

NOTICE

NOTICE is hereby given that the TWELTH Annual General Meeting of the Company will be held on **Tuesday, the 28th day of September, 2004** at 11.00 a.m. at the Registered Office: 3rd Floor, Smit Complex, Choice Lane, Off C.G. Road, Navrangpura, Ahmedabd - 380 009 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2004, the Balance sheet as on that date and the reports of the Auditors and Directors' thereon.
2. To appoint a Director in place of Shri Anil G. Patel, who retires by rotation and being eligible, offers himself for reappointment.
3. To re-appoint the Auditors and fix their remuneration.

BY ORDER OF THE BOARD,

Place : Ahmedabad
Date : 30th June, 2004


DR. GITESH K. SHAH
VICE CHAIRMAN AND MANAGING DIRECTOR

Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. A proxy in order to be valid should be received at the Registered office of the Company not later than 48 hours of the time of the Annual General Meeting of the Company.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from 20th September, 2004 to 28th September, 2004 (both days inclusive).
4. Members are requested to bring their copies of Annual Report at the meeting.

TRUE-COPY

For MAGNUM LIMITED


Vice Chairman & Managing Director

DIRECTORS' REPORT

Your Directors are pleased to present herewith the TWELTH Annual Report for the year ended 31st march, 2004.

FINANCIAL PERFORMANCE :

	(Rs. In Lacs)	
	2003-2004	2002-2003
Income	89.08	91.97
Profit before Interest, Depreciation & Tax	19.63	22.16
Profit/(Loss) before Depreciation & Tax	12.24	17.34
Profit/(Loss) before Tax	0.34	5.43
Provision for Tax	0.02	0.29
Profit/(Loss) after Tax	0.32	5.14
Provision for Deferred Taxation	1.73	0.48
Profit/(Loss) after Provision of Deferred Taxation	2.05	5.62
Capital Receipt transferred to B/S an account of settlement with Bank	—	—
Total Tranferred to B/S	2.05	5.62

RESPONSIBILITY STATEMENT :

The Directors Confirm :

a) That in the preparation of Annual Accounts, the applicable Accounting Standards and policies have been followed. Investments have been considered as long term Investment & hence provision for diminution in value to the tune of Rs.21565809/- have not been done. It has been assumed that on account of recovery in economy market position of all business activity shall improve.

b) That they have selected such Accounting Policies and applied them consistently and made judgement 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 of the Profit or loss of the Company for that period;

c) That they have taken proper and sufficient Care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities:

d) That they have prepared the Annual Accounts on a Going concern basis.

OPERATIONS :

The year under review saw the successful completion of the development phase of the software projects already on hand. The subsequent stage of implementation of the projects started and has made normal progress. All the modules developed for the GEB have been subsequently tested under live conditions and completely debugged and made fully operational. The software has been successfully implemented in thirty five locations. Implementation in the other locations is under way. Magnum has taken a proactive role in ensuring not only that the software works properly and that concerned employees of the client organisation are well trained to operate the same, but also in suggesting optimum use of the systems to ensure maximum benefits. In the case of RTO, the software has been tested and accepted by the client, and implemented in six locations. Implementation at other locations is awaiting the installation of necessary hardware and identification of operating personnel. SAP implementation at GIPCL has also been seen to successful fruition and the system is fully operational there. During the year under review Asset Modula under SAP environment has been successfully completed by the company in last quartely of the year. During last Quarter of the year Magnum Ltd. has been awarded the work of providing their staff for the Data Entry job of Sales Tax Department. Company has put 39 employees at different location of Sales Tax department effective from January 2004. Magnum also undertook and successfully executed a number of data entry projects of Government of Gujarat.

CURRENT YEAR PROSPECTS :

Prospects for the coming year are very good both on account of on-going projects and new projects. The implementation of software in the remaining 43 divisions of GEB will be undertaken during the current (coming) year. Implementation of the RTO software is also expected to be completed at all locations. The company also proposes to enter e-governance in a big way, by offering innovative and productive solutions. Company is expecting to get further order from Sales Tax department for putting 120 manpower for their different offices throughout the state for computerisation work. The company also expects to bag a few major projects for custom development of software.

DIVIDEND :

Your directors express their inability to recommend any dividend for the year under review. However the directors are hopeful that in near future, the Company shall be in a position to reward the shareholder.

DEPOSITS :

The Company has not accepted any deposits during the year to which the provisions of section 58A of the Companies Act, 1956 and Non-Banking Financial Companies (Reserve Bank) Directions, 1977 are applicable.

Management's Discussion and Analysis of Financial Condition and Results of Operations**OVERVIEW**

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and the Generally Accepted Accounting Principles (GAAP) in India. The discussion on the financial conditions covers historic as well as the future projects. The forward-looking statements involve risks and uncertainties. Although the management has considered future risks as part of the discussions, future uncertainties are not limited to the management perceptions.

