-2000.

(ii) Mr. T.S. Ramachandran (51 years) is B.Sc., ACA, CAIIB and also a Post Graduate Diploma holder in EDP and Computer Management. He has worked in Centurion Bank Ltd., Syndicate Bank and ING Vysya Bank Ltd. in various senior management positions. He is a Chartered Accountant and presently working as a professor in Christ University of Management at Bangalore. He has been a Director of the Company since 30-08-2001 and presently he is also the Chairman of the Audit Committee.

By Order of the Board

ANAND S.K.

Bangalore, June 25, 2009

Managing Director

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 13th Annual Report together with the audited accounts of the Company for the year ended March 31, 2009.

FINANCIAL RESULTS

(Rupees in lacs)

PARTICULARS	2008-09	2007-08
Total Income	1344.38	970.70
Operating Profit (PBIDT)	(14.21)	34.19
Interest	1.14	1.29
Depreciation	20.28	23.70
Profit/(Loss) before Taxation	(35.63)	9.19
Provision for Deferred Tax	14.68	5.83
Fringe Benefit Tax	0.69	0.76
Income Tax for earlier years	(0.12)	0.49
Profit / (Loss) after Tax	(50.89)	2.11
Balance of Profit / (Loss) from previous year	(224.21)	(226.33)
Amount available for appropriation	(275.10)	(224.21)

During the year, the Company has recorded a significant increase in the total income from Rs. 970.70 lacs to Rs. 1344.38 lacs over the previous year and posted operating loss of Rs.14.21 lacs. Including depreciation the Company has incurred a loss of Rs. 35.63 lacs as against a profit of Rs. 9.19 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. 20.28 lacs as against Rs. 23.70 in the previous year. The loss after tax was Rs. 50.89 lacs whereas there was a profit after tax of Rs. 2.11 lacs in the previous year.

DIVIDEND

Your Directors do not recommend any dividend for the year in view of the loss incurred by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis for the year under review as required under clause 49 of the listing agreement with the stock exchange is given as a separate statement in the Annual Report.

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, Director, resigned with effect from 09-02-2009. The Board places on record its appreciation of the services rendered by Mr. M. Siva Shankar as Director of the Company.

As per the provisions of the Companies Act, 1956, Dr. Mohan S. Kankanhalli and Mr. T.S. Ramachandran, Directors retire by rotation and being eligible, offer themselves for re-appointment.

A brief profile of the 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, 2009 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 2008-09 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, 2009 on a 'going concern' basis.

AUDITORS

M/s Shabbir & Rita Associates., Chartered Accountants, Mumbai were appointed as Statutory Auditors of the Company in place of retiring Auditors M/s Manish D. Ladage & Co., Chartered Accountants, Mumbai at the last Annual General Meeting held on 30th September, 2008.

M/s Shabbir & Rita Associates, Chartered Accountants, Mumbai will be retiring at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment as Auditors. Members are requested to re-appoint them and fix their remuneration.

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 25, 2009

Anand S.K.
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS**MANAGEMENT'S PERCEPTION**

The past year has been very difficult and depressing for the entire economy all over the world. IT industry has lost its charm and is facing its toughest challenge to remain profitable. The recession in USA has spread its tentacles far and wide across the world and no economy has remained untouched. We too have had one of our worst years as far as financials are concerned and are struggling to stay afloat. All our attempts to outsmart the downturn have remained unsuccessful and we should be thankful that unlike many other companies we have not been swept away and still remain alive.

INDUSTRY OUTLOOK

While the IT sector globally has been affected by lack of demand and liquidity in all the primary sectors of the economy, leading to reduced outsourcing, there is an emergence of a protectionist mentality and a distinct tendency to try and protect jobs in the developed countries. In fact even the big players like Microsoft, Infosys, TCS, Oracle are feeling the pressure and are cutting down on hiring and unessential expenses. The domestic product market especially in the niche that your company is in, namely the multilingual software products has shown severe drying up of demand from the public and Government sectors who were our main clients.

