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# Midpoint

SOFTWARE & ELECTRO SYSTEMS LTD.

Fourteenth  
Annual Report  
2005-2006

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T**BOARD OF DIRECTORS**

<b>APOORVA H. SHAH</b>	<i>Chairman &amp; Director</i>
<b>BHARAT O. AKHIYANIA</b>	<i>Director</i>
<b>AMIT A. SHAH</b>	<i>Director</i>

**BANKERS**

**JANATA SAHAKARI BANK LTD.**  
**ORIENTAL BANK OF COMMERCE**  
**UNION BANK OF INDIA**

**AUDITORS**

**M/s. TALATI & CO.**  
**Chartered Accountants**

Victoria Bldg., 4th Floor,  
 27, S. A. Brelvi Road, Fort,  
 Mumbai - 400 001

**REGISTERED OFFICE**

D-22/8, TTC Industrial Area,  
 Thane Belapur Road,  
 Turbhe, Navi Mumbai - 400 705

**SHARE TRANSFER AGENT**

**System Support Services**  
 209, Shivai Industrial Estate,  
 Next to Parke-Davis,  
 89, Andheri Kurla Road, Saki Naka,  
 Mumbai - 400 071

**14th ANNUAL GENERAL MEETING**

On Friday the 29th September, 2006 at 2.30 p.m. at Registered Office of the Company at D-22/8, TTC Industrial Area, MIDC, Thane Belapur Road, Turbhe, Navi Mumbai - 400 705 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 Fourteenth Annual General Meeting of Midpoint Software & Electro Systems Limited will be held on Friday, the 29<sup>th</sup> day of September, 2006 at 2.30 p.m. at the Registered Office of the Company at D-22/8, MIDC, TTC Industrial Area, Belapur Road, Turbhe, Navi Mumbai to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006 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 Bharat O. Akhiyana, who retires by rotation, and being eligible, offers him-self for re-appointment.
3. To appoint Auditors and to fix their remuneration.

### SPECIAL BUSINESS:

4. 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

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:

D-22/8, MIDC,  
TTC Industrial Area, Belapur Road,  
Turbhe, Navi Mumbai

Place : Mumbai

Date : June 30th, 2006

### 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 No. 4 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 25<sup>th</sup> September, 2006 to Friday, the 29<sup>th</sup> September, 2006 (both days inclusive).
4. The members are requested to:
  - (a) Intimate to the Company's Registrars and Share Transfer Agents M/s System Support

## 14th ANNUAL REPORT

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 OF THE NOTICE PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

##### 1. Item No. 4:

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.4 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. 4 of the accompanying Notice.

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

Place: Mumbai

By Order of the Board

for Midpoint Software & Electro Systems Limited

**Apoorva H. Shah**  
(Director)

#### Registered Office :

D-22/8, TTC Industrial Area, MIDC,  
Thane Belapur Road, Turbhe,  
Navi Mumbai – 400 705.



## MIDPOINT SOFTWARE & ELECTRO SYSTEMS LTD.

### DIRECTORS' REPORT

Dear Members,

Your Directors present their Fourteenth Annual Report together with the Audited Statement of Accounts along with the Report of the Auditors for the year ended 31st March, 2006.

### FINANCIAL RESULTS :

(Rupees in lacs)

Particulars	2005-2006	2004-2005
Net Sales/Income from operations	0.066	0.00
Other Income	0.052	0.28
Gross Loss before Interest & Depreciation	(47.556)	(2.598)
Depreciation	3.24	3.24
Loss for the year	(50.796)	(5.843)

### YEAR IN RESTROSPECT :

During the year under review, in view of diversification of the Company's business into export of merchandise and other products to European and African Countries, an Extraordinary General Meeting was held on 24<sup>th</sup> February, 2006 for seeking shareholders consent under Section 149(2A) of the Companies Act, 1956, authorizing the Company to carry on the business as covered under Object Clause No. 89 and 101 of the Memorandum of Association of the Company. However the exports of products has not been materialized due to some procedural delay at Government Authorities, for obtaining necessary licenses and permission. In current financial year, your directors have pursuing the matter with concerned department and are hopeful the company will obtain necessary permission/ licenses and commence the desired activities.

### DIVIDEND :

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

### DIRECTORS :

Mr. Bharat O. Akhiyania, retires by rotation and being eligible offers himself for reappointment.

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

### 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 :

The Audit Committee of the Company met on 29.04.2005, 31.07.2005, 31.10.2005 and 30.01.2006 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 hereby confirm:

- (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;
- (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. As on 31<sup>st</sup> March, 2006 no unclaimed deposits are lying with the Company.

