

SEVENTEENTH ANNUAL REPORT 2008-2009

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Encore Software

CORPORATE INFORMATION

DIRECTORS

Mr. Vinay L. Deshpande

Chairman & CEO

Mrs. Chhanda Deshpande

Executive Director

Mr. J. Suri

Director

Prof. V. Rajaraman

Director

MANAGEMENT TEAM

Mr. Vinay L. Deshpande

Chairman & CEO

Mrs. Chhanda Deshpande

Executive Director

Mr. Mark Mathias

President

Mr. Shashank Garg

Vice President

Mr. M P Vasuki

Vice President

Mr. Kaushik V Shah

General Manager

AUDITORS

Ishwar & Gopal

Chartered Accountants

BANKERS

Syndicate Bank

REGISTERED OFFICE

Leo Complex, 6th Floor

44 & 45, Residency (Cross) Road

Bangalore - 560 025

Ph : 080-4080 8080

Web : www.ncoretech.com

USA OFFICE

20590 Shady Oak Lane

Cupertino, CA 95014

USA

SHARE TRANSFER AGENTS

Alpha Systems Pvt Ltd

30, Ramana Residency, 4th Cross

Sampige Road, Malleswaram

Bangalore 560 003

Phone : 23460815-818

Fax : 23460819

NOTICE

NOTICE is hereby given that the 17th Annual General Meeting of the members of the Company will be held at 4.00 p.m. on Monday, the 31st August, 2009 at Hotel Ajantha, MG Road, Bangalore 560 001 to transact the following business :

ORDINARY BUSINESS :

- 1 To receive, consider and adopt the Audited Balance Sheet as at March 31, 2009, and the Profit and Loss Account for the year ended on that date, together with the Reports of the Directors and Auditors there on.
- 2 To appoint a Director in place of Mr. J Suri, who retires by rotation, and being eligible offers himself for reappointment
- 3 To appoint auditors and authorise the Board to fix their remuneration.

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER. THE INSTRUMENT APPOINTING PROXY, IN ORDER TO BE EFFECTIVE, SHOULD REACH THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE MEETING.
2. The Register of Members and ShareTransfer Books of the Company will remain closed on 31st August, 2009
3. The Shares of the Company are compulsorily traded in electronic form. Members are requested to inform the Company's Registrars and Share Transfer Agents viz., Alpha Systems Pvt.Ltd., Unit: Encore software Limited, 30, Ramana Residency, Ground Floor, 4th Cross, Sampige Road, Malleswaram, Bangalore-560003, about the changes, if any, in their registered addresses, along with the PIN Code number quoting their folio number. All correspondence relating to transfer of Shares may be sent directly to the aforesaid transfer agents of the Company.
4. Members are requested to bring their copies of the Annual Report to the meeting.
5. Pursuant to SEBI notification no. MED / DOP / Circular / 05/2009 dated May 20, 2009, it has become mandatory for the transferee(s) to furnish copy of PAN card to the Company / RTA to enable / effect transfer of Shares in physical form.

Date : July 29, 2009
Place : Bangalore

By order of the Board

Vinay L Deshpande
Chairman & CEO

DIRECTORS' REPORT

Your Directors are pleased to present the Seventeenth Annual Report of the Company together with the Audited Statement of Accounts for the year ended March 31, 2009.

FINANCIAL RESULTS

(Rs. In Million)

| Particulars | Year ended March 31, 2009 | Year ended March 31, 2008 |
|------------------------------------|------------------------------|------------------------------|
| Operating Income | 11.13 | 44.99 |
| Gross Profit/(Loss) after Interest | | |
| But Before Depreciation and Tax | (61.72) | (41.68) |
| Less: Depreciation | 1.38 | 1.45 |
| Provision for Tax | 0.14 | 0.16 |
| Profit/(Loss) after Tax | (63.24) | (29.25) |
| Transfer to Reserve | NIL | NIL |

OPERATIONS AND DIVIDEND

Owing to the continuing focus on the Brazil project, which is yet to result in firm orders, your Company had another loss-making year. However, due to further progress there, the Company is confident of exhibiting better performance during 2009-2010.

