

17th

**ANNUAL REPORT
2012-13**



CYBERSCAPE

MULTIMEDIA LIMITED

BOARD OF DIRECTORS

Anand S.K.
Managing Director

M.S. Sridhar
Joint Managing Director

Milind Mehta
Director

Sukirti Sogal
Director

Prashanth Kamath
Director

Vijayakumar N.A.
Director

Auditors

Shabbir & Rita Associates
Chartered Accountants
63, Narayan Niwas,
Aarey Road, Goregaon (West)
Mumbai - 400 062.
Tel: 91-22-28739939, 28720555
Email: shabbir.rita@gmail.com

COMMITTEES OF THE BOARD

Audit Committee

Sukirti Sogal, Chairman
Milind Mehta
Prashanth Kamath

Shareholders/Investors Grievances Committee

Vijayakumar N.A., Chairman
Prashanth Kamath
Anand S.K.

Share Transfer Committee

Anand S.K.
M.S. Sridhar

Registered & Corporate Office

1456, 23rd Main, 30th Cross
Banashankari II Stage
Bangalore-560 070.
Telefax: 91-80-26714446 / 26710925
Website : www.cyberscapeindia.com

Mumbai Branch :

A-302, "A" Wing, Raj Darshan Building
Dada Patil Wadi, Opp. Platform No. 1
Thane (W)-400602
Tel.: 91-22-25450959
Fax : 91-22-25454742

Registrars & Share Transfer Agents

Integrated Enterprises (India) 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

Indian Overseas Bank
ICICI Bank Ltd.
Vijaya Bank
The CKP Co-operative Bank Ltd.

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 17th Annual General Meeting of the shareholders of **Cyberscape Multimedia Limited** will be held at 10:00 a.m. on Monday, the 30th September 2013 at the Registered Office # 1456, 23rd Main, 30th Cross, Banashankari 2nd Stage, Bangalore-560070 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Statement of Profit and Loss for the year ended March 31, 2013 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 place of Mr. Sukirti Sogal, who retires by rotation and being eligible, offers himself for reappointment.

3. To appoint a Director in place of Mr. Prashanth Kamath, who retires by rotation and being eligible, offers himself for reappointment.

4. 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, (Registration No. 109420W) 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, (Registration No. 109420W) 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, May 28, 2013

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, 2013 to 30th September, 2013 (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 INE519B01017 (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 Integrated Enterprises (India) Limited, for consolidation into a single folio.

8. Brief resume of the Directors proposed to be re-appointed vide Item Nos. 2 & 3 under Ordinary Business in the Notice as required under Clause 49 of the Listing Agreement:

i. Mr. Sukirti Sogal (55) holds a Diploma in Electrical Engineering and has nearly 32 years' experience. He was involved in design and execution of various projects in industries viz. power plants, grinding mill, vegetable oil refineries, natural gas and oil refineries etc. He has also been involved in software projects, medical transcription, call centre and garment manufacturing units. He has also executed several overseas projects in countries like Iraq and Muscat. In recent years Mr. Sogal has moved over to Banking and NREGA projects in rural Karnataka and currently has his own business at Bangalore.

He is Chairman of the Audit Committee.

ii. Mr. Prashanth Kamath (40) holds a Diploma in Electronics and Communication and has also done a Certification Course from Cambridge University specializing in Sales and Marketing. He has over 17 years of experience in various sectors handling CCTV Camera and Remote Surveillance System, Access Control and Time Attendance System, Electronic Security systems etc. He has worked in Oman for nearly 8 years and presently running his own business set up in Bangalore.

He is a member of the Audit Committee.

By Order of the Board

Registered Office:

1456, 23rd Cross, 30th Main,
Banashankari 2nd Stage
Bangalore-560 070

Bangalore,

May 28, 2013

ANAND S.K.

Managing Director

To the Members,

Your Directors have pleasure in presenting the 17th Annual Report together with the audited accounts of the Company for the year ended March 31, 2013.

FINANCIAL RESULTS

(Rupees in lacs)

PARTICULARS	2012-13	2011-12
Total Income	118.72	87.28
Profit before interest, depreciation and tax (PBIDT)	(56.10)	(6.54)
Interest	0.17	0.24
Depreciation	7.72	9.39
Profit before Tax	(63.99)	(16.17)
Deferred Tax	(2.13)	7.38
Profit / (Loss) after Tax	(61.86)	(23.56)

During the year, the Company has recorded an increase in the total income from Rs. 87.28 lacs to Rs. 118.72 lacs over the previous year. Including interest and depreciation the Company has incurred a loss of Rs. 63.99 lacs as against loss of Rs. 16.17 lacs in the previous year. Due to paucity of funds the Company could not strengthen its marketing team to push its software products in the market. Depreciation was Rs. 7.72 lacs as against Rs. 9.39 lacs in the previous year. The Company has been unable to stem the downside in the bottomline due to rising costs and worsened economic conditions.

DIVIDEND

Your Directors do not recommend any dividend for the year in view of the accumulated losses in the Company.