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**AUDITORS :**

The Members are requested to appoint Auditors for the current year and to fix their remuneration. M/s M/s. Talati & Co., the retiring Auditors, are eligible for re-appointment and have furnished a certificate to the effect that their re-appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the Companies Act, 1956.

**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, now the Company has complied all the listing requirements and waiting for revocation of suspension of trading of company's shares by the Bombay Stock Exchange, Mumbai.

**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,

(APOORVA H. SHAH)  
ChairmanMumbai  
June 30th, 2006





## MIDPOINT SOFTWARE & ELECTRO SYSTEMS LTD.

### 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 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.

## CORPORATE GOVERNANCE

Company's policies on the Corporate Governance and due compliance report on specific areas wherever applicable for the year ended 31<sup>st</sup> March, 2006 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 independent 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 29<sup>th</sup> April, 2005, 30<sup>th</sup> June, 2005, 30<sup>th</sup> July, 2005, 31<sup>st</sup> October, 2005, 18<sup>th</sup> January, 2006 and 31<sup>st</sup> January, 2006.

The Meetings were attended as follows.

- Mr. Apoorva H. Shah, Mr. Amit A. Shah and Mr. Bharat O. Akhiyania attended all the seven meetings.

All the Directors attended the last Annual General Meeting held on 30<sup>th</sup> September, 2005.

#### (c) Remuneration to Executive Directors:

The Company pays sitting fees of Rs. 2500/- per meeting to Non-Executive Directors for attending Board and Committee Meetings and no other remuneration has been paid to the Non Executive Directors during the year under review.





## MIDPOINT SOFTWARE & ELECTRO SYSTEMS LTD.

### (d) The details of other Directorships and Committee Membership:

Name of the Directors	Category of Directors	No. of Other Directorships held	No. of other Board Committee(s) of which he/she is	
			Member	Chairman
Apoorva H. Shah	Promoter-Non Executive	0	0	0
Amit A. Shah	Independent – Non- Executive	0	0	0
Bharat O. Akhiyania	Independent – Non- Executive	0	0	0

### III. Audit Committee

- (i) The Audit Committee at present comprises of three directors namely Mr. Amit A. Shah (Non Executive Independent Director) Mr. Bharat O. Akhiyania (Non Executive Independent Director) and Mr. Apoorva H. Shah (Non Executive Promoter Director). Mr. Amit A. Shah is the Chairman of the Committee.
- (ii) During the year under review the Audit Committee Meetings were held on 29<sup>th</sup> April, 2005, 31<sup>st</sup> July, 2005, 31<sup>st</sup> October, 2005 & 30<sup>th</sup> January, 2006.
- The attendance of the members of the committee were as follows:
- Mr. Amit A. Shah attended all the four the meetings.
  - Mr. Bharat O. Akhiyania attended all the four the meetings.
  - Mr. Apoorva H. Shah attended all the four meetings.
- (iii) The role and terms of reference of the Audit Committee covers the matters specified for Audit Committee under Clause 49 of Listing Agreement as well as in Section 292A of the companies Act, 1956.

### IV. Remuneration Committee

The Company has not set up any Remuneration Committee since no payment of remuneration is made to any Directors and the same will be decided by the Board of Directors subject to the approval of the Members at their General Meetings, as and when need arises.

### V. Board Procedure

The Members of the Board have been provided with the requisite information mentioned in the listing agreement well before the Board meetings and the same were dealt with appropriately.

All the directors who are on various committees are within the permissible limits of the listing agreement. The directors have intimated from time to time about their membership in the various committees in other companies.

### VI. Shareholders' Committee

- (a) The Company has constituted a Share Transfer cum Shareholders / Investors Grievance Committee consisting of Executive and Non Executive directors Mr. Amit A. Shah, Mr. Bharat O. Akhiyania and Mr. Apoorva H. Shah. The Committee meets as and when need arises. There was no share transfer pending for registration for more than 30 days as on the said date except in disputed cases.

### VII. Details of Directors seeking Re-appointment :

Details of the Directors seeking re-appointment at the ensuing Annual General Meeting fixed on Friday, the 29<sup>th</sup> day of September, 2006 are given hereunder: -

Name of Director	Mr. Bharat O. Akhiyania
Date of appointment	20-03-2004
Expertise in specific Functional Areas	Corporate Executive having business experience
List of other Directors	NIL