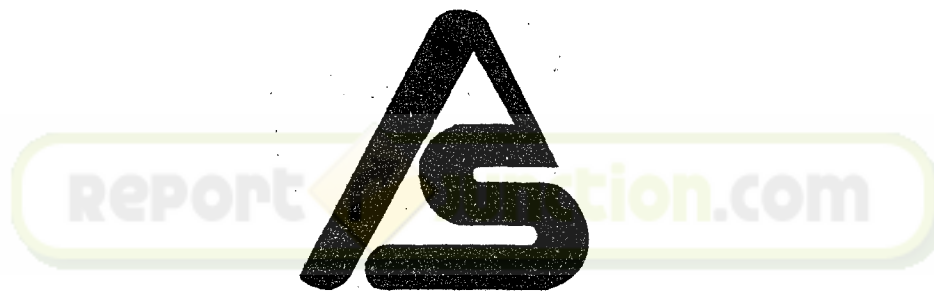


THIRTEENTH ANNUAL REPORT 2006-2007



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

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 Thirteenth Annual General Meeting of **ACE SOFTWARE EXPORTS LIMITED** will be held at 801, Everest Comm. Complex, Opp. Shastri Maidan, Rajkot on Tuesday, 25th September, 2007 at 11.00 A. M. to transact the following business:

Ordinary Business:

- To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 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 2006-2007.
- 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 Dharamshibhai Vadaliya, 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 for re-approval of remuneration scale payable to Shri Vikram Sanghani as Joint Managing Director of the Company for a period of 2 (Two) years with effect from 29th March, 2008".

"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 for re-approval of remuneration scale payable to Shri Sanjay Dhamsania as Joint Managing Director of the Company for a period of 2 (Two) years with effect from 29th March, 2008".

"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 Ordinary Resolution:

"RESOLVED THAT the consent of the company, be and is hereby granted in terms of Section 394 and all other relevant provisions of the Companies Act, 1956, if any, (including any amendment thereof, for the time to time), 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 acquire a majority stake in Ace Infoway Pvt. Ltd. Alternatively the Board is hereby authorized to amalgamate, blend or merge whole, or substantially the whole of the undertaking(s) of Ace Infoway Pvt. Ltd., a company registered under the Companies Act, 1956 having its registered office at 1001, Aalap-B, Near Limda Chowk, Opp. Shastri Maidan, Rajkot - 360 001 and to carry out necessary procedures and execute documents with Court(s) and other concerned authorities for amalgamation, blending or merger of both companies."

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 21st September, 2007 to 25th September, 2007 (Both days inclusive) for determining the names of the members eligible for Dividend on Equity Shares, if declared at the Annual General Meeting.
- 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.
- 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.
- 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.
- The dividend, as recommended by the Board, if sanctioned at the Annual General Meeting, will be paid on or after 25th September, 2007 to those persons or their mandates:
 - Whose name appear as Beneficial Owners as at the end of the business hours on 20th September, 2007 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
 - 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 20th September, 2007.
- 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 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.
- 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 of 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.

FOR & ON BEHALF OF THE BOARD OF DIRECTORS

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

RAJKOT, 17th AUGUST, 2007



Ace Software Exports Ltd.

Explanatory Statement

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

Item No. 6 & 7

The present term of office of Mr. Vikram Sanghani and that of Mr. Sanjay Dhamsania as Jt. Managing Directors expires on 28th March, 2010, while the remuneration scale payable to them expires on 28th March, 2008. The Board of Directors, at their meeting held on 20th January, 2007 have, subject to the approval of the shareholders, re-approved, the remuneration scale payable to Jt. Managing Directors for a further period of 2 (two) years from the expiry date 28th March 2008, 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.

Remuneration:

Remuneration payable to Mr. Vikram Sanghani and Mr. Sanjay Dhamsania, individually as Jt. Managing Directors shall be as under:

Salary to each Jt. Managing Directors: In the scale of Rs.125,000/- to Rs. 250,000/- per month with the authority to the Remuneration Committee to fix the salary within the scale from time to time.