INVESTORS RELATIONS

Integrated Enterprises (India) 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 Earning and outgo

There were no foreign exchange earnings and outgo during the year.

DIRECTORS

Mr. Sukirti Sogal and Mr. Prashanth Kamath retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting (AGM). Brief profile of the Directors is given in the notes to the Notice of the ensuing AGM.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors accept the responsibility for the integrity and objectivity of the Statement of Profit and Loss for the year ended March 31, 2013 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 2012-13 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, 2013 on a 'going concern' basis.

AUDITORS

M/s Shabbir & Rita Associates, Chartered Accountants, Mumbai, Statutory Auditors of the Company retire at the forthcoming AGM and have expressed their willingness to continue as Statutory Auditors for the financial year 2013-14 and accordingly a resolution proposing their appointment is being submitted to the AGM. 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 place on record their gratitude for all the guidance and co-operation received from all its clients, vendors, bankers, business associates, advisors, regulatory and Government authorities. The Directors also appreciate and value the contributions made by every member of the Cyberscape family.

On behalf of the Board of Directors

M.S. Sridhar

Joint Managing Director

Bangalore

May 28, 2013

Anand S.K.

Managing Director

Management's View

The management had been repeatedly stressing over the last couple of years that our company's fortunes are teetering on the brink and unless some miraculous infusion of funds occurs to revive the products, it would be very difficult to avert the writing on the wall, which clearly indicates that it would go underwater and beyond repair or rescue. Well that moment certainly seems to have arrived and we have the unfortunate task of informing all the stakeholders that the situation is irretrievably bad and if no solution is found soon, it is a matter of time before the company is completely shut down. The only possible way to avoid this would be for some well funded entity to acquire the stakes from the promoters and other major stakeholders and pump in enough funds and draw up a completely new business plan for revival.

In fact we have been looking out for such potential white knights but so far without success. In an economic scenario where there is complete despondency and the growth rate of the country which averaged 8% over many years is sliding back to the abysmal zone of less than 3% of the pre-liberalization era, we do not see any such entity coming forward soon. If this trend continues the only worthwhile assets of the company, namely the IP assets will be worth nothing due to technological obsolescence.

The management tried its best to outsource the marketing activity by tying up exclusive arrangements with marketing agencies to improve sales without having to bear the overheads of marketing, but none of these tie-ups have so far yielded any results as a result of which our revenues have been hitting lows which do not even cover the bare minimum overheads of a continuing listed entity. With great difficulty we have still managed to be compliant with all listing requirements but going forward unless a reversal as mentioned above happens we foresee that even keeping the listing status might be a challenge.

Eroded Strengths

The main strength of CML which lay in the product IP has got eroded because of the rapidly changing IT scenario which is moving away from desktops to mobile devices and cloud based offerings:

- a. **Multilingual Software:** The **Akruti** product line has already reached its end of life and unless significant investments are made to revamp it and make it applicable to the mobile device platforms like Apple, Android and Windows 8, in its current forms it is more or less obsolete.
- b. **E-Governance and Office Administration:** **e-Karyalaya** a product for e-Administration too is facing obsolescence, because of the above stated trends and while with a well funded development program it may be possible to make it relevant in the changed technical landscape of cloud computing and mobile deployments, we simply do not have the resources to take this up.

Weaknesses:

The revenues generated by our products and services have reduced to almost nothing and sensing this and the lack of opportunities our remaining staff has also quit and so we are left with no choice but to see the dissipation of the residual IP of our products due to technological obsolescence. The IT industry being a rapidly changing playground has seen the collapse of even the most dynamic companies like Nokia, Blackberry and Kodak and so as repeatedly pointed out without external support and funds to aggressively develop and market our products there is no option other than hanging up our boots. Without state-of-art products it is extremely difficult to forge effective alliances or dealer / distributor or strategic partner tie-ups and having operated in the narrow niche of multilingual products, the DNA of a product company like ours cannot be transformed overnight to a solution provider in the mainstream IT market where there is still opportunity and growth.

Receding Opportunities:

In the niche area of multilingual software where we operate, the old model of selling products for an upfront fee has become obsolete and only big players like Apple, Google and Microsoft are carving out major chunks of the market share, because instead of charging for these products like us, they are recovering their costs by advertisements or enterprise licensing. This method is not possible for struggling entities like us and so the only way to go seems to be by strategically tying up with one

of these biggies or being acquired by them. Sadly if we miss the boat, the local language application market with a compounded growth of over 79% worth millions of dollars, may be grabbed by these MNCs while we remain mere spectators.

Also, the paradigm shift from desktop computing using PCs to a more mobile world with new devices like smart phones and tablets are forcing enterprises whether small and medium or large to move their computing platforms to a virtualized cloud platform, rather than the traditional server farms. So, most businesses are going mobile and online at the same time with the smart phone or a tablet as the access device and the cloud platforms hosting the backend applications.

Our current products are all desktop focused so only by shifting to this new environment and tying up with one of the big players, and availing an opportunity to provide some of the utilities as a pay-per-use service available online hosted on cloud platforms or as mobile apps downloadable from various App-Stores for the leading mobile operating systems like the Apple iOS and Google Android and the Microsoft Windows Mobile can we hope to survive and grow. But no such tie-up seems to be in sight as of now and the situation looks bleak.