INDUSTRY STRUCTURE AND DEVELOPMENT

Indian software and services industry grew by 28.20% in financial year 2003-04 (source: NASSCOM) registering revenue of US \$ 15.90 billion up from US \$ 12.40 billion in 2002-03.

Despite numerous adversities such as appreciation of rupee, slow growth of IT spending globally, movements against outsourcing to Indian companies in major economies worldwide, the Indian software and services industry was able to maintain its momentum and continued to scale up on the growth trajectory.

Software companies from India continued to move up on the value chain by demonstrating and providing quality and reliable products and services to customers globally.

A. COMPANY BACKGROUND

The Company was incorporated on 3rd January 1992 as Magnum Project and Investment Consultancy Services Private Limited with its registered office at 3rd Floor, Smit Complex, Off C.G. Road, Choice Lane, Navrangpura, Ahmedabad – 380 009 and was subsequently converted into a public limited company on 6th May 1994.

The company's business broadly consists of software product development and marketing and software development and support services for government entities.

Our Company believes in nurturing good and ongoing relationships with the clients.

B. COMPANY MANAGEMENT

The Company is managed through a Board of Directors with Dr. Gitesh K. Shah as the Vice Chairman and Managing Director. The board consists of eminent individuals who have had successful stint in their careers.

C. RISKS AND CONCERNS

1 Business Portfolio Risks

1.1 Market risks

Market risk is the risk of loss of future earnings. Our revenues are difficult to predict because they can fluctuate significantly as we operate with the government.

2 Financial Risks

2.1 Liquidity

As a part of financial strategy the Company maintains a high level of liquid assets.

2.2 Credit risks

The business of Magnum involves extending credit to customers. With the company operating and providing software services to the government, effective procedures and recovery mechanism have to be installed in order to reduce the recovery period.

3 Legal And Statutory Risks

3.1 Contractual liabilities

The Management has clearly charted out a review and documentation process for contracts. This process focuses on evaluating the legal risks involved in the contract, after ascertaining the contractual and legal responsibilities of the Company under the applicable law. Effort is made to restrict our liability for damages arising from negligent acts, errors, mistakes or omissions in rendering services under the contract. The Management reviews this on a continuous basis and takes corrective action. As a matter of policy the Company does not enter into contracts which have open ended legal obligations.

3.2 Statutory compliance

Compliance with respect to various laws in India as well as jurisdictions of other Countries where the Company has its business activities is an important task. Magnum has compliance officers as well as consultants who advise the Company on compliance issues and ensures that the Company is in compliance of such laws. The compliance officers report from time to time on the compliance or otherwise of the laws of various jurisdictions to the Board of Directors.

1 Internal Process Risks

4.1 Project execution

At Magnum we firmly believe in carrying out improvement in all facets on a continuous basis. This approach facilitates in addressing business risks and eradicates all elements of ambiguity in conducting business.

The organization has adopted the ISO-9001:1994 standards thereby ensuring that uncertain areas are identified and measures are taken to mitigate them at the project stage itself.

4.2 Human resource related risks

Magnum remains totally committed to its human resources, which it believes are its life source. Though the software industry faces a lot of shuffling of skilled manpower, Magnum has experienced significant growth in recent years.

2 Forecasting Model

Business organizations operate in an environment that is constantly changing. Some changes are quite unpredictable (random) but when some kind of prediction or forecast can be made decisions can be taken (given the objectives of the business and subject to any constraints, which might apply) based on the expectations of future conditions. Hence a very robust forecasting model, which captures the uncertainty in the business, is highly critical for the success of every organization.

The company forecasts revenue and profitability on a yearly and project basis and continuously evaluates performance against forecast.

3 Management Information System

The company has put in place an improved MIS for project control and cost reporting to increase productivity and efficiency of operations and quality of software development.

D. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has well defined roles, responsibilities and authorities for employees at all levels, this helps in effectively defining the communication channel. Along with impeccable internal information system the company aims at promoting operational efficiency while emphasizing adherence to policies.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO :

The particulars regarding Conservation of Energy and Technology Absorption pursuant to Section 217(1) (c) of the Companies Act, 1956 are NIL. No foreign exchange has been earned & spent by the Company during the said year.

PARTICULARS OF EMPLOYEES :

There is no employee who is in receipt of remuneration exceeding the limits as specified Section 217(2A) of the Companies Act, 1956.

AUDITORS :

M/s. Asim Mehta & Associates, Chartered Accountants, Ahmedabad, the statutory Auditors of the Company retire at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for reappointment. You are requested to reappoint the retiring Auditors and fix their remuneration.

CORPORATE GOVERNANCE :

As the paid up Capital of the Company is less than Rs.5 crores, the provisions of Section 292A of the Companies Act, 1956 are not applicable. The compliance of Corporate Governance under Clause 49 of the Listing agreement are also yet not applicable to the Company.