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 reimbursed.
- 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 Annuation 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, he shall 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 Sanghani and Mr. Sanjay 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 1 (B) (iv) is given as below:

I. GENERAL INFORMATION:

- Nature of Industry: Computer Software and Services Exports
- Date or expected date of commencement of commercial production: Not Applicable (The Company is an existing company).
- 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
- Financial performance based on given indicators:

Particulars	Period 01-04-2006 to 31-03-2007 (Rs. In lacs)
Total Revenue	492.73
Profit after Tax	42.67
- Export performance and net foreign exchange collaborations: The Company had Foreign Exchange earnings of Rs. 4,52,69,747/- during the financial year 01-04-2006 to 31-03-2007.
- 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 Jamanlal 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 capacities 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 year is as under:

Name	2004-2005 (in Rs.)	2005-2006 (in Rs.)	2006-2007 (in Rs.)
Mr. Vikram Sanghani	13,92,815	13,34,169	15,74,876
Mr. Sanjay Dhamsania	13,92,815	13,34,169	15,74,875

* The remuneration includes salary other allowances and commission.

3. Recognition or Awards

Mr. Vikram Sanghani is frequently called to seminars as a speaker on IT related topics. Recently he was called by Dept. of Management, T.N. Rao College, Rajkot to deliver his speech on the progress made by ACE in IT sector in Saurashtra. The Company also regularly features in news articles (e.g. The Indian Express, 25th July, 2004, The Hindustan Times, September 30th, 2004, The Economics Times, November 18th, 2006). These proposed appointees represent the company in various functions relating to the IT Industry like NASSCOM- ITES BPO Summit, CII functions etc.

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 across different experienced groups is list out as under:

Figures in Rs. Lacs

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.

II. 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 costs are increasing and the revenues has shown downside due to appreciating rupee and moderate growth.

2. Steps taken or proposed to be taken for improvement

Your company has acquired a 100% stake in new business undertaking in Hyderabad, (i.e. Wordworks Apex ITES (India) Pvt. Ltd through its subsidiary Apex Advanced Technology Pvt. Ltd.). This is expected to supplement the operations of your company and ultimately will boost your company's bottom-line in the years to come.

3. Expected increase in productivity and profits in measurable terms

A business growth of 5% is expected in the turnover in the next financial year thereby improving profitability of the Company.

Item No. 8

The management of the company is looking for consolidation of ACE's position in the market by proposing investment/merging of Ace Infoway Pvt. Ltd. (hereinafter called as "AIPL") with your company.

The proposed merger if approved by concerned Court(s)/authorities would further boost up the revenues of the company and improve the bottom-line of the company.

Brief details of AIPL:

AIPL is Rajkot based company engaged in the business of website development, web hosting, website maintenance and promotion, multimedia components etc.

The Total Authorised capital of AIPL is 2,00,000 equity shares of Rs. 10/- each while Total Paid-up capital of AIPL is 1,00,000 equity shares of Rs. 10/- each fully paid up equity shares. Mr. Vikram Sanghani and Mr. Sanjay Dhamsania are already on board of AIPL and also hold 10% and 25% of equity shares in AIPL.

Sr No.	Name of the Shareholders in AIPL	% Holding in AIPL
1	Mr. Vikram Sanghani	10.00%
2	Mr. Sanjay Dhamsania	25.00%
	Total,	35.00%

None of Directors of the Company except those mentioned above are, in any way, concerned or interested in this resolution.

FOR & ON BEHALF OF THE BOARD OF DIRECTORS

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

RAJKOT, 17th AUGUST, 2007



Ace Software Exports Ltd.

DIRECTORS' REPORT

To,
The Members,
Ace Software Exports Ltd.

The Directors of the company have pleasure in presenting their **THIRTEENTH ANNUAL REPORT** together with the Audited Statement of Accounts of your Company for the Financial Year ended on 31st March, 2007.

Particulars	FY 2006-2007	(Rs. in Lacs) FY 2005-2006
Income from Operations & other income	492.73	582.91
Profit before Depreciation & other Write-offs and Taxations	80.36	99.01
Less: Depreciation & Write offs	31.76	31.99
Less: Provisions for Taxes	5.93	5.37
Profit after Taxes	42.67	61.65
Amount of Appropriation:		
Dividend including Tax thereon	29.96	29.20
Balance of Profit & Loss A/c. carried to the next year	12.71	32.45
Earning per Share (in Rs.) Basic & Diluted	0.83	1.20

2. Dividend:

Your directors recommend final dividend of 5% on Equity Shares to be appropriated from the profits of the year 2006-2007. The final dividend as recommended, if declared by the Members at the ensuing Annual General Meeting, would involve an outflow of Rs.25.60 Lacs towards Dividend and Rs.4.36 Lacs towards Dividend Distribution Tax, resulting in a total outflow of Rs.29.96 Lacs.

