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**ACE INDIA  
LIMITED**

*12th  
Annual Report  
2005 - 2006*

***Board of Directors***

**VED PRAKASH NARULA**  
(Managing Director)

**VIRENDER KUMAR KATHURIA**  
(Director)

**MAMTA NARULA**  
(Director)

**NARINDER KUMAR WAHI**  
(Director)

**SHOBHAN MAHANTI**  
(Company Secretary)

***Auditors***

**A. KATHPALIA & CO.**  
Chartered Accountants

***Bankers***

**CANARA BANK**  
**HDFC BANK**  
**CORPORATION BANK**  
**CENTURIAN BANK**

***Registered Office***

2/100, Scheme 10B, R.H.B. Colony  
Alwar, Rajasthan

***Registrar and Transfer Agent***

Beetal Financial & Computer Services (P) Ltd.  
99, Madan Gir, Behind Local Shopping Centre, Near Dada Harsukh Nath Mandir  
New Delhi-110 062  
Ph. : 29961281-82 Fax : 29961284

**12th Annual Report 2005-2006****Ace India Ltd.****NOTICE**

Notice is hereby given that 12<sup>th</sup> Annual General Meeting of the Members of the Company will be held on Friday, the 29<sup>th</sup> day of September 2006, at 11.30 A.M. at PREM PAVITRA BHONALAYA, Shri Hans Tower, 35-B, Moti Dungri, Alwar (Rajasthan) to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31<sup>st</sup> March 2006 and Profit & Loss Account for the period ended on that date along with the Auditors' Report and Directors' Report thereon.
2. To appoint a Director in place of Mr. Virender Kumar, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and for this purpose to consider and if thought fit, to pass, with or without modifications, the following resolution as an ORDINARY Resolution :-

"RESOLVED THAT pursuant to the provision of Section 224 and other applicable provisions, if any, of the Companies Act, 1956 M/s A. KATHPALIA & CO., Chartered Accountants, be and are hereby appointed as Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be decided by the Board of Directors of the Company, in addition to reimbursement of all out of pocket expenses in connection with the audit of the Company".

By the order of the Board of Directors  
For ACE INDIA LIMITED

Place: - New Delhi  
Date: - 29.08.2006

sd/-

V.P. Narula  
(Managing Director)

**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. proxy, in order to be effective, must be received by the company at its registered office of the company not less than forty eight hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Book will remain closed from 23<sup>rd</sup> September, 2006 to 29<sup>th</sup> September, 2006 (both days inclusive).
3. Members holding shares in more than one folio in identical order of name are requested to write to R & TA enclosing their shares certificates for consolidation of their holdings in one folio to facilitate better services.
4. Members seeking any information with regards to accounts or operations are requested to write to the Company at an early date so as to enable the management to keep the information ready.

5. Members/proxies should bring the attendance slip duly filled in for attending the meeting.

By the order of the Board of Directors  
For ACE INDIA LIMITED

Place: - New Delhi  
Date: - 29.08.2006

sd/-

V.P. Narula  
(Managing Director)

**DIRECTORS' REPORT****To the Members,**

Your Directors take pleasure in presenting the 12th Annual Report together with the Audited Accounts of your Company for the year ended 31<sup>st</sup> March 2006.

**Financial Results**

	31.03.2006 Amount (Rs. in Lacs)	31.03.2005 Amount (Rs in Lacs)
Gross Income	409.49	302.41
Profit/Loss	14.94	9.34

**DIVIDEND**

Due to requirement of funds for the current working of the Company, your Directors regret their inability to recommend any dividend on equity share capital for the year under report.

**OPERATIONAL REVIEW**

During the financial year under report, total revenues increased to Rs. 409.49 lacs from Rs.302.41 lacs in the last year. Your company earned a profit of Rs. 14.94 lacs as against profit of Rs. 9.34 lacs in the last year. The Company's current year performance is very encouraging, this only be possible because of several cost cutting measures.

