

TWELVETH ANNUAL REPORT 2005-2006



Report  junction.com

Ace Software Exports Limited

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

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KALARIA & SAMPAT
Chartered Accountants

BANKERS

BANK OF BARODA

HDFC BANK LTD.

UTI BANK LTD.

KOTAK MAHINDRA BANK LTD.

REGISTERED OFFICE

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

Ace Software Exports Ltd.

NOTICE

Notice is hereby given that the Twelfth Annual General Meeting of **ACE SOFTWARE EXPORTS LIMITED** will be held at 801, Everest Comm. Complex, Opp. Shastri Maidan, Rajkot on Friday, 29th September, 2006 at 11.00 A. M. to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006 and Profit and Loss Account for the year ended on that date together with the Auditors' and Directors' Report thereon.
2. To declare Dividend on Equity Shares for the year 2005-2006.
3. To Appoint a Director in place of Shri Vikram B. Sanghani, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To Appoint a Director in place of Shri Vimal Kalaria, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business:

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

"RESOLVED THAT pursuant to the provisions of section 77A, 77AA and 77B of the Companies Act, 1956, Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 1998 (hereinafter referred to as "SEBI Regulations") including any modification thereof from time to time and Article of Association of the company and other applicable laws and regulations, if any, the Company do purchase / buy-back out of free reserves or securities premium account if any or partly out of free reserves and partly out of securities premium account if any or out of the proceeds of any shares or securities, provided that such buy back shall not be made out of the proceeds of an earlier issue of the same kind of shares or same kind of other specified securities, up to 12,80,431 equity shares of the Company of the face value of Rs. 10/- each representing 25% of the total number of equity shares comprised in the paid up share capital of the Company from the holders of the equity shares or from the open market at such a price not exceeding Rs. 20/- per share so that aggregate value of Buy- Back does not exceed Rs.256.08 lacs.

RESOLVED FURTHER THAT the Board of Directors of the Company may constitute and nominate a committee of personnel and Board of Directors and/or such committee be and is hereby authorized:

- a) To determine and fix the appropriate time, the price, not being a price higher than the maximum price specified hereinabove for the proposed buy-back of shares;
- b) To adopt any one of the methods of buy-back, referred to in Sub-Regulation (1) of Regulation-4 of the SEBI Regulations or any combination thereof namely:
 - i) From the existing shareholders on a proportionate basis through the tender offer; or
 - ii) From open market through -
 - (1) book building process or
 - (2) stock exchange;
- c) To complete the buy-back in one or more tranche/s, if so permissible under the SEBI regulations to such an extent as the Board of Directors and/or the Committee of personnel so appointed may deem fit within the overall value limit and price limit as specified.
- d) To take all appropriate steps under SEBI regulations and all other applicable laws and regulations including appointments of merchant bankers and any other intermediaries, opening of an escrow and special bank accounts and finalising public announcements and all other acts, things and deeds as may be relevant.

RESOLVED FURTHER THAT nothing contained herein shall confer any right on the part of any shareholder to offer, or any obligation on the part of the Company or the Board to purchase / buy back any shares except as provided under the SEBI Regulations and in the manner and during the period prescribed therein."

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

"Resolved that the consent of the company, be and is hereby granted in terms of Section-293 (1)(a) and all other provisions of the Companies Act, 1956, if any, (including any statutory modification or re-enactment thereof, for the time being in force), to the Board of Directors of the company (hereinafter referred to as "Board" which term shall be deemed to include any Committee which the Board may constitute for this purpose), and the Board is hereby authorized to sell, lease or otherwise dispose of the whole, or substantially the whole of the undertaking(s) of the company including sell or disposal off of any investment in any of the subsidiaries of the company."

Notes:

1. 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.
2. The Register of Members and Share Transfer Book will remain closed from 25th September, 2006 to 29th September, 2006 (both days inclusive) for determining the names of the members eligible for Dividend on Equity Shares, if declared at the Annual General Meeting.
3. Corporate Members intending to send their authorised representative to attend the Meeting are requested to send a certified true copy of the Board Resolution authorising their representative to attend and vote on their behalf at the meeting.
4. Members are requested to bring their Attendance Slip alongwith the copy of the Annual Report at the meeting. The Members are further 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.
5. 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's Registrar and Share Transfer Agent in the prescribed form and with the prescribed details.
6. The dividend, as recommended by the Board, if sanctioned at the Annual General Meeting, will be paid on or after 29th September, 2006, to those persons or their mandates:
 - a) Whose name appear as Beneficial Owners as at the end of the business hours on 24th September, 2006 in the list of Beneficial Owners to be furnished by National Securities Depository Services Ltd and Central Depository Services (India) Limited in respect of the shares held in Electronic Form and
 - b) 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 24th September, 2006.
7. 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.
8. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the dividend amount 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 Dividend	Last date for claiming unpaid Dividend
31.03.2001	25.09.2001	24.09.2008
31.03.2002	25.09.2002	24.09.2009
31.03.2004	30.09.2004	29.09.2011
31.03.2005	24.09.2005	23.09.2012

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.

