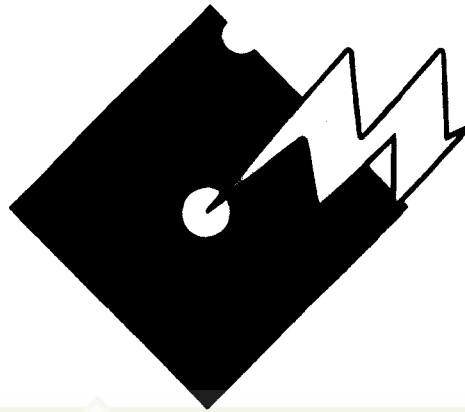


Midpoint Software & Electro Systems Limited.


Director.



Report  junction.com

Midpoint

Software & Electro Systems

Twelveth
Annual Report
2003-2004

12th ANNUAL REPORT

BOARD OF DIRECTORS	
APOORVA H. SHAH	<i>Chairman & Director</i>
BHARAT O. AKHIYANIA	<i>Director</i>
AMIT A. SHAH	<i>Director</i>
BANKERS	
JANATA SAHAKARI BANK LTD.	
ORIENTAL BANK OF COMMERCE	
AUDITORS	
M/s. P. J. RAICHURA & CO.	
<i>Chartered Accountants</i>	
71/72, Ashok Chambers,	
Devji Ratanshi Marg, Masjid,	
Mumbai - 400 009	
REGISTERED OFFICE	
Kshamalaya, 3rd Floor,	
37-New Marine Lines,	
Mumbai - 400 020	
SHARE TRANSFER AGENT	
System Support Services	
209, Shivaji Ind. Estate,	
Next to Parke-Davis,	
89, Andheri Kurla Road, Saki Naka,	
Mumbai - 400 071	

12TH**A
N
N
U
A
L

R
E
P
O
R
T****12th ANNUAL GENERAL MEETING**

On Wednesday the 29th September, 2004 at 2.30 p.m. at Registered Office of the Company at Kshamalaya, 3rd Floor, 37-New Marine Lines, Mumbai - 400 020.

Members are requested to bring their copy of the Annual Report to the Annual General Meeting.



Midpoint Software & Electro Systems Ltd.

NOTICE

NOTICE is hereby given that the Twelveth Annual General Meeting of Midpoint Software & Electro Systems Limited will be held on Wednesday, the 29th day of September, 2004 at 2.30 p.m. at Kshamalaya, 3rd Floor, New Marine Lines, Mumbai 400 020 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2004 and Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Apoorva H. Shah, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To consider and, if thought fit, to pass with or without modification (s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s. Talati & Co., Chartered Accountants, Mumbai be appointed as the Statutory Auditors of the Company in place of the retiring Auditors, M/s. P.J. Raichura & Company, Chartered Accountants, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration as may be mutually agreed to between the Board of Directors and the M/s. Talati & Co., plus service tax, out-of-pocket expenses, traveling and other expenses, in connection with the work of audit to be carried out by them."

SPECIAL BUSINESS:

4. Appointment of Shri Amit A. Shah as a Director of the Company:

To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT notice of intension to propose Shri Amit A. Shah for appointment as a Director having been received from a member under Section 257 of the Companies Act, 1956. Shri Amit A. Shah who was appointed as an Additional Director of the Company and who holds office up to the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company liable to retire by rotation".

5. Appointment of Shri Bharat O. Akhiyania as a Director of the Company:

To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT notice of intension to propose Shri Bharat O. Akhiyania for appointment as a Director having been received from a member under Section 257 of the Companies Act, 1956. Shri Bharat O. Akhiyania who was appointed as an Additional Director of the Company and who holds office up to the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company liable to retire by rotation".

6. To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Special Resolution:

"RESOLVED THAT pursuant to provisions of Section 146 and/or any other applicable provisions, if any, of the Companies Act, 1956 the company hereby approves the shifting of the Registered Office of the Company from Kshamalaya, 3rd Floor, New Marine Lines, Mumbai 400 020 to D-22/8, MIDC, TTC INDUSTRIAL AREA, BELAPUR ROAD, TURBHE, NAVI MUMBAI with effect from 1st October 2004."

