

# **TENTH ANNAUL REPORT 2003-2004**



**Ace Software Exports Limited**

Ace Software Exports Ltd.

## **BOARD OF DIRECTORS**

VIKRAM B. SANGHANI

Jt. Managing Director

SANJAY H. DHAMSANIA

Jt. Managing Director

DHARAMSHIBHAI R. VADALIYA

VIMAL KALARIA

SHYAMAL SHETH

## **COMPANY SECRETARY**

N. I. THOMAS

## **AUDITORS**

KALARIA & SAMPAT

Chartered Accountants

Report  Junction.com

## **BANKERS**

BANK OF BARODA

HDFC BANK LTD.

UTI BANK LTD.

## **FOREIGN COLLABORATORS**

APEX DATA SERVICES INC.,

U.S.A.

## **REGISTERED OFFICE**

801, Everest Commercial Complex,

Opp. Shastri Maidan,

RAJKOT - 360 001.



Ace Software Exports Ltd.

**ACE SOFTWARE EXPORTS LIMITED****REGD.OFFICE :****801,EVEREST COMM.COMPLEX,OPP.SHASTRI MAIDAN, RAJKOT - 360 001.****PROXY FORM****Tenth Annual General Meeting - 30th SEPTEMBER 2004**

DP. Id\* .....

Client Id\* .....

Reg.Folio No. ....

I/We .....  
of..... in the district of .......... being a member/members of the abovenamed company hereby appoint  
..... of ..... in the district of  
..... or failing him ..... of  
..... in the district of .....as my/our proxy to vote for me/us on my/our behalf at the TENTH ANNUAL GENERAL MEETING of the  
Company to be held on 30th SEPTEMBER, 2004 and at any adjournment thereof.Affix a 30  
Paise  
Revenue  
Stamp

Signed this..... day of....., 2004

**\* Applicable for investors holding shares in electronic form.**

- Note :** (1) This form in order to be effective should be duly stamped, completed, signed and must be deposited at the registered office of the company, not less than 48 hours before the meeting. The Proxy need not be a member of the Company.
- (2) Members holding shares under more than one folio may use photocopy of this Proxy Form for other folios. The Company shall provide additional forms on request.

**ACE SOFTWARE EXPORTS LIMITED****REGD.OFFICE :****801,EVEREST COMM.COMPLEX,OPP.SHASTRI MAIDAN, RAJKOT - 360 001.****ATTENDANCE SLIP****Tenth Annual General Meeting - 30th SEPTEMBER 2004**

DP. Id\* .....

Client Id\* .....

Reg.Folio No. ....

I certify that I am a registered shareholder/proxy for the registered shareholder of the company.

I hereby record my presence at the TENTH ANNUAL GENERAL MEETING of the company at 801, Everest Comm. Complex, Opp. Shastri Maidan, Rajkot - 360 001 at 11-00 a.m. on 30th SEPTEMBER, 2004.

Member's/Proxy's name in BLOCK Letters

Member's/Proxy's Sign

Note : Please fill in this attendance slip and hand it over at the MEETING PLACE

**\* Applicable for investors holding shares in electronic form.**

Ace Software Exports Ltd.

**ECS MANDATE FORM**

(For use by Shareholders holding Shares in physical mode only)

**Intime Spectrum Registry Ltd.**  
**Unit : Ace Software Exports Ltd.**  
 211-Sudarshan Complex,  
 Mithakhali Underbridge,  
 Navrangpura  
**Ahmedabad – 380 009**

Place:.....

Date : .....

Dear Sirs,

**Sub. : Payment of Dividend in Electronic Clearing System (ECS)**

I hereby consent to have the amount of Dividend on my equity shares credited through the Electronic Clearing System.  
 The required particulars are :

1. Folio No. : .....  
 [Folio No. given on Equity Share Certificate(s)]

2. Member's Name : .....

3. Member's Address : .....

4. Particulars of Bank Account : .....

• Bank Name : .....

• Branch Name : .....

• Mention the 9-digit code number of the bank and branch appearing on the MICR Cheque issued by the Bank

(please attach a photocopy of a cheque or a cancelled cheque issued by your bank for verifying the accuracy of the code number)

• Account type (please type ✓) Saving ☐ Current ☐ Cash credit ☐

• Account Number (as appearing on the cheque book) : .....

I have declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information for any reasons, I would not hold the company responsible. I also undertake to advise changes, if any, in the particulars of my account to facilitate unpadation of records for purposes of credit of Dividend amount through ECS.

**Notes :**

1. Please complete the form and send it to Registrar & Share Transfer Agent at the above address if you are holding share Certificate (s) in physical form.
2. In case your shares are in Dematerialised form, inform/ update your information directly with the depository Participant (DP) with whom you are maintaining Demat Account and not to the company or its Registrar.
3. In case of more than one Folio please complete the details on separate sheet.
4. Subject to the Rules and Regulations of the Scheme of the Reserve Bank of India from time to time.



