



Encore Software

TWENTY FIRST ANNUAL REPORT
2012-2013



CORPORATE INFORMATION**DIRECTORS**

Mr. Vinay L Deshpande	Chairman & CEO
Mrs. Chhanda Deshpande	Executive Director
Mr. J Suri	Director
Mr. Ramesh Rao	Director

MANAGEMENT TEAM

Mr. Vinay L Deshpande	Chairman & CEO
Mrs. Chhanda Deshpande	Executive Director

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
Phone: 99165 46224
Fax: 080 2558 7690

USA OFFICE

20590 Shady 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: 080 2346 0815-818
Fax: 080 2346 0819

NOTICE

NOTICE is hereby given that the Twenty First Annual General Meeting of the Members of the Company will be held at 4.40 p.m. on Friday, 27th September, 2013 at Bharatiya Vidya Bhavan, Race Course 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, 2013, 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 Mrs. Chhandha Deshpande, who retires by rotation, and is eligible for reappointment.
3. To appoint a Director in place of Mr. J Suri, who retires by rotation, and who does not seek reappointment.
4. To appoint auditors and authorize the Board to fix their remuneration.

SPECIAL BUSINESS:

5. To consider, and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

“RESOLVED THAT Mr. Ramesh Rao who was appointed as Additional Director of the Company on 14.11.2012 and who holds Office up to the date of this Meeting be and is hereby appointed as Director of the Company.”

By order of the Board

Date: 14th August 2013
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 will remain closed on 27.09.2013.
3. The listing fee has been paid to the Bombay Stock Exchange where the Company is 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.
7. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Item no. 4 is annexed hereto.

By order of the Board

Date: 14th August 2013
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:

1	Name	:	Mrs. Chhanda Deshpande
	Age	:	65 years
	Qualifications	:	Master of Arts
	Experience	:	27 years
	Other Directorships	:	Ncore Technology Services Private Limited

Attendance record of Mrs. Chhanda Deshpande, Director seeking re-appointment (01.04.2012- 31.03.2013)

Name of the Director	No. of Meetings held	No. of Meetings attended
Mrs. Chhanda Deshpande	4	4

2	Name	:	Mr. Ramesh Rao
	Age	:	53 years
	Qualifications	:	Bachelor of Science
	Experience	:	30 years
	Other Directorships	:	Scion Advertising Private Ltd. Impress Offset Private Limited Mandala Valley Vineyards Private Limited Travancore Palace Resorts Limited Travancore Regal Resorts Limited

Name of the Director	No. of Meetings held	No. of Meetings attended
Mrs. Ramesh Rao	4	2

EXPLANATORY STATEMENT**(Pursuant to Section 173(2) of the Companies Act, 1956)**

Mr. Ramesh Rao was appointed as Additional Director and holds Office up to the date of the ensuing Annual General Meeting.

Mr. Ramesh Rao is a renowned business and brand strategist, and is the Managing Director of Scion Advertising Pvt Ltd., Bangalore)

Notice has been received under Section 257 of the Companies Act, 1956, from a Member proposing the candidature of Mr. Ramesh Rao as Director of the Company along with the deposit of Rs. 500/-.

The Board recommends the resolution for approval of the Shareholders.

None of the Directors except Mr. Ramesh Rao himself is interested or concerned in the resolution.

By order of the Board

Date: 14th August 2013
Place: Bangalore

Vinay L Deshpande
Chairman & CEO

DIRECTORS' REPORT

Your Directors are pleased to present the Twenty First Annual Report of the Company together with the Audited Statement of Accounts for the year ended March 31, 2013.

FINANCIAL RESULTS:

(Rs. In Million)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Operating Income	23.09	33.07
Gross Profit/(Loss) after Interest ,but before depreciation and tax	(6.40)	(17.15)
Less: Depreciation	0.35	0.89
Provision for Tax	Nil	Nil
Profit/(Loss) after Tax	(6.75)	(18.04)
Transfer to Reserve	Nil	Nil

OPERATIONS

The year 2012-13 has of course been very difficult, but your Company has managed to reduce losses, while pursuing a re-structuring of its operations.

As decided by the Board, and based on the approval obtained from the Shareholders through Postal Ballot as per Section 192A of the Companies Act, 1956, the Company's business relating to the Technology Solutions Group has been transferred to Consilient Technologies Private Limited, a subsidiary of your Company. This was so done primarily because the Technology Solutions business needs relatively less capital, and has been consistently profitable, and needed to grow its operations in order to reach its true potential. The minority equity is owned by the employees of the subsidiary. Promoters and Directors of your Company have no shareholding in the new Company.

The subsidiary commenced operations on September 1, 2012. It will operate independently and profitably with a view to building up its value, without being dragged down by the burden of the overheads and current losses of your Company. Further, since a significant minority proportion of the Equity of the subsidiary is owned by the employees thereof, it is expected that they will be highly motivated to build up its value. Your Directors are of the view that this would be a viable methodology to preserve and grow the value of the TSG business which would otherwise be exposed to the risk of value erosion due to the burden of current losses of the Mobile Computing Products (MCP) group.

The MCP activities will continue to be pursued, albeit with a focus on providing solutions in select domains such as Manufacturing, Education and Defence sectors. Plans are afoot to infuse additional funds into the Company in order to help re-build its operations.

This restructuring of the operations of your Company along the two separate business lines is expected to yield better efficiency for both businesses, and your Directors are of the opinion that this will benefit your Company substantially, by facilitating the growth of both groups.

