



MAGNUM LIMITED

3rd Floor, Smit Complex, Choice Lane, Off C.G.Road, Navrangpura, Ahmedabad-380009
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THIRTEENTH ANNUAL REPORT 2004-2005

BOARD OF DIRECTORS :

DR. GITESH K. SHAH	:	VICE CHAIRMAN & MANAGING DIRECTOR
SMT. SUHASINI J. VYAS	:	WHOLE-TIME DIRECTOR
SHRI ANIL G. PATEL	:	DIRECTOR
SHRI DEEPAK R. PANDYA	:	DIRECTOR
SHRI PARESH N. PATEL	:	(Alternate to Shri Anil G. Patel)

AUDITORS :

M/S ASIM MEHTA & ASSOCIATES
CHARTERED ACCOUNTANTS
AHMEDABAD.

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BANKERS :

CORPORATION BANK, AHMEDABAD.
THE SUVIKAS PEOPLE'S CO-OPERATIVE BANK LIMITED, AHMEDABAD.

REGISTERED OFFICE :

3RD FLOOR, SMIT COMPLEX,
CHOICE LANE, OFF C.G. ROAD,
NAVRANGPURA,
AHMEDABAD- 380 009.

NOTICE

NOTICE is hereby given that the THIRTEENTH Annual General Meeting of the Company will be held on Thursday, the 15th day of September, 2005 at 11.00 a.m. at the Registered Office: 3rd Floor, Smit Complex, Choice Lane, Off C.G. Road, Navrangpura, Ahmedabad - 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, 2005, 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 Paresh N. Patel, who retires by rotation and being eligible, offers himself for re-appointment.
3. To re-appoint the Auditors and fix their remuneration

Special Business :

4. To consider and if thought fit, to pass, with or without modification, the following resolution as Ordinary Resolution :

"RESOLVED THAT Mr. Deepak R. Pandya, who was appointed as an Additional Director of the Company on 15th February, 2005 and holds office up to the ensuing Annual General Meeting of the Company pursuant to Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing, proposing his candidature for the office of the Director of the Company, be and is hereby appointed as a Director of the Company subject to retirement by rotation from time to time."

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

"RESOLVED THAT the Company do hereby accord its consent under Section 293(1)(a) and other provisions, if any of the companies Act, 1956, to the Board of Directors of the Company, to sell or dispose off all or any of the moveable and immovable assets of the Company."

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution.

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any of the Companies Act, 1956, read with Schedule XIII to the said Act, the Company hereby accord its approval and consent to the reappointment by the Board of Director at their meeting held on 27th September, 2004 of Dr. Gitesh K. Shah, as the Managing Director of the Company for a period of 5 years with effect from 1st October, 2004 on the terms and conditions as setout in the explanatory statement attached to this notice."

"RESOLVED FURTHER THAT where in any financial year closing on 31st March, 2005 and there after the Company has no profits or its profits are inadequate, the Company shall pay to Dr. Gitesh K. Shah, as Vice Chairman & Managing Director remuneration as stated in the explanatory statement to the notice as aforesaid."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take such steps as may be necessary to give effect to this resolution."

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution.

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any of the Companies Act, 1956, read with Schedule XIII to the said Act, the Company hereby accord its approval and consent to the reappointment by the Board of Director at their meeting held on 30th April, 2005 of Smt. Suhasini J. Vyas as the Whole-time Director of the Company for a period of 5 years with effect from 1st May, 2005 on the terms and conditions as setout in the explanatory statement attached to this notice."

"RESOLVED FURTHER THAT where in any financial year closing on 31st March, 2005 and there after the Company has no profits or its profits are inadequate, the Company shall pay to Smt. Suhasini J. Vyas, Whole-time Director remuneration as stated in the explanatory statement to the notice as aforesaid."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take such steps as may be necessary to give effect to this resolution."