7. To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Special Resolution:

"RESOLVED THAT pursuant to the applicable regulation of the SEBI (Delisting of Securities) Guidelines, 2003 and other applicable guidelines of the Securities and Exchange Board of India (SEBI), and all other applicable Laws, Rules, Guidelines, Regulation, Provision, if any, of other authorities and which may become applicable hereafter governing the matter, approval, of the Company be and is hereby accorded to the Delisting of the Company's shares from any one or more of the Stock Exchanges where the Company's Shares are listed and in particular from the :

1. The Stock Exchange Limited, Ahmedabad,
2. Madras Stock Exchange Limited

At such time as the Board of Directors (whether acting through the Board, a committee of the Board, or any Director of any person authorised by Board) may, in their absolute discretion, consider appropriate and proper without giving an exit option

12th ANNUAL REPORT

to the shareholders of the regions where the aforesaid stock exchanges are situated and on the terms and conditions as may be stipulated and mutually agreed to in the best interest of the Company, after taking into account various factors such as but not limited to the incidence, impact, or burden of the cost of listing fees payable to the Stock Exchange and volume of trading on relevant Stock Exchanges.

By Order of the Board
for Midpoint Software & Electro Systems Limited

APOORVA H. SHAH
Director

Registered Office:
Kshamalaya, 3rd Floor,
New Marine Lines,
Mumbai - 400 020.
Place : Mumbai
Date : August 16th, 2004

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 THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The explanatory statement setting out the material facts concerning the special business mentioned under Item Nos. 4 to 7 of the Notice as required under Section 173(2) of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and the Shares Transfer Books of the Company will be closed from Monday, the 27th September, 2004 to Wednesday, the 29th September, 2004 (both days inclusive).
4. The members are requested to:
 - (a) Intimate to the Company's Registrars and Share Transfer Agents M/s System Support Services (for shares held in physical form) and to their Depository Participants (DP) (for shares held in dematerialized form) the

changes, if any, in their registered address, Bank account number / details etc. at an early date;

- (b) Quote ledger folio numbers / DP Identity and Client Identity Numbers in all their correspondences;
- (c) Approach the Company for consolidation of folios, if shareholdings are under multiple folios;
- (d) Get the shares transferred in joint names, if they are held in single name to avoid in convenience;
- (e) Bring their copies of the Annual Report and the Attendance Slip duly filled in for attending the Annual General Meeting;
- (f) Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions to the Company at the Registered Office address so as to reach at least seven days before the date of the Meeting, to enable the information required to be made available at the Meeting, to the best extent possible.

EXPLANATORY STATEMENT IN RESPECT OF ITEM NO. 4 TO 7 OF THE NOTICE PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No 4 :

Shri Amit A. Shah, is a Graduate in Commerce. Shri Amit Shah possesses multifaceted knowledge in the areas pertaining to finance and related areas. The Board of the Company has appointed Shri Amit A. Shah as an Additional Director with effect from 20th March 2004. As per the applicable provisions, he holds office up to the date of the Annual General Meeting. In view of his vast experience, it is thought fit to appoint him as a Director of the Company liable to retire by rotation.

The Board commends passing of the Resolutions as set out in Item No. 4 of the accompanying Notice.

Shri Amit A. Shah is concerned and interested in resolution under Item No. 4.

Save as aforesaid, none of the other Directors of the Company is, in any way, concerned or interested in this item.



Midpoint Software & Electro Systems Ltd.

Item No 5 :

Shri Bharat O. Akhiyania, is a Graduate in Commerce. Shri Bharat O. Akhiyania possesses multifaceted knowledge in the areas pertaining to capital market and related areas. The Board of the Company has appointed Shri Bharat O. Akhiyania as an Additional Director w. e. f. 20th March 2004. As per the applicable provisions, he holds office up to the date of the Annual General Meeting. In view of his vast experience, it is thought fit to appoint him as a Director of the Company liable to retire by rotation

The Board commends passing of the Resolutions as set out in Item No. 5 of the accompanying Notice.