3. Performance:

During the financial year 2006-07, your company reported revenues from operations of Rs. 452.69 Lacs which led to Profit after Tax (PAT) of Rs.42.67 Lacs. There is an increased pressure on margins due to higher costs and lower revenues.

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 Sanjay Dhamsonia and Shri Dharamshibhai Vadaliya, Directors of the company, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

5. Subsidiary Companies:

Section - 212 of the Companies Act, 1956, requires the Annual Report of Holding Company to include Directors' Report, Auditors' Report, Profit & Loss Account, Balance Sheet and Notes thereto of the Subsidiary Companies. The Annual Report of Ace Software Exports Ltd. for the year 2006-2007 has attached details of its Subsidiary Companies namely, Rajkot Computer Education Pvt. Ltd., ("RCEPL") and Apex Advance Technology Pvt. Ltd. Hyderabad ("AAT"). Apex Knowledge Solutions Pvt. Ltd., Chennai ("AKS").

AKS - Chennai

Your company had a holding of 51% of AKS, a company based in Chennai and delivering value-added knowledge based publishing services to Apex CoVantage (Apex). Based on an agreement signed by your company with Dr Shashikant Gupta and Ms. Margaret Boryczka dominant owners of Apex, the entire 51% holding has been disposed off. Looking to the excellent progress made by AKS, a valuation of Rs.697.17 has been realized against the original investment of Rs.10 made in April 2005. Accordingly AKS ceases to be a subsidiary on and from July 3, 2007.

AAT - Hyderabad

Your company has a holding of 79.75% of AAT, a company based in Hyderabad and delivering data conversion services to Apex. Over the years the cost of operations in Hyderabad had been climbing. Space rentals went up from Rs.10 per sq ft to Rs.28, salaries went up from Rs.3000 to Rs.5500 and more recently the \$ value has depreciated. Additionally, the largest conversion job at AAT constituting 60% of its revenues is coming to a close at the end of August 2007. AAT approached Apex for a correction in pricing and for new jobs, but Apex is operating in a very competitive market and could not help out.

Looking to the scenario, AAT's operations have been suspended rather than to incur a cash loss. Your company had made an investment in AAT in April 2004 at a price of Rs.28.99 per share. Since then your company has received dividends and with the net asset valuation as on March 31st, 2007, your company has seen the value appreciate to Rs.53.59. This represents a very handsome increase of 85% in your company's investment and realization from AAT. Your company is supporting AAT's move to look for a suitable new opportunity.

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 2007-08 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. Buy-Back of Equity Shares:

The company in accordance with the relevant provisions of the Companies Act, 1956 and the Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 as amended has commenced buy - back of equity shares w.e.f. 30th April 2007. The Buyback Size consists of 4,42,346 Equity Shares of the face value of Rs.10 each i.e. 6.64% of the aggregate of the Company's paid-up Equity Share Capital as on March 31, 2007.

Till 31.07.2007 the company has bought back 3,27,248 shares.

The last date for the Buyback shall be:

- Upon buyback of 4,42,346 Equity Shares or
- (September 28, 2007) whichever is earlier.

9. 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.

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

During Year 2006-2007 the Foreign Exchange Earnings and Outgo of the company were as follows:

Foreign Exchange Earnings: USD 10,00,070.20.

Foreign Exchange Outgo : USD 71,955.10 on revenue items.

USD 4,255.00 on capital items.

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

11. Delisting of Equity Shares:

The Shareholders in the 11th AGM 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"). While the equity shares of the company had been delisted from the ASEL w.e.f. 27th February 2006, the delisting of equity shares from SKSE was effective as of 9th October 2006. The Equity Shares of the company continue to be listed on the Bombay Stock Exchange Ltd., Mumbai ("BSE").

12. 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.

13. Corporate Governance:

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

14. Management Discussion and Analysis Report:

a. Industry Structure & Development:

The company's business relates to database creation pertaining to I-T 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 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 programs 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 organization.

15. 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 AND ON BEHALF OF THE BOARD OF DIRECTORS,

SANJAY H. DHAMSONIA
JT. MANAGING DIRECTOR

VIMAL KALARIA
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 other corporate actions whereby we maximize the returns for our stakeholders. The philosophy is based on principles of concern, commitment, ethics, excellence and learning in all its acts and relationships with the stakeholders, clients and public at large which helps company to achieve new horizons.