BY ORDER OF THE BOARD,



DR. GITESH K. SHAH

VICE CHAIRMAN AND MANAGING DIRECTOR

Place : Ahmedabad
Date : 29th June, 2005

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 10th September, 2005 to 15th September, 2005 (both days inclusive).
4. Members are requested to bring their copies of Annual Report at the meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 :

Item No. 4

Shri Deepak R. Pandya was appointed as an additional Director of the Company on 15th February, 2005. Pursuant to Section 260 of the Companies Act, 1956 the aforesaid Additional Director holds office up to the ensuing Next Annual General Meeting of the Company. The Company has received notices pursuant to Section 257 of the Companies Act, 1956 from the members of the Company proposing the candidature of Shri Deepak R. Pandya for the Office of Director of the Company. You are requested to pass the resolutions as set out at Item Nos.4 of the accompanying notice.

No other Director except Shri Deepak R. Pandya is concerned or interested in the respective resolutions.

Item No. 5

The company proposed to sell some of its movable and immovable assets. Pursuant to section 293(1)(a) of the companies Act, 1956, consent of the members is required for selling or disposing off substantial movable and immovable assets of the company. Hence, the Directors recommend to pass the resolution as set out in the Notice.

None of the Directors is concerned or interested in the resolution.

Item No. 6

Pursuant to Section 269(1) of the Companies Act, 1956, your Directors had re-appointed Dr. Gitesh K. Shah as Vice Chairman & Managing Director for 5 years with effect from 1st October, 2004 subject to approval of members in the General Meeting on the following terms and conditions:

1. The appointment shall be for a period of 5 years with effect from 1st October, 2004.
2. He shall be entitled to the following Salary and Perquisites :
 - A. 5% of the annual net profits subject to maximum 10% of net profit to all managerial personnel and within the aforesaid ceiling as may be decided by the Board of Directors.
 - B. In the event of absence of and inadequacy of profits, he shall be entitled to the following remuneration as minimum remuneration :
 - i) Salary: Rs.35000/- (Rupees Thirty Five Thousand Only) per month.
 - ii) In addition to the salary, he shall be entitled to the perquisites listed in category-A, B & C below.

CATEGORY-A:

a) Housing: The expenditure by the Company on hiring furnished accommodation for the Managing Director will be subject to a ceiling of 60% of the salary over and above 10% payable by the Managing Director.

In case the Company owns the accommodation, the Company shall deduct 10% of the salary of the Managing Director.

In case the Company provides no accommodation, the Managing Director shall be entitled to House Rent Allowance subject to ceiling laid down above.

Explanation: The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-Tax Rules, 1962. This shall, however, be subject to a ceiling of 10% of the salary of the Managing Director.

b) Medical Reimbursement: Expenses incurred for the Managing Director and the family, subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

c) Leave Travel Concession: For the Managing Director and his family once in a year in accordance with the Rules specified by the Company.

d) Personal Accident Insurance: Premium not to exceed Rs.4,000/- per annum.

Explanation: For the purpose of category-A, family means the spouse, the dependent children and dependent parents of the Managing Director.

CATEGORY-B:

a) Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these singly or put together are not taxable under the Income-Tax Act. Gratuity payable shall not exceed half a month's salary for each completed year of service.

b) Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

CATEGORY-C:

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. However, personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director.

In case the Company has no profits or profits are inadequate in any financial year during the terms of office, the Managing Director shall be entitled to receive the above salary and perquisites as minimum remuneration.

iii) Commission:

He shall also be entitled to a commission at the rate of 1% on the net profits of the Company computed in the manner laid down under section 309(5) of the Companies Act, 1956.

However, the total remuneration by way of salary, commission, perquisites and other allowances shall not exceed 5% of net profit computed in the manner laid down under Section 198 and 309 of the Companies Act, 1956 for one such managerial person in any financial year.

3. The Company will reimburse to the Managing Director such expenses as he may incur on behalf of the Company.
4. The Managing Director will be entitled to the earned privilege leave on full pay and allowance as per the rules of the Company not exceeding one month leave for every eleven months of service.
5. The Managing Director shall not be liable to retire by rotation.
6. The Managing Director shall not be entitled to receive any sitting fee for attending the meetings of the Board of Directors or committee thereof from the date of his appointment."