9. Item No.6 & 7 to the Notice requires to be passed through the Postal Ballot. An Explanatory Statement Pursuant to Section-173(2) of The Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.

FOR & ON BEHALF OF THE BOARD,

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

RAJKOT, 21st AUGUST, 2006

Ace Software Exports Ltd.

Explanatory Statement

(Pursuant to Section-173 (2))

Item No.6

The Companies Act, 1956 vide section-77A, 77AA and 77B provides for the buy-back of shares, subject to the certain conditions prescribed under the Act. One of the requirements of it is the approval of the Shareholders by way of special resolution. In case of listed Company like ours, the Securities and Exchange Board of India (SEBI) has prescribed guidelines under SEBI (Buy-Back of Securities) Regulations, 1998 (hereinafter referred to as Regulation) for Companies to buy-back its own shares. One of the requirements of the Regulation is to provide information in the explanatory statement in accordance with Schedule-I attached to SEBI (Buy Back of Securities) Regulation, 1998, which are as follows:

1. The Board of Directors of the Company in their meeting held on 18th August, 2006 has approved the proposal for Buy back of fully paid up equity shares of Rs.10/-each.
2. The buy-back of equity shares is proposed to maximize return to investors, enhance overall shareholder value and further improve financial ratios.
3. The Company proposes to buy back its shares from open market route through stock exchange. However, the Board of Directors is also authorized to implement buy back through any other method as permitted or any combination thereof.
4. The maximum amount proposed to be utilized for the buy back of Equity shares shall not exceed Rs. 256.08 lacs being 23.75 % of the paid-up capital and free reserves of the company as per last Audited Annual Accounts for the year ended on 31.03.2006. The above buy back amount will be financed out of the company's free reserves. The funds for buy back will be available from current surpluses and out of internal accruals of the Company.
5. The equity shares of the Company are frequently traded on The Bombay Stock Exchange Ltd., Mumbai (BSE). The average of the weekly high and low of closing prices of equity shares on BSE during the 26 weeks period ended prior to the date of the Board Resolution dated 18th August 2006 is Rs. 15.60. The Board of Directors of the Company have proposed the maximum price of Rs. 20/- per equity share up to which shares may be bought back by the Company. However the same will be decided by Board of Directors in the best interest of the Company.
6. The Board of Directors of your Company have proposed to buy back upto 12,80,431 equity shares of the face value of Rs. 10/- each representing 25% of total paid up equity shares of the Company as on date.
7. a) The aggregate shareholding of the promoters of the Company and/or person who are in control of the Company as on the date of notice convening the Annual General Meeting is 26,83,725 equity shares of Rs. 10/- each aggregating 52.40 % of the issued and paid up capital of the Company.
b) Aggregate number of equity shares purchased or sold by person including persons mentioned in (a) above during a period of six months preceding the date of the Board Meeting at which the buy back was approved from date till date of notice convening the Annual General Meeting.

Name of the promoter/	No. of Equity	Nature of Transaction
Nil	Nil	Nil

2) The maximum and minimum price at which purchases and sales referred to in (b) above were made along with the relevant dates.

Sr No.	Nature of Transaction	Maximum Price Per share	Date	Minimum Price Per share	Date
1	Nil	Nil	Nil	Nil	Nil

8. The promoters, and/or persons in control, of the Company, and /or their associates, and/or Persons acting in concert with them will not offer their shares to the Company under the proposed buy back of share by the Company.
9. The Company confirms that there are no defaults subsisting in repayment of deposits, redemption of debentures or preference shares or repayment of term loans to any financial institutions or banks.
10. The Board of Directors of the Company confirm that it has made the necessary and full inquiry into the affairs and prospects of the Company and the Board of Directors have formed the opinion that:
 - a) Immediately following the date on which the general meeting is convened, there will be no grounds on which the Company could be found unable to pay its debts;

- b) As regards its prospects of the year immediately following the date of the general meeting, having regard to their intention with respect to the management of the Company's business during that year and to the amount and character of financial resources which will in the view of the Board of Directors be available to the Company during that year the Company will be able to meet its liabilities as and when they fall due and will not be rendered insolvent within a period of one year from the date of this Annual General Meeting.
- c) In forming their opinion for the above purposes, the Board of Directors have taken into account the liabilities, as per the Companies Act, 1956 (including prospective and contingent liabilities).