Shri Bharat O. Akhiyania is concerned and interested in resolution under Item No. 5.

Save as aforesaid, none of the other Directors of the Company is, in any way, concerned or interested in this item.

Item No 6 :

As you are all aware that at present the Company Registered Office is situated at Kshamalaya, 3rd Floor, 37, New Marine Lines, Mumbai 400 020. It is pertinent to note that most of the software companies are situated in Navi Mumbai area as the required facilities for the company to run its business smoothly the Navi Mumbai area is the suitable place and control the cost and convenience and the time management, it is ideal to shift the Registered Office of the Company to D-22/8, MIDC, TTC INDUSTRIAL AREA, BELAPUR ROAD, TURBHE, NAVI MUMBAI with effect from 1st October 2004."

The Board commends passing of the Resolutions as set out in Item No. 6 of the accompanying Notice.

None of the Directors of the Company is, in any way, concerned or interested in this item.

Item No. 7 :

Though the members have passed the special resolution in this regard in the last Annual General Meeting, due to procedural delay the Delisting has not been completed. Therefore, for obtaining Special Resolution passed of current date the resolution in Item No.7 is annexed as The Securities and Exchange Board of India (SEBI) has issued the Securities and Exchange of India (Delisting of Securities) Guidelines; 2003, (hereafter referred to as the 'Delisting Guidelines') incorporating, among others, provision for Delisting of securities of a Listed Company

Voluntarily by a promoters or an acquire or any other person from the Stock Exchanges.

Presently, the Company's shares are listed on the following Three Stock Exchanges:

1. The Stock Exchange – Ahmedabad;
2. Madras Stock Exchange Limited
3. The Stock Exchange – Mumbai

With the extensive networking of The Stock Exchange, Mumbai (BSE) and the extension of its terminals to other cities as well, investors have access to online dealings in the company's equity shares across the country. The bulk of the trading in the company's equity shares in any case takes places on BSE, and the depth and liquidity of trading in Company's equity shares on all other Stock Exchange is low and insignificant.

The Securities and Exchange Board of India (SEBI) has specified for settlement of the Company's equity shares only in dematerialized form by all investors. It is also observed that the listing fee paid to Stock Exchange other than BSE is disproportionately high compared to the extremely low/nil trading volumes of the company's securities on those exchanges. The Company has proposed this resolution, which enable it to De-list its equity shares from the following Stock Exchanges:

1. The Stock Exchange, Ahmedabad
2. Madras Stock Exchange Limited

The Company's equity share will continue to be listed on the Stock Exchange – Mumbai after the proposed Delisting.

The Board commends passing of the Resolutions as set out in Item No. 6 of the accompanying Notice.

None of the other Directors of the Company is, in any way, concerned or interested in this item

By Order of the Board
for Midpoint Software & Electro Systems Limited

APOORVA H. SHAH
Director

Registered Office:
Kshamalaya, 3rd Floor,
New Marine Lines,
Mumbai - 400 020.
Place : Mumbai
Date : August 16th, 2004

12th ANNUAL REPORT**DIRECTORS' REPORT**

Dear Members

Your Directors present their Twelfth Annual Report together with the Audited Statement of Accounts along with the Report of the Auditors for the year ended 31st March 2004.

FINANCIAL RESULTS :

(Rupees in lacs)

Particulars	2003-2004	2002-2003
Net Sales/Income from operations	0.00	0.098
Other Income	0.28	NIL
Gross Loss before Interest & Depreciation	(4.442)	(3.844)
Depreciation	3.24	3.24
Loss for the year	(4.162)	(7.084)

YEAR IN RESTROSPECT :

During the year under review, company's activities were virtually in standstill position.

DIVIDEND :

In view of the losses, your Directors regret their inability to recommend any dividend.

DIRECTORS :

Mr. Apoorva H. Shah, retires by rotation and being eligible offers himself for reappointment.

His appointment would immensely benefit the Company looking at his business knowledge and expertise.

During the year under review Mr. Amit A. Shah and Mr. Bharat O. Akhiyania, appointed as an Additional Directors of the Company.