**Ace Software Exports Ltd.****NOTICE**

Notice is hereby given that the Tenth Annual General Meeting of **ACE SOFTWARE EXPORTS LIMITED** will be held at 801, Everest Comm. Complex, Opp. Shastri Maidan, Rajkot on Thursday, 30th September, 2004 at 11.00 A. M. to transact the following business :

**Ordinary Business :**

- To receive, consider and adopt the Audited Balance Sheet as at 31 March, 2004 and Profit and Loss Account for the year ended on that date together with the Auditors' and Directors' Report thereon.
- To declare Dividend on Equity Shares for the year 2003-2004.
- To Appoint a Director in place of Shri Sanjay Dhamsania, who retires by rotation, and being eligible, offers himself for re-appointment.
- To Appoint a Director in place of Shri Vimal Kalaria, who retires by rotation, and being eligible, offers himself for re-appointment.
- To appoint Auditors to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration.

**Special Business :**

- To consider and if thought fit, to pass, with or without modification(s) the following resolution as Special Resolution :  
"RESOLVED THAT in accordance with the provisions of Section 198, 269, 309 and 311 read with Schedule-XIII of the Companies Act, 1956 and any other applicable provisions, if any, the consent of the Company be and is hereby accorded to the re-appointment of Shri Vikram B. Sanghani as Joint Managing Director of the Company for a period of 5 (Five) years with effect from 29<sup>th</sup> March, 2005 on the terms and conditions including remuneration for a period of 3 (three) years, as are set out in the agreement to be entered into between the Company and Shri Vikram B. Sanghani (a draft whereof is placed before the meeting).

"RESOLVED FURTHER THAT the Board of Directors (hereinafter referred as the "Board" which expression shall include the Remuneration Committee constituted by the Board) are authorised to alter and vary the terms and conditions of the said appointment and/or remuneration and/or agreement, subject to the same not exceeding the limits specified in the Schedule-XIII of the Companies Act, 1956 including any statutory modification or re-enactments thereof for the time being in force or as may hereinafter be made by the Central Government in that behalf from time to time or any amendment(s) thereto as may be agreed to between the Board and Shri Vikram B. Sanghani."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

- To consider and if thought fit, to pass, with or without modification(s) the following resolution as Special Resolution :  
"RESOLVED THAT in accordance with the provisions of Section 198, 269, 309 and 311 read with Schedule-XIII of the Companies Act, 1956 and any other applicable provisions, if any, the consent of the Company be and is hereby accorded to the re-appointment of Shri Sanjay H. Dhamsania as Joint Managing Director of the Company for a period of 5 (Five) years with effect from 29<sup>th</sup> March, 2005 on the terms and conditions including remuneration for a period of 3 (three) years, as are set out in the agreement to be entered into between the Company and Shri Sanjay H. Dhamsania (a draft whereof is placed before the meeting).

"RESOLVED FURTHER THAT the Board of Directors (hereinafter referred as the "Board" which expression shall include the Remuneration Committee constituted by the Board) are authorised to alter and vary the terms and conditions of the said appointment and/or remuneration and/or agreement, subject to the same not exceeding the limits specified in the Schedule-XIII of the Companies Act, 1956 including any statutory modification(s) or re-enactment(s) thereof for the time being in force or as may hereinafter be made by the Central Government in that behalf from time to time or any amendment(s) thereto as may be agreed to between the Board and Shri Sanjay H. Dhamsania."

"RESOLVED FURTHER THAT the Board be and is hereby

authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

**Notes :**

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES TO BE EFFECTIVE, SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- The Register of Members and Share Transfer Book will remain closed from 25<sup>th</sup> September, 2004 to 30<sup>th</sup> September, 2004 (Both days inclusive).
- Members are requested to send all their communication relating to the share registry work to the Share Transfer and Registrar Agent of the Company M/s. Intime Spectrum Registry Ltd. at their office situated at 211-Sudarshan Complex, Nr. Mithakhali Underbridge, Navarangpura, Ahmedabad - 380 009.
- The dividend, as recommended by the Board, if sanctioned at the Annual General Meeting, will be paid on or after 30<sup>th</sup> September, 2004 to those persons or their mandates :
  - Whose name appear as Beneficial Owners as at the end of the business hours on 24<sup>th</sup> September, 2004 in the list of Beneficial Owners to be furnished by National Securities Depository Services Ltd and Cental Depository Services (India) Limited in respect of the shares held in electronic form and
  - Whose name appear as Members in the Register of Members of the company after giving effect to the valid Share Transfers in physical form lodged with the Registrar and Share Transfer Agent of the company on or before 24<sup>th</sup> September, 2004.
- Members holding shares in electronic form may kindly note that their Bank Accounts details as furnished by their Depositories to the company will be printed on their Dividend Warrants as per the applicable regulations of the Depositories and company will not entertain any direct request from such shareholders for deletion of/ change in such Bank details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic/dematerialised mode. Members who wish to change such Bank Account details are therefore requested to advise their Depository Participant about such change, with complete details of Bank Account.
- The Electronic Credit System (ECS) of Reserve Bank of India for dividend payment is available at Ahmedabad, Bangalore, Bhubneshwar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Patna, Pune and Thiruvananthapuram. Members wishing to avail of this facility are requested to intimate the Company' Registrar and Share Transfer Agent in the prescribed form and with the prescribed details.
- Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended on 31<sup>st</sup> March, 1997 and thereafter, which remain unclaimed for a period of 7 years will be transferred by the Company to the **Investor Education and Protection Fund** established by the Central Government under Section 205C of the Companies Act, 1956.

