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17TH ANNUAL REPORT

2005-2006

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ANCENT SOFTWARE INTERNATIONAL LIMITED

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BOARD OF DIRECTORS

Sri Yuvraj Karan	Chairman
Sri C.Ashok Babu	Managing Director
Sri N.Rohit Reddy	Director (Technical)
Smt C.Jhansi Lakshmi	Director
Sri C.Prabhakar Rao	Director
Sri Pavan Kumar Sanwar Mal	Director

REGISTERED OFFICE

Unit No.401, IVth Floor,
TOPAZ Building, Amrutha Hills,
Punjagutta, Hyderabad-500 082

SOFTWARE DIVISION

Apt # 1, Vishnu Smruti
425/35, TMV Colony,
Gultekadi, Pune- 411 037

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AUDITORS

M/s M.N. Rao & Associates
222, Amrutha Ville, Opp. Yashoda Hospital, Rajbhavan Road, Hyd - 82.

BANKERS

HDFC BANK LTD
Banjara Hills, Hyderabad – 500 034.

SHARE TRANSFER AGENTS

M/s. VENTURE CAPITAL & CORPORATE INVESTMENTS LTD.,
Progressive Towers, 3rd Floor, Khairatabad, Hyderabad-500 004.
Phone : 23322262, 23322264, Fax : 040-23324803.

LISTING AT

Bombay Stock Exchange Ltd.
The Hyderabad Stock Exchange Ltd.

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ANCENT SOFTWARE INTERNATIONAL LIMITED

NOTICE TO THE SHARE HOLDERS

NOTICE is hereby given that the 17th **ANNUAL GENERAL MEETING** of **M/s. ANCENT SOFTWARE INTERNATIONAL LIMITED,** will be held on Saturday, the 30th day of September, 2006 at 10.30 A.M. at The Hyderabad Gymkhana, near L.V. Prasad Eye Institute, Road No.2, Banjara Hills, Hyderabad-500 034, 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 and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Smt. C. Jhansi Lakshmi, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sri C. Prabhakar Rao, who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint Statutory auditors and to fix their remuneration.

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By Order of the Board of Directors

Sd\-

(C. ASHOK BABU)

Managing Director

Place : Hyderabad

Date : 03.09.2006

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ANCENT SOFTWARE INTERNATIONAL LIMITED

NOTES:

1. An Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business is annexed hereto.
2. A Member entitled to attend and vote at the meeting is entitled to appoint and vote instead of himself/herself and such proxy need not be a member of the company. Proxy forms to be valid shall be lodged at the Registered Office of the company not less than 48 hours before the meeting.
3. The Register of members and share transfer books of the company will remain closed from 26th September 2006 to 30th September 2006 (both days inclusive).
4. Members are requested to notify immediately changes if any, in their addresses to the Company quoting their folio number.
5. Members who are holding shares in identical order of names in more than one folio are requested to send to the company the details of such folios together with the share certificates for consolidating their holdings in one folio. The Share certificates will be returned to the members after making requisite changes thereon.
6. Share certificates along with transfer deeds should be forwarded to the registrars and share transfer agents of the company in physical form at the following address:

M/s. VENTURE CAPITAL & CORPRATE INVESTMENTS LTD.,
Progressive Towers, 3rd Floor, Khairatabad, Hyderabad-500 004.
Phone : 23322262, 23322264, Fax : 040-23324803.

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7. Members desiring to seek any information on the annual accounts are requested to write to the company at an early date to enable compilation of information.
8. Reappointment of Directors

   Information on Directors seeking appointment /reappointment is furnished below as per Clause 49 of the Listing Agreement with the Stock Exchanges.

   1) Smt. C. Jhansi Lakshmi
   2) Sri C. Prabhakar Rao

By Order of the Board of Directors

Sd\-

(C. ASHOK BABU)

Managing Director

Place : Hyderabad

Date : 03.09.2006

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ANCENT SOFTWARE INTERNATIONAL LIMITED

DIRECTORS REPORT

To

The Members of **Ancent Software International Limited,**

Hyderabad.

We have pleasure in presenting the 17th Annual Report and the Audited Statement of Accounts for the Financial Year ended 31.03.2006.

FINANCIAL RESULTS:

	Current Year 2005-06 (Rs. In Lakhs)	Previous Year 2004-05 (Rs. In Lakhs)
Income	75.82	69.05
Profit before Interest and Depreciation	20.65	20.91
Interest	2.54	1.58
Depreciation	15.26	11.66
Profit before Tax	5.39	7.67
Provision for Taxation	0.50	—
Net Profit	3.39	4.21

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OPERATIONS:

During the year under review your company has earned a total income of Rs. 75.82 Lakhs and incurred a Net Profit of Rs. 3.39 Lakhs as against an income of Rs. 69.05 Lakhs and Net Profit of Rs. 4.21 Lakhs in the previous year. During the year company has earned income from Software Development of Rs. 71.01 lakhs and Other Income of Rs. 4.80 Lakhs. Your Directors are confident that the company will achieve better results in the coming years.

