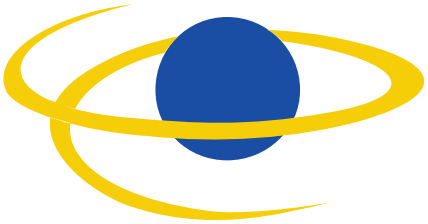

Encore Software

TWENTY SECOND ANNUAL REPORT

2013-2014

Encore Software Limited

CIN: L72200KA2001PLC029313
Email: eslcompliance@ncoretech.com Website: www.ncoretech.com

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Vinay L Deshpande	Director
Mrs. Chhanda Deshpande	Director
Mr. S P Satish	Director
Mr. U Divakaran	Director

MANAGEMENT TEAM

Mr. Vinay L Deshpande	Director
Mrs. Chhanda Deshpande	Director

AUDITORS

Messrs Ishwar & Gopal
Chartered Accountants

BANKERS

Syndicate Bank
Shoolay Branch, Bangalore 560025

REGISTERED OFFICE

Encore Software Limited
6th Floor, Leo Complex
44 & 45 Residency (Cross) Road
Bangalore 560025

USA OFFICE

20590 Shady Oak Lane
Cupertino, CA 95014, USA

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Notice
Directors' Report
CEO & CFO Certification
Auditors' Report
Financial Statements

SHARE TRANSFER AGENT

Integrated Enterprises (India) Limited
30 Ramana Residency, 4th Cross
Sampige Road, Malleswaram
Bangalore 560003
Phone: 080-2346 0815 / 818
Fax: 080-2346 0819

TWENTY SECOND
ANNUAL REPORT 2013-2014

NOTICE

NOTICE is hereby given that the Twenty Second Annual General Meeting of the Members of the Company will be held at 4:30 p.m. on Friday, 26th September, 2014, at Bharatiya Vidya Bhavan, Race Course Road, Bangalore 560001, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss for the year ended on that date, together with the Reports of the Directors and Auditors there on.
2. To appoint a Director in place of Mr. Vinay L Deshpande, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Mrs. Chhanda Deshpande, who retires by rotation and is eligible for reappointment.
4. To appoint auditors and authorize the Board to fix their remuneration.

SPECIAL BUSINESS

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

   "RESOLVED THAT Mr. U Divakaran (DIN 01678151) who was appointed as Additional Director of the Company on 29.05.2014 and who holds Office up to the date of this Meeting be and is hereby appointed as Director of the Company."
6. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED that pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. S P Satish (DIN 00897278), Director of the Company who retires by rotation at the Annual General Meeting, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years up to March 31, 2019."
7. To consider and if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:

   "RESOLVED that pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. U Divakaran (DIN 01678151), Director of the Company who retires by rotation at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years up to March 31, 2019."

By order of the Board

Date: 14th August 2014
Place: Bangalore

Vinay L Deshpande
Director

NOTES

1. A Member entitled to attend and vote at the Meeting is also entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a Member. The instrument appointing proxy, in order to be effective, should reach the registered office of the Company at least 48 hours before the Meeting.
2. Explanatory statement pursuant to Section 102 of the Companies Act, 2013, in respect of Special Business is annexed hereto.
3. The Register of Members and Share Transfer Books of the will remain closed on September 26, 2014.
4. The listing fee has been paid to the Bombay Stock Exchange where the Company is listed.
5. The Shares of the Company are compulsorily traded in electronic form. Members are requested to inform the Company's Registrars and Share Transfer Agents viz., Integrated Enterprises (India) Limited, Unit: Encore Software Limited, 30, Ramana Residency, Ground Floor, 4th Cross, Sampige Road, Malleswaram, Bangalore 560003, about the changes, if any, in their registered addresses, along with the PIN Code number quoting their folio number. All correspondence relating to transfer of Shares may be sent directly to the aforesaid Transfer Agents of the Company.
6. Members are requested to bring their copies of the Annual Report to the Meeting.
7. Pursuant to SEBI notification no. MED/DOP/Circular/05/2009 dated May 20, 2009, it has become mandatory for the transferee(s) to furnish copy of PAN card to the Company/RTA to enable/effect transfer of Shares in physical form.
8. As regards the re-appointment of Mr. Vinay L Deshpande referred to in item No. 2 of the Notice, the following necessary disclosures are made for the information of the Shareholders:

Name of the Company/Firms	Nature of Interest
1. AFS Intercultural Programs India	Director
2. Peninsula Electronics Pvt Ltd (Company just formed; not yet active)	Director
3. Processor Systems (India) Pvt Ltd	Director