INDUSTRY OUTLOOK

While *MIDs* and *netbooks* continue to grow in popularity worldwide, the domestic Indian market, too, is exhibiting signs of adopting mobile computing devices now. This growing interest is expected to be converted into a significant market opportunity for your Company, especially in the e-Governance and Enterprise sectors in India, during the next fiscal.

MOBILE COMPUTING PRODUCTS

During the year under review, the Company made further progress in the One-Computer-per-Student project ("UCA") planned by the Ministry of Education, Government of Brazil. As indicated in the last Annual Report, the Brazilian Government did invite a new tender on December 17, 2008, and your Company's proposed partners there, COMSAT, actually succeeded in being the lowest bidder. They were therefore, invited to submit 10 samples for verification of compliance with the tender specifications. Your Company did supply 10 samples on the 19th of December 2008, despite realizing that it would fall short of one specification (DRAM of 512MB), which had been introduced by the Brazilian Government just one week before the tender and lodged a protest about that last-minute change in specifications. The Government did accept your Company's contention and asked to submit ten additional samples meeting the DRAM spec. too, by January 25, 2009. Your Company did submit ten more samples on that date, and they have been tested and found to meet the specs. Your Company is now awaiting the award of the formal purchase order but the order process is known to be very cumbersome and involves verification by the Brazilian Government of the financial qualification of COMSAT.

Meanwhile, the industrial design of the Mobilis has been changed as indicated in the last Annual Report and twenty five (25) prototypes have been produced by the rapid prototyping technique.

A version with a built-in fingertip area scanner and two smart-card reader/writers has also been produced by the rapid-prototyping method for the various financial-inclusion projects being planned by the Central and various State Governments in India.

The MIMOS project in Malaysia, however, has not yet launched large-scale manufacturing that your Company has been expecting and therefore royalties from MIMOS on account of the production in Malaysia have not yet commenced.

The *Mobile Ticketing Terminal (MTT)* – which your Company developed in collaboration with SAYCO of Trichy for bus ticketing and Point-of-Sale applications has commenced commercial production during the year under review and is expected to generate additional revenues for your Company by way of royalty, during the coming year.

SATHI

The SATHI continues to be a disappointment; no orders for the *SATHI* have yet materialized during this period. Your Company nevertheless, continues to pursue efforts for orders from the Army and continues to be hopeful that a start will be made in the ensuing fiscal.

FLOSOLVER

Two more eight-node clusters of the *Flosolver*, the high-performance computing cluster developed by Encore in collaboration with the National Aerospace Laboratories (NAL) last year have been delivered to and installed at two laboratories nominated by CSIR. With this only one *Flosolver* cluster ordered by and delivered to NAL during 2007-08, remains to be installed and is expected to be installed during the coming year.

NASDO

The NASDO (Naval Aircraft Servicing and Development Organization) Aircraft Publication System project, comprising of three sub-systems, viz, Client Interface Platform (CIP), Air Publication Network Interface (APNI) and Air Publication Reader Tablet (APRT) was completed in the year past and field trials of these have been successfully completed during the year leading to enlisting of these as "single-vendor items" by the Navy. Larger supply orders for the same will be placed on your Company during the following year.

TECHNOLOGY SOLUTIONS

During the past year, the Technology Solutions Group concentrated its efforts on stabilising the VOIP product solutions and on development of video and audio algorithms which were initiated in the previous year. While some of these have been completed, others have been put on a slower development roadmap because of the ongoing recession. The recession also affected the revenues due to delays in mass production at your Company's customers' end, and the expected royalty revenue could not hence be realized during this year. However, the latter half of the forthcoming year should see an improved situation with a couple of customers' products expected to roll out.

