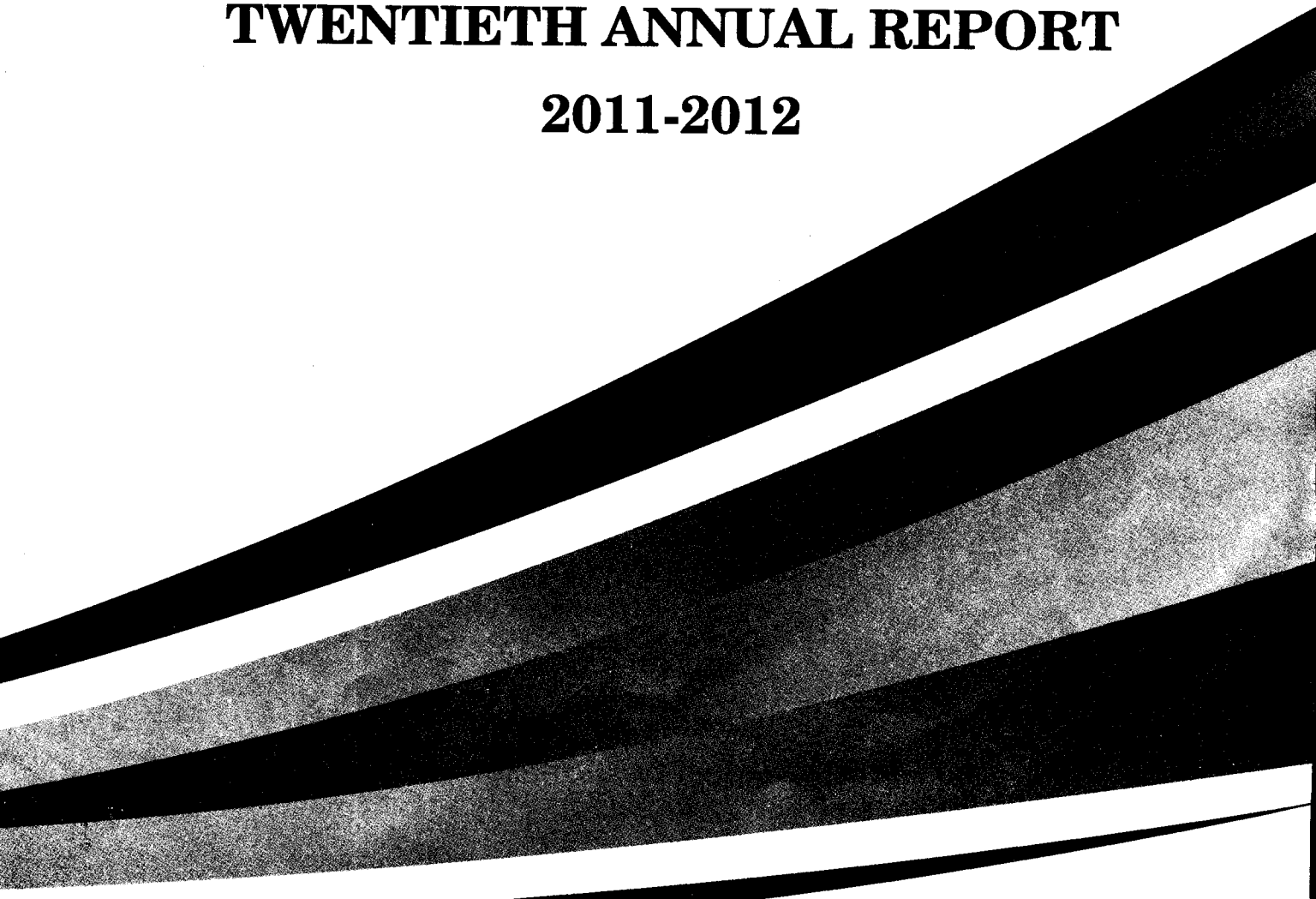




Encore Software

TWENTIETH ANNUAL REPORT
2011-2012



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. M P Vasuki	Vice President

AUDITORS

Messrs Ishwar & Gopal
Chartered Accountants

BANKERS

Syndicate Bank, Shoolay Branch, Bangalore 560 025

REGISTERED OFFICE

6th Floor, Leo Complex,
#44&45, Residency (Cross) Road
Bangalore 560 025
Ph: 080-4080 8080
Fax:080 2558 7690

USA OFFICE

20590 Shade Oak Lane
Cupertino, CA 95014
USA

SHARE TRANSFER AGENT

Integrated Enterprises (India) Limited
30, Ramana Residency, 4th Cross
Sampige Road, Malleswaram
Bangalore 560 003
Phone: 23460815-818
Fax: 23460819

NOTICE

NOTICE is hereby given that the 20th Annual General Meeting of the members of the Company will be held at 4.00 p.m. on Friday, 10th Day of August, 2012 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, 2012, 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 Prof. V Rajaraman, who retires by rotation, and who does not seek reappointment due to advancing age and in whose place a new Director be appointed by the Board of Directors.
3. To appoint auditors and authorize the Board to fix their remuneration.