9. As regards the re-appointment of Mrs. Chhanda Deshpande referred to in item No. 3 of the Notice, the following necessary disclosures are made for the information of the Shareholders:

Name of the Company/Firms	Nature of Interest
--	--

10. Voting through electronic means:

Pursuant to the provisions of Section 108 of the Companies Act, 2013, read with the Companies (Management and Administration) Rules, 2014, the Company is pleased to offer e-voting facility to the members to cast their votes electronically on all resolutions set forth in the Notice convening the 22nd Annual General Meeting to be held on Friday, September 26, 2014, at 4:30 pm. The Company has engaged the services of Central Depository Services (India) Limited (CDSL) to provide the e-voting facility. The instructions for E-voting are as under:

i) Open your web browser during the voting period and log on to the e-voting website www.evotingindia.com

ii) Click on "Shareholders" tab to cast your votes.

iii) Select the company "ENCORE SOFTWARE LIMITED" from the drop down menu and click on Submit.

iv) Enter the user id and the CAPTCHA code as appearing on the screen.

v) If you are holding shares in Demat form and have already voted earlier on www.evotingindia.com for voting of any other Company, then your existing password is to be used.

vi) If you are a first-time user, please follow the steps given below:

Fill up the following details in the appropriate boxes:

	For Members holding shares in Demat Form	For Members holding shares in Physical Form
User ID	For NSDL: 8-Character DP ID followed by 8-Digit Client ID For CDSL: 16-digit beneficiary ID	Folio Number registered with the Company
PAN*	Enter your 10-digit alpha-numeric *PAN issued by Income Tax Department and updated with the Company when prompted by the system while e-voting (applicable for both Demat shareholders as well as physical shareholders).	
DOB#	Enter the Date of Birth as recorded in your Demat account or in the Company records for the said Demat account or Folio No. in dd/mm/yyyy format.	
Bank Details#	Enter the bank details as recorded in your Demat account or in the Company records for the said Demat account or folio	

* Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the last 8 digits of the demat account/folio number in the PAN field.

Please enter any one of the details in order to log in. In case either of the details is not recorded with the Depository, please enter the Number of Shares held by you as on the cutoff date" in the Dividend Bank details field.

vii) After entering these details appropriately, click on the "SUBMIT" tab.

viii) Members holding shares in physical form will then reach directly the EVSN selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. The new password has to be a minimum of eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through the CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

ix) Click on the relevant EVSN on which you choose to vote.

x) On the voting page, you will see Resolution Description and against the same the option "YES/NO" for voting. Select the option "YES" or "NO" as desired. The option YES implies your assent to the Resolution and option NO implies your dissent to the Resolution.

xi) Click on the "Resolutions File" link if you wish to view the entire set of Resolutions.

xii) After selecting the resolutions you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

xiii) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

xiv) If Demat Account holders have forgotten the changed password, then they may enter the User ID and Captcha Code, click on "Forgot Password" and enter the details as prompted by the system.

xv) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to log on to https://www.evotingindia.co.in and register themselves as Corporates, link the account(s) which they wish to vote on and then cast their vote. They should upload a scanned copy of the Board Resolution or Power of Attorney in favour of the Custodian whom they have authorised to vote on their behalf, if any, in PDF format in the system, for the scrutinizer to verify the same.

xvi) The voting period begins on Septemebr 20, 2014 (9.00 a.m.) and ends on September 22, 2014 (6.00 p.m.). During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of August 29, 2014, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.

xvii) In case you have any queries or issues regarding e-voting, you may refer to the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.co.in under the Help section or write an email to helpdesk.evoting@cdslindia.com.

xviii) The voting rights of the shareholders shall be in proportion to their shares of the paid-up equity share capital of the Company as on the cut off date of August 29, 2014.

xix) Mr. Vijayakrishna K T, Practicing Company Secretary, Bangalore has been appointed as Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

xx) The Scrutinizer shall, within a period not exceeding three working days from the conclusion of the e-voting period, unblock the votes in the presence of at least two witnesses not in the employment of the Company, and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.

xxi) The results of the e-voting along with the Scrutinizer's Report shall be placed on the Company's website (www.ncoretech.com) and on the website of CDSL within two days of passing of the resolution at the AGM of the Company. The results wil also be communicated to the stock exchanges where the shares of the Company are listed.

By order of the Board

Date: 14th August 2014
Place: Bangalore

Vinay L Despande
Director

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 5:

Mr. U Divakaran (DIN 01678151) was appointed as Additional Director and holds office up to the date of the ensuing Annual General Meeting.