Information in respect of such unclaimed dividend when due for transfer to the said Fund is given below :

Financial Year ended	Date of Declaration of Dividend	Last date for claiming unpaid Dividend
31.03.1997	25.09.1997	24.09.2004
31.03.1998	25.09.1998	24.09.2005
31.03.2001	25.09.2001	24.09.2008
31.03.2002	25.09.2002	24.09.2009

The shareholders who have not so far encashed the dividend warrant(s) are requested to seek issue of duplicate warrant(s) by writing to the company immediately. Shareholders are requested to note that no claims shall lie against the Company or the said Fund in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such sums.

**FOR & ON BEHALF OF THE BOARD,**

**VIKRAM B. SANGHANI    SANJAY H. DHAMSANIA**  
JT. MANG. DIRECTOR    JT. MANG. DIRECTOR





## Ace Software Exports Ltd.

## Explanatory Statement

(Pursuant to Section 173(2) of the Companies Act, 1956)

## Item No. 6 &amp; 7

The present term of office of Mr. Vikram B. Sanghani and that of Mr. Sanjay H. Dhamsania as Jt. Managing Directors shall expire on 28<sup>th</sup> March, 2005. The Board of Directors, at their meeting held on 30<sup>th</sup> July, 2004 have, subject to the approval of the shareholders, re-appointed them as Jt. Managing Directors for a further period of 5 (five) years from the expiry of their term of office, on the remuneration determined by the Remuneration Committee of the Board of Directors.

The Draft Agreement between Company and the proposed appointees contains the following principal terms and conditions which have been approved by the Remuneration Committee of the Board of Directors :

## Term of Office:

Mr. Vikram B. Sanghani and Mr. Sanjay H. Dhamsania shall be appointed as the Jt. Managing Directors for a period of 5 (Five) years w.e.f. 29/03/2005

## Remuneration:

Remuneration payable to Mr. Vikram B. Sanghani and Mr. Sanjay H. Dhamsania, individually as Jt. Managing Directors, shall be as under :  
Salary to each Jt. Managing Directors : In the scale of Rs.100,000/- to Rs. 250,000/- per month with the authority to the Remuneration Committee to fix the salary within the scale from time to time. This Remuneration is to be revised after 3 years.

## Commission:

Such remuneration by way of commission, in addition to the salary and perquisites and allowances payable, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the Company at the end of the each financial year, subject to the overall ceiling of 1.5 % of the net profits of the Company. The specific amount payable will be paid annually after the Annual Accounts have been approved by the Board of Directors and adopted by the Shareholders.

## Perquisites:

- All medical expenses incurred for self and family members shall be re-imbursed.
- Leave Travel Concession for self and family will be allowed once in a year as may be sanctioned by the Board.
- Contribution to the Provident Fund, Super Annuity Fund, Annuity Fund to the extent the same are not taxable under the Income Tax Act, 1961.
- Provision for car for official purposes and telephone at residence.
- Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

- In the event of inadequacy or absence of profit in any financial year, they will be paid the same remuneration as stated hereinabove, as minimum remuneration subject to the upper limit, if any, prescribed under the Companies Act, 1956 from time to time.

- In the event of loss of office as Jt. Managing Director, they shall be paid compensation in the manner and to extent permissible under the provisions of section 318 of the Companies Act, 1956.

- If at any time any Jt. Managing Director ceases to be a Director of the company for any cause whatsoever, he shall cease to be Jt. Managing Director in terms of the Agreement and such Agreement shall terminate forthwith.

- The Jt. Managing Directors are appointed by virtue of their employment in the Company and their appointment is subject to the provisions of Section 283(I) of the Companies Act, 1956.

- The Agreement may be terminated by either party, by giving to the opposite party, six month's notice.

- The Agreement between the Company and Mr. Vikram B. Sanghani and that with Mr. Sanjay H. Dhamsania is available for inspection by the shareholders of the Company at its Registered Office during the business hours on any working day of the company.