By order of the Board

Date: May 30, 2012

Place: Bangalore

Vinay L Deshpande

Chairman & CEO

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 Share Transfer Books of the Company will remain closed on 10th August, 2012.
3. The listing fee has been paid to the Bombay Stock Exchange where the Company's shares are listed.
4. 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., Integrated Enterprises (India) Limited, Unit: Encore software Limited, 30, Ramana Residency, Ground Floor, 4th Cross, Sampige Road, Malleswaram, Bangalore – 560 003, 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.
5. Members are requested to bring their copies of the Annual Report to the Meeting.
6. 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.

By order of the Board

Date: May 30, 2012

Place: Bangalore

Vinay L Deshpande

Chairman & CEO

INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT:

As required under the Listing Agreement the particulars of Director who is proposed to be re-appointed are given below:

The Director liable to retire by rotation namely Prof. V Rajaraman does not seek reappointment due to advancing age.

By order of the Board

Date: May 30, 2012

Place: Bangalore

Vinay L Deshpande

Chairman & CEO

DIRECTORS' REPORT

Your Directors are pleased to present the Twentieth Annual Report of the Company together with the Audited Statement of Accounts for the year ended March 31, 2012.

FINANCIAL RESULTS:

(₹. In Million)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Operating Income	33.07	34.99
Gross Profit/(Loss) after Interest ,but before depreciation and tax	(17.15)	(24.12)
Less: Depreciation	0.89	1.63
Provision for Tax	Nil	Nil
Profit/(Loss) after Tax	(18.04)	(25.75)
Transfer to Reserve	Nil	Nil

OPERATIONS

While yet another difficult year has passed by, your Company has been able to trim its operations and move back towards profitability. Simultaneously, the Company has been patiently working towards reorienting the Company into new areas of business, so that we may turn out a better performance during 2012-2013.

INDUSTRY OUTLOOK

Despite the fact that the desire for affordable computing devices for Education continues to grow rapidly, the same has not resulted yet in any significant procurement of such devices in India, except for the laptop procurement by the Government of Tamil Nadu. However, it is expected that the new year might result in procurement of such devices on a larger scale, as several states intend implementing schemes to provide laptops to students.

The efforts of nationalized banks in India in pursuing rural and doorstep banking, however, seem to have met with some roadblocks as Business Correspondents who are expected to procure the hardware for this application, are beginning to find the remuneration (per transaction) offered by the banks rather uneconomical, resulting in low procurement of the hardware. If this issue can be satisfactorily resolved, the demand for mobile computing products such as those made by your Company will definitely grow, in the banking as well as other applications such as the Mahatma Gandhi National Rural Employment Guarantee Scheme (NREGS), the National Rural Health Mission (NRHM), and Aadhar –related applications.

As the Indian economy continues to grow, one interesting trend that is being observed in the market is the application of IT in industry and business, to improve efficiency and comply with international standards and best practices in some cases, especially in areas such as process control, logistics management, manufacturing track-and-trace of individual products, etc., which all require technologies and products such as those manufactured by your Company. However, the market requires solutions for these applications, rather than just hardware. Therefore, specialist knowledge in these areas of application, combined with expertise in hardware development and manufacturing, and the ability to develop application software in these specialized areas, are what the market is looking for.

MOBILE COMPUTING PRODUCTS

Owing to the lack of orders in this business, your Company has trimmed the workforce in this area, and has initiated efforts at reorienting the activities towards being able to offer products and solutions in Defence, process control, manufacturing track-and-trace, and logistics management, in addition to Education. During the new financial year, your Company expects to be able to convert these efforts into a few successful orders and deliveries.

Your Company's efforts in Brazil have not yet yielded the desired results, owing to complexities in the local situation there, but your Company continues to be strongly placed in the One-Computer-per-Student project of the Ministry of Education there, even though there has been a further delay in placement of purchase orders during this year. The proposed Joint Venture is expected to be established during the coming year.

SATHI

Your Company continues to remain hopeful of orders for the SATHI, as there seems to be a growing recognition of the need for procurement of Defence products from indigenous manufacturers. In addition, the Defence offsets opportunity may also lead to procurement of products such as the SATHI.

NASDO

The three products your Company custom-developed for NASDO (Naval Aircraft Servicing and Development Organization, Goa) -Client Interface Platform (CIP), Air Publication Network Interface (APNI), and Air Publication Reader Tablet (APRT), for NASDO's Aircraft Publication System project, are all actively in the process of procurement by NASDO for their next round of requirements, and your Company expects to receive firm orders from NASDO during the coming year.

TECHNOLOGY SOLUTIONS

The Technology Solutions Group continued to support customers with integration services in VOIP related product development. New solutions for modem over IP, video decoder software were developed. The forthcoming year will see the Group continue its focus on the two-pronged approach of software licences and system integration services based on our IP. It is also planning to significantly increase the manpower resources to strengthen the system solution offerings as well as new IP's.

