



Encore Software

TWENTY SIXTH ANNUAL REPORT
2017-2018

Encore Software Limited

CIN L72200KA2001PLC029313

Email: investor@ncoretech.com Website: www.ncoretech.com

CORPORATE INFORMATION

CONTENTS

Notice
Board's Report
Annexure I: Form No. MGT-9
Annexure II: Form AOC-1
Annexure III: Form No. MR-3
Annexure IV: Ratio of Remuneration
Annexure V: Report on Corporate Governance
Directors on Annual Basis
Financial Statements
Form No. MGT-11: Proxy Form
Form No. MGT-12: Polling Paper
Attendance Slip
PAN Mandate Form

BOARD OF DIRECTORS

Mr. Vinay L Deshpande Director
Mrs. Chhanda Deshpande Director
Mr. S P Satish Director
Mr. U Divakaran Director

MANAGEMENT TEAM

Mr. Vinay L Deshpande Director
Mrs. Chhanda Deshpande Director

AUDITORS

Messrs B. Chandrashekhar & Co.
Chartered Accountants

BANKERS

Syndicate Bank
Shoolay Branch, Bengaluru 560 025

REGISTERED OFFICE

Encore Software Limited
Premises No. 407, 1st Floor, 7th Cross Road
Domlur I Stage
Bengaluru 560071

SHARE TRANSFER AGENT

Integrated Registry Management Services
Private Limited
30 Ramana Residency, 4th Cross
Sampige Road, Malleswaram
Bengaluru 560003
Phone: 080-2346 0815/818
Fax: 080-2346 0819

TWENTY SIXTH ANNUAL REPORT 2017-2018

NOTICE

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of the Shareholders of the Company will be held on Thursday, 20th December, 2018 at 4:00 p.m. at Bharatiya Vidya Bhavan, Race Course Road, Bengaluru 560001, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Financial Statements of the Company including Audited Balance Sheet as at 31st March, 2018 and the Statement of Profit and Loss of the Company for the year ended as on that date together with the Auditors' Report and Report of the Board of Directors thereon.
2. To appoint Mr. Vinay L Deshpande, Director (DIN 00225502), who retires by rotation and being eligible, offers himself for reappointment.

By the Order of the Board
For Encore Software Limited

Place: Bengaluru
Date: 13th November, 2018

Vinay L Deshpande
Director
DIN 00225502

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE MEETING.**
2. The Register of Members and the Share Transfer books of the Company will remain closed on 20th December, 2018.
3. The listing fee has not been paid to the BSE Limited, where the Company is listed.
4. The Shares of the Company are suspended from trading on the Stock Exchange. Members are requested to inform the Company's Registrar and Share Transfer Agents viz., Integrated Registry Management Services Private Limited, 30 Ramana Residency, Ground Floor, 4th Cross, Sampige Road, Malleshwaram, Bengaluru 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.
5. Members are requested to bring copy of the Annual Report along with them to the Annual General Meeting.
6. Pursuant to SEBI Notification No. MED/DOP/Circular/05/2009, dated 20th May, 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. As regards to re-appointment of Mr. Vinay L Deshpande (holding DIN 00225502) referred to, in Item No. 2 of the notice, the following necessary disclosures are made for the information of the Shareholders.

Particulars	Details
Name	Mr. Vinay L Deshpande
Date of Birth	30 th July, 1947
Date of Appointment	24 th July, 2001
Qualifications	BE (Electronics and Communication) from Osmania University, Hyderabad and MSEE (Digital Systems) from Stanford University, USA.
Expertise in specific functional area	Digital Systems
Directorships held in other Companies (excluding foreign Companies)	Processor Systems (India) Pvt. Ltd., Bengaluru Peninsula Electronics Manufacturing Services Private Limited, Bengaluru
Membership/Chairmanships of Committees of other public Companies (included only Audit and Shareholders/Investors Grievance Committee)	NIL
No. of Board Meetings attended during the year	4

8. Due to Non-payment of Annual Custody Fees to National Securities Depository Limited (NSDL), information could not be downloaded and hence, electronic voting facility could not be provided for and the Directors regret the inconvenience caused to the Shareholders.