11. The text of the Report dated 21st August, 2006 received from M/s. Kalaria & Sampat, Chartered Accountants of the Company addressed to the Board of Directors of the Company is reproduced below.

"In connection with the proposal of Ace Software Exports Limited ("the Company") to Buy back its shares and in pursuance of the provisions of Section 77A and 77B of the Companies Act, 1956 and the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998, we have examined the audited financial statements of the Company for the year ended 31st March 2006 and the relevant records and according to the information and explanations given to us and on the basis of such verification of records as we considered appropriate, we report that - We have enquired into the state of affairs of the Company. In our opinion, the amount of maximum permissible capital, being Rs. 269.57 lacs i.e. 25% of the total paid up capital and free reserves of the Company for the shares to be bought back, is properly determined in accordance with Section 77(2)(c) of the Companies Act, 1956.

The Board of Directors in their meeting held on 18th August, 2006 have formed their opinion, as specified in clause (x) of Schedule I of Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998, on reasonable grounds and that the Company will not, having regard to its state of affairs, be rendered insolvent within a period of 1 year from the date of Annual General Meeting of the members of the Company proposed to be held on 29th September, 2006.

12. As per the provisions of the Act, the special resolution passed by the shareholders approving the equity share Buy-Back will be valid for a maximum period of twelve months from the date of passing of special resolution.
13. In accordance with the regulatory provisions, the shares bought back by the Company will compulsorily be cancelled.
14. The Company's total debt equity ratio, after the share Buy-back will be well below the maximum limit of 2:1 specified in law.
15. None of the Directors of the Company are, in anyway, concerned or interested in the resolution, save and except to the extent that, in like manner as for all other shareholders, their percentage holding in the post Buy-back equity share capital will proportionately stand enhanced as a result of the equity share Buy-back.
16. As the proposal for Buy-back of Equity Shares will be in the interest of the Company, the Directors recommend the passing of the resolution as set out in the notice.
17. All the material documents referred to in the Explanatory Statements such as Memorandum and Article of Association, relevant Board resolution for Buy-back of equity shares and Auditors' Report on their enquiry into the state of affairs of the Company, will be made available for inspection at the Registered Office of the Company on all working days, except Saturdays and holidays, between 11.00 a.m. and 1.00 p.m. up to the date of Annual General Meeting.

Item No.7

The management wishes to strengthen the foundation of your company and consolidate the business operations. Additionally, there may be excellent opportunities which the management may evaluate and wish to accomplish.

As the proposal for the consolidation would be in the interest of the company, the Board of directors of the company recommends the passing of the resolutions as set out in the notice.

None of the directors of the company are, in any way, concerned or interested in the resolution.

FOR & ON BEHALF OF THE BOARD,

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

RAJKOT, 21st AUGUST, 2006

Ace Software Exports Ltd.

DIRECTORS' REPORT

To,
The Members,
The Directors of the company have pleasure in presenting their **TWELVETH ANNUAL REPORT** together with the Audited Statement of Accounts of your Company for the financial year ended on **31st MARCH, 2006**.

1. FINANCIAL RESULTS :

Particulars	(Rs.In Lacs)	
	31/03/2006	31/03/2005
Income from Operations & other income	582.91	593.10
Profit before Depreciation & other write-offs and taxation	99.01	137.19
Less : Depreciation & write-offs	31.99	32.36
Provision for tax	05.37	11.93
Profit after tax	61.65	92.91
Amount of Appropriation		
Dividend including tax thereon	29.20	28.95
Balance of Profit & Loss A/c. carried to the next year	32.45	63.96
Earning per Share (In Rs.) Basic	1.20	1.81
Diluted	1.20	1.80

2. Dividend:

The Board of Directors recommends a final dividend of 5 % on Equity Shares for the year 2005-2006. The Final Dividend as recommended, if declared by the Members at the ensuing Annual General Meeting, would involve an outflow of Rs.25.61 Lacs towards Dividend and Rs.3.59 Lacs towards Dividend Distribution Tax, resulting in a total outflow of Rs.29.20 Lacs.

