



**Twinstar Software  
Exports Ltd.**

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**11th Annual Report  
2004-2005**

**Twinstar Software Exports Ltd.****BOARD OF DIRECTORS**

Mr. D. S. Mehta	Managing Director
Mr. Nirmal Jain	Director
Mr. G. S. Subbiah	Director
Mr. Jagdish Prasad Parish	Nominee Director, IDBI
Mr. Yogesh Wadhwa	Director
Mr. K. S. Mehta	Director

**AUDITORS**

M/s. N. K. Jalan & Co.  
Chartered Accountants  
Mumbai

**BANKERS**

Bank of Baroda

**SHARE TRANSFER AGENT**

Sharex Dynamic (India) Pvt. Ltd.  
Unit No. 1, Luthra Ind. Premises,  
Andheri - Kurla Road,  
Safed Pool, Andheri (E),  
Mumbai - 400 072.  
Tel. : 2851606, Fax : 28512885

**REGISTERED OFFICE**

Plot No. EL-178,  
TTC MIDC Indl. Area,  
Mahape, Navi Mumbai - 400 701.

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## NOTICE

NOTICE is hereby given that the 11th Annual General Meeting of **TWINSTAR SOFTWARE EXPORTS LIMITED** will be held on Monday, the 27th day of February, 2006 at 9.00 a.m. at the Registered Office at Plot No. EL-178, TTC MIDC Indl. Area, Mahape, Navi Mumbai - 400 701, to transact the following business.

### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 30th June, 2005 and the Profit and Loss Account for the year ended as on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Yogesh Wadhwa, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Nirmal Jain, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration

### 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.
2. A form of proxy is attached to this notice. Any member appointing a proxy must do so by sending the duly executed instrument of proxy and deliver it to the Registered Office of the Company not less than 48 hours before the date and time of the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 20th February, 2006 to 25th February, 2006 (both days inclusive).
4. Members are requested to bring their copy of Annual Report along with them to the Annual General Meeting.
5. Members are requested to send their queries at least 7 days before the meeting to the Registered Office of the Company so that information required by the Members may be made available at the Meeting.

**REPORT OF THE DIRECTORS****TO THE MEMBERS:**

The Directors present herewith their Eleventh Annual Report and Audited Accounts for the year ended 30th June, 2005.

**FINANCIAL RESULTS:**

The table given herein below set out salient features pertaining to the working of the Company during the year under review.

(Rupees in Lacs)

Particulars	2004-05	2003-04
Sales and Services	262.36	121.28
Profit/(Loss) before interest and depreciation	14.16	4.27
Less: Financial Expenses	0.63	143.95
Less: Depreciation	186.78	186.66
Net Profit/ (Loss) before Tax	(173.25)	(326.35)
Net Profit/ (Loss) after Tax	(173.25)	(326.35)
Add : Deferred tax	---	40.37
Add: Profit/ (Loss) brought forward	(406.44)	(120.46)
Less : Deferred Tax Liability	---	---
Balance of Profit carried to Balance Sheet	(579.69)	(406.44)

**OPERATIONS AND OVERALL PERFORMANCES:**

During the year the total income of the Company is Rs. 263.20 Lakhs against Rs. 127.66 Lakhs in the previous year. The Company has been undergoing working financial crunch for last four years and non availability of working capital funds has affected the current business.

**TWINSTAR SOFTWARE INC.:**

Twinstar Software Inc. is a 100% subsidiary of the Company incorporated under the Laws of California State, USA. The main object of the subsidiary is to work as a marketing window for the Company. It is engaged in marketing the Company's products and services, which in turn will accelerate the Company's growth. Business activities of the subsidiary during the year under review have been sluggish due shortage of working capital.

Pursuant to the provisions of Section 212 of the Companies Act, 1956, financial statements of the subsidiary are annexed hereto.

**ACCOUNTING STANDARDS:**

The institute of Chartered Accountants of India has introduced the various Accounting Standards in the year under review, to make the financial statements and disclosures in line with the international accounting practices and disclosures. Most of these "Accounting Standards" are mandatory in nature and the Company has incorporated them in the accounts accordingly.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT:****Industry Structure and Development:**

The Company is focusing more on I.T. enabled services with a better Profitable Options. The outsourcing business from US/UK/Australia is increasing and Company is positioning itself well to take the advantage of the opportunities.