OVERSEAS OPERATIONS

The Wholly-Owned Subsidiary in the United States (Ncore USA Inc) continues to be kept alive in order to have a base when the market for your Company's affordable information appliances starts growing there. In line with the decision taken last year by the Board of Directors, the Company has formally applied to the Singapore authorities withdrawing the nomination of Mr. Vinay Deshpande as a Member of the Board of Directors of Encore Technologies, Singapore.

RISKS AND CONCERNS

The discussions initiated with a large group with plans for all-India presence for licensed manufacturing and distribution of your Company's affordable information appliances worldwide, are in an advanced stage.

CORPORATE GOVERNANCE

Being constantly committed to good Corporate Governance, your Company consistently follows sound corporate governance practices including appropriate internal control structures which ensure strict compliance with legal requirements and reliable financial reporting and also ensures that management implements and maintains effective business controls including internal financial controls which are monitored on a self-assessment basis and by audits performed by internal and external Auditors. These steps lead to increase transparency and accountability to the Company's Shareholders.

A detailed Corporate Governance Report has been provided in Annexure 'B' and the Auditors' Report on Corporate Governance is provided in Annexure 'C'.

PARTICULARS OF EMPLOYEES

There was no employee drawing remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Company's Articles of Association, Mr. J. Suri, Director, retires by rotation, and being eligible offers himself for re-appointment.

AUDIT COMMITTEE

Audit Committee constituted by the Board of Directors with requisite composition to fall in line with the prevailing laws continued to discharge its functions during the year under report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors have fulfilled their responsibility for the preparation of the accompanying Financial Statements by taking all reasonable steps to ensure that:

- these statements have been prepared in conformity with generally accepted accounting principles and appropriate accounting standards. Judgments and estimates that are reasonable and prudent have been made where necessary.
- the accounting policies selected and applied consistently give a true and fair view of the Financial Statements.
- the Company has implemented internal controls to provide reasonable assurance of the reliability of its financial records, proper safeguarding and use of its assets and detection of frauds and irregularities. Such controls are based on established policies and procedures and are implemented by trained, skilled and qualified personnel with an appropriate segregation of duties.

The Company's Statutory Auditors, Messrs, Ishwar & Gopal, Chartered Accountants, have audited the Financial Statements in accordance with generally accepted auditing standards and practices as indicated in their report.

GOING CONCERN

In view of the initiative taken in development of diversified products which promise potential business, the Directors consider it appropriate to adopt the Financial Statements on a going concern basis.

AUDITORS

Messrs Ishwar & Gopal, Chartered Accountants, the retiring Auditors of the Company hold office until the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. The Company has received a certificate from them that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as prescribed under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars of Board of Directors) Rules, 1988, have been set out in Annexure 'A' and form an integral part of this Report.

ACKNOWLEDGEMENTS

The Board expresses its gratitude to the Company's customers, vendors, bankers, and employees and other well-wishers for their continued support.

Appreciation is placed on record for the confidence reposed in the Company by its Shareholders.

For and on behalf of the Board

Place: Bangalore
Date: July 29, 2009

Vinay L Deshpande
Chairman & CEO

ANNEXURE "A" TO THE DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

A Conservation of Energy

The operations of the Company are not energy intensive. Adequate measures have been taken to conserve and optimize the use of energy through improved operational methods.

B Technology Absorption and Research & Development (R&D)

The Company uses the latest technology available in modern technology applications. Indigenous technology available is continuously being upgraded to improve overall performance. The Company has a dedicated team of technically competent personnel who relentlessly work on technology upgradation and development related fields. Research and Development continues to be given very high priority in Software Technology in the area of telecommunications, and hardware technology in the area of embedded systems.

C Foreign Exchange Earnings & Outgo

Total Foreign Exchange Earnings during the year was Rs. 7.94 Millions as against Rs. 21.43 Millions in the previous year. Total Foreign Exchange Outgo during the year amounted to Rs. 4.95 Millions as against Rs. 2.64 Millions in the previous year.