Challenges

The biggest challenge posed to the company is to somehow keep afloat till we are acquired by some stronger entity that can fund the move to adapt to the above mentioned paradigm of mobile computing and cloud based delivery systems. In that new form we need to invest significantly in moving our technologies to these platforms and also switch to a completely new way of marketing our products and services without incurring the high cost of traditional marketing infrastructure. The only way forward is to innovate out of the situation and given the funds and backing of such an entity, it may still be possible to regain heights.

Financial scenario

The total income of the company has marginally increased from Rs. **87.28** lakhs in 2011-12 to Rs. **118.71** lakhs in 2012-13 but the company has

incurred a loss (before tax) of Rs. **63.99** lakhs (after considering a depreciation of 7.72 lakhs) as compared to a loss of Rs. **16.17** lakhs in the previous year. The company is unable to stem the downside in the bottom line due to rising costs and bad economic conditions. The situation is quite desperate for the company ahead, and it may be difficult to even maintain the compliance requirements for listed entities unless some of the corporate bodies who have significant stake-holding in the company help the executive directors by pro-actively stepping in with infusion of capital and working funds to revive the company.

Human resources

As mentioned earlier, the dwindling revenues and opportunities saw an exodus of all our staff that had been loyal to us throughout our tough times. Today we are left with only the two executive directors of the board who are still trying to retrieve the situation by trying for strategic investors to revive the company. Effective January 2013, the executive directors are also working gratis and not drawing any salary from the company since there is no revenue to even cover the compliance and bare minimum costs. We are fortunate to have the support of our independent directors who are guiding our company with an objective and neutral perspective and providing valuable suggestions for dealing with the grave situation on hand.

Cautionary Statement

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

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 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) As on March 31, 2013, 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 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, 2013 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 them in other companies is given below. Other directorships do not include alternate directorships, directorships of private limited companies, Section 25 companies and of companies incorporated outside India. Chairmanship/Membership of Board Committees include only Audit and Shareholders/Investors Grievance Committees.
- v) Four Board Meetings were held during the financial year and the time gap between any two consecutive meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

- | | |
|---------------|---------------|
| 1) 26-04-2012 | 2) 10-08-2012 |
| 3) 08-11-2012 | 4) 07-02-2013 |

Name of the Director	Category	No. of Board Meetings attended	Whether attended last AGM	Directorships in other Public Companies	No. of Committee positions held in other public companies
1. Mr. Anand S.K.	Promoter, Executive	4	Yes	None	None
2. Mr. M.S. Sridhar	Promoter, Executive	4	Yes	None	None
3. Mr. Milind Mehta	Independent, Non-Executive	0	No	None	None
4. Mr. Sukirti Sogal	Independent, Non-Executive	4	Yes	None	None
5. Mr. Prashanth Kamath	Independent, Non-Executive	4	Yes	None	None
6. Mr. Vijayakumar N.A.	Independent, Non-Executive	3	Yes	None	None

None of the Independent Directors has any material pecuniary relationship or transactions with the Company.

COMMITTEES OF THE BOARD

The Board Committees form an integral part of the Management of the Company. The Board has constituted its committees delegating some of its powers, which would also help in specialization. Board Committees are also constituted as required under the provisions of Corporate Governance Code of the Listing Agreement.

AUDIT COMMITTEE

The role and reference of the present Audit Committee continue to cover the areas mentioned under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, besides other terms as may be referred by the Board of Directors from time to time.

The Committee consists of three members. All the members of the Audit Committee are non-executive independent directors including the Chairman. The Committee has met 4 times during the financial year.

Shareholding Pattern as at March 31, 2013

Category	No. of Holders	No. of Shares	% Shareholding
Promoters *	8	18,17,600	18.00
NRIs	23	51,101	0.51
Clearing Members	12	18,207	0.18
Bodies Corporate	105	55,34,161	54.82
Public - Individuals	3,315	26,74,631	26.49
Total	3,463	1,00,95,700 **	100.00

* Promoters include all individuals in the promoter group.

** Excluding 6800 partly paid-up shares.

The Audit Committee meetings are usually held at the Registered Office of the Company and are usually attended by the Managing Director/Joint Managing Director.

The previous Annual General Meeting of the Company was held on 26th September, 2012 and it was attended by Mr. Sukirti Sogal, Chairman of the Audit Committee.

SHAREHOLDERS / INVESTORS GRIEVANCES COMMITTEE

The Committee is formed under the Chairmanship of a non-executive Director to look into the redressing of the shareholders and investors complaints like transfer of shares, non-receipt of Annual Report, dematerialization of shares etc. As on March 31, 2013, the Committee consists of two non-executive Directors Mr. Vijayakumar N.A. (Committee Chairman) and Mr. Prashanth Kamath (Member) besides Mr. Anand S.K., Managing Director, who is also a member.

During the year the Committee met one time and all the members attended the meeting.