3. Performance:

During the Year under review, your company has reported Profit After Tax (PAT) of Rs.61.65 Lacs.

4. Directors :

There were no changes 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, Shri Vikram B. Sanghani and Shri Vimal Kalaria, Directors of the company, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer, themselves for re-appointment.

5. Subsidiary Companies:

In terms of the provisions of Section-212 of the Companies Act, 1956, the Annual Report for the year 2005-2006 and Accounts for the year ended on 31st March, 2006 of the Subsidiary Companies namely, Rajkot Computer Education Pvt. Ltd., Rajkot, Apex Advanced Technology Pvt. Ltd. Hyderabad, and Apex Knowledge Solutions Pvt. Ltd., Chennai, have been attached herewith.

6. Auditors:

The Statutory Auditors M/s. Kalaria & Sampat, Chartered Accountants, shall retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment pursuant to Section-224 of the Companies Act, 1956. The Audit Committee have recommended the re-appointment of M/s. Kalaria & Sampat, Chartered Accountants, as the Statutory Auditors of the Company for the Financial year 2006-07 subject to the approval of shareholders at the ensuing Annual general meeting.

7. Particulars of Employees:

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

8. Conservation of Energy, Technology Absorption and Foreign Exchange Earning and Outgo:

In the era of perpetually evolving technologies the absorption of new technologies enhances the efficiency of a business unit and contributes in maintaining the competitive edge.

Since the business operations of the company pertain to the Database Creation (e-Publishing) & CAD-CAM and has no any manufacturing or transforming activities. Hence, details of conservation of energy are not required.

During Year 2005-2006 the Foreign Exchange Earning of the company during the Current year were Rs.4,93,29,213/- (US\$ 1114862.50) while the Outgoings were Rs.14,96,261/- (US\$ 32987.11/- EURO 200/- and GBP 200/-)

9. Audit Committee:

In compliance of the provisions of the Section-292A of the Companies Act, 1956 and the Listing Agreement with the Stock Exchanges, the Audit Committee discharges its functions in accordance with the provisions of the Listing Agreement and Companies Act, 1956. The Audit Committee of the company comprises of the following Directors:

Mr. Vimal Kalaria
Mr. Shyamal D. Sheth
Mr. Vikram B. Sanghani
Mr. Dharamshibhai R. Vadaliya

10. Delisting of Equity Shares:

The Shareholders in the 11th Annual General meeting, had passed the necessary Special Resolution(s) for the Delisting of the Equity Shares of the company from Ahmedabad Stock Exchange Ltd., Ahmedabad (ASEL) and

the Saurashtra-Kutch Stock Exchange Ltd., Rajkot (SKSE). As authorized the Board of Directors made the necessary application for Delisting to the ASEL and SKSE. The Equity shares of the company have been delisted from the ASEL w.e.f. 27.02.2006 and reply from SKSE is awaited. The Equity Shares of the company continue to be listed on the Bombay Stock Exchange Ltd., Mumbai.

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 profits 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:

Your company has been practicing the principles of good Corporate Governance over the years and it is continuous process. A detailed report on Corporate Governance along with Auditor's Certificate on its compliance is attached herewith as a part of the Annual Report.

13. Management Discussion and Analysis Report:

a. Industry Structure & Development:

The company's business relates to database creation pertaining to IT Enabled Services. This includes creating large volume of full text, image based data. India has become the premier destination for IT Services-Outsourcing and is acquiring a disproportionate share of the global shift to Outsourcing.

b. Opportunity, Threats and Outlook Risk & Concerns:

The increase in competition among IT companies and high volume transactions in IT services limits the increments in service prices and improvement in profits. However, we continuously strive to differentiate ourselves from the competitors and to innovate the services model.

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. Internal control systems and their adequacy:

The Company has in place an Internal Control System that is adequate and commensurate with the size and nature its business. There is well defined Power and Authority limits to ensure that assets of the Company are safeguarded and transactions are executed in accordance with the Corporate Policies. The company has a Cross-Functional Internal Audit team with pre-determined roles, responsibilities and authorities. The team ensures an appropriate information flow and effective monitoring. The findings and recommendations of the Team are reviewed by the Audit Committee periodically.

e. Discussion on financial performance with respect to operational performance:

The Financial Performance of the company, during the year under review, has been given separately in the Directors' Report.