**Annexure "B" to the Directors' Report
REPORT ON CORPORATE GOVERNANCE**

1 PHILOSOPHY ON CORPORATE GOVERNANCE

While the Industry Outlook and the Company's future plans are provided in the main part of the Directors' Report, your Directors wish to share additional information with you. The Board represents the stakeholders' interests in terms of safety and return on their investments. It is further responsible to the various constituents of business viz. Employees, customers, and vendors and to the society where it operates. Customer satisfaction has been the chief motto of the Company.

2 MEANS OF COMMUNICATION

- a. Quarterly results of your Company are published regularly in The Financial Express and Sanjevani (English and Kannada, respectively).
- b. The quarterly results and the shareholding pattern are displayed on the Company's website: www.ncoretech.com, together with the official news releases, awards and recognition for Company's products.

3 STOCK EXCHANGE LISTING

- a. The transactions with respect to your Shares shall be conducted only in Electronic form and are listed on The Bombay Stock Exchange Limited, Mumbai, 25th Floor, P J Towers, DalalStreet Fort, Mumbai – 400 001

The Scrip Code is 531750

4 BOARD OF DIRECTORS

The Company has a well-constituted Board comprising of four Directors, who possess rich corporate experience, the composition being as follows:

| Category of | Names of Directors | Number of Directors | Composition % | No. of Directorships Companies | No. of Chairmanship other companies | No. of Memberships in other companies |
|---|--|---------------------|---------------|--------------------------------|-------------------------------------|---------------------------------------|
| i) Promoter Chairman & CEO Executive Director | Vinay L Deshpande Chhanda Deshpande | 2 | 50 | 02 Nil | Nil Nil | 01 Nil |
| ii) Independent & Non executive Directors | Jagannathan Suri Prof. V Rajaraman | 2 | 50 | 01 Nil | 0 Nil | 1 1 |
| Total | | 4 | 100 | | | |

The Board is primarily responsible for the overall management of the Company's affairs. All the Directors have good understanding of important business aspects, both generic and specific to Encore Software Ltd.

5 PARTICULARS OF BOARD AND GENERAL MEETINGS

Board Meetings are normally held at the Registered Office of the Company and with sufficient notice along with Agenda and Notes circulated ahead of the Meetings. Five Board Meetings were held between April 1, 2008 to March 31, 2009 on the following dates: May 25, 2008; June 24, 2008; July 29, 2008; October 24, 2008 and January 23, 2009. The last three Annual General Meetings were held on dates, places, and times as below:

1. 16th Annual General Meeting held at 4.00 pm on September 19, 2008, at Hotel Ajantha, M G Road, Bangalore- 560 001.
2. 15th Annual General Meeting held at 4.00 pm on September 27, 2007, at Hotel Ajantha, M.G. Road, Bangalore- 560 001.
3. 14th Annual General Meeting held at 3.30 pm on September 29, 2006, at Hotel Ajantha, M.G. Road, Bangalore- 560 001.

6 ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND THE LAST ANNUAL GENERAL MEETING:

| Director | No. of Board Meetings held | No. of Board Meetings attended in person | No. of Board Meetings participated through teleconference/video conference | Attendance at the 16 th AGM held (Yes/No) |
|-------------------|----------------------------|--|--|--|
| Vinay L Deshpande | 5 | 5 | Nil | Yes |
| Chhanda Deshpande | 5 | 5 | Nil | Yes |
| Jagannathan Suri | 5 | 5 | Nil | Yes |
| Prof. V Rajaraman | 5 | 5 | Nil | Yes |

7 REMUNERATION PAID TO INDEPENDENT DIRECTORS

Sitting Fee of Rs. 1,500/- per Director per meeting of the Board or its Committee is being paid. None of the Non-Executive Independent Directors of the Company has any pecuniary relationships or transactions with the Company.