By the Order of the Board
For Encore Software Limited

Place: Bengaluru
Date: 13th November, 2018

Vinay L Deshpande
Director
DIN 00225502

BOARD'S REPORT

To the Members,

The Directors have pleasure in presenting before you the 26th Annual Report of the Company together with the Audited Financial Statements for the year ended 31st March, 2018.

1. FINANCIAL SUMMARY/HIGHLIGHTS, OPERATIONS, STATE OF AFFAIRS

Particulars	(Amount in ₹)	
	2017-2018	2016-2017
Gross Income	285,682	2,688,499
Profit Before Interest and Depreciation	(598,069)	2,297,787
Finance Charges	30,194,466	26,691,932
Gross Profit	(30,792,534)	(24,394,145)
Provision for Depreciation	—	—
Profit Before Exceptional and Extraordinary Items and Tax	(30,792,534)	(24,394,145)
Exceptional Items	—	—
Provision for Tax	—	—
Net Profit After Tax	(30,792,534)	(24,394,145)
Other Comprehensive Income	—	—
Total Comprehensive Income	—	—
Total Comprehensive Income Attributable to		
a) Owners	—	—
b) Non-Controlling Interest	—	—
Earnings per Equity Share of ₹ 10 each		
Basic	(4.74)	(3.75)
Diluted	(4.74)	(3.75)

Your Company has worked hard to improve its prospects by trying to get potential buyers for the *SATHI* as well as the *Simputer* and *Wave* information appliances, while also trying to find new avenues of business, especially in applying information technology in different segments, in keeping with the changing trends. The Board is pleased to report that substantial progress has been made in this direction, and the Company is now confident of securing significant orders for these in the new financial year. These new activities will need further investments to be made in the Company, and the Company is on the verge of finalizing some creative financial arrangements for infusing adequate funds into its operations. Due to relatively low competition, the areas of business that we plan to focus on, should definitely take the Company to a new higher level.

FUTURE PROSPECTS

The Company is in active negotiations with certain large prospective customers in order to realize the revenue potential for the above activities, making the Company confident of being able to start rebuilding itself during the coming financial year, as well as generating significant revenues and operating profit. Further, we continue to see strong potential for revival of the *SATHI* manufacturing activity, and also continuing to expect that the Brazil project will take off despite the relative lack of success so far. This should help grow the Company's revenue and profit in the coming year.

REVOCATION OF SUSPENSION OF TRADING

Owing to circumstances beyond our control, and owing to the financial difficulties the Company has been passing through over the last few years, trading in the shares of your Company was suspended by the Bombay Stock Exchange last year. We are now actively interacting with BSE for correction of the lapses pointed out by them, and are hopeful of having the suspension in trading revoked soon.

2. EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS

There were no material changes and commitments which occurred affecting the financial position of the Company between 31st March, 2018 and the date on which this report has been signed.

3. MATERIAL CHANGES AFFECTING THE FINANCIAL POSITION OF THE COMPANY

The Company did not carry out any commercial sales activities. However, in line with the applicable regulations/Statutes, revenue of the Subsidiaries was captured in the Consolidated Financial Statements of the Company.

4. CHANGE IN THE NATURE OF BUSINESS

The Company expects to add new activities as mentioned above, in applying information technology in various business applications, will expand the nature of business of the Company from manufacturing and sales of products developed in-house, to also software applications for specific chosen domains, by developing such applications in-house and/or partnering with organizations specializing in those activities/domains.

5. DIVIDEND

In view of the losses incurred, your Directors express inability to recommend any dividend.

6. AMOUNTS TRANSFERRED TO RESERVES

In view of the losses, the question of transferring any amount to Reserves does not arise.