Your Company believed in high quality of content to the consumer for maximizing the future growth and opportunities. Your Company is trying to develop value based programming not quantitative based. During the year under review the company released Five more Albums viz. "Oie Maa" (MC & ACD), "Kawaria Gift Le Land" (Bhojpuri MC), "Club Girls" (VCD), "Transfusion" (MC & ACD) & "Dheere Dheere" (CD) and few new projects for making of feature films and albums are under pipe line.

With reference to the Special Resolution passed in the last i.e. 11th Annual General Meeting, your company has been delisted from the Madras Stock Exchange (MSE) w.e.f. 01-12-2005 for which MSE has given the certificate.

**FUTURE OUTLOOK**

The entertainment industry is one of the fastest growing industries. Your Company is aspiring to position itself as a Global competitor in the field of composite Entertainment.

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Your directors expect steady growth in sales and profits in the years ahead. Hindi is the second most widely spoken language in the world, at the same time Bhojpuri, Bengali & Punjabi has also a huge market, so your company is developing quality contents in Hindi and the aforesaid regional languages.

**BUSINESS STRATEGY**

Your Company's strategy has been to restructure the company thoroughly to impart to it the ability to meet the adverse conditions and work continuously on cost reduction.

To meet its entire client's need, the Company get customer centric and be innovative in production. As a full service provider, the Company believes that it can increase its revenues from existing clients as well as attract new clients and markets.

Entertainment events are turning out to be as big market and Company plans to be a major player in this segment as well. Company plans to be a multilingual, multipurpose, multi-medium content provider at a lowest cost structure with major emphasis on quality. Due to growing needs of quality music, after coming of different channels, the company started production of music videos and cassettes.

The impressive financial results of the last few years clearly demonstrate that your company's strategy has worked and is possible to continue.

**CORPORATE GOVERNANCE**

The company has been proactive in following the principles and practices of good corporate governance. The Company has taken adequate steps to ensure that the conditions of corporate Governance as stipulated in clause 49 of the listing agreement of stock Exchange are complied with.

Auditors' certificate on corporate governance on its compliance is produced as a part of Annual Report.

**FIXED DEPOSIT**

There are no fixed deposits accepted by the Company.

**DIRECTORS**

Shri Virender Kumar, Director of the company, will retire by rotation at the forth-coming Annual General Meeting of the Company and being eligible, has offered himself for re-appointment.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement u/s 217(2AA) of the Companies Act, 1956, it is hereby confirmed that:

- 1) In the preparation of the Annual Accounts for the financial year ended 31<sup>st</sup> March, 2006, the applicable accounting Standards have been followed along with proper explanations relating to material departures.

- 2) the Directors have 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 affairs of the Company at the Financial year ended 31<sup>st</sup> March, 2006 and the profits of the Company for that said period.

- 3) the Director had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities .

- 4) the Directors have prepared the Annual Accounts on a going concern basis

**AUDITORS**

M/s A. KATHPALIA & Co., Auditors, will retire at the conclusion of the meeting and are eligible for appointment. They have, pursuant to sec 224(1B) of companies Act, 1956 furnished the certificate regarding their eligibility for re-appointment as the auditors of the company.

**AUDITORS' REPORT**

The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

**PERSONNEL**

The Management-employee relations remained very cordial and friendly throughout the year.

**CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO**

The disclosure to be made pursuant to the provision of Sub Section (1) (e) of Section 217 of the Companies Act, 1956, read with Companies (Disclosure of particulars in the report of B.O.D. Rules, 1988) are set out in the annexure included in this report.

**PARTICULARS OF EMPLOYEES**

No Particulars of employee are given as required under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule, 1975, as amended as no employee has drawn the salary as prescribed in the said Section.