Notice has been received from a Member proposing the candidature of Mr U Divakaran as Director of the Company along with the deposit of Rs. 1,00,000/-.

The Board recommends the resolution for the approval of the Shareholders.

None of the Directors except Mr. U Divakaran himself, and no Key Managerial Personnel, is interested or concerned in the resolution. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchange.

Item No. 6:

Mr. S P Satish (DIN 00897278): As regards appointment of Mr. S P Satish as an Independent Director referred to, in item No.6 of the notice, the following necessary disclosures are made for the information of the Shareholders:

None of the Directors except Mr. S P Satish (DIN 00897278) himself, and no Key Managerial Personnel, is interested or concerned in the resolution. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchange.

Item No. 7:

U Divakaran (DIN 01678151): As regards appointment of Mr. U Divakaran as an Independent Director referred to, in item No. 7 of the notice, the following necessary disclosures are made for the information of the Shareholders:

None of the Directors except Mr. U Divakaran (DIN 01678151) himself, and no Key Managerial Personnel, is interested or concerned in the resolution. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchange.

By order of the Board

Date: 14th August 2014
Place: Bangalore

Vinay L Deshpande
Director

DIRECTORS' REPORT

Your Directors are pleased to present the Twenty second Annual Report of the Company together with the Audited Statement of Accounts for the year ended March 31, 2014. As notified by MCA Circular No. 1/19/2013-CL-V dated 04.04.2014, the Company has followed the Companies Act, 1956, in respect of the report.

FINANCIAL RESULTS

(Rs. In Million)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Operating Income	—	23.09
Gross Profit/(Loss) after Interest, but before depreciation and tax	**(25.29)**	(6.40)
Less: Depreciation	**0.06**	0.35
Provision for Tax	**Nil**	Nil
Profit/(Loss) after Tax	**(25.35)**	(6.75)
Transfer to Reserve	**Nil**	Nil

OPERATIONS

The year 2013-14 has of course been very difficult, but your Company and the Company has incurred loss owing mainly to provisions made for interest and financial charges but the Company is negotiating with the lenders for reducing the interest burden, while pursuing a re-structuring of its operations.

The Company's subsidiary, Consilient Technologies Pvt Ltd., which commenced operations on September 1, 2012, has consolidated its operations and is now beginning to grow. The coming year expects to see its operations ramping up, leading to growing profit.

The MCP activities are now being reoriented towards providing solutions in the Manufacturing, Education and Defence sectors. Plans have been finalized for infusion of additional funds into the Company in order to help re-build operations in these chosen segments as well as for entering the area of Business Intelligence software.

INDUSTRY OUTLOOK

With the advent of a new government in the country, and with the announced focus of this new government on indigenous manufacturing, especially in the areas of electronics production and defence procurement from domestic companies, it is widely expected that indigenous electronics products will see renewed vigour in the domestic market. Therefore, your Company's plans for focusing on the chosen sectors of Manufacturing, Education, and Defence, seem to be on target.

MOBILE COMPUTING PRODUCTS

As indicated earlier, efforts at reorienting the activities towards being able to offer products and solutions in Defence, Manufacturing, and Education, are continuing, and are now beginning to produce results, with the first new orders expected to materialize during the new financial year.

Your Company has already upgraded the design of its product for the Brazil market, where your Company continues to be engaged for making an entry in the educational computers market. The proposed Brazil Joint Venture is expected to get under way during the new financial year.

SATHI

The advent of the new government has already resulted in fresh enquiries for the SATHI, and therefore your Company continues to remain hopeful of new orders for this ground-breaking product. Consequently, your Company has already planned aggressive software and hardware updates to the SATHI design during the coming year. In addition, discussions are on in the Defence offsets area.

Likewise, the Air Publication Reader Tablet (APRT) -- the rugged tablet computer we had developed for the Aircraft Publication System project of NASDO (Naval Aircraft Servicing and Development Organization, Goa), along with the companion products Client Interface Platform (CIP) and Air Publication Network Interface (APNI), is being updated to the state of the art, and will be offered to both the Navy and the Air Force during the coming year.

BUSINESS INTELLIGENCE (BI)

As part of the restructuring of your Company's business strategy, some new opportunities in the Business Intelligence (BI) area have been identified, and therefore product development has been initiated in this important new area of business. Your Company is confident of significant revenue in this segment during the ensuing financial year.