Further Mr. Vikram B. Sanghani and Mr. Sanjay H. Dhamsania may be deemed to be interested in the resolution pertaining to their re-appointment and/or remuneration payable to them. Except as above none other Directors of the Company is, in any way, concerned or interested in the resolutions. The information as required under Schedule-XIII Part -II Section -II (B) (iv) is given as below:

## I. GENERAL INFORMATION :

1 Nature of Industry	Computer Software and Services Exports.
2 Date or expected date of commencement of commercial production	Not Applicable (The Company an existing company).
3 In case of new companies, expected date of commencement of activities as per project approved by the financial institutions appearing in the prospectus.	Not Applicable
4 Financial performance based on given indicators	Particulars Period 01-04-2003 to 31-03-2004 (Rs. in lacs)
	Total Revenue 515.18
	Profit after Tax 69.11
5 Export performance and net foreign exchange collaborations	The Company had Foreign Exchange earning of Rs. 4,31,28,597/- during the financial year 01-04-2003 to 31-03-2004.
6 Foreign investment or collaboration, if any.	The Company has no investment in any overseas entities. The Company has Business Collaboration with M/s. Apex Data Services Inc., U.S.A

## II. INFORMATION ABOUT THE APPOINTEE :

## 1. Background details

## Mr. Vikram B. Sanghani

Mr. Vikram Sanghani is a MBA from Jamnalal Bajaj Institute of Management Studies. He is the co-founder of the company and has been with the Company right from the incorporation of the Company. He is having 16 years of experience in the capacity of Managerial Person, in the field of Information Technology (IT) Industry. He was actively involved with the Capital and Forex Market during his brief stint at ICICI Ltd. before starting his own IT industry.

## Mr. Sanjay H. Dhamsania

Mr. Sanjay Dhamsania has done M.S. (Computer Science) from Harvard University, Washington D.C., USA. He worked in the US as a Programmer Analyst for some time. He is the co-founder of the company and has been with the company right from the incorporation of the company. He is having more than 15 years of experience in the Information Technology (IT) Industry in various capacity and has been involved in top level management since the beginning.

## 2. Past Remuneration

The past remuneration drawn by the proposed appointees for the last three years as under:

Name	2001-2002 (in Rs.)	2002-2003 (in Rs.)	2003-2004 (in Rs.)
Mr. Vikram B. Sanghani	8,72,297	10,49,818	#10,80,000
Mr. Sanjay H. Dhamsania	8,72,297	10,49,818	#10,80,000

\* The Remunerations includes salary other allowances and commission.

# The Remuneration does not include commission.

## 3. Recognition or Awards

Mr. Vikram Sanghani is frequently called to seminars as a speaker on IT related topics. The Company also regularly features in news articles (e.g. Indian Express, Sunday, dated 25<sup>th</sup> July, 2004, The Economics Times, Saturday, 18<sup>th</sup> April, 1998, The Economics Times, Wednesday, 3<sup>rd</sup> January, 1996) and these proposed appointees are used to represent the company in various functions relating to the IT industry.

## 4. Job Profile and their suitability

The job profile of the proposed appointees as mentioned in the earlier paragraphs indicates their suitability for the appointment, as Jt. Managing Directors of the company and it is imperative that they draw remuneration as proposed.

## 5. Remuneration proposed

As per details given in the earlier paragraphs of the explanatory statement.

## 6. The comparative remuneration profile with respect to industry, size of company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)

The comparative remuneration being paid, in other companies pertaining to the IT industries, with respect to the size of the company, shows higher rewards for the persons holding similar and responsible positions. The details of the average salary structure in the IT industry as published on October 17, 2002 by "Dataquest" Magazine across different experienced groups is as under:

Category	Groups having Years of Experience			
	10 Years & above	5 to 10 Years	2 to 5 Years	Less than 2 Years
IT Industry Average	32.00	9.00	5.00	3.00
Data Quest Top 10	34.00	8.00	5.00	3.00
Data Quest Top 5	42.00	9.00	5.00	3.00

\* IT Industry Average covers HR survey of 33 Software Companies.

# DQ Top 10 & 5 are the common companies that figure in both the DQ Top 10 and the HR survey.

## 7. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.

The proposed Jt. Managing Directors have no pecuniary relationship directly or indirectly with the company except to the extent of their shareholding in the Company.

## III. OTHER INFORMATION :

## 1. Reasons for loss or inadequate profits

The Company has shown a profit from its operations in the current year and it is expected to earn profit in the future years also. However, to keep pace with trends prevalent in managerial remuneration in the IT industry, there may be a situation of inadequate profits. The operations of your company are largely dependant on the intellectual inputs provided by the Jt Managing Directors, and it is imperative to compensate them at a level which matches industry practices. Furthermore, inadequate profits may also be attributable to the fact that your company has not shown desired growth over last two years due to general unfavorable situation prevailing in the US for outsourcing.

## 2. Steps taken or proposed to be taken for improvement

Your company has acquired an 80% stake in an existing business undertaking in Hyderabad, (i.e. Apex Advanced Technology Pvt. Ltd). This is expected to supplement the operations of your company and ultimately will boost your company's bottomline in the years to come.