8 DISCLOSURES REGARDING SUSPENSE ACCOUNT PURSUANT TO SEBI CIRCULAR NO. ESBI/CFD/DIL/LA/1/2009/24/4 DATED APRIL 24, 2009

As per the above mentioned circular, Clause 5A stands for shares issued pursuant to the public issue or any other issue which remained unclaimed and are being in the escrow account and any unclaimed benefits like dividend bonus shares etc. which are to be credited to the Demat Suspense Account. Which being the first year after the circular coming into force from April 2009, your Company is taking steps to streamline all the requirements.

9 OTHER DISCLOSURES

1. Related-party transactions: Mentioned under Note 16.6 of the Notes to Accounts.
2. Non-compliance with Stock Exchange/SEBI requirements - None

10 COMPLIANCES

The Company is equipped with professional skills to ensure compliance with legal requirements. The Secretarial and Legal Department is headed by the Compliance Officer who is responsible for ensuring compliance with the Companies Act and allied laws, SEBI/Stock Exchange rules and other regulations.

11 POSTAL BALLOT

The concept of Postal Ballot was introduced by the Companies (Amendment) Act, 2000. The Company will comply with the provisions of law, whenever so required.

No resolution was passed through Postal Ballot during the year under review in terms of Section 192A of the Companies Act, 1956 and the Companies (Passing of Resolution by Postal Ballot) Rules, 2001.

12 AUDIT COMMITTEE

The Audit Committee comprises of one Non-Executive independent Director and a Chairman who is also a Non-Executive Independent Director. The key functions of the Committee are:

- 1 Reviewing with the Management the annual Financial Statements before submission to the Board and reviewing any activity coming under its reference.
- 2 Overseeing the Company's financial reporting and public disclosure processes to ensure that Financial Statements are correct, sufficient, and credible.
- 3 Recommending the appointment and termination of services of External and Internal Auditors, making recommendations on fee levels and determining the fees payable for any other services.
- 4 Reviewing the efficacy of the internal control mechanism and the risk management policies of the Company including the scope and structure of the internal audit function.

The members of the Committee are senior professionals in the fields of finance, engineering and administration with significant business expertise. Auditors are invitees to the Meetings hereof. The Committee met five times during the financial year 2008-2009: on May 25, 2008; June 24, 2008; July 29, 2008; October 24, 2008 and January 23, 2009. Attendance details are set out below:

| Members | No. of meetings | No. of meetings attended in person | No. of meetings participated through teleconference/video conference |
|-------------------|-----------------|------------------------------------|--|
| Jagannathan Suri | 5 | 5 | NIL |
| Prof. V Rajaraman | 5 | 5 | NIL |

The Company has initiated steps to fill up one vacancy in the Audit Committee

The Audit Committee invites such additional persons including the Auditors as may be desired necessary from time to time to its meetings.

13 COMPENSATION COMMITTEE

The Compensation Committee comprises of two Non-Executive Directors including its Chairman and another independent Director.

The Committee performs the following key functions:

- 1 Periodically reviewing the compensation and benefits for Executive Directors and senior management.
- 2 Reviewing the Employee Stock Option Plan of the Company and related issues.

The primary objective of the Committee is to attract and retain the best talent and to ensure continuous generation of enthusiasm and motivation in them.

14 SHAREHOLDERS' GRIEVANCES COMMITTEE

The Committee comprises two Non-Executive Directors.

The Committee reviews the redressal of demat issues and grievances such as transfer of Shares, non-receipt of Shares, non-receipt of Annual Reports and the like.