On 2nd August, 2004 Mr. Vinoobhai U. Shah, Mr. Himatlal H. Shah and Sailesh V. Shah resigned from the Directorship of the Company.

The Board placed on the record the valuable services rendered by Mr. Vinoobhai U. Shah, Mr. Himatlal H. Shah and Mr. Sailesh V. Shah, during the tenure of their directorship of the Company.

CORPORATE GOVERNANCE :

Accountability and integrity with total transparency continue to be the company's main objective towards achieving sustained growth.

Certificate of the Auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange, is enclosed.

PARTICULARS OF EMPLOYEES :

The Company does not have any employee of the category specified in Section 217 (2-A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

AUDIT COMMITTEE :

As per the requirements of the Companies Act, 1956 and Listing Agreement, the Company has constituted an Audit Committee.

The Audit Committee met on 29-03-2004 during the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibilities Statement, your Directors it is hereby confirmed:

- (1) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (2) that the directors have 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 or loss of the company for that period;
- (3) that the directors have taken proper and sufficient care of 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;



Midpoint Software & Electro Systems Ltd.

(4) that the directors have prepared the annual accounts on a going concern basis.

SAFETY AND ECOLOGY:

Safety and Environment protection strategies continue to be accorded the same priority.

FIXED DEPOSITS :

The Company has not accepted any Deposit from the Public, during the year under review.

AUDITORS :

The retiring auditors of the Company, M/s. P.J. Raichura & Co., Chartered Accountants, Mumbai have expressed their unwillingness to be re-appointed as the statutory auditors for the ensuing year.

It is proposed to appoint M/s. Talati & Co., Chartered Accountants, Mumbai as the Statutory Auditors of the Company in place of the retiring auditors M/s. P.J. Raichura & Co., Chartered Accountants.

Members are requested to consider the appointment of M/s. Talati & Co., Chartered Accountants, Mumbai for the current financial year, on a remuneration to be decided by the Board of Directors in consultation with the said firm of Auditors.

CONSERVATION OF ENERGY

The Company is not covered under the list of specified industries. However, required conservation measures are already taken for limiting power consumption to the extent necessary.

FOREIGN EXCHANGE EARNINGS AND OUTGO :

(Rs. in Lacs)

Earnings : Rs. Nil

(Previous Year : Rs. Nil)

Outgoing : Rs. Nil

(Previous year : Rs. NIL)

LISTING AGREEMENT COMPLIANCE :

Pursuant to the requirements of the Listing Agreement, the Company declares that its Equity Shares are listed on the Stock Exchanges, Mumbai, The Stock Exchange, Ahmedabad and Madras Stock Exchange. Further the Company in process of applying for Delisting the Company's Equity Shares from the Ahmedabad Stock Exchange and Madras Stock Exchange and the fresh special resolution is proposed to be passed in this Annual General Meeting, pursuant voluntary delisting guidelines prescribed by SEBI in this regard. The Bombay Stock Exchange, has suspended trading in Company's Equity shares for non compliance of the Listing Agreement. However, the Company is in process of updating compliance requirements and the same will be completed in current financial year.

ACKNOWLEDGEMENT :

Yours Directors express their grateful appreciation for the assistance and co-operation extended by the Bank during the years.

For and on behalf of the Board,

Mumbai
August 16th, 2004

APOORVA H. SHAH
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

1) BUSINESS OF THE COMPANY

A. Industry structure & development

The company is in software development. The domestic IT market for small to medium enterprises is growing rapidly. The total market size about Rs.350 Crores. The growth rate for the software industry is expected to be around 30% per annum. The industry has several players and the level of competition is fairly high. To attain a competitive edge, the industry is undergoing consolidation through mergers and acquisitions. The last few years have also witnessed shakeout in the industry resulting in departure of small regional players. Strengths in R&D and product recognition in domestic and export markets are emerging as key factors. The domestic industry is continuously striving to increase exports with a view to reduce its dependence on domestic consumption. The Company has plans to give thrust to exports and keeps looking for new markets and opportunities in the international markets.