## 3. Expected increase in productivity and profits in measurable terms

A growth of 20% is expected in the profits in the next financial year.

FOR &amp; ON BEHALF OF THE BOARD,

VIKRAM B. SANGHANI SANJAY H. DHAMSANIA  
JT. MANG. DIRECTOR JT. MANG. DIRECTOR

RAJKOT, 20th AUGUST, 2004



## Ace Software Exports Ltd.

## DIRECTORS' REPORT

To,  
The Members,  
Your Directors have pleasure in presenting their **TENTH ANNUAL REPORT** together with the Audited Statement of Accounts of your Company for the year ended on **31st MARCH, 2004**.

	(Rs. In Lacs)	
	31/03/2004	31/03/2003
<b>01 FINANCIAL RESULTS :</b>		
<b>Income from Operations &amp; other income</b>	<b>515.18</b>	<b>467.63</b>
Profit before Depreciation & other write-offs and taxation	125.23	117.47
Less : Depreciation & write-offs	51.92	49.06
Provision for tax	04.20	12.98
<b>Profit after tax</b>	<b>69.11</b>	<b>55.43</b>
Amount of Appropriation		
Dividend including tax thereon	30.52	—
Balance of Profit & Loss A/c. carried to the next year	38.59	55.43
Earning per Share (In Rs.) Basic	1.28	1.11
Diluted	1.22	0.97

**02 Dividend :**

The Board of Directors are pleased to recommend a dividend of 5 % on Equity Shares for the year 2003-2004. This is the 6<sup>th</sup> equity dividend proposed by your directors in its 9 year operating history, reflecting the Board's commitment to distribute profits to the shareholders.

**03 Performance :**

Your company continues to source its business exclusively from Apex Data Services, Inc. based in U.S.A. Income from Operations has shown a modest 10% growth and Profit after Tax (PAT) has grown by 24%. Your company continues to be a zero debt company.

**04 Buyback :**

Your company commenced a buyback of its Equity Shares from October 13, 2003 and till the date of this report the company has Bought-Back **578448** Equity Shares.

**05 Directors :**

There is no change in the composition of the Board of Directors during the year under review. In terms of the provisions of the Companies Act, 1956 and the Article of Association of the company, Mr. Sanjay H. Dhamsania and Mr. Vimal Kalaria, Directors of the company, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer, themselves for re-appointment.

**06 Subsidiary Companies :**

In terms of the provisions of Section-212 of the Companies Act, 1956, the Annual Report for the year 2003-2004 and Accounts for the year ended on 31<sup>st</sup> March, 2004 of the Subsidiary Company namely, Rajkot Computer Education Pvt. Ltd. (RCEPL) has been attached herewith. Your company had a strategic investment of 24% in RCEPL. Upon RCEPL ceasing its franchisee relationship with NIIT Ltd, your company has acquired 100% interest in RCEPL, after obtaining approval in the 9<sup>th</sup> AGM, with a view to acquiring its assets. It is proposed to wind up RCEPL in the current financial year and absorb/distribute all its assets to your company Ace Software Exports Ltd. In the financial year 2004-05, your company has also completed the acquisition of 80% stake in Apex Advanced Technology Pvt Ltd (AAT) based in Hyderabad and engaged in providing similar services. The accounts of AAT will be reported in your company's annual report from the next year.

**07 Auditors :**

M/s Kalaria & Sampat, Chartered Accountants, the Auditors of the company, retire at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointments.

**08 Particulars of Employees :**

There are no employees whose details are required to be mentioned as per section 217(2A) of the Companies Act, 1956.

**09 Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo :**

Since the operation of the company pertains to the Software Development & CAD-CAM businesses and has no manufacturing activities, furnishing of details of conservation of energy are not applicable.

In today's era of perpetually evolving technologies and increasing competition, the technology absorption efficiency of the business unit contributes to maintain the competitive edge. Your company has successfully developed the methods for absorbing, adapting and effectively deploying new technologies.

The Foreign Exchange earnings of the company during the year were Rs.43128597/- (US \$ 940110.46) while the outgoings were Rs.114336/- (US\$ 1727.52 and GBP 455/-)

**10 Audit Committee :**

In terms of the provisions of the Section-292A of the Companies Act, 1956 the Audit Committee of the company comprises of the following Directors :

Mr. Vimal Kalaria  
Mr. Dharamshibhai R. Vadaliya  
Mr. Shyamal D. Sheth

The Audit Committee of the Board of Directors reviews, acts and reports to the Board with respect to various Auditing and Accounting Policies.

**11 Responsibility Statement :**

As required under Section-217 (2AA) of the Companies Act, 1956, the Directors of the company hereby state and confirm :

- That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departure;
- That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of the affairs of the company at the end of the financial year and of the profit of the company for that period;
- That the Directors had 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;
- That the Directors had prepared the annual accounts on a going concerns basis.