INDUSTRY OUTLOOK

While the market has displayed rapid growth in low-cost computing devices for Education, that segment of business seems to have become commoditized via cheap imports with little regard for quality and long-term reliability. This segment of the market needs a revolutionary solution that combines affordable hardware with easy-to-use intuitive and effective software.

Worldwide, the need for rugged industrial computing products is growing very rapidly, especially in the areas of manufacturing track-and-trace, logistics management, and efficiency improvement in the SME sector. This will result in the deployment of customized but cost-effective solutions such as those being contemplated by your Company.

MOBILE COMPUTING PRODUCTS

Despite the setback in this business that your Company suffered in the last two years, efforts at reorienting the activities towards being able to offer products and solutions in Defence, Manufacturing, and Education, are continuing, with a focus on identifying the right areas and markets. During the new financial year, your Company is confident of converting these efforts into successful orders and deliveries.

With the expected infusion of additional funds, your Company plans to further upgrade its product for the Brazil market, where your Company continues to be strongly placed in the educational computers market, even though the Company has not so far received any purchase orders there. The proposed Joint Venture will also be facilitated by the expected infusion of funds, and will help secure the long-awaited purchase orders.

SATHI

In view of the recent decision of the Government of India that at least one-third of the procurement of defence equipment will be from indigenous firms, your Company continues to remain hopeful of orders for the SATHI. Consequently, your Company has plans to aggressively update the SATHI design, during the coming year, to be contemporary and state-of-the-art. In addition, the Company plans to pursue Defence offsets opportunities as well.

NASDO

Despite promise of new business during the year under review, for 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, the process of procurement by NASDO for their next round of requirements has been much slower than expected, and no firm orders materialized during the year, despite continuous and active follow-up. However, your Company still expects to receive new orders from NASDO during the coming year.

TECHNOLOGY SOLUTIONS

As mentioned above, the business of the Technology Solutions Group has been transferred to a majority-owned subsidiary named Consilient Technologies Pvt Ltd., effective September 1, 2012. Consilient continues to support customers with integration services in VOIP related product development, modem over IP, and video decoder software, via its two-pronged strategy of software licences and system integration services based on its intellectual property. With its new-found independence of operations, Consilient is expected to significantly grow its system solution offerings as well as develop new IP's, consequently rapidly growing its revenues and profits, and thus contributing to the bottom-line of its parent.

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 offerings 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

The main concerns for the coming year relate to the timing of the expected infusion of funds, and the subsequent clinching of purchase orders in the new areas of business being contemplated, and in Brazil.

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, Mrs. Chhanda Deshpande Director, who retires by rotation and being eligible, offers herself for re-appointment. Mr. J Suri, Chairman of the Audit Committee has expressed his inability to continue as Director on the Board due to his personal and professional commitments and has not sought reappointment at the ensuing Annual General Meeting. Your Directors place on record their deep appreciation for the services rendered by Mr. J Suri during his tenure.

Mr. Ramesh Rao, who was appointed as Additional Director at the Board Meeting held on 14.11.2012 is being appointed as Director at the ensuing Annual General Meeting. Notice has been received under Section 257 of the Companies Act, 1956, from a Member proposing the candidature of Mr. Ramesh Rao as Director of the Company, along with the deposit of Rs. 500/-.

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: 14th August 2013

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. 7.47 Millions as against Rs. 31.59 Millions in the previous year. Total Foreign Exchange Outgo during the year amounted to Rs. Nil Millions as against Rs. 1 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
	Ramesh Rao			06	Nil	Nil
Total		4	100			

*Prof. V Rajaraman ceased to be a Director of the Company with effect from 10.08.2012.

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 1st April, 2012 to 31st March, 2013 on the following dates: 30.05.2012, 10.08.2012, 14.11.2012, and 14.02.2013. The last three Annual General Meetings were held on dates, places, and times as below:

- 20th Annual General Meeting held at 4.00 pm on August 10, 2012, at Hotel Ajantha, M G Road, Bangalore- 560 001.
- 19th Annual General Meeting held at 3.30 pm on August 30, 2011, at Hotel Ajantha, M G Road, Bangalore- 560 001.
- 18th Annual General Meeting held at 4.00 pm on July 15, 2010, 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 20th 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	2	Nil	No
Ramesh Rao	4	2	Nil	No

7 REMUNERATION PAID TO INDEPENDENT DIRECTORS

Sitting Fee of Rs. 1,500/- per Director per meeting of the Board or its Committee has been fixed; however, during the year under report, no sitting fee was paid in view of the financial status of the Company. 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. Your Company is taking steps to streamline all the requirements.

9 OTHER DISCLOSURES

- 1 Related-party transactions: Mentioned under Note 23.7 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.

During the year, the Company sought and received approval from the Shareholders for Disposing/Hiving off Technology Solutions Group of the Company into Subsidiary Company through Postal Ballot in terms of Sections 192A and 293(1)(a). of the Companies Act, 1956.

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 2012-2013: on 30.05.2012, 10.08.2012, 14.11.2012 and 14.02.2013. Attendance details are set out below:

Members	No. of Meetings	No. of Board Meetings attended in person	No. of Board Meetings participated through teleconference / Video conference
JagannathanSuri	4	4	Nil
Vinay L Deshpande	4	1	Nil
Ramesh Rao	4	2	Nil
Prof. V Rajaraman *	4	2	Nil

* Prof. V Rajaraman ceased to be a Director of the Company with effect from 10.08.2012.

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.