POSITIVES

The only cloud with the silver lining seems to be the mobile services and communication market in India where the growth is still quite strong and among the highest in the whole world. We are trying to develop some unique products and some valuable IPR in these areas like Multilingual SMS (Short Messaging Services), Mobile applications in local languages etc. We plan to mature these products in the coming years and hope to have healthy revenues from these areas.

NEGATIVES

Sustained R&D activities in the above areas require deep pockets, which we severely lack and hence we are unable to convert these lab ideas to full-fledged products. While we keep plodding on and manage to survive, it is becoming increasingly difficult to fund developmental and marketing activities. Due to this we may lose the first-mover advantage to larger and better funded giants like Google and we may be unable to monetize our innovations.

OPPORTUNITIES:

Our foray into the areas of automated re-reporting in local languages (converting English language reports by computers into local language reports) is quite promising and likely to have wide application in the billing and retailing segments especially in the growing semi-urban and rural markets. We have done some pilot projects with banking and financial industry and we are hopeful of getting some good revenues once these markets develop. To take the goods and services to the non-English literate masses in the smaller towns, it is obvious that in all the booming sectors like retail, micro-finance and telecommunication, growth will mainly occur in the Tier II and Tier III cities. Communication and content development in local languages will be the key driver. Frost & Sullivan have studies to show that the local language software applications market may grow at a CAGR of over 50 %. We can look forward to a good share of this market with our Akruti and related products.

Our vernacular language enabled solutions like cyBANK and cyCRED for the co-operative banking and micro-credit will have to be upgraded and revamped to fit in the new scenarios of the promising financial and insurance sectors especially in the rural retailing segments. Micro Credit and Finance is attracting a lot of venture capital and everyone is trying to tap the "profit at the bottom of the pyramid". The maximum action is most likely to be in the vernacular dominated Tier II and Tier



III towns hopefully stimulating demand for our products.

E-Governance is yet another area where solutions will have to reach out to the non-English literate masses. We plan to revamp our e-Karyalaya, a multilingual e-Administration solution to integrate with other e-governance solutions and earn good revenues in the coming years.

Desktop and Web Publishing in local languages are two areas which we had neglected and we find that with the increasing need to communicate in the vernacular with the bulk of the semi-urban and rural masses, these areas are reviving and they should provide good opportunities for our Akruiti based content development system..

CHALLENGES

Selling and payment recovery cycles are becoming progressively longer ranging from six months to two years and it is becoming difficult to survive in such a crippling environment. Due to considerations of goodwill and future relations, we have no option but to bear the delayed payments from big clients and can't take recourse to legal enforcements of the terms of payment. Due to fund constraints, we are unable to have sustained marketing campaigns resulting in dependence on a smaller customer base. Converting IP into revenue streams is also quite challenging in the given market scenario and we are still on the lookout to sell off some product lines or rights to bigger players to generate liquidity, but this is proving quite difficult.

FINANCIAL SCENARIO & OPERATIONAL PERFORMANCE

The total income of the company has increased from Rs. 970.70 lakhs in 2007-2008 to Rs. 1344.38 lakhs in 2008-2009. Including depreciation of Rs. 20.28 lakhs, the company has incurred a loss of Rs. 35.63 lakhs as compared to a profit of Rs. 9.19 lakhs in the previous year. The huge

increase is primarily in trading turnover, which bucks the turnover significantly but has little impact on profitability. We have decided to slash down the trading activity significantly in the coming quarters, since it hardly improves the bottom line, but creates large creditors and debtors, any of whom defaulting could affect the company severely.

HUMAN RESOURCES

Our Bangalore operations have been scaled down to the minimum and will remain so till the economy improves. In Mumbai too, we are not inducting any new staff to allow natural attrition to downsize. Our Vice President-Marketing is actively trying to rejuvenate product marketing for Akruiti and other products, by restructuring the existing team to face challenges. We are thankful to our reduced team which has been working with dedication to beat the downturn. We hope to reward them more handsomely as soon as the situation permits.

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

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 five 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, 2009 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