**12 Corporate Governance :**

A separate report on Corporate Governance alongwith Auditor's Certificate on its compliance is attached as a part of the Annual Report.

**13 Management Discussion and Analysis Report :****a. Industry Structure & Development :**

The business of your company is Database Creation pertaining to IT Industry. This includes creating large volume of full text, image based and GIS databases. The work of the company is sourced entirely from the USA.

**b. Opportunity and Threats :**

While the potential is very good, the two threats are the US outcry against outsourcing and the increasing domestic competition and resultant low price realization.

**c. Segment/Product wise performance :**

The company's operation falls under single segment namely, "Computer Software and Services Exports". Hence, segment wise performance is not furnished.

**d. Outlook :**

In the rapidly evolving IT industry, service providers have to continuously enhance their capabilities and existing competencies. While the volumes of the business are increasing, so is the competition. However, we believe that IT Service providers who can scale their operations and retain flexibility without compromising Quality will be better equipped to sustain their long-term growth.

**e. Risk & Concerns :**

The business of the company is dependent on its exclusive arrangement with M/s. Apex Data Services, Inc. USA. Therefore, all risk endemic to single customer environment may be expected.

**f. Internal control systems and their adequacy :**

The Company has a well-defined Internal Control System that is adequate and commensurate with the size and nature of its business. Adequate controls are established to ensure that assets of the Company are safeguarded and transactions are executed in accordance with the pre-defined policies. The company has the Cross-Functional Internal Audit team with pre-determined roles, responsibilities and authorities so as to ensure an appropriate information flow and effective monitoring. The findings and recommendations of the team are reviewed by the Audit Committee periodically and action plans are agreed to facilitate the implementation of the recommendations.

**g. Discussion on financial performance with respect to operational performance :**

The financial performance of the company has been given separately in the Directors' Report.

**h. Material development in Human resources/ Industrial relation front, including number of people employed :**

The company continues to maintain good Industrial Relations, which also ensures human resource development. Training and educational programmes are conducted as per the requirements, to improve efficiency and in turn, increase the productivity of every employee.

**14 Appreciation :**

Your Directors take this opportunity to thank all investors, Bankers and Auditors, Regulatory & Governmental authorities and Apex Data Services Inc. USA for their continual Co-operation during the year. Your Directors sincerely acknowledge the significant contribution made by all the employees for their dedicated services to the Company.

FOR & ON BEHALF OF THE BOARD,

VIKRAM B. SANGHANI SANJAY H. DHAMSANIA  
JT. MANG. DIRECTOR JT. MANG. DIRECTOR

RAJKOT, 20th AUGUST, 2004



**Ace Software Exports Ltd.****Corporate Governance**

The Securities and Exchange Board of India (SEBI) has instituted mandatory standards of Corporate Governance for Companies listed on Indian Stock Exchanges. These standards have been enshrined in the Clause-49 of the Listing Agreement of the Stock Exchanges. Corporate Governance is an ongoing process that ensures that the company displays highest standards of professionalism, integrity, accountability, fairness, transparency, social responsiveness and business ethics in its dealings.

**The Company's philosophy on Corporate Governance :**

The fabric of Corporate Governance is woven with transparency, professionalism, accountability and commitment to the creation of wealth for shareholders.

**Board of Directors :****Composition of the Board of Directors**

The strength of the Board of Directors of the company as on 31<sup>st</sup> March, 2004 was Five members. The Board comprises of 2 (two) Executive Directors and 3 (Three) Non-Executive Independent Directors (constituting more than 50 % of the total strength). Consequently the composition of the Board of Directors is in conformity with the Listing Agreement. The composition of the Board and other relevant details relating to Directors are given below :-

Name of Director	Category	No. of other Director Ship	No. of memberships of other Board Committees	No. of other Board Committees of which the Director is a Chairperson	No. of Board meetings attended	Whether attended last AGM	Remarks
Vikram Sanghani	Ex-Dir	4	1	-	16	Yes	
Sanjay Dhamsania	Ex-Dir	4	1	-	18	Yes	
Shyamal Sheth	N.Ex-IND	1	1	-	9	Yes	
Vimal Kalaria	N.Ex-IND	1	1	2	11	Yes	
Dharamshi Vadalia	N.Ex-IND	-	2	1	10	Yes	

Ex-Dir means Executive Director, N.Ex-NI means Non-Executive Non Independent Director , N.Ex.-IND means Non-Executive Independent Director.

**Board Meetings**

The Board of Directors met 19 times during the year on 09.05.2003, 16.06.2003, 02.07.2003, 25.07.2003, 02.09.2003, 06.10.2003, 23.10.2003, 30.10.2003, 14.11.2003, 29.11.2003, 16.12.2003, 08.01.2004, 23.01.2004, 30.01.2004, 06.02.2004, 20.02.2004, 05.03.2004, 24.03.2004, and 26.03.2004. The maximum gap between any two meetings was less than 4 months.