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DIVIDEND:

Due to insufficiency of Profit your directors could not recommend Dividend on the Capital.

DIRECTORS:

Smt. C. Jhansi Lakshmi and Sri C. Prabhakar Rao, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for reappointment

AUDITORS:

M/s. M.N.Rao & Associates, Chartered Accountants, Hyderabad will retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

DIRECTORS RESPONSIBILITY STATEMENT:

In pursuance of Section 217(2AA) of the Companies Amendment Act, 2000, your directors confirm:

(i) that in the preparation of accounts under report the applicable accounting standards have been followed along with proper explanations relating to material departure.

(ii) 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 affairs of the company at the end of the financial year and of the profit and loss account for the period.

(iii) That the directors taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the act for safeguarding the assets of the company and for preventing and deleting fraud and other irregularities.

(iv) That the directors had prepared the annual accounts on the going concern basis.

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ANCENT SOFTWARE INTERNATIONAL LIMITED

CORPORATE GOVERNANCE:

Your Company has taken necessary measures to comply with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges in respect of Corporate Governance.

A report on corporate governance along with a certificate of compliance from the Auditors and also the Management Discussion and Analysis report are annexed separately to this Annual Report.

PARTICULARS OF EMPLOYEES:

No employee was in receipt of remuneration exceeding the limits prescribed under section 217(2A) of the Companies Act, 1956 and the rules framed there under, as amended to date.

FIXED DEPOSITS:

Your Company has not accepted any deposit and as such no amount of principal or interest was outstanding on the date of the Balance Sheet.

INFORMATION UNDER SECTION 217 (1) (E) OF THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

a) Conservation of Energy:

The operations of the company involve very low energy consumption. However adequate measures have been taken to conserve the more energy.

b) Technology Absorption:

The Company has not imported any Technology.

c) Foreign Exchange Earnings & Outgo:

Foreign Exchange Earnings : 14.54

Foreign Exchange Outgo : Nil

GENERAL:

The Company's shares are listed on Mumbai and Hyderabad Stock Exchanges and the listing fee for the year 2005-2006 has been paid, and for Hyderabad Stock Exchange Ltd. the Listing Fee is not yet paid.

APPRECIATION:

The Directors wish to place on record their appreciation to employees at all levels for their co-operation. Your directors would also acknowledge the continued support of the company's shareholders.

By Order of the Board of Directors

Sd\-

(C. ASHOK BABU)

Managing Director

Place : Hyderabad

Date : 03.09.2006

Sd\-

(C. JHANSI LAKSHMI)

Director

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ANNEXURE TO THE DIRECTOR'S REPORT
COMPLIANCE REPORT ON CORPORATE GOVERNANCE

Company's philosophy on corporate governance

A strong governance process is integral to business success. For an important reason: a broad based governance initiative harmonizes the interest of all shareholders.

At Ancent, a commitment to a mature governance process is leading to stronger business prospects, a growth of business partners (customers and suppliers), enhanced employee and investor wealth as well as an increased societal development at large.

Board of Directors

Composition of the Board

The Board of Directors of Ancent consists of Seven directors. Of these, one is Managing Director, Two is Executive Director and Four are Non-Executive. The composition of the Board during the financial year under review is presented in detail in the table 1.

Number of Board Meetings

During the financial year under review, the Board of Directors met 6 times on 30.04.2005, 30.07.2005, 02.09.2005, 31.10.2005, 19.12.2005 and 31.01.2006. As stipulated in Clause 49, the maximum time gap between any two meetings was not more than four months.

Director's Attendance Record and Directorships

Details are given in Table 1.

Table: 1 Details of the Board of directors:

Name of the Director	Executive / Non-Executive Director	No. of meetings Held during his Tenure	No. of meetings Attended	Whether Attended Last AGM	No. of Outside directorships
C. Ashok Babu	Executive	6	6	Yes	2
N. Rohit Reddy	Executive	6	6	Yes	1
C. Jhansi Lakshmi	Non Executive	6	6	Yes	2
Yuvraj Karan	Non Executive	6	6	Yes	2
C. Prabhakar Rao	Non Executive	6	6	Yes	0
Pavan Kumar Sanwarmal	Non Executive	6	4	Yes	8

Information Supplied to the Board

Ancent believes in providing the directors all relevant and required information to enable them make well informed decisions. The following information is regularly placed before the Board:

- Annual Budget
- Quarterly and Half Yearly results of the Company.
- Minutes of Audit committee and other Committee meetings.
- Information on recruitment and remuneration of any Sr. Manager just below the board.
- Any material defaults in financial obligations to and by the company in any aspect.
- Disclosures by management on material transactions if any including potential conflict of interest.
- Strategic and operational plans for running the business.

The Board of Directors is presented with detailed notes with required annexure on the above heads. These are presented as a part of the agenda papers of the meeting or directly tabled at the Board meetings.

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