**Industry Outlook:**

The Information Technology sector is going to be in demand in long term. Industry dynamics are changing. USA have been a big market as they are looking at cost cutting for their day to day operations which would yield further business to India. Therefore focus on IT enabled services would yield benefits including employment generations and foreign exchange earnings.

**Opportunity and Threats:**

TSEL has now undertaken a new line of activity i.e. business process outsourcing with its large infrastructure at Navi Mumbai. The presence in international market and relationship with large corporate houses in the world would bring good opportunity especially today when 'outsourcing' is becoming a good solution for large corporate houses in world market.

The overseas labour union resistance may pose threat to profitability.

**Future Outlook:**

The future prospect of the company is bright despite previous losses. The Company is in process of restructuring and consolidation. The Company has already approached IDBI for One time Settlement for its Term Loan and it is hopeful to settle soon. The Company has already started making operating profits means no cash losses.

**Operational and Financial Performance:**

The summarized performance of TSEL was as under:

	(Rs. in Lakhs)	
	2004-2005	2003-2004
Sales	262.36	121.28
EBIDT	14.16	4.27

**Human Resources and Industrial Relations:**

Despite uncertainties prevailing during the year under review on account of sluggish market condition and non-availability of working capital, the management was able to ensure high morale of the employees and medical transcriptionists.

**Internal Control System:**

The Company has very effective control system covering both accounting and administrative controls. The internal audit carries out audit tests and report on non-compliance / weaknesses if any, through internal audit reports. These reports are review by the Management Committee and subsequently by the Audit Committee of the Board.

**DIVIDEND:**

With a view to consolidating the financial position, your Directors do not recommend any dividend for the year under review.

**DEPOSITS:**

The Company has not accepted any deposit from the public during the year under review and, as such, there are no outstanding deposits in terms of the Companies (Acceptance of Deposits) Rules, 1975.

**DIRECTORATE:**

Mr. Yogesh Wadhwa and Mr. Nirmal Jain, Directors retire by rotation and being eligible offers themselves for re-appointment. Your Directors recommend their re-appointment.

**DIRECTORS' RESPONSIBILITIES STATEMENT:**

Pursuant to section 217(2AA) of the Companies Act, 1956 your Directors confirm that:

- In preparation of annual accounts for the year ended 30th June, 2005 the Company has followed the applicable accounting standards with proper explanation relating to materials departures, if any ;
- The Directors have selected such accounting policies and applied them consistently and made estimates prudently and reasonably so as to give a true and fair view of the state of affairs of the Company as on 30th June, 2005 and of the profit and loss of the Company for the year under review ;
- Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with applicable provisions of the Companies Act, 1956, for safeguarding the assets of the Company and preventing fraud and other irregularities ;
- The annual accounts have been prepared on a going concern basis.

**AUDITORS:**

M/s. N. K. Jalan, Chartered Accountants, will retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer them for re-appointment. They have furnished a certificate to the effect that the proposed re-appointment, if made, will be accordance with Section 224(1B) of the Companies Act, 1956. The Members are requested to appoint them and authorise the Board to fix their remuneration.

**AUDITORS' REMARKS:**

The observations made in the Auditors' Report and Notes to Accounts are self-explanatory and, therefore, do not call for any further comments or explanations.

**INSURANCE:**

All the Fixed Assets of the Company have been adequately insured.

**CORPORATE GOVERNANCE:**

Pursuant to the amendment to the Listing Agreement your Company has set up an Audit Committee and Investor Grievance Committee. It has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as prescribed under the amended Listing Agreement of the Stock Exchanges, with which the Company is listed are complied with.

A separate report on Corporate Governance is produced as part of the Annual Report along with the Auditor's Certificate on it's compliance.

**CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure forming part of this Report.

**PERSONNEL :**

The Board wishes to place on record its appreciation of all the employees of the Company for their sustained efforts and immense contribution to the performance during the year under review. A climate of harmonious industrial relations prevailed throughout the year.

**INFORMATION UNDER SECTION 217 (2A) (PARTICULARS OF EMPLOYEES) :**

No employee is drawing the remuneration exceeding the specified limit prescribed u/s. 217 (2A) of the Companies Act, 1956 (Particulars of Employees) Rules, 1975.

**ACKNOWLEDGEMENTS :**

Your Directors place on record their appreciation for the continued assistance and co-operation extended to the Company by Financial Institutions and Banks.

Your Directors also place on record their appreciation of the confidence reposed and continued support extended by the members to the management.