**Audit Committee :**

The composition of the Audit Committee and details of the meetings as attended by the Members of the Committee are as given below :

Name	Designation	No. of Committee meetings attended
Mr. Vimal Kalaria	Chairman (Independent)	4
Mr. Shyamal Sheth	Member (Independent)	4
Mr. Dharamshibhai Vadalia	Member (Independent)	4
Mr. Vikram Sanghani	Member	4

Mr. N. I. Thomas, Company Secretary, acts as the Secretary to the Committee. The Audit Committee met 4 times during the year on 01.06.2003, 10.07.2003, 15.10.2003, and 20.02.2004.

**Remuneration Committee :**

The composition of the Remuneration Committee is given as below :

Name of Member	Designation
Vimal Kalaria	Chairman (Independent)
Dharamshibhai Vadalia	Member (Independent)
Shyamal Seth	Member (Independent)

Details of Remuneration paid to the Executive Directors :

Name of Director	Salary	Medical Exp	Commission
Vikram Sanghani	10,65,000	15000	101645
Sanjay Dhamsania	10,65,000	15000	101645

The company has not paid any remuneration to Non-Executive Directors.

**Shareholders Committee :****i. Composition**

Your company has constituted Shareholders Committee, for looking after and redressing the shareholders' complaints. The members of the committee are as follows :

Name of Member	Designation
Dharmshibhai Vadaliya	Chairman
Vikram Sanghani	Member
Sanjay Dhamsania	Member

ii. Mr. N. I. Thomas, Company Secretary has been designated as the compliance officer of the company.

iii. The Company has received 30 Complaints during the year 2003-2004 and the same have been satisfactorily redressed.

iv. There was no Transfer/ Transmission pending as on 31.03.2004.

**General Body Meetings :**

The details of the date, location and time of the last three Annual General Meeting (AGM) of the company are given below :

Date of AGM	Time	Venue
25.09.2001	11.00 A.M.	801, "Everest" Opp. Shastri Maidan, Rajkot - 360 001
25.09.2002	11.00 A.M.	801, "Everest" Opp. Shastri Maidan, Rajkot - 360 001
25.08.2003	11.00 A.M.	801, "Everest" Opp. Shastri Maidan, Rajkot - 360 001





**Ace Software Exports Ltd.**

The company has passed Special Resolution through the Postal Ballot for Buy-Back of Equity shares, M/s. Umesh Ved & Associate, Practicing Company Secretary, Ahmedabad was appointed as Scrutiniser of the Postal Ballot. In conducting that Special Resolution through Postal Ballot, the company has complied with the provisions of the Companies Act, 1956 as well as the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001.

**Disclosures :**

- i. Significant related party transactions:  
During the year ended 31.03.2004 there were no materially significant related party transactions that may have potential conflict with the interest of the company at large.
- ii. There are no non-compliances, penalties, strictures imposed on the company by the Stock Exchanges or SEBI or any statutory authority, on any matter related to capital market during the last three years.
- iii. Information of the Directors seeking appointments/ re-appointments:
  1. Mr. Vimal Kalaria, aged 30 years is a Commerce Graduate and a Diploma in Finance from Nirma Institute of Management Studies. He has 8 years of experience in the field of finance. He is the Chairman of the Audit Committee. His term of office is liable to retire by rotation. And being eligible, he offers himself for re-appointment.
  2. Mr. Sanjay Dhamsania has done M.S. (Computer Science) from Howard University, Washington D.C., USA. He worked in the US as a Programmer Analyst for some time. He is the co-founder of the company and has been with the company right from the incorporation of the company. He is having more than 15 years of experience in the Information Technology (IT) industry in various capacities. His term of office is liable to retire by rotation and being eligible, he offers himself for re-appointment.

**Means of Communications :**

The Quarterly Results of the company are published in the leading English and Gujarati newspapers viz. Business Standard and Lok-Satta Jan-Satta respectively. Moreover, the Quarterly and Audited Results of the company are also displayed on the company's Website ([www.acesoftex.com](http://www.acesoftex.com))

**General Shareholders information :****i. Annual General Meeting**

Date : 30<sup>th</sup> September, 2004  
Time : 11.00 A.M.  
Venue : 801-"Everest" Opp. Shastri Maidan, Rajkot - 1

**ii. Financial Calander**

Adoption of Quarterly Results for the Quarter ending  
June 30, 2004 : July 2004 (4<sup>th</sup> Week)  
September 30, 2004 : October 2004 (4<sup>th</sup> Week)  
December 31, 2004 : January 2005 (3<sup>rd</sup> / 4<sup>th</sup> Week)  
March 31, 2005 : April 2005 (3<sup>rd</sup> / 4<sup>th</sup> Week)

**iii. Date of Book Closure :**

25<sup>th</sup> September, 2004 to 30<sup>th</sup> September, 2004 (Both days inclusive.)