7. CHANGES IN SHARE CAPITAL

There were no changes in the Capital Structure of the Company during the year under report. Capital structure remained as follows:

The Authorised Share Capital of the Company was ₹ 12,00,00,000/- (Rupees Twelve Crores only) and the Paid-up Share Capital of the Company was ₹ 6,47,15,000/- (Rupees Six Crores Forty Seven Lakhs Fifteen Thousand only) as on 31st March, 2018.

Disclosure regarding Issue of Equity Shares with Differential Rights

During the year under review the Company has not issued Shares with Differential Rights.

Disclosure regarding issue of Employee Stock Options

During the year under review the Company has not issued Shares Employee Stock Options.

Disclosure regarding issue of Sweat Equity Shares

During the year under review the Company has not issued Sweat Equity Shares.

8. CAPITAL INVESTMENTS

There was no capital Investments during the year 2017-18.

9. BOARD MEETINGS

The Meetings of the Board are held at regular intervals with a time gap of not more than 120 days between two consecutive Meetings. During the year under review 4 (Four) Meetings were held on 30th May, 2017; 14th August, 2017; 14th November, 2017 and on 12th February, 2018.

The Agenda of the Meeting is circulated to the Directors in advance. Minutes of the Meetings of the Board of Directors are circulated amongst the Members of the Board for their perusal.

The details of other Committee Meetings during the financial year 2017-18 are given in the Corporate Governance Report.

10. DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr. Vinay L Deshpande, Director (DIN 00225502), retires by rotation, as per the Companies Act, 2013 and being eligible, offers himself for re-appointment. There were no changes in the composition of the Board during the financial year.

11. COMPOSITION OF AUDIT COMMITTEE

As on 31st March, 2018, the Audit Committee of the Company consisted of two (2) Non-Executive Independent Directors and one (1) Non-Executive Director and all of them have financial and accounting knowledge.

The Board has accepted the recommendations of the Audit Committee during the year under review.

The Audit Committee consists of the following:

Encore Software Limited

- | | | |
|----|-----------------------|----------|
| a) | Mr. U Divakaran | Chairman |
| b) | Mr. S P Satish | Member |
| c) | Mr. Vinay L Deshpande | Member |

12. NOMINATION AND REMUNERATION COMMITTEE POLICY

The Nomination and Remuneration Committee consists of the following:

- | | | |
|----|-----------------------|----------|
| a) | Mr. U Divakaran | Chairman |
| b) | Mr. S P Satish | Member |
| c) | Mr. Vinay L Deshpande | Member |

The Composition, criteria for selection of Directors and the Terms of Reference of the Nomination and Remuneration Committee is stated in the Corporate Governance Report.

13. VIGIL MECHANISM/WHISTLE BLOWER POLICY

The Company has a Whistle Blower Policy for vigil mechanism pursuant to the provisions of Sections 177(9) and (10) of the Companies Act, 2013 and as per Regulation 4(2) (d)(iv) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 which is available on website of the Company at <http://www.ncoretech.com> and there were no cases reported during last year.

14. DIRECTORS' RESPONSIBILITY STATEMENT

In pursuance of Section 134 (5) of the Companies Act, 2013, the Directors hereby confirm that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 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 of the Company for that period;
- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors had prepared the Financial Statements on a going concern basis;
- the directors, had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively to be provided.

15. EXTRACT OF ANNUAL RETURN

As required pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in MGT 9 as a part of this Annual Report is attached as **Annexure I**.

16. INFORMATION ABOUT THE FINANCIAL PERFORMANCE/FINANCIAL POSITION OF THE SUBSIDIARIES/ASSOCIATES/JV

Financial performance of the Subsidiary/Associates referred to in Section 129 of the Companies Act, 2013 in Form AOC-1 is annexed to this Report as **Annexure II**.

17. AUDITORS

Messrs B. Chandrashekhar & Co., Chartered Accountants (ICAI Firm Registration No. 004848S) were appointed as Statutory Auditors of the Company in the Twenty Fifth AGM held on 27th September, 2018 for a period of 5 years upto the conclusion of the 30th AGM.