OVERSEAS OPERATIONS

Ncore USA, the wholly-owned subsidiary in the United States, continues to be kept alive as in the past, in order to have a base when the market for your Company's affordable information appliances starts growing there. The investment made in the subsidiary is fully provided for under provision for diminution in the value of investments. Since the subsidiary has no assets or liabilities and has also not carried out any operations during the year under review, Consolidated Accounts have not been prepared.

RISKS AND CONCERNS

Aside from usual ups and downs of any business, the Company does not foresee any special risks or concerns for the coming year.

CORPORATE GOVERNANCE

Being constantly committed to good Corporate Governance, your Company continues to follow 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 increased 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, Prof V Rajaraman, Director, retires by rotation and he does not seek reappointment due to advancing age. Your Directors profusely thank Prof. V Rajaraman for long association, continuous guidance and excellent support rendered during his tenure.

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. Your 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.

AUDITORS' REPORT

As regards the observations of the Auditors in their Report of even date, the Directors state that the Company is continuously making efforts to ramp up its scale of operations to generate profit and regain positive net worth.

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.

By order of the Board

Date: May 30, 2012
Place: Bangalore

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 up-gradation 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. 31.59 Millions as against Rs. 22.52 Millions in the previous year. Total Foreign Exchange Outgo during the year amounted to Rs. 1.00 Millions as against Rs. 0.84 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

- Quarterly results of your Company are published regularly in The Financial Express and Sanjevani (English and Kannada, respectively).
- 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

- 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, Dalal Street 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	Names of Directors	Number of Directors	Composition %	No. of Directorships companies	No. of Chairmanships in other companies	No. of Memberships in other companies
i) Promoter		2	50			
	Chairman & CEO	Vinay L Deshpande		04	Nil	Nil
	Executive Director	Chhanda Deshpande		01	Nil	Nil
ii) Independent & Non Executive Directors		2	50			
	Jagannathan Suri			07	01	Nil
	Prof. V Rajaraman			01	Nil	Nil
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. Four Board Meetings were held between April 1 2011 to March 31, 2012 on the following dates: May 7, 2011; July 28, 2011; October 28, 2011; February 6, 2012. The last three Annual General Meetings were held on dates, places, and times as below:

- 1 19th Annual General Meeting held at 3.30 pm on August 30, 2011, at Hotel Ajantha, M G Road, Bangalore- 560 001.
- 2 18th Annual General Meeting held at 4.00 pm on July 15, 2010, at Hotel Ajantha, M G Road, Bangalore- 560 001.
- 3 17th Annual General Meeting held at 4.00 pm on August 31, 2009, 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 tele conference / Video conference	Attendance at the 19th AGM held (Yes / No)
Vinay L Deshpande	4	4	Nil	Yes
Chhanda Deshpande	4	4	Nil	Yes
Jagannathan Suri	4	4	Nil	Yes
Prof. V Rajaraman	4	4	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. Prof. V Rajaraman chose to waive the sitting fees for the year under review.

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. Your Company is taking steps to streamline all the requirements.

9 OTHER DISCLOSURES

- 1 Related-party transactions: Mentioned under Note 22.9.2 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. However, an ordinary Resolution seeking approval of the shareholders to dispose/hive off Technology Solutions Group (TSG) has now been proposed through Postal Ballot.

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 four times during the financial year 2011-2012: on May 7, 2011; July 28, 2011; October 28, 2011; February 6, 2012. Attendance details are set out below:

Members	No. of Meetings	No. of Board Meetings attended in person	No. of Board Meetings participated through tele conference / Video conference
Jagannathan Suri	4	4	Nil
Prof. V Rajaraman	4	4	Nil

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 four times during the financial year 2011-2012, from 1st April 2011 to 31st March 2012, on the following dates: May 7, 2011; July 28, 2011; October 28, 2011; February 6, 2012. Attendance details are given below

Members	No. of Meeting	No. of Board Meetings attended in person	No. of Board Meetings participated through tele conference / Video conference
Jagannathan Suri	4	4	Nil
Prof. V Rajaraman	4	4	Nil

15 Name, designation & address of Compliance Officer:

Mrs. Chhanda Deshpande
Encore Software Limited
6th Floor, Leo Complex, #44&45 Residency (Cross) Road, Bangalore 560025
Phones: 080-4080 8080
Fax: 080-25587690, E-mail: eslcompliance@ncoretech.com

16 GENERAL SHAREHOLDER INFORMATION

A Twentieth Annual General Meeting:

Date	Time	Venue
10th August 2012	4:00 PM	Hotel Ajantha, M.G. Road, Bangalore

B Financial Calendar: Financial Year

April 2011 to March 2012

First Quarter Results

In May 2011

Half Yearly Results

In October 2011

Third Quarter Results

In February 2012

Results for the year ended 31st March, 2012

May 30, 2012

Book Closure Date

August 10, 2012

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 Agent, Integrated Enterprises (India) Limited, 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.

Integrated Enterprises (India) Limited

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

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

Mrs. Chhanda Deshpande

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 Agent by independent Practicing Company Secretary and requisite Certificates/Reports are obtained.

D Works Location:

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