**INTERNAL CONTROL SYSTEM**

The Company maintains a system of internal control, including suitable monitoring procedures. The internal audit department regularly conducts a review to assess the financial and operating control at various locations of the Company. Any significant issue

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is required to bring the attention of the Audit Committee of the Board. The Statutory Auditor and the head of internal Audit are invited to attend the Audit Committee Meeting.

**ACKNOWLEDGEMENT**

Your Directors would like to express their sincere appreciation and gratitude to the Company's Bankers, Government Authorities, for their valuable co-operation and assistance.

Your Directors also wish to place on record their appreciation for the whole-hearted and continued support extended by the employees, shareholders and investors during the year.

**For and on Behalf of the Board of Directors  
For ACE INDIA LIMITED**

Place: - New Delhi

Date: - 29.08.2006

sd/-

V. P. Narula

(Managing Director)

sd/-

Mamta Narula

(Whole-time Director)

**ANNEXURE TO THE REPORT OF THE DIRECTORS**

**For the year ended 31 March, 2006**

Information required under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988.

**A. CONSERVATION OF ENERGY**

- a) Energy conservation measure taken:-  
Since Company is not engaged in manufacturing activity, therefore, no measure taken for conservation of energy
- b) Additional investment and proposal, if any, implemented for reduction of consumption of energy. - Nil.
- c) Impact of measures at (a) & (b) for reduction of energy consumption and consequent compact on the cost of production of goods :- - Not Applicable -
- d) Total energy consumption and energy consumption per unit of production in prescribed form 'A':-  
Since Company is not engaged in manufacturing activity therefore, no information is being furnished

**B. TECHNOLOGY ABSORPTION****Research & Development**

- **Specific areas in which R&D carried out by the Company:-**  
No Specific R&D work was undertaken by the Company during the year. No new technology was absorbed or adopted.
- **Benefits derived as a results of above R & D:-**  
- Not Applicable -
- **Future plan of Action:-**  
There is no necessity of any specific R&D in the case of the Company.
- **Expenditure of R & D**  
No specific expenditure was incurred on R&D Department.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO:-**

There is no Foreign Exchange earning and outgo during the year.

**FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION**

1. Efforts in brief made towards technology Absorption, adoption and innovation. - NIL
2. Benefits derived as a result of the above efforts e.g. product improvement cost reduction, product development, import substitution etc. - NIL
3. In case of imported technology (imported during the last year reckoned from the beginning of the financial year) following information may be furnished. - NIL

**LISTING AT STOCK EXCHANGES**

The Company's Equity Shares are listed on the following Stock Exchange in India

The Stock Exchange, Mumbai  
Phiroze Jeejeebhoy Towers  
Dalal Street, Fort Mumbai-400001

The Company has paid the Annual Listing fees to the Stock Exchange for the financial year 2005-2006.

**REPORT ON CORPORATE GOVERNANCE**

(Pursuant to clause 49 of the Listing Agreement entered in to with the Stock Exchange)

**1. COMPANY PHILOSOPHY ON CODE OF GOVERNANCE**

Corporate Governance assumes a great deal of importance in the business life of M/s ACE INDIA LTD. Your Company is not only committed to achieve highest standards of Corporate Governance but also to go beyond it by instituting such systems and procedures as are in accordance with the latest trend of making management completely transparent and institutionally sound. Your company has always believed in the concept of good corporate Governance involving transparency, empowerment, accountability and integrity with a view to enhance shareholders' value in the long term.

Your company believes that efficient corporate governance requires a clear understanding of the respective roles of the Board and of senior management and their relationships with others in the corporate structure. The relationship of the Board and the management shall be characterised by sincerity; their relationships with employees shall be characterized by fairness, their relationship with communities in which they operate shall be characterized by good citizenship and their relationships with government shall be characterised by commitment to compliance.

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**Ace India Ltd.****2. BOARD OF DIRECTORS**

**Composition and size of the board :-** The present strength of the Board is 2 non executive directors and 2 Executive Directors.