OVERSEAS OPERATIONS

Ncore USA, the wholly-owned subsidiary in the United States, continues to be kept alive as in the past, in order to have a base when the market for your Company's offerings starts growing there. The investment made in the subsidiary is fully provided for under provision for diminution in the value of investments. Since the subsidiary has no assets or liabilities and has also not carried out any operations during the year under review, Consolidated Accounts have not been prepared.

RISKS AND CONCERNS

The main concerns for the coming year relate to the timing of the expected infusion of funds, and the subsequent clinching of purchase orders in the new areas of business being contemplated, and in Brazil.

CORPORATE GOVERNANCE

Being constantly committed to good Corporate Governance, your Company continues to follow sound corporate governance practices, including appropriate internal control structures, which ensure strict compliance with legal requirements and reliable financial reporting and also ensures that management implements and maintains effective business controls, including internal financial controls which are monitored on a self-assessment basis and by audits performed by internal and external auditors. These steps lead to increased transparency and accountability to the Company's shareholders. A detailed Corporate Governance Report has been provided in Annexure 'B' and the Auditors' Report on Corporate Governance is provided in Annexure 'C'.

PARTICULARS OF EMPLOYEES

There was no employee drawing remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

There was no complaint lodged by any woman employee under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, with the Company during the period under report.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Company's Articles of Association, Mr. Vinay L Deshpande, Director, and Mrs. Chhanda Deshpande, Director, who retire by rotation, and being eligible, offer themselves for re-appointment.

In terms of the requirements of the Companies Act, 2013, appointment of Mr. U Divakaran and Mr. S P Satish as Independent Directors is proposed under Special Business.

During the year, Mr. Jagannathan Suri offered to step down from the office of Director. Furthermore, due to professional commitment, Mr. Ramesh Rao stepped down from the Board.

Your Board places on record its deep appreciation for the significant contribution and support extended by the outgoing Directors.

AUDIT COMMITTEE

The Audit Committee constituted by the Board of Directors continued to discharge its functions during the year under report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors have fulfilled their responsibility for the preparation of the accompanying Financial Statements by taking all reasonable steps to ensure that:

- These statements have been prepared in conformity with generally accepted accounting principles and appropriate accounting standards. Judgements and estimates that are reasonable and prudent have been made where necessary.
- The accounting policies selected and applied consistently give a true and fair view of the Financial Statements.
- The Company has implemented internal controls to provide reasonable assurance of the reliability of its financial records, proper safeguarding and use of its assets and detection of frauds and irregularities. Such controls are based on established policies and procedures and are implemented by trained, skilled and qualified personnel with an appropriate segregation of duties.

The Company's Statutory Auditors, Messrs Ishwar & Gopal, Chartered Accountants, have audited the Financial Statements in accordance with generally accepted auditing standards and practices as indicated in their report.

GOING CONCERN

In view of the initiative taken in development of diversified products which promise potential business, the Directors consider it appropriate to adopt the financial statements on a 'going concern' basis.

AUDITORS

Messrs Ishwar & Gopal, Chartered Accountants, the retiring Auditors of the Company, hold office until the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. Your Company has received a certificate from them that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

AUDITORS' REPORT

As regards the observations of the Auditors in their Report of even date, the Directors state that the Company is continuously making efforts to ramp up its scale of operations to generate profit and regain positive net worth.

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

The particulars as prescribed under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars of Board of Directors) Rules, 1988, have been set out in Annexure 'A' and form an integral part of this Report.

ACKNOWLEDGEMENTS

The Board expresses its gratitude to the Company's customers, vendors, bankers and employees and other well-wishers for their continued support. Appreciation is also placed on record for the confidence reposed in the Company by its Shareholders.

By order of the Board

Date: 14th August 2014
Place: Bangalore

Vinay L Deshpande
Director

ANNEXURE "A" TO THE DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

A. Conservation of Energy

The operations of the Company are not energy intensive. Adecuate measures have been taken to conserve and optimize the use of energy through improved operational methods.

B. Technology Absorption and Research & Development (R&D)

The Company uses the latest technology available in modern technology applications. Indigenous technology available is continuously being upgraded to improve overall performance. The Company has a dedicated team of technically competent personnel who relentlessly work on technology up-gradation and development related fields. Research and Development continues to be given very high priority in Software Technology in the area of telecommunications, and hardware technology in the area of embedded systems.

C. Foreign Exchange Earnings & Outgo

Total Foreign Exchange Earning during the year was Rs. 7.47 Millions as against Rs. 31.59 Million in the previous year. Total Foreign Exchange Outgo during the year amounted to Rs. Nil Million as against Rs. 1 Million in the previous year.