The Committee met five times during the financial year 2008-2009, from 1st April 2008 to 31st March 2009, on the following dates: May 25, 2008; June 24, 2008; July 29, 2008; October 24, 2008 and January 23, 2009. Attendance details are given below:

| Members | No. of meetings | No. of meetings attended in person | No. of meetings participated through teleconference/video conference |
|-------------------|-----------------|------------------------------------|--|
| Jagannathan Suri | 5 | 5 | NIL |
| Prof. V Rajaraman | 5 | 5 | NIL |

15 GENERAL SHAREHOLDER INFORMATION**A Seventeenth Annual General Meeting:**

| Date | Time | Venue |
|---|--------|---------------------------------------|
| August 31, 2009 | 4.00PM | Hotel Ajanta, M.G. Road, Bangalore |
| Financial Calendar: Financial Year | | April 2008 to March 2009 |
| First Quarter Results | | In June 2008 |
| Half Yearly Results | | In October 2008 |
| Third Quarter Results | | In January 2009 |
| Results for the year ended 31st March, 2009 | | By fourth week of June 2009 |
| Book Closure Date | | 31st August 2009 |
| Scrip Code | | 531750 |
| Stock Exchange | | The Bombay Stock Exchange Ltd, Mumbai |
| International Securities Identification Number (ISIN) for National Securities Depository Limited (NSDL) and Central Depositories Services (India) Limited (CDSL): | | |
| INE- INE103B01012 | | |

C Share Transfer System

All the transfers received are processed and approved by the Shareholders Grievance Committee at its meeting or by circular resolutions.

The Company's Registrars and Share Transfer Agents, Alpha Systems Private Limited (Alpha) have adequate infrastructure to process the share transfers. The Committee meets to approve the transfers etc., as may be required by the Registrars and Share Transfer Agents in compliance with Listing Guidelines. They are the Registrars and Transfer Agents for both physical and electronic mode of transfer of shares. Transfer of Shares held in the physical mode are approved within a maximum period of 15 days, if found in order, in all respects, Shares under objection are returned within 7 days.

Alpha Systems Pvt. Ltd.

No. 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore - 560 003.

Shareholders' correspondence should be addressed to the Company's Registrar and Transfer Agents at the above mentioned address. Members may also write to the Compliance Officer at the Registered Office of the Company as stated below:

The Compliance Officer**Encore Software Limited**

Leo Complex, 6th Floor, # 44 & 45 Residency Cross Road, Bangalore - 560 025.

Periodically, audits are carried out at the office of the Share Transfer Agents by independent Practising Company Secretary and requisite Certificates/Reports are obtained.

D Works Location:

The Company's Works location is at the premises of the Registered Office at Bangalore.

E Registered Office / Address for correspondence**Encore Software Limited**

Leo complex, 6th Floor #44 & 45 Residency (Cross) Road, Bangalore-560 025

Phones: 080-4112 4291/292 Fax: 080-2558 7690 E-mail: info@ncoretech.com

F Foreign Offices

The Company's relationship and holding with respect to foreign ventures are given below:

| Company | Location | Relationship | Holding by ESL |
|-------------------------------------|-----------|-------------------------|----------------|
| Encore Technology Singapore Pte Ltd | Singapore | Joint Venture | 38.02% |
| Ncore USA | USA | Wholly Owned Subsidiary | 100.00% |

G Shareholding Pattern: (as on March 31, 2009)**(I) (a) STATEMENT SHOWING SHARE HOLDING PATTERN**