S.No.	Name	Category	Designation	Date of Appointment	Directorship in other Cos.
1.	Sh. Ved P. Narula	Executive	Managing Director	31.07.2002 (as Dir.) 28.10.04 (as MD)	Narula Chits Pvt. Ltd.
2.	Smt. Mamta Narula	Executive & dependent	Whole-time Director	01-12-05 (as WTD) 26.04.2003 (as Dir.)	Narula Chits Pvt. Ltd.
3.	Sh. Virender Kumar	Non-executive & independent	Director	26.09.2003	NIL
4.	Sh. Narinder K. Wahi	Non-executive & independent	Director	08.06.2005	NIL

**Board Meetings and attendance :-** Board Meetings were held in the financial year under review and the gap between two Board Meetings did not exceed 3 months.

The information as required under Annexure 1 of clause 49 of the listing Agreement is made available to the Board. The agenda and the papers for consideration at the Board Meeting are circulated at least 3 days prior to the Meeting.

Adequate information is circulated as part of the Board papers and is also available at the Board Meeting to enable the Board take informed decision.

The date on which meetings were held are as follows:-

S.No.	Date of Meeting	Board Strength	No. of Directors present
1.	27.04.2005	4	4
2.	08.06.2005	4	4
3.	29.07.2005	5	5
4.	24.08.2005	5	5
5.	29.10.2005	5	5
6.	17.12.2005	5	5
7.	27.12.2005	5	5
8.	10.01.2006	4	4
9.	16.01.2006	4	4
10.	30.01.2006	4	4

**Details of directors being appointed and re-appointed**

During the year under review Mr. Virender Kumar is re-appointed as Director of the company.

**Material relationship of the Non-Executive Directors in your company**

None of the non-executive directors have any pecuniary or material relationship or transaction with the company and have given undertaking to that effect.

**Director's membership in Board committees**

As per listing agreement, no director shall be a member in more than 10 committees or shall act as a chairman of more than 5 committees across all companies in which he is a director.

None of the directors of our company were member in more than 10 committees or acted as chairman of more than 5 committees across all companies in which they were directors.

**3. AUDIT COMMITTEE**

**Terms of reference :-** The term of reference of this committee are wide enough covering the matters specified for audit committees under clause 49 of the listing Agreement as well as in Section 292A of the Companies Act, 1956. It is functioning under the stewardship of Mr. Virender Kumar, an Independent Non-Executive Director. The following functions to carry out, are given below:-

- To review the results announcement and the report and accounts/ review at end of a quarter, half year and the full year before submission to the Board.
- To consider the appointment of the Statutory Auditors, the Audit fee and any matters of resignation or dismissal.
- To discuss with the Statutory Auditor before the Audit Committee the nature and scope of the Audit.
- To discuss problems and reservations arising from the Statutory Audit.
- To review the Statutory Auditors' audit reports and presentations and management's response.
- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- To look into the reasons for substantial defaults in the payment of depositors, debenture holders, shareholders (in case of declared dividends) and creditors.
- To review the functioning of the Whistle Blower mechanism.
- Carrying out any other function as is mentioned in the terms of reference of the audit committee.

**Composition and Name of Members:-** Audit Committee consists following

- Mr. Virender Kumar working as Non Executive and independent
- Ms. Mamta Narula Executive Director
- Mr. Sachin Verma Company secretary (from June 2005 to Dec. 2005)
- Ms. Swati Sharma Company Secretary (from Jan. 2006 to Aug 16, 2006)
- Mr. Shobhan Mahanti Company Secretary (from Aug 16, 2006 till date).

The Company Secretary acts as Secretary to the Committee.

**Meetings and the attendance during the year**

The details of meetings held during the year, and the attendance thereat are as follows:

Dates of meetings: 11<sup>th</sup> April, 16<sup>th</sup> June, 12<sup>th</sup> September in 2005 and 21<sup>st</sup> January in 2006.