ACKNOWLEDGEMENT :

Your Directors would like to express their deep appreciation for the support and Co-operation extended by the bankers, especially Corporation Bank, HDFC Bank Limited and The Suvikas People's Co-Op. Bank Ltd. The directors wish to place on record their appreciation of the devoted services of the staff and the officers of the Company who largely contributed to the efficient management of your Company.

FOR AND ON BEHALF OF THE BOARD



DR. GITESH K. SHAH
VICE CHAIRMAN AND MANAGING DIRECTOR

Place : Ahmedabad
Date : 30th June, 2004

COMPLIANCE REPORT ON CORPORATE GOVERNANCE

(Annexure to Director's Report)

Pursuant to Clause 49 of the Listing Agreement, Your Directors present below a detailed Report on corporate Governance:

1. COMPANY'S PHILOSOPHY:

Your Company is committed to good Corporate Governance and has adhered to the prescribed standards. The Company's philosophy on code of Governance is aimed at efficient of business in compliance with the prescribed Acts and Rules on Corporate Governance.

2. BOARD AND MANAGEMENT RESPONSIBILITIES AND GOVERNANCE

Keeping in view of the size, complexity and operations, Magnum Limited has framed the corporate tradition and culture to :

- enable the Board to provide strategic guidance for the Company and effective overseeing of the management.
- define the respective roles and responsibilities of senior executives and officers to ensure accountability; and
- ensure a balance of authority and internal control system in a manner that no single individual has unfettered powers.

3. COMPOSITION OF THE BOARD :

Four Board Meetings were held during the financial year 2003-2004. The composition of Directors and the attendance at the Board Meetings during the year 2003-2004 and last Annual General Meeting:

Name of the Directors	Designation	No of Board Meetings attended	Attendance at Last AGM	No of other directorship in the Public Ltd. companies	No of other board committees of which Member/ Chairman
Dr. Gitesh K. Shah	Vice Chairman & M. D.	4	Yes	Nil	Nil
Smt. Suhasini J. Vyas	Whole time Director	4	Yes	Nil	Nil
Shri Anil G. Patel	Non-Executive Independent	0	No	Nil	Nil
Shri Paresh N. Patel	Non-Executive Independent	4	Yes	Nil	Nil

Number of Board Meetings held during the Financial year and the dates of the Board Meetings :

Four Board Meetings were held during the financial year 2003-2004 on the Following Days:

Board Meeting	Date
1	30-04-03
2	30-06-03
3	30-10-03
4	28-01-04

4. AUDIT COMMITTEES:

The functions of the Audit Committee are :

1. To look into the adequacy and compliance of internal control systems.
2. To review the quarterly, half-yearly and annual financial statements before submission to the Board.
3. To recommend the appointment and removal of external auditors, Fixation of audit fee and also approval for payment to the external auditors for any other services.
4. To undertake periodical review of Internal Control System and appraise and update the range and scope of Internal Audit Programme from time to time.
5. To interact actively with the External Auditors from time to time and discuss about finalization of annual financial statements.
6. To look into any other matter which may be referred to it by the board.

Composition, Name of Members and Chairman :

The Committee consists of the following Directors :

1. Dr. Gitesh K Shah – Chairman
2. Smt. Suhasini J. Vyas – Member
3. Shri Paresh N. Patel – Member

The Audit committee in its meeting held on 30th June, 2004 approved the Annual Accounts for the year ended 31st March, 2004. The Audit Committee met four times during the year ended 31st March, 2004, viz., on 30th April, 2003, 30th June 2003, 30th October, 2003 and on 28th January, 2004. All members of the committee attended these meetings.

5. SHARE HOLDER COMMITTEE :

- a) The Board constituted a shareholders committee consisting of Smt. Suhasini J. Vyas, Shri Paresh N. Patel as members with Dr. Gitesh K Shah as the Chairman of the Committee.
- b) The Company did not receive any complaints during the year under review.
- c) There were no pending share transfers, which were received more than one month prior to that date.
- d) There were no pending cases of dematerialization requests exceeding 30 days.

6. GENERAL BODY MEETINGS :

Last Annual General Meeting of the Shareholders of the Company was held on 24th September, 2003 at the Regd. Office of the Company 3rd Floor, Smit, Complex, Navrangpura, Ahmedabad-380 009.

7. DISCLOSURES :

The related party transaction i.e. transactions of the Company with any of the related parties were not conflicting with the interest of the Company. The details of which have been shown in Schedule Notes forming part of Accounts for the year ended on 31st March, 2004.

8. MEANS OF COMMUNICATION :

- a) Quarterly Result are normally published in Western Times (English & Gujarati) Newspaper.
- b) Management Discussion and Analysis Report is a part of the Directors Report.
- c) Company's website is under construction.