ANNEXURE "B" TO THE DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

1. PHILOSOPHY ON CORPORATE GOVERNANCE

While the Industry Outlook and the Company's future plans are provided in the main part of the Directors' Report, your Directors wish to share additional information with you. The Board represents the stakeholders' interests in terms of safety and return on their investments. It is further responsible to the various constituents of business viz. Employees, customers, and vendors and to the society where it operates. Customer satisfaction has been the chief motto of the Company.

2. MEANS OF COMMUNICATION

a. Quarterly results of your Company are published regularly in The Financial Express and Sanjevani (English and Kannada, respectively).

b. The quarterly results and the shareholding pattern are displayed on the Company's website: www.ncoretech.com, together with the official news releases, awards and recognition for Company's products.

3. STOCK EXCHANGE LISTING

a. The transactions with respect to your Shares shall be conducted only in Electronic form and are listed on The Bombay Stock Exchange Limited, Mumbai, 25th Floor, P J Towers, Dalal Street Fort, Mumbai 400001.

b. The Scrip Code is 531750.

4. BOARD OF DIRECTORS

The Company has a well-constituted Board comprising of four Directors, who possess rich corporate experience, the composition being as follows:

Category	Names of Directors	Number of Directors	Composition %	No. of Directorships companies	No. of Chairmanships in other companies	No. of Memberships in other companies
i) Promoter		2	50			
Chairman & CEO	Vinay L Deshpande			04	Nil	Nil
Executive Director	Chhanda Deshpande			01	Nil	Nil
ii) Indepencent & Non Executive Directors		2	50			
	*Jagannathan Suri**				Nil	Nil
	Ramesh Rao				Nil	Nil
Total		4	100			

** Mr. Jagannathan Suri ceased to be Director from 27.09.2013.*

The Board is primarily responsible for the overall management of the Company's affairs. All the Directors have good understanding of important business aspects, both generic and specific to Encore Software Ltd.

5. PARTICULARS OF BOARD AND GENERAL MEETINGS

Board Meetings are normally held at the Registered Office of the Company and with sufficient notice along with Agenda and Notes circulated ahead of the Meetings. Four Board Meetings were held between 1st April, 2013, and 31st March, 2014, on the following dates: 30.05.2013; 14.08.2013; 14.11.2013; and 14.02.2014. The last three Annual General Meetings were held on dates, places, and times as below:

1. 21st Annual General Meeting held at 4:40 pm on September 27, 2013, at Bharatiya Vidya Bhavan, Race Course Road, Bangalore 560001.
2. 20th Annual General Meeting held at 4:00 pm on August 10, 2012, at Hotel Ajantha, MG Road, Bangalore 560001.
3. 19th Annual General Meeting held at 3:30 pm on August 30, 2011, at Hotel Ajantha, MG Road, Bangalore 560001.

6. ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND THE LAST ANNUAL GENERAL MEETING

Director	No. of Board Meetings held	No. of Board Meetings attended in person	No. of Board Meetings participated through tele conference / Video conference	Attendance at the 20th AGM held (Yes/No)
Mr. Vinay L Deshpande	4	4	Nil	Yes
Ms. Chhanda Deshpande	4	4	Nil	Yes
*Mr. Jagannathan Suri**	4	2	Nil	Yes
Mr. Ramesh Rao	4	2	Nil	No

** Mr. Jagannathan Suri ceased to be Director from 27.09.2013.*

7. REMUNERATION PAID TO INDEPENDENT DIRECTORS

No sitting fee was paid in view of the financial status of the Company. None of the Non-Executive Independent Directors of the Company has any pecuniary relationships or transactions with the Company.

8. DISCLOSURES REGARDING SUSPENSE ACCOUNT PURSUANT TO SEBI CIRCULAR NO. ESBI/CFD/DIL/LA/1/2009/24/4 DATED APRIL 24, 2009

As per the above mentioned circular, Clause 5A stands for shares issued pursuant to the public issue or any other issue which remained unclaimed and are being in the escrow account and any unclaimed benefits like dividend bonus shares etc. which are to be credited to the Demat Suspense Account. Your Company is taking steps to streamline all the requirements.

9. OTHER DISCLOSURES

1. Related-party transactions: Mentioned under Note 23.7 of the Notes to Accounts.
2. Non-compliance with Stock Exchange/SEBI requirements – None.

10. COMPLIANCES

The Company is equipped with professional skills to ensure compliance with legal requirements. The Secretarial and Legal Department is headed by the Compliance Officer who is responsible for ensuring compliance with the Companies Act and allied laws, SEBI/Stock Exchange rules and other regulations.