Pursuant to the Companies (Amendment) Act, 2017 and rules made there under, with effect from May 7, 2018, the Central Government notified the omission of the requirement related to ratification of appointment of auditors by members at every Annual General Meeting. Accordingly, the resolution for ratification has not been placed before the members.

QUALIFICATIONS IN THE AUDIT REPORT AND EXPLANATIONS BY THE BOARD

Sl. No.	Qualifications made by Statutory Auditor	Explanations by the Board
a.	The entire net worth of the Company has been eroded. However the Company is continuing to prepare accounts under going concern concept.	The Company is continuously making efforts to get a breakthrough and ramp up its scale of operations to generate profit and regain positive net worth.
b.	Provision for retirement benefits in the form of gratuity and leave encashment has been made on estimated basis instead of on an actuarial valuation as on the balance sheet date in accordance with Accounting Standard (AS)-15 (revised) on 'Employee Benefits' (Refer Note No. 22 E) in respect of the Holding Company. The impact of the above on the 'loss' for the year is unascertained.	In view of the few employees, the Company followed the policy of accounting gratuity and leave salary liability on estimated basis instead of actuarial valuation.

18. SECRETARIAL AUDITOR

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr. Vijayakrishna K T, Company Secretary in Practice to undertake the Secretarial Audit of the Company. The Report of the Secretarial Auditor in the form of MR-3 is annexed to this Report as **Annexure III**.

QUALIFICATIONS IN THE SECRETARIAL AUDIT REPORT AND EXPLANATIONS BY THE BOARD

Sl. No.	Qualifications made by Secretarial Auditor	Explanations by the Board
a.	Acknowledgements for sending the notices of the Meetings of the Board and the Committees are not maintained by the Company.	The notice and agenda for the Board and Committee meetings are sent by email. The Company will ensure to maintain the acknowledgements for sending the notices of the Meetings of the Board and the Committees.
b.	Updating of website with regard to various policies are pending.	The Company will take necessary steps to update Website with regard to various policies which are pending.
c.	Copy of newspaper clippings of advertisements informing the Board Meeting and AGM and the quarterly results are not available for review.	The Company will take necessary steps to comply with the same.
d.	The Company has not appointed Company Secretary (CS) during the year under scrutiny.	The Company initiated the process of finding suitable candidates, but due to the Company's financial position the Company is not in a position to afford the remuneration expected by the Company Secretary. However, Company will take necessary steps to comply with the requirements of law.
e.	The Company has not appointed Chief Financial Officer (CFO) during the year under scrutiny.	The Company initiated the process of finding suitable candidates, but due to the Company's financial position the Company is not in a position to afford the remuneration expected by the CFO. However, Company will take necessary steps to comply with the requirements of law.
f.	The Company has not appointed Managing Director.	The Company is in the process of appointing Managing Director.
g.	The Company has not maintained the attendance register for Board and Committee meetings.	The Company will take necessary steps to maintain the attendance register for Board and Committee meetings.
h.	Statutory Register as per Companies Act, 2013 is yet to be updated.	The Company will take necessary steps to update Statutory Register as per Companies Act, 2013.

Sl. No.	Qualifications made by Secretarial Auditor	Explanations by the Board
i.	The Company has not appointed Internal Auditor during the year under scrutiny.	Since there is no business and revenue in the last financial year, the Company is not in a position to appoint the Internal Auditor. However, Company will take necessary steps for comply with the requirements of law.
j.	Certain web links were not disclosed in the Annual Report of previous year.	The Company has adopted all the required Policies and the Company will take due care to comply with this in future.
k.	Certain returns/registers required to be maintained under the General Laws like Karnataka Shops & Commercial Establishments Act, Factories Act and other HR related Acts and Environmental Acts were not available for inspection.	The Company will ensure compliance with the same in future.
l.	The Company is yet to pay the listing fees for the year 2018-19 to BSE Limited.	Due to financial constraints, the Company has not paid the listing fees for the year 2018-19 to BSE Limited. However, Company will take necessary steps immediately to comply with the requirements of law.
n.	The Company's Shares are suspended from trading on BSE Limited vide order L/DOSS/PK/INV/COM/531750/1 dated 21.08.2015 with effect from 26 th August, 2015.	Due to nonpayment of Listing fees to BSE Limited, suspension of trading of the Shares took place. When the liquidity position improves, the Company will forthwith address this.

19. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO

(A) Conservation of Energy

Steps taken/impact on conservation of energy.	The Company's operations are not power intensive. Nevertheless, your Company has introduced various measures to conserve and minimize the use of energy wherever it is possible.
(i) Steps taken by the company for utilizing alternate sources of energy including waste generated.	Nil
(ii) Capital investment on energy conservation equipment.	Not Applicable
Total energy consumption and energy consumption per unit of production as per Form A.	Not Applicable

(B) Technology Absorption

Efforts in brief, made towards technology absorption, adaptation and innovation	Nil
Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.	Not Applicable
In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:	
Technology imported	Not Applicable
Year of Import	Not Applicable
Has technology been fully absorbed	Not Applicable
If not fully absorbed, areas where this has not taken place, reasons therefore and future plan of action	Not Applicable

(C) Research and Development (R & D)

Specific areas in which R & D carried out by the company	The Company has not carried out any research and development work during the course of the year.
Benefits derived as a result of the above R & D	Not Applicable
Future plan of action	Not Applicable
Expenditure on R & D	
(a) Capital	Nil
(b) Recurring	Nil
(c) Total	Nil
(d) Total R & D expenditure as a percentage of total turnover	Nil

(D) Foreign Exchange Earnings and Outgo

Activities relating to exports	Not Applicable
Initiatives taken to increase exports	Not Applicable
Development of new export markets for products and services	Not Applicable
Export plans	Not Applicable
Total Exchange used (Cash basis)	As on 31 st March, 2018: Nil
Total Foreign Exchange Earned (Accrual Basis)	As on 31 st March, 2018: Nil

20. RATIO OF REMUNERATION TO EACH DIRECTOR

The Company had 5 employees as of 31st March, 2018. Pursuant to Section 197(12) of the Companies Act, 2013 and Rule 5 (1) (2) (3) of the Companies (Appointment and Remuneration) Rules, 2014, details/disclosures of Ratio of Remuneration to each Director to the median employee's remuneration is annexed to this report as **Annexure IV**.

There are no employees posted and working in a country outside India, not being Directors or relatives, drawing more than the limits prescribed in Sub Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

21. DEPOSITS

Your Company has not invited/accepted/renewed any deposits from public as defined under the provisions of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014 and accordingly, there were no deposits which were due for repayment on or before 31st March, 2018.

22. SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS

No order was passed by any court or regulator or tribunal during the year under review which impacts going concern status of the Company.

23. DETAILS OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Company continued to maintain high standards of internal control designed to provide adequate assurance on the efficiency of operations and security of its assets. The adequacy and effectiveness of the internal control across various activities, as well as compliance with laid-down systems and policies are comprehensively and frequently monitored by your Company's management at all levels of the organization. The Audit Committee, which meets at least four times a year, actively reviews internal control systems as well as financial disclosures with adequate participation, inputs from the Statutory, Internal and Corporate Secretarial Auditors.

24. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the year under review, the Company has not given any Loan, Guarantees or provided any securities. The details of Investments made during the year are provided in the Notes to Accounts and are within the limits of Section 186 of the Companies Act, 2013.

25. RISK MANAGEMENT POLICY

The Company has not yet formulated a Risk Management Policy and has in place a mechanism to inform the Board Members about risk assessment and minimization procedures and undertakes periodical review to ensure that executive management controls risk by means of a properly designed framework.