Name of the Company : ENCORE SOFTWARE LIMITED

Scrip Code : 531750

Quarter ended : 31.03.2009

| Category Code | Category of share holder | Number of share holders | Total of share | Number of shares Held in Dematerialised form | Total share Holding as a Percentage of Total Number of share | | Shares pledged or otherwise encumbered | |
|---------------|---|-------------------------|----------------|--|--|---------------|--|----------------------|
| | | | | | As a % of (A+B) | As of (A+B+C) | Number of Shares | As a Percentage |
| (I) | (II) | (III) | (IV) | (V) | (VI) | (VII) | (VIII) | (IX)=(VIII/(IV)-100) |
| (A) | Shareholding of Promoter And Promoter Group 2 | | | | | | | |
| (1) | Indian | | | | | | | |
| (a) | Individuals/Hindu Undivided Family | 2 | 3520 | 35320 | 0.55 | 0.55 | 0 | 0 |
| (b) | Central Government/State Government(s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (c) | Bodies Corporate | 1 | 32091 | 32091 | 0.50 | 0.50 | 0 | 0 |
| (d) | Financial Institutions/Banks | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (e) | Any Other (Specify) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Sub-Total (A)(1) | 3 | 67411 | 67411 | 1.04 | 1.04 | 0 | 0 |
| (2) | Foreign | | | | | | | |
| (a) | Individuals (Non- Resident) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Individuals/Foreign Individuals | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (b) | Bodies Corporate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (c) | Institutions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (d) | Any Other (specify) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Sub-Total (A)(2) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2) | 3 | 67411 | 67411 | 1.04 | 1.04 | 0 | 0 |
| (B) | Public shareholding [3] | | | | | | | |
| (1) | Institutions | | | | | | | |
| (a) | Mutual Funds/UTI | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (b) | Financial Institutions/ Banks | 1 | 5000 | 5000 | 0.08 | 0.08 | 0 | 0 |
| (c) | Central Government/ State Government(s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (d) | Venture Capital Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (e) | Insurance Companies | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (f) | Foreign Institutional Investors | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (g) | Foreign Venture Capital Investors | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (h) | Any Other (specify) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Sub-Total (B)(1) | 1 | 5000 | 5000 | 0.08 | 0.08 | 0 | 0 |
| (2) | Non-institutions | | | | | | | |
| (a) | Bodies Corporate | 146 | 1298455 | 1298355 | 20.06 | 20.06 | 0 | 0 |
| (b) | Individuals - | | | | | | | |
| i. | Individual shareholders holding nominal share capital up to Rs. 1 lakh. | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 3506 | 2259928 | 2234488 | 34.92 | 34.92 | 0 | 0 |
| ii. | Individual Shareholders holding nominal share capital in excess of Rs. 1 lakh. | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 67 | 2401529 | 2401529 | 37.11 | 37.11 | 0 | 0 |
| C | Any Other (specify) | | | | | | | |
| | NRI | 37 | 406721 | 365721 | 6.28 | 6.28 | 0 | 0 |
| | Clearing Member | 16 | 32456 | 32456 | 0.50 | 0.50 | 0 | 0 |
| | Sub-Total (B)(2) | 3772 | 6399089 | 6332549 | 98.88 | 98.88 | 0 | 0 |
| | Total Public Shareholding (B)=(B)(1)+(B)(2) | 3773 | 6404089 | 6337549 | 98.96 | 98.96 | 0 | 0 |
| | TOTAL (A)+(B) | 3776 | 6471500 | 6404960 | 100 | 100.00 | 0 | 0 |
| (C) | Shares held by Custodians and against which Depository Receipts have been issued | | | | | | | |
| | GRAND TOTAL (A)+(B)+(C) | 3776 | 6471500 | 6404960 | 100 | 100 | 0 | 0 |

H Distribution of shareholding according to size class as on 31st March, 2009:

ENCORE SOFTWARE LIMITED
DISTRIBUTION OF HOLDINGS AS ON 31.03.2009

| Shares holding (1) | Share Holders | | Shares | |
|-----------------------|---------------|-------------------|-----------------------|--------|
| | Number (2) | % to total (3) | % to total (4) (5) | |
| Upto 5,000 | 3609 | 95.58 | 2030674 | 31.38 |
| 5,001—10,000 | 67 | 1.77 | 509005 | 7.87 |
| 10,001—20,000 | 48 | 1.27 | 701180 | 10.83 |
| 20,001—30,000 | 16 | 0.42 | 395618 | 6.11 |
| 30,001—40,000 | 4 | 0.11 | 133985 | 2.07 |
| 40,001—50,000 | 11 | 0.29 | 513316 | 7.93 |
| 50,001—1.00,000 | 12 | 0.32 | 814577 | 12.59 |
| 1,00,001—and above | 9 | 0.24 | 1373145 | 21.22 |
| Total | 3776 | 100 | 6471500 | 100.00 |