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

The Industrial Relations of the company are amicable and peaceful. The Company conducts the Training and Educational programmes which helps the employees to improve efficiency and in turn, increase the productivity. As a Human Resource Development policy your company endeavors to attract and retain best professional talent, by creating and providing a professional work culture in the organisation.

14. Appreciation:

Your Directors take this opportunity to thank all investors, banks, regulatory, governmental authorities and Apex CoVantage, LLC USA for their continued co-operation during the year. Your Directors sincerely acknowledges 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



Ace Software Exports Ltd.

Corporate Governance

1. The Company's philosophy on Corporate Governance:

Ace's philosophy on Corporate Governance is reflected in its business operations, values, integrity and other corporate actions. The company fully support and endorse the good Corporate Governance practices and attempts to go beyond the corporate requirements.

2. Board of Directors:

Composition of the Board of Directors

The Board of Directors of the company as on 31st March, 2006 consists of Five directors out of which three (3) are Independent Non-Executive Directors and two (2) are Executive Directors. 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	8	-	-	9	Yes	
Sanjay Dhamsania	Ex-Dir	8	-	-	10	Yes	
Shyamal Sheth	N Ex-IND	2	-	-	8	No	
Vimal Kalaria	N Ex-IND	2	-	-	7	Yes	
Dharamshi Vadalia	N Ex-IND	1	-	-	7	No	

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 10 times during the year 2005-2006 on 04.04.2005, 14.05.2005, 29.06.2005, 30.07.2005, 17.08.2005, 04.09.2005, 27.10.2005, 19.11.2005, 09.12.2005, and 31.01.2006.

3. Audit Committee:

The Audit Committee performs the role as required under the Companies Act, 1956 and the Listing Agreement with the Stock Exchanges. 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	6
Mr. Shyamal Sheth	Member	5
Mr. Dharamshibhai Vadalia	Member	5
Mr. Vikram Sanghani	Member	4

Mr. N. I. Thomas, Company Secretary, acts as the Secretary to the Committee.

The Audit Committee met 6 times during the year on 24.04.2005, 20.06.2005, 22.07.2005, 22.10.2005, 22.01.2006 and 25.03.2006.

4. Remuneration Committee:

The remuneration committee reviews and consider the matters in relation to salaries, benefits and other compensations payable to Directors and senior management personnel. The Remuneration Committee comprises of the following three Non-Executive-Independent Directors:

Name of Member	Designation	No. of Committee meetings attended
Vimal Kalaria	Chairman	2
Dharamshibhai Vadalia	Member	2
Shyamal Seth	Member	2

Details of Remuneration paid to all the Directors:

The Executive directors are paid remuneration within the limit set out in the Schedule-XIII to the Companies Act, 1956 after consideration by the Remuneration Committee. The details of the remuneration paid is as under:

Name of Director	Salary (Rs.)	Medical Exp (Rs.)	Commission (Rs.)
Vikram Sanghani	11,85,000	15000	134169
Sanjay Dhamsania	11,85,000	15000	134169

The role of Non-Executive Directors has gone significant qualitative changes with the changes in the Corporate Governance norms and the level of their involvement as the members of the Board and of other Committee of the Board of Directors has enhanced. The company pays remuneration to Non-Executive Directors by way of sitting fees.

5. 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	Category
Dharmshibhai Vadaliya	Chairman	Non-Exe. Independent Director
Vikram Sanghani	Member	Executive-Non Independent Director
Sanjay Dhamsania	Member	Executive-Non Independent Director

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

iii. The Company has received 6 Complaints during the year 2005-2006 and the same have been satisfactorily attended to.

iv. There were no Investor complaints on 31.03.2006.

6. General Body Meetings:

The details of the date, location, time and of the Special Resolutions passed off/in the last three Annual General Meeting (AGM) of the company are given below:

Date of AGM	Time	Venue	Details of Special Resolutions passed
25.08.2003	11.00 A.M.	801, "Everest" Opp. Shastri Maidan, Rajkot - 360 001	Approval for Alteration of Article of Association. Approval for Buy-Back of Equity shares of the company*
30.09.2004	11.00 A.M.	801, "Everest" Opp. Shastri Maidan, Rajkot - 360 001	Approval for re-appointment of Jt. Managing directors.
24.09.2005	11.00 A.M.	801, "Everest" Opp. Shastri Maidan, Rajkot - 360 001	Approval for delisting from Ahmedabad Stock Exchange Ltd. and Saurashtra-Kutch Stock Exchange Ltd.