**iv. Dividend for the year 2003-2004**

The Board of Directors of your company recommend 5 % Dividend for the year 2003-2004.

**v. Listing on the Stock Exchange**

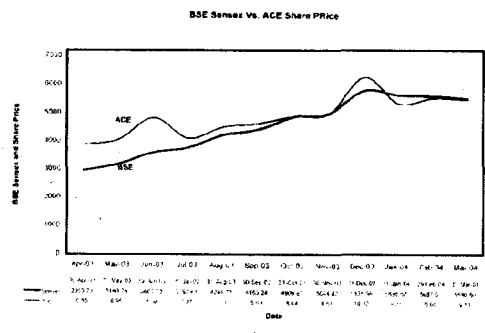
The Stock Exchange, Mumbai  
The Ahmedabad Stock, Ahmedabad  
The Saurashtra-Kutch Stock Exchange, Rajkot

**vi. Stock Code**

**531525** (The Stock Exchange, Mumbai)  
**1006** (The Ahmedabad Stock Exchange, Ahmedabad)  
**ACESOFT** (The Saurashtra-Kutch Stock Exchange, Rajkot)

**vii. Market price**

Month	High	Low
April-03	6.70	5.20
May-03	8.10	5.60
June-03	8.30	5.91
July-03	8.50	6.26
August-03	8.40	6.65
September-03	10.93	7.65
October-03	8.80	6.90
November-03	9.65	8.10
December-03	12.50	7.90
January-04	11.50	8.56
February-04	10.90	9.05
March-04	10.00	9.10

**viii.****Performance in comparison to BSE Sensex****ix. Registrar and Share Transfer Agent**

M/s. Intime Spectrum Registry Ltd.  
211-Sudarshan Complex,  
Near Mithakhali Underbridge,  
Navrangpura.  
Ahmedabad - 380 009



**Ace Software Exports Ltd.****x. Categories of Shareholding (As on 31<sup>st</sup> March, 2004) :**

Category	No. of Shares	%
Promoters	2738825	50.43
Private Corporate Bodies	72128	1.33
Non Resident Indians/OCB	152300	2.80
Indian Public	2468016	45.44
<b>Total</b>	<b>5431269</b>	<b>100.00</b>

**xi. Distribution of Shareholding as on 31<sup>st</sup> March, 2004**

No. of Equity Shares held		No. of Shares Holders		No. of Shares	
From	To	Number	% Total	Number	% Total
1	500	4897	83.22	1005024	18.50
501	1000	571	9.70	478026	8.80
1001	2000	215	3.65	339195	6.25
2001	3000	60	1.02	155805	2.87
3001	4000	18	0.31	62151	1.14
4001	5000	31	0.53	146461	2.70
5001	10000	35	0.60	252226	4.64
10001	and above	57	0.97	2992381	55.10
<b>Total</b>		<b>5884</b>	<b>100.00</b>	<b>5431269</b>	<b>100.00</b>

**xii. Dematerialisation of Shares :**

The equity Shares of the company are available for trading in the depository system of both the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL). As on 31<sup>st</sup> March, 2004, **49.63 %** Equity Shares of the company have been dematerialized.

**xiii. Outstanding GDRs/ADRs/Warrants :**

There are no outstanding GDRs/ADRs/Warrants as on 31<sup>st</sup> March, 2004.

**xiv. Facility Location :**

- 801, Everest Commercial Complex,  
Opp. Shastri Maidan,  
Rajkot - 360 001.
- 801, Alaap - B,  
Opp. Shastri Maidan,  
Rajkot - 360 001.
- 3<sup>rd</sup> Floor,  
Raj-Laxmi Commercial complex,  
16, Vijay Plot, Gondal Road,  
Rajkot - 360 001.

**xv. Address for Correspondence :**

The shareholders may correspond to the Registered office of the company, as given below quoting Folio No./Client ID :

**The Company Secretary,****Ace Software Exports Ltd.**

801, Everest Commercial Complex,  
Opp. Shastri Maidan,  
Rajkot - 360 001

Phone -(0281) 222 6097, 269 3282 Fax : (0281) 223 2918

Email : finance@acesoftex.com

**ANNEXURE TO THE DIRECTORS' REPORT  
AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF  
CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)**

To the Members of  
**ACE SOFTWARE EXPORTS LIMITED**

We have examined the compliance of Corporate Governance by **Ace Software Exports Limited**, for the year ended on **31<sup>st</sup> March 2004**, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

*The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of the certificate of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.*

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India we have to state that no investor grievances were pending for a period of one month against the Company as per the records maintained by the Shareholders/ Investor's Grievance committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**FOR KALARIA & SAMPAT,**  
CHARTERED ACCOUNTANTS

**ATUL M.KALARIA**  
PARTNER

RAJKOT, DATED 20th AUGUST, 2004