2. Board of Directors:

Composition of the Board of Directors

The Board of Directors of the company as on 31st March, 2007 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	9	-	-	11	Yes	
Sanjay Dhamsania	Ex-Dir	9	-	-	10	Yes	
Shyamal Sheth	N.Ex-IND	2	-	-	8	No	
Vimal Kalaria	N.Ex-IND	2	-	-	9	Yes	
Dharamshi Vadalia	N.Ex-IND	1	-	-	8	No	

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

Board Meetings

The Board of Directors met 11 times during the year 2006-2007 on 13.04.06, 29.06.06, 05.07.06, 31.07.06, 18.08.06, 17.10.06, 30.10.06, 29.12.06, 08.01.07, 27.01.07 and 31.01.07.

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	4
Mr. Shyamal Sheth	Member	4
Mr. Dharamshibhai Vadalia	Member	4
Mr. Vikram Sanghani	Member	3

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

The Audit Committee met 4 times during the year on 20.04.2006, 07.07.2006, 16.10.2006, and 18.01.2007.

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	14,85,000	15,000	74,875
Sanjay Dhamsania	14,85,000	15,000	74,875

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 4 Complaints during the year 2006-2007 and the same have been satisfactorily attended to.

iv. No Investor complaints remained pending as on 31.03.2007.

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
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.
29.09.2006	11.00 A.M.	801, "Everest" Opp. Shastri Maidan, Rajkot - 360 001	Approval for Buy-back of Shares * and under Section 293(1)(a) of the Companies Act, 1956.

*The Special resolution approving Buy-Back of Equity shares was passed through postal Ballot in accordance with 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 31.03.2007 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.
- 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 of any statutory authority, on any matter related to capital market during the last three years.
- The company through its internal control measures implements the Whistle Blower policy within the organization ensuring the access to the Audit committee by the personnel.
- 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 : 25th September, 2007
 Time : 11.00 A.M.
 Venue : 801-"Everest" Opp. Shastri Maidan, Rajkot - 1

ii. Financial Year

Tentative Schedule for the Financial Year 2007-2008:

June 30, 2006 : July 2007 (4th Week)
 September 30 2006 : October 2007 (4th Week)
 December 31, 2006 : January 2007 (3rd /4th Week)
 March 31, 2007 : April 2008 (3rd /4th Week)

iii. Date of Book Closure

20th September, 2007 to 25th September, 2007 (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. *

* Shares of the company were de-listed from The Saurashtra-Kutch Stock Exchange w.e.f. 9th October 2006.

vi. Stock Code

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

* Shares of the company were de-listed from The Saurashtra-Kutch Stock Exchange w.e.f. 9th October 2006.

vii. Market price

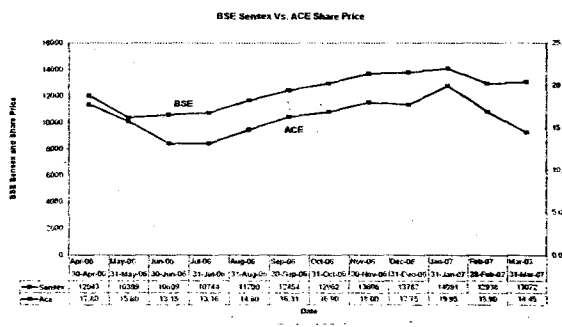
Month	High	Low
April-06	23.05	16.80
May-06	22.85	14.50
June-06	16.70	10.95
July-06	15.15	12.70
August-06	17.40	12.65
September-06	17.00	14.56
October-06	17.70	16.00
November-06	19.00	13.00
December-06	23.75	16.05
January-07	23.85	17.10
February-07	20.80	15.10
March-07	19.00	14.05

ix. Registrar and Share Transfer Agent (RTA)

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.

viii. Performance in comparison to BSE Sensex

Ace Software Exports Ltd.**xi. Distribution of Shareholding (As on 31st March, 2007):**

Category	No. of Shares	Percentage (%)
Promoters	26,82,625	52.38
Private Corporate Bodies	1,06,821	2.08
Non Resident Indians/OCB	62,884	1.23
Indian Public	22,69,396	44.31
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, 2007 54.28% 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, 2007

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 respective 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 LTD.,

We have examined the compliance of conditions of Corporate Governance by Ace Software Exports Limited, for the year ended on 31st March, 2007, as stipulated in Clause 49 of the Listing Agreement of the Said Company with the 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 implementations 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/Investors' 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 30th June, 2007



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 2007, 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, 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, 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, 2007, and taken on records by the Board of Directors, we report that none of the Director is disqualified as on 31st March, 2007 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, 2007;
(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 30th June, 2007

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 has neither granted nor taken any loans, Secured or unsecured to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
(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) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, value added tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.