B. Opportunities and threats

Your company has for the time being suspended all its activities and the company is looking for a strategic partner, who can bring in required resources to recommence its activities. The unavailability of resources to expand the Company's business aggressively is the stumbling block. Your directors are considering various options to generate revenue for the company to revive its products and activities. There is a fierce competition in the software market. The export markets offer increasingly higher business opportunities.

C. Risks and concerns:

Price competition in the domestic market for some of the products may affect profitability. The process of globalization also increases threat of competition, both in the domestic and export markets.

2) Internal control systems and their adequacy:

The Company has proper and adequate systems of internal controls in order to ensure that all assets are safeguarded against loss from unauthorized use or disposition and that all transactions are authorised, recorded and reported correctly. Regular internal audits and checks are carried out

to ensure that the responsibilities are executed effectively and that adequate systems are in place. Management continuously reviews the internal control systems and procedures to ensure orderly and efficient conduct of business. The review includes adherence to the management policies, safeguarding the assets of the Company and ensuring preparation of timely and accurate financial information. The emphasis on internal control prevails across functions and processes, covering the entire gamut of activities. A strong internal audit function and effective Audit Committee of the Board have strengthened the internal control within the organization.

3) Financial performance & analysis :

Your company has for the time being suspended all its activities. Hence nothing to compare or discuss about.

4) Human resource development / Industrial relations:

The Company continuously monitors its human resource requirement to ensure that it has adequate human skills commensurate with its requirements. The Company continuously strives to upgrade the skills and competence of its human resources. Measures for safety, training, welfare and development of employees receive top priority.

5) Cautionary statement:

Statements in this report on Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable security laws or regulations. These statements are based on certain assumptions and expectation of future events. Actual results could however, differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand-supply conditions, finished goods prices, raw materials cost and availability, changes in Government regulations and tax structure, economic developments within India and the countries with which the Company has business contacts and other factors such as litigation and industrial relations.

The Company assumes no responsibility in respect of forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.



Midpoint Software & Electro Systems Ltd.

CORPORATE GOVERNANCE

Company's policies on the Corporate Governance and due compliance report on specific areas wherever applicable for the year ended 31st March, 2004 are hereunder divided into the following areas: -

I. Company's philosophy on Corporate Governance:

The Company believes that good Corporate Governance is essential to achieve long-term corporate goals and to enhance stakeholder's value. Company's business objective and that of its management and employees is to produce and market the Company's products in such a way so as to create value that can be sustained over a long term for all its stakeholders including shareholders, employees, customers, Government and the lenders. In addition to compliance with regulatory requirements, the Company endeavors to ensure that highest standards of ethical are met throughout the organization.

II. Board of Directors

(a) Composition of the Board

- The composition of the Board of Directors with reference to Executive and Non Executive Directors meets the requirement of code of Corporate Governance.
- Out of Three Directors, there is Two Non-Promoter Executive Directors namely Mr. Amit A. Shah and Mr. Bharat O. Akhiyania and one Promoter Non - Executive Director namely Mr. Apoorva H. Shah.
- There are two Independent Directors namely Mr. Amit A. Shah, Mr. Bharat O. Akhiyania.

(b) Number of Board Meetings held and attended by Directors

During the last financial year, Six Board Meetings were held on 23rd April, 2003, 11th June, 2003, 23rd July, 2003, 23rd October, 2003, 23rd January, 2004 and 20th March, 2004

The Meetings were attended as follows.

- Mr. Vinobhai U. Shah, Apoorva H. Shah and Sailesh V. Shah attended all the six meetings.
- Mr. Himatlal H. Shah attended five meetings.
- *Mr. Amit A. Shah and *Mr. Bharat O. Akhiyania attended one Board Meeting.

All the Directors attended the last Annual General Meeting held on 30th September, 2003 except for *Mr. Amit A. Shah and *Mr. Bharat O. Akhiyania.

*Mr. Amit A. Shah and Mr. Bharat O. Akhiyania, Appointed as additional director on 20th March 2004.

(c) Remuneration to Executive Directors :

The Company pays sitting fees of Rs. 2500/- per meeting to Non-Executive Directors with effect from 20th March 2004 and no other remuneration has been paid to the Non Executive Directors during the year under review.