*The Special resolution approving Buy-Back of Equity shares was passed through postal Ballot.

The company has not passed any Resolution through the Postal Ballot during the year 2005-2006. A Special resolution for Buy-Back of Equity shares and an ordinary resolution under Section 293(1)(a) of the Companies Act, 1956 is proposed to be passed through Postal Ballot in accordance with the Companies (Passing of Resolutions by Postal Ballot) Rules- 2001.

Ace Software Exports Ltd.

7. Disclosures:

i. Significant related party transactions:

There were no materially significant related party transactions, during the year-ended 31.03.2006 that may have any potential conflict with the interest of the company at large. Attention of the Members is drawn to the Disclosures of Transactions with Related Parties set out in Schedule-14 (Notes to Accounts) to the Accounts, forming part of the Annual Report.

ii. There have been no instances of non-compliances, on any matter during the last three-year and hence no penalties or strictures have been 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. The company through its internal control measures implement the Whistle Blower policy within the organization ensuring the access to the Audit committee by the personnel.

iv. Your company has complied with all the mandatory requirement of the Clause-49 of the Listing Agreement and also attempt to adopt the non-mandatory requirement.

8. Means of Communications:

The Quarterly Results of the company are published in the leading English and Gujarati newspapers viz. Indian Express and Financial Express respectively. Moreover, the Quarterly and Audited Results of the company are also displayed on the company's Website - www.acesoftex.com

9. General Shareholders information:

i. Annual General Meeting

Date : 29th September, 2006
Time : 11.00 A.M.
Venue : 801-"Everest" Opp. Shastri Maidan, Rajkot - 1

ii. Financial Year

Tentative Schedule for the Financial Year 2006-2007:

June 30, 2006 : July 2006 (4th Week)
September 30 2006 : October 2006 (4th Week)
December 31, 2006 : January 2007 (3rd / 4th Week)
March 31, 2007 : April 2007 (3rd / 4th Week)

iii. Date of Book Closure

25th September, 2006 to 29th September, 2006 (Both days inclusive.)

iv. Dividend payment date

Dividend on equity shares, if declared at the ensuing Annual General meeting, will be paid to the eligible shareholders within the statutory time limit.

v. Listing on the Stock Exchanges

The Bombay Stock Exchange Ltd., Mumbai.
The Saurashtra-Kutch Stock Exchange Ltd., Rajkot.

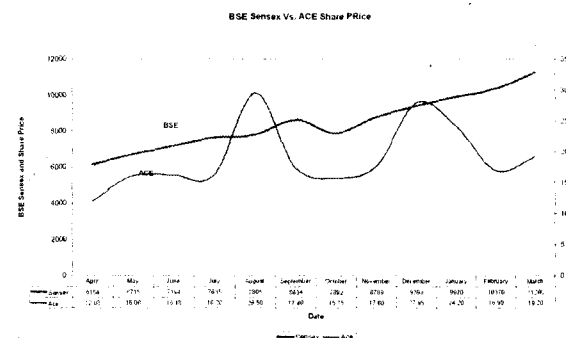
vi. Stock Code

531525 (The Bombay Stock Exchange Ltd., Mumbai)
ACESOFT (The Saurashtra-Kutch Stock Exchange Ltd., Rajkot)

vii. Market price

Month	High	Low
April-05	15.99	11.60
May-05	19.40	11.50
June-05	23.89	15.10
July-05	19.25	12.85
August-05	31.90	15.10
September-05	30.00	17.10
October-05	19.00	14.50
November-05	19.45	15.05
December-05	33.90	16.20
January-06	30.10	24.20
February-06	23.85	16.20
March-06	19.20	15.15

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

x. Share Transfer System

Your company has appointed the Registrar and Share Transfer Agent as named above to carry out the share registry work at the address given above.

Ace Software Exports Ltd.

xi. Distribution of Shareholding (As on 31st March, 2006):

Category	No. of Shares	Percentage (%)
Promoters	26,87,825	52.479
Private Corporate Bodies	1,66,071	3.242
Non Resident Indians/OCB	1,19,382	2.331
Indian Public	21,48,448	41.948
Total	51,21,726	100.00

xii. Dematerialisation of Shares:

The Equity Shares of the company are traded in the depository system of both the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL). As on 31st March, 2006 53.35 % of the Equity Shares of the company have been dematerialized.

xiii. Outstanding GDRs/ADRs/Warrants:

There are no outstanding GDRs/ADRs/Warrants as on 31st March, 2006

xiv. Facility Location:

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

xv. Address for Correspondence:

The shareholders may correspond to the RTA on the above mentioned address and/or to the Company at 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 : ace@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 **31st March 2006**, 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 21st August, 2006

Ace Software Exports Ltd.