- (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, 2007 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 30th June, 2007



Ace Software Exports Ltd.

BALANCE SHEET AS AT 31ST MARCH, 2007

			31.03.2007	(in Rs.) 31.03.2006
I. SOURCES OF FUNDS :	SCHEDULE			
(1) Shareholder's Funds :				
(a) Share Capital	1		51,217,260	51,217,260
(b) Reserves & Surplus	2		64,411,152	63,070,114
(2) Loan Funds :				
(a) Secured Loans	3		3,814,922	4,430,686
(3) Deferred Tax Liability			2,485,854	2,049,930
			<u>121,929,188</u>	<u>120,767,990</u>
II. APPLICATION OF FUNDS :				
(4) Fixed Assets :	4			
Gross Block		67,861,822		68,452,482
Less : Depreciation		<u>31,686,085</u>		<u>30,876,346</u>
Net Block			36,175,738	37,576,136
(5) Investments	5		44,011,533	47,611,573
(6) Current Assets, Loans & Advances :	6			
(a) Inventories		2,478,108		3,722,844
(b) Cash & Bank Balances		4,193,028		2,392,220
(c) Loans and Advances		<u>40,746,602</u>		<u>32,944,302</u>
		47,417,738		42,059,366
Less : Current Liabilities & Provisions :	7			
(a) Current Liabilities		1,514,410		1,980,929
(b) Provisions		<u>4,161,411</u>		<u>4,498,156</u>
		5,675,821		5,479,085
Net Current Assets			41,741,917	35,580,281
(7) Miscellaneous Expenditure : [To the extent not written off or adjusted]	8			
			<u>121,929,188</u>	<u>120,767,990</u>
NOTES TO ACCOUNTS	14			

AS PER OUR REPORT OF EVEN DATE

FOR KALARIA & SAMPAT,
CHARTERED ACCOUNTANTSATUL M. KALARIA
PARTNER

RAJKOT, 30th June, 2007

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS,

SANJAY H. DHAMSANIA
JT. MANAGING DIRECTORVIMAL KALARIA
DIRECTORN. I. THOMAS
COMPANY SECRETARY

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

			31.03.2007	(in Rs.) 31.03.2006
I. INCOME :	SCHEDULE			
Sales & Services	9		45,269,747	49,718,652
Other Income	10		8,247,628	3,309,055
Stock Variance	11		<u>(4,244,736)</u>	<u>5,263,714</u>
			<u>49,272,639</u>	<u>58,291,421</u>
II. EXPENDITURE :				
Operating Expenses	12		29,224,679	34,830,202
Administrative Expenses	13		12,011,900	13,559,598
Depreciation			3,176,287	3,199,461
			44,412,866	51,589,261
Profit before tax			4,859,774	6,702,160
Less : Provision for tax				
Current Tax		435,924		445,009
Deferred Tax		<u>157,104</u>		<u>92,224</u>
Fringe Benefit Tax				
Profit after tax			593,028	537,233
Add. : Profit & Loss Account B/d. from last year			4,266,746	6,164,927
Excess/(Short) Provision for Income Tax adjusted			53,564,315	50,314,820
Excess provision of earlier year written back			70,375	4,592
AMOUNT AVAILABLE FOR APPROPRIATION :			<u>57,901,435</u>	<u>56,484,339</u>
Appropriations :				
Dividend @ Rs.0.50 per equity share of Rs.10/-each			2,560,863	2,560,863
Tax on Distribution of Dividend			435,219	359,161
Balance Carried Forward to Balance Sheet			<u>54,905,353</u>	<u>53,564,315</u>
Earning Per Share-Basic and Diluted (Rs.)			0.83	1.20
Weighted average number of shares			5,121,726	5,121,726
NOTES TO ACCOUNTS	14			

AS PER OUR REPORT OF EVEN DATE

FOR KALARIA & SAMPAT,
CHARTERED ACCOUNTANTSATUL M. KALARIA
PARTNER

RAJKOT, 30th June, 2007

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS,

SANJAY H. DHAMSANIA
JT. MANAGING DIRECTORVIMAL KALARIA
DIRECTORN. I. THOMAS
COMPANY SECRETARY