11. POSTAL BALLOT

The concept of Postal Ballot was introduced by the Companies (Amendment) Act, 2000. The Company will comply with the provisions of law, whenever so required.

During the year, the Company sought and received approval from the Shareholders for Disposing/Hiving off the Technology Solutions Group of the Company into a Subsidiary Company through Postal Ballot in terms of Sections 192A and 293(1)(a).of the Companies Act, 1956.

12. AUDIT COMMITTEE

The Audit Committee comprises one Non-Executive Independent Director and a Chairman who is also a Non-Executive Independent Director. The key functions of the Committee are:

1. Reviewing with the Management the annual Financial Statements before submission to the Board and reviewing any activity coming under its reference.
2. Overseeing the Company's financial reporting and public disclosure processes to ensure that Financial Statements are correct, sufficient, and credible.

3. Recommending the appointment and termination of services of external and internal Auditors, making recommendations on fee levels and determining the fees payable for any other services.
4. Reviewing the efficacy of the internal control mechanism and the risk management policies of the Company including the scope and structure of the internal audit function.

The members of the Committee are senior professionals in the fields of finance, engineering and administration with significant business expertise. Auditors are invitees to the Meetings hereof. The Committee met four times during the financial year 2013-2014: on 30.05.2013; 14.08.2013; 14.11.2013; and 14.02.2014. Attendance details are set out below:

Members	No. of Meetings	No. of Meetings attended in person	No. of Meetings participated through teleconference / Video conference
Mr. Vinay L Deshpande	4	4	Nil
Mr. Ramesh Rao	4	4	Nil
Ms. Chhanda Deshpande	4	4	Nil
*Mr. Jagannathan Suri**	4	2	Nil

** Mr. Jagannathan Suri ceased to be Director from 27.09.2013.*

The Audit Committee invites such additional persons including the Auditors as may be desired necessary from time to time, to its meetings.

13. COMPENSATION COMMITTEE

The Compensation Committee comprises two Non-Executive Directors including its Chairman and another Independent Director. The Committee performs the following key functions:

1. Periodically reviewing the compensation and benefits for Executive Directors and senior management.
2. Reviewing the Employee Stock Option Plan of the Company and related issues.

The primary objective of the Committee is to attract and retain the best talent and to ensure continuous generation of enthusiasm and motivation in them.

14. SHAREHOLDERS' GRIEVANCES COMMITTEE

The Committee comprises two Non-Executive Directors.

The Committee reviews the redressal of Demat issues and grievances such as transfer of Shares, non-receipt of Shares, non-receipt of Annual Reports and the like.

The Committee met four times during the financial year 2013-14, from 1st April 2013 to 31st March 2014, on the following dates: 30.05.2013; 14.08.2013; 14.11.2013; and 14.02.2014. Attendance details are given below

Members	No. of Meetings	No. of Meetings attended in person	No. of Meetings participated through teleconference / Video conference
Mr. Jagannathan Suri*	4	2	Nil
Mr. Ramesh Rao	4	2	Nil

** Mr. Jagannathan Suri ceased to be Director from 27.09.2013.*

15. NAME, DESIGNATION & ADDRESS OF COMPLIANCE OFFICER

Mrs. Chhanda Deshpande
Encore Software Limited
6th Floor, Leo Complex, 44 & 45 Residency (Cross) Road, Bangalore 560025
Phones: +91-99165 46224 Email: eslcompliance@ncoretech.com Website: www.ncoretech.com

16. GENERAL SHAREHOLDER INFORMATION

A. Twenty Second Annual General Meeting

Date	Time	Venue
26th September 2014	4:30 p.m.	Bharatiya Vidya Bhavan, Bangalore

B. Financial Calendar: Financial Year — April 2013 to March 2014
First Quarter Results — In August 2013

Half Yearly Results	In November 2013
Third Quarter Results	In February 2014
Results for the year ended 31st March 2014	May 2014
Book Closure Date	September 26, 2014
Scrip Code	531750
Stock Exchange	The Bombay Stock Exchange Ltd, Mumbai

International Securities Identification Number (ISIN) for National Securities Depository Limited (NSDL) and Central Depositories Services (India) Limited (CDSL):

ISIN-INE103B01012

C. Share Transfer System

All the transfers received are processed and approved by the Shareholders' Grievance Committee at its meeting or by circular resolutions.