AUDITORS' REPORT

To
The Members,
ACE SOFTWARE EXPORTS LIMITED
We have audited the attached Balance Sheet of **ACE SOFTWARE EXPORTS LIMITED**, as at 31st March 2006, and Profit & Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
Further to our comments in the Annexure referred to above, we report that:
(i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
- (iii) The Balance Sheet and Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- (iv) In our opinion, the Balance Sheet and Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the Directors, as on 31st March, 2006, and taken on records by the Board of Directors, we report that none of the Director is disqualified as on 31st March, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
 - (b) In the case of the Profit & Loss Account, of the Profit for the year ended on that date, and
 - (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **KALARIA & SAMPAT**
Chartered Accountants

Atul M. Kalaria
Partner

Rajkot, Dated 29th June, 2006

Statement on the Companies (Auditor's Report) Order, 2003

- To,
The Members,
ACE SOFTWARE EXPORTS LIMITED
Referred to in paragraph 3 of our report of even date,
- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
 - (c) During the year, the company has not disposed off substantial part of fixed assets and the going concern status of the company is not affected.
 - (ii) The Company's nature of operation is such that the inventories cannot be physically verified. Accordingly Clause 4(ii) of the Order is not applicable.
 - (iii) In our opinion and according to the information and explanations given to us, the company does not have any inventories except shares and securities. Accordingly, the clause 4(ii) of the Order is not applicable.
 - (a) The company has granted loan to two companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.158.53 Lac and year-end balance of loans granted to the company is Rs.114.22 Lac. The company has taken unsecured loan from two parties covered under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.27.50 Lac and the year-end balance of loan taken from the parties is Rs. Nil.
 - (b) In our opinion and according to explanation & information given to us, no specific terms and conditions of repayment have been specified but the rate of interest and other terms and conditions on which loans were taken are not, prima facie, prejudicial to the interest of the company.
 - (c) In respect of loans taken by the company, the interest payments are regular. There was no stipulation regarding repayment of principal amount.
 - (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods & services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls system.
 - (v) (a) According to the information and explanations given to us, we are of the opinion that the contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - (b) According to the information and explanations given to us, we are of opinion that the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 aggregating to Rs.5,00,000/- (Rupees Five Lac) or more during the year, in respect of any party have been made at prices which are reasonable having regard to prevailing market prices at that time.
 - (vi) The company has not accepted any deposits from the public.
 - (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
 - (viii) According to the information & explanation to us, the Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of goods manufactured by the company.
 - (ix) In respect of statutory dues;

- (a) According to the information and explanations given to us, the company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education & protection fund, employees' state insurance, income tax, sales tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it, except in case of wealth tax:

Nature of the Statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates	Due Date	Date of Payment
The Wealth Tax Act, 1957	Wealth Tax	57,461	F.Y. 2004-05	31.10.2005	05.05.2006

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2006 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues in respect of income tax, wealth tax, sales tax, service tax, customs duty, excise duty and cess that have not been deposited with the appropriate authorities on account of any dispute.
- (x) In our opinion, the company has no accumulated losses. The company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of due to a financial institution, bank or debenture holders.
- (xii) In our opinion and according to the information and explanations given to us, no loans and advances have been granted on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, Clause 4(xii) of the Order is not applicable.
- (xiii) In our opinion, the company is not a Chit Fund or a *Nidhi* / Mutual benefit fund/ society. Accordingly, Clause 4(xiii) of the Order is not applicable.
- (xiv) In our opinion and according to the information and explanations given to us, the shares, securities, debentures and other investments dealt or traded by the company, proper records are maintained in respect of transactions and contracts and timely entries have been made therein.
- (xv) In our opinion, terms and conditions on which the company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us, the company has not raised any funds for short term basis. Accordingly, clause 4(xvii) of the order is not applicable.
- (xviii) The company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act. Accordingly, Clause 4(xviii) of the Order is not applicable.
- (xix) The company has not issued any debentures. Accordingly, Clause 4(xix) of the Order is not applicable.
- (xx) The company has not raised any money by public issues during the year. Accordingly the Clause 4(xx) of the Order is not applicable.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit

For **KALARIA & SAMPAT**
Chartered Accountants

Atul M. Kalaria
Partner
Rajkot, Dated 29th June, 2006



Ace Software Exports Ltd.