I Shares held in Physical and Electronic mode

| Categories | Position as on 31.03.2009 | |
|--------------|---------------------------|-------------------------|
| | No. of Shares | % to total shareholding |
| Physical | 66540 | 1.03 |
| Demat - NSDL | 4398592 | 67.97 |
| Demat - CDSL | 2006368 | 31.00 |
| Total | 6471500 | 100.00 |

J Registrar and Share Transfer Agents:

Alpha Systems Private Limited
 No. 30, Ramana Residency
 4th Cross, Sampige Road
 Malleswaram, Bangalore – 560 003
 Tel: 080-23460815 Fax: 080-23460819

Shareholders holding Shares in electronic mode should address all their correspondence to their respective Depository Participant (DP)

K Nomination Facility:

The Companies (Amendment) Act, 1999 introduced through Section 109A, the facility of nomination to share / debenture / deposit holders. The facility is mainly useful for all holders holding the shares / debentures / deposits in single name.

Investors are advised to avail of this facility, especially investors holding securities in single name to avoid the lengthy process of transmission formalities.

The nomination form may be had on request from the Company / Registrars & Share Transfer Agents. However, if the Shares are held in dematerialized form, the nomination has to be conveyed by the Shareholders to their respective Depository Participant (DP) directly, as per the format prescribed by them.

L Market Price

The Share price data at The Stock Exchange, Mumbai for 12 months ended March 31, 2009 are furnished below:

| Month | Highest (Rs) | Lowest (Rs). |
|----------------|--------------|--------------|
| April 2008 | 20.84 | 13.55 |
| May 2008 | 17.80 | 15.00 |
| June 2008 | 15.60 | 12.10 |
| July 2008 | 12.85 | 10.10 |
| August 2008 | 12.89 | 10.00 |
| September 2008 | 14.90 | 08.05 |
| October 2008 | 10.25 | 04.01 |
| November 2008 | 07.05 | 04.10 |
| December 2008 | 07.45 | 04.60 |
| January 2009 | 07.28 | 05.75 |
| February 2009 | 06.25 | 04.60 |
| March 2009 | 04.77 | 03.57 |

Place : Bangalore
 Date : July 29, 2009

For and on behalf of the Board
 Vinay L Deshpande
 Chairman & CEO

ANNEXURE "C" TO THE DIRECTORS' REPORT

Auditors' Report on Corporate Governance
(Forming part of Directors' Report dated July 29, 2009)

To the Members of Encore Software Limited

We have examined the compliance of conditions of Corporate Governance by ENCORE SOFTWARE LIMITED for the year ended on March 31, 2009, 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 implementations thereof adopted by the Company for ensuring compliance with the conditions of the 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, except for composition of the Committees.

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 such compliance is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For Ishwar & Gopal
Chartered Accountants

Bangalore
June 26, 2009

K.V. Gopalakrishnayya
Partner

CEO & CFO Certification

We confirm that:

- 1 We have reviewed the Financial Statements including the Cash Flow Statement for the year and that to the best of our knowledge and belief:
 - the statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - the statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- 2 No transactions were entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct.
- 3 We accept responsibility for establishing and maintaining internal controls; we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the Auditors and to the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we were aware and the steps we had taken or propose to take to rectify those deficiencies.
- 4 We have disclosed to the Auditors and to the Audit Committee
 - significant changes, if any, in internal control during the year;
 - significant changes, if any, in accounting policies during the year and, the same have been disclosed in the notes to the Financial Statements; and
 - instances of significant fraud, if any, of which we had become aware and the involvement therein, if any, of the management or any employee having a significant role in the Company's internal control system.

Place : Bangalore
Date : June 26, 2009

Vinay L Deshpande
Chief Executive Officer