The Company's Registrars and Share Transfer Agent, Integrated Enterprises (India) Limited, have adequate infrastructure to process the share transfers. The Committee meets to approve the transfers etc., as may be required by the Registrars and Share Transfer Agents in compliance with Listing Guidelines. They are the Registrars and Transfer Agents for both physical and electronic mode of transfer of shares. Transfer of Shares held in the physical mode are approved within a maximum period of 15 days, if found in order, in all respects, Shares under objection are returned within 7 days.

Integrated Enterprises (India) Limited
No. 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore 560003.

Shareholders' correspondence should be addressed to the Company's Registrar and Transfer Agent at the above – mentioned address. Members may also write to the Compliance Officer at the Registered Office of the Company as stated below:

Mrs. Chhanda Deshpande
Compliance Officer
Encore Software Limited
6th Floor, Leo Complex, 44 & 45 Residency (Cross) Road, Bangalore 560025

Periodically, audits are carried out at the office of the Share Transfer Agent by Independent Practicing Company Secretary and requisite Certificates/Reports are obtained.

D. Works Location

The Company Works location is at the premises of the Registered Office at Bangalore.

E. Registered Office / Address for Correspondence

Encore Software Limited
6th Floor, Leo Complex, 44 & 45 Residency (Cross) Road, Bangalore 560025
Email: eslcompliance@ncoretech.com Website: www.ncoretech.com

F. Foreign Offices

The Company's relationship and holding with respect to foreign ventures are given below:

Company	Location	Relationship	Holding by ESL
Encore Technology Singapore Pte Ltd	Singapore	Joint Venture	38.02%
Ncore USA	USA	Wholly Owned Subsidiary	100.00%

G. Shareholding Pattern: (as on March 31, 2014)

STATEMENT SHOWING SHARE HOLDING PATTERN

Name of the Company: ENCORE SOFTWARE LIMITED Scrip Code: 531750 Year ended: 31.03.2014

Category Code	Category of share holder	Number of share holders	Total number of share	Number of shares held in Dematarised form	Total share Holding as a Percentage of Total Number of share		Shares pledged or otherwise encumbered	
					As a % of (A+B)	As of (A+B+C)	Number of Shares	As a Percentage
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX=((VIII/(IV)-100)
(A)	**Shareholding of Promoter and Promoter Group 2**							
(1)	**Indian**							
(a)	Individuals/Hindu Undivided Family	2	40,320	40,320	0.62	0.62	—	—
(b)	Central Government/State Government(s)	—	—	—	—	—	—	—
(c)	Bodies Corporate	1	32,091	32,091	0.50	0.50	—	—
(d)	Financial Institutions/Banks	—	—	—	—	—	—	—
(e)	Any Other (Specify)	—	—	—	—	—	—	—
	Sub-Total (A)(1)	**3**	**72,411**	**72,411**	**1.12**	**1.12**	**—**	**—**
(2)	**Foreign**							
(a)	Individuals (Non-Resident Individuals/Foreign Individuals)	—	—	—	—	—	—	—
(b)	Bodies Corporate	—	—	—	—	—	—	—
(c)	Institutions	—	—	—	—	—	—	—
(d)	Any Other (Specify)	—	—	—	—	—	—	—
	Sub-Total (A)(2)	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)	**3**	**72,411**	**72,411**	**1.12**	**1.12**	**—**	**—**
(B)	**Public Shareholding [3]**							
(1)	**Institutions**							
(a)	Mutual Funds/UTI	—	—	—	—	—	—	—
(b)	Financial Institutions/Banks	—	—	—	—	—	—	—
(c)	Central Government/State Government(s)	—	—	—	—	—	—	—
(d)	Venture Capital Funds	—	—	—	—	—	—	—
(e)	Insurance Companies	—	—	—	—	—	—	—
(f)	Foreign Institutional Investors	1	80,000	80,000	1.24	1.24	—	—
(g)	Foreign Venture Capital Investors	—	—	—	—	—	—	—
(h)	Any Other (Specify)	—	—	—	—	—	—	—
	Sub-Total (B)(1)	**1**	**80,000**	**80,000**	**1.24**	**1.24**	**—**	**—**
(2)	**Non-institutions**							
(a)	Bodies Corporate	98	1,163,876	1,163,776	17.98	17.98	—	—
(b)	Individuals:							
	i. Individual shareholders holding nominal share capital up to Rs. 1 lakh.	3,207	2,188,367	2,162,927	33.82	33.82	—	—
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	80	2,492,804	2,492,804	38.52	38.52	—	—
C	Any Other (Specify)							
	NRI	35	447,092	406,092	6.91	6.91	—	—
	Clearing Member	17	26,950	26,950	0.42	0.42	—	—
	Sub-Total (B)(2)	**3,437**	**6,319,089**	**6,252,549**	**97.64**	**97.64**	**—**	**—**
	Total Public Shareholding (B)=(B)(1)+(B)(2)	**3,438**	**6,399,089**	**6,332,549**	**98.88**	**98.88**	**—**	**—**
	TOTAL (A)+(B)	**3,441**	**6,471,500**	**6,404,960**	**100.00**	**100.00**	**—**	**—**
(C)	**Shares held by Custodians and against Which Depository Receipts have been issued**							
	GRAND TOTAL (A)+(B)+(C)	**3,441**	**6,471,500**	**6,404,960**	**100.00**	**100.00**	—	**—**