For and on behalf of the Board

Place: Mumbai  
Dated: 31.01.2006

(D.S. Mehta)  
Managing Director

(K.S. Mehta)  
Director

**ANNEXURE TO THE DIRECTORS' REPORT AS REQUIRED UNDER SECTION 217 (1) (e):**

In terms of section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988, the relevant information is given below :

**(A) CONSERVATION OF ENERGY:**

The Company's operations involve low energy consumption. Wherever possible energy conservation measures have been implemented and there are no major areas where further energy conservation measures can be taken. However, efforts to conserve and optimize the use of energy through improved operational methods and other means will continue.

**(B) TECHNOLOGY ABSORPTION, RESEARCH & DEVELOPMENT (R & D):**

Research and Development continues to be given high priority. The Company plans to expand its product range to meet emerging market needs. The Company also plans to develop methodologies and tools to further improve productivity in addition to carrying out R&D work in certain areas like local software development and IT enabled services.

**(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:**

	(Rupees in Lacs)	
	Current Year	Previous Year
1. Foreign Exchange Earnings:	Rs. 13.26 Lakhs	Rs. 15.20 Lakhs
2. Foreign Exchange Outgo:	Rs. NIL Lakhs	Rs. 3.09 Lakhs

For and on behalf of the Board

Place: Mumbai  
Dated: 31.01.2006

(D.S. Mehta)  
Managing Director

(K.S. Mehta)  
Director

**AUDITOR'S CERTIFICATE**

To,

The Members of Twinstar Software Exports Ltd.

We have examined the compliance of conditions of Corporate Governance by Twinstar Software Exports Ltd. for the year ended 30th June, 2005, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of our Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**FOR N. K. JALAN & CO.**  
**CHARTERED ACCOUNTANTS**

(N.K. JALAN)  
Proprietor

Place: Mumbai  
Date: 31.01.2006

## REPORT ON CORPORATE GOVERNANCE

### COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The Company aims at attainment of the highest levels of Corporate Governance with transparency and accountability in its actions and operations and to become good corporate citizen.

### BOARD OF DIRECTORS:

The Board consists of Mr. D.S. Mehta, Managing Director and Mr. G.S. Subbiah, Non -Executive Promoter Director of the Company.

Mr. K.S. Mehta, Mr. Nirmal Jain and Mr. Yogesh Wadhwa are independent Non-Executive Director

Mr. Jagdish Prasad Parish, Non-Executive independent Nominee Director on behalf of IDBI.

During the year under review, 5 (Five) Board Meeting were held. The dates on which the meetings were held were as follows:-

31st July, 2004, 30th October, 2004, 29th November, 2004, 31st January, 2005 and 29th April, 2005.

The composition of the Board of Directors and attendance of the Directors at the Board Meetings during the year and at the last Annual General Meeting as also number of other directorships in Indian Public Limited Companies are as follows :-

Name of the Director	Category	Financial Year 2004-2005 Attendance At		
		Board Meetings	Last AGM	No. of other Director Ships
Mr. D. S. Mehta	Managing Director	5	Yes	-
Mr. G. S. Subbiah	Non-Executive Director	-	No	-
Mr. K.S. Mehta	Independent Non-Executive Director	3	No	-
Mr. Yogesh Wadhwa	Independent Non-Executive Director	3	No	-
Mr. Nirmal Jain	Independent Non-Executive Director	-	No	-
Mr. Jagdish Parish	Nominee Director	4	N.A.	-

### AUDIT COMMITTEE:

The Company has already constituted an Audit Committee comprises of 3 Independent non-executive Director.

Mr. Kailash Mehta	Chairman	Independent Director
Mr. Nirmal Jain	Director	Independent Director
Mr. Yogesh Wadhwa	Director	Independent Director

### Terms of reference:

Apart from all the matters provided in clause 49 of the Listing Agreement and section 292A of the Companies Act, 1956, the committee reviews reports of the internal Audit Department, meet statutory auditors periodically and discusses their findings, suggestions, internal control systems, scope of audit, observations of the auditors and other related matters and reviews major accounting policies followed by the company.

The Committee meets every quarter when Board meets to finalize quarterly unaudited results. A meeting of the Audit Committee is also held to review the audited financial results of the Company before the said results approved by the Board of Directors.

The Committee has met 5 times during the financial year ended 30th June, 2005.

**INVESTORS GRIEVANCE COMMITTEE:**

The Company has constituted the committee comprising of Mr. Kailash Mehta and Mr. Nirmal Jain, Non-Executive Directors and Mr. D.S. Mehta, Managing Director.