Item No. 7

Pursuant to Section 269(1) of the Companies Act, 1956, your Directors had re-appointed Smt. Suhasini J. Vyas as Whole-time Director for 5 years with effect from 1st May, 2005 subject to approval of members in the General Meeting on the following terms and conditions:

1. The appointment shall be for a period of 5 years with effect from 1st May, 2005.
2. She shall be entitled to the following Salary and Perquisites :
 - A 5% of the annual net profits subject to maximum 10% of net profit to all managerial personnel and within the aforesaid ceiling as may be decided by the Board of Directors.
 - B In the event of absence of and inadequacy of profits, She shall be entitled to the following remuneration as minimum remuneration :
 - i) Salary: Rs.20000/- (Rupees Twenty Thousand Only) per month.
3. The Whole-time Director shall not be liable to retire by rotation.
4. The Whole-time Director shall not be entitled to receive any sitting fee for attending the meetings of the Board of Directors or committee thereof from the date of his appointment."

BY ORDER OF THE BOARD,



DR. GITESH K. SHAH

VICE CHAIRMAN AND MANAGING DIRECTOR

Place : Ahmedabad
Date : 29th June, 2005

DIRECTORS' REPORT

Your Directors are pleased to present herewith the THIRTEENTH Annual Report for the year ended 31st march, 2005.

FINANCIAL PERFORMANCE :

	(Rs. In Lacs)	
	2004-2005	2003-2004
Income	93.32	89.08
Profit before Interest, Depreciation & Tax	20.04	19.63
Profit/(Loss) before Depreciation & Tax	12.25	12.24
Profit/(Loss) before Tax	0.72	0.34
Provision for Tax	0.06	0.02
Profit/(Loss) after Tax	0.66	0.32
Provision for Deferred Taxation	2.36	1.73
Profit/(Loss) after Provision of Deferred Taxation	3.02	2.05
Capital Receipt transferred to B/S an account of settlement with Bank	-	-
Total Tranferred to B/S	3.02	2.05

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.

OPERATIONS :

The year under review saw the successful completion of the development phase of the software projects on hand. The Fixed Assets Module of SAP has been fully customized and the application has gone live. Data entry job for the Sales Tax department has been satisfactorily carried out and completed in all respects. The work of implementation of software developed by us in the divisional offices of the Gujarat Electricity Board was completed in all the Divisions where we had undertaken the same. The staff of the board were trained by the company in running the software as well as training was given in maintaining the programmes. The company also trained the GEB staff in Oracle and Developer 2000. The company also provided support for the software already implemented at Gujarat State Road Transport Corporation and Regional Transport Offices. Training was provided to the staff of the Gujarat Water Sewerage Board both in respect of the design software and the payroll software developed by the company. Implementation of the payroll software was effected at six locations of the Board.

CURRENT YEAR PROSPECTS :

Based on the experience gained by the company in the power sector by virtue of its association with the state electricity board, the company foresees a quantum leap in its order position from this sector in other parts of the country and neighbouring countries. The company is actively pursuing this opportunity and has already initiated action in this area.

The company is in the process of diversifying into the area of Registrar to the Issue and Share Transfer Agents. The competent authorities in this respect have already been approached for this purpose and the company is hopeful of getting the necessary permissions and license in the second quarter of the current year.

DIRECTOR'S 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. 18267535/- 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.

BOARD OF DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 and pursuant to Article 125 of Articles of Association of the Company Shri Paresh N. Patel is liable to retire by rotation and being eligible he offer himself for re-appointment. Board recommends his re-appointment.

Shri Deepak R. Pandya was appointed as additional director during the year under review and he holds the office upto the date of Annual General Meeting. Board recommends his appointment as Director liable to retire by rotation.

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.

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.