BALANCE SHEET AS AT 31ST MARCH, 2006

PARTICULARS	SCHEDULE	31.03.2006	31.03.2005 (in Rs.)
I. SOURCES OF FUNDS :			
(1) Shareholder's Funds :			
(a) Share Capital	1	51,217,260	51,217,260
(b) Reserves & Surplus	2	63,070,114	60,079,951
(2) Loan Funds :			
(a) Secured Loans	3	4,430,686	6,204,750
(3) Deferred Tax Liability		<u>2,049,930</u>	<u>1,604,922</u>
		<u>120,767,991</u>	<u>119,106,883</u>
II. APPLICATION OF FUNDS :			
(4) Fixed Assets :	4		
Gross Block		68,452,482	63,478,480
Less : Depreciation		<u>30,876,346</u>	<u>28,400,356</u>
(a) Net Block		37,576,136	35,078,104
(5) Investments	5	47,811,573	57,036,937
(6) Current Assets, Loans & Advances :	6		
(a) Inventories		6,722,844	1,459,130
(b) Sundry Debtors			48,308
(c) Cash & Bank Balances		2,392,220	4,203,592
(d) Loans and Advances		<u>32,944,302</u>	<u>26,701,084</u>
		42,059,366	32,412,114
Less : Current Liabilities & Provisions :	7		
(a) Current Liabilities		1,980,929	1,240,922
(b) Provisions		<u>4,498,156</u>	<u>4,438,682</u>
		<u>6,479,085</u>	<u>5,679,604</u>
Net Current Assets		35,580,282	26,732,509
(4) Miscellaneous Expenditure :	8		259,331
(To the extent not written off or adjusted)		<u>120,767,991</u>	<u>119,106,883</u>

NOTES TO ACCOUNTS

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AS PER OUR REPORT OF EVEN DATE

FOR KALARIA & SAMPAT,
CHARTERED ACCOUNTANTSATUL M. KALARIA
PARTNER

RAJKOT, 29th June, 2006

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS,

VIKRAM B. SANGHANI
JT.MANAGING DIRECTORSANJAY H. DHAMSANIA
JT.MANAGING DIRECTORN. I. THOMAS
COMPANY SECRETARY

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

PARTICULARS	SCHEDULE	31.03.2006	31.03.2005 (in Rs.)
I. INCOME :			
Sales & Services	9	49,718,652	59,074,655
Other Income	10	3,309,055	3,458,836
Stock Variance	11	<u>5,263,714</u>	<u>(3,223,532)</u>
		<u>58,291,421</u>	<u>59,309,959</u>
II. EXPENDITURE :			
Operating Expenses	12	34,830,202	32,724,864
Administrative Expenses	13	13,559,598	12,865,152
Depreciation		3,199,461	2,884,485
Miscellaneous Expenses Written Off		-	<u>352,262</u>
		51,589,261	48,826,564
Profit before tax		6,702,160	10,483,396
Less : Provision for tax			
Current Tax			300,000
Deferred Tax		445,009	892,729
Fringe Benefit Tax		<u>92,224</u>	-
		537,233	1,192,729
Profit after tax		6,164,927	9,290,667
Add : Profit & Loss Account B/fd from last year		50,314,821	43,763,944
Excess/(Short) Provision for Income Tax adjusted		4,592	(1,285)
Add : Excess provision of Dividend and Distribution Tax thereon		-	<u>157,032</u>
AMOUNT AVAILABLE FOR APPROPRIATION :		<u>56,484,339</u>	<u>53,210,357</u>
Appropriations :			
Dividend @ Rs. 0.50 per equity share of Rs. 10/- each		2,560,863	2,560,863
Tax on Distribution of Dividend		359,181	334,673
Balance Carried Forward to Balance Sheet		<u>53,564,315</u>	<u>50,314,821</u>
Earnings Per Share-Basic and Diluted (Rs.)		1.20	1.81
Weighted average number of shares		5,121,728	5,121,728

AS PER OUR REPORT OF EVEN DATE

FOR KALARIA & SAMPAT,
CHARTERED ACCOUNTANTSATUL M. KALARIA
PARTNER

RAJKOT, 29th June 2006

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS,

VIKRAM B. SANGHANI
JT.MANAGING DIRECTORSANJAY H. DHAMSANIA
JT.MANAGING DIRECTORN. I. THOMAS
COMPANY SECRETARY