The Committee oversees the performance of the Registrar and Transfer Agents and recommends measures to improve the level of investor services.

The Committee has been formed to approve the matter relating to transfer of shares, issue of duplicate share certificate, review and redressal of investors' grievances and other allied matters.

The Company meets fortnightly for the approval of the share transfers/issue of duplicate shares/replacements etc.

The total numbers of complaints received and replied to the satisfaction of the shareholders during the year are as follows:-

Description	Received	Replied
Consumer Forum	Nil	Nil
Stock Exchanges	Nil	Nil
SEBI Complaints	Nil	Nil
Legal Notice	Nil	Nil
Miscellaneous	5	5

**REMUNERATION POLICY:**

The Company's remuneration policy aims at attracting high calibre talent by taking into account the talent market, national and international remuneration trends and the competitive requirements of each of its business. The remuneration of employees largely consists of salary and perquisites. The components of the total remuneration vary for different cadres, and are governed by industry pattern, qualification and experience of the employee, responsibilities and individual performance.

**Remuneration to Director:**

The remuneration of director in all cases is decided by the Board subject to necessary approval of shareholders and other applicable approvals, if any save and except Mr. D.S. Mehta, Managing Director, no other Director is drawing remuneration.

During the year, Mr. D. S. Mehta, Managing Director has been paid aggregate remuneration of Rs. 178000/- by way of Salary and Remuneration.

All the Directors except Managing Director are in receipt of sitting fees of Rs. 1000/- per meeting attended by them. This is as per the Articles of Association of the Company.

**GENERAL BODY MEETING:**

The last three Annual General Meetings of the Company were held as under.

Financial Year	Date	Time	Location
2003-2004	27.12.2004	09.00 a.m.	Registered Office: Plot No. EL-178, Mahape, Navi Mumbai
2002-2003	30.12.2003	09.00 a.m.	Registered Office: Plot No. EL-178, Mahape, Navi Mumbai
2001-2002	21.12.2002	09.00 a.m.	Registered Office: Plot No. EL-178, Mahape, Navi Mumbai

**DISCLOSURES:**

- Their are no materially significant transactions during the year with the related parties viz. promoters, directors or the management, their subsidiaries or relatives etc. that may have a conflict with the interest of the Company at large.
- No penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any Statutory Authority on any matter related to Capital Markets for non-compliance by the Company.

**MEANS OF COMMUNICATION:**

The Quarterly Results are Normally published in Navshakti and Free Press Journal

**GENERAL SHAREHOLDER INFORMATION:****11th Annual General Meeting**

Venue: Plot No. EL-178, TTC MIDC Indl. Area, Mahape, Navi Mumbai: 400 701.

Time: 9.00 a.m.

Date: 27th February, 2006

**Financial Calendar (Tentative)**

Results for quarter ended 30.09.2005	30th October, 2005
Results for quarter ending 31.12.2005	Mid January, 2006
Results for quarter ending 31.03.2006	Mid April, 2006
Results for quarter ending 30.06.2006	Mid July, 2006

**Book Closure:**

20th February, 2006 to 25th February, 2006 (both days inclusive).

**Dividend Payment Date:**

The company has not declared any dividend.

**Listing on Stock Exchanges and Stock Codes:**

The names and addresses of the stock exchanges at which the equity shares of the Company are listed and the respective stock codes are as under:

Sr. No.	Name of the Stock Exchange	Stock Code
1	BSE, Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Mumbai : 400 001	31917
2.	Stock Exchange - Ahmedabad, Kamdhenu Complex, Panjara Pole, Ahmedabad - 380 015	61860
3.	Bangalore Stock Exchange Ltd., Stock Exchange Towers, 1st Cross, J.C. Road, Bangalore - 560 027	TSEL

**Market Price Data:**

High/Low of market price of the Company's equity shares traded on BSE during the last financial year was as follows:

Month	BSE	
	High	Low
July, 2004	0.68	0.40
August, 2004	0.60	0.34
September, 2004	1.46	0.34
October, 2004	2.10	0.96
November, 2004	1.95	0.95
December, 2004	2.59	1.08
January, 2005	3.45	1.49
February, 2005	2.80	1.62
March, 2005	3.50	1.79
April, 2005	2.84	1.97
May, 2005	4.75	1.79
June, 2005	9.25	3.00

**Registrar and Transfer Agent:**

Registrar and Transfer Agents (share transfer and communication regarding share certificates and change of address)