H. Distribution of shareholding according to size class as on 31st March, 2014

ENCORE SOFTWARE LIMITED
DISTRIBUTION OF HOLDINGS AS ON 31.03.2014

Shares Holding	Share Holders		Shares	
	Number	% to Total	Number	% to Total
(1)	(2)	(3)	(4)	(5)
Up to 5,000	3,267	94.53	1,866,299	28.84
5,001 - 10,000	79	2.29	578,376	8.94
10,001 - 20,000	47	1.36	712,202	11.01
20,001 - 30,000	20	0.58	490,110	7.57
30,001 - 40,000	11	0.32	379,722	5.87
40,001 - 50,000	8	0.23	384,385	5.94
50,001 = 1,00,000	17	0.49	1,147,459	17.73
1,00,001 - and above	7	0.20	912,947	14.10
Total	3,456	100.00	6,471,500	100.00

I. Shares held in Physical and Electronic mode

Categories	Position as on 31.03.2014	
	No. of Shares	% to total shareholding
Physical	66,540	1.03
Demat - NSDL	4,567,148	70.57
Demat - CDSL	1,837,812	28.40
Total	6,471,500	100.00

J. Registrar and Share Transfer Agent
Integrated Enterprises (India) Limited
No. 30, Ramana Residency
4th Cross, Sampige Road
Malleswaram, Bangalore 560003
Tel: 080-23460815 Fax: 080-23460819
Shareholders holding Shares in electronic mode should address all their correspondence to their respective Depository Participant (DP)

K. Nomination Facility
The Companies Act, 1956 through Section 109A, offers the facility of nomination to share/ debenture/deposit holders. The facility is mainly useful for all holders holding the shares/ debentures/deposits in single name.
Investors are advised to avail of this facility, especially investors holding securities in single name to avoid the lengthy process of transmission formalities.
The nomination form may be had on request from the Company/Registrars & Share Transfer Agents. However, if the Shares are held in dematerialized form, the nomination has to be conveyed by the Shareholders to their respective Depository Participant (DP) directly, as per the format prescribed by them.

L. Market Price

The Share price data at The Stock Exchange, Mumbai for 12 months ended March 31, 2014 are furnished below:

Month	Highest Rs.	Lowest Rs.
April 2013	2.73	1.82
May 2013	—	—
June 2013	2.92	2.53
July 2013	2.90	2.90
August 2013	2.76	2.76
September 2013	—	—
October 2013	2.90	2.70
November 2013	—	—
December 2013	3.00	3.00
January 2014	3.13	3.10
February 2014	2.95	2.81
March 2014	5.15	2.70

By order of the Board

Date: 14th August 2014
Place: Bangalore

Vinay L Deshpande
Director

CEO & CFO CERTIFICATION

We confirm that:

1. We have reviewed the Financial Statements including the Cash Flow Statement for the year and that to the best of our knowledge and belief:
   - the statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   - the statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. No transactions were entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls; we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the Auditors and to the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we were aware and the steps we had taken or propose to take to rectify those deficiencies.
4. We have disclosed to the Auditors and to the Audit Committee
   - Significant changes, if any, in internal control during the year;
   - Significant changes, if any, in accounting policies during the year and, the same have been disclosed in the notes to the Financial Statements; and
   - instances of significant fraud, if any, of which we had become aware and the involvement therein, if any, of the management or any employee having a significant role in the Company's internal control system.

Date: 14th August 2014
Place: Bangalore

Vinay L Deshpande
Director

AUDITORS' REPORT ON CORPORATE GOVERNANCE

(Forming part of Directors' Report)
To the Members of Encore Software Limited

We have examined the compliance of conditions of Corporate Governance by ENCORE SOFTWARE LIMITED for the year ended on March 31, 2014, 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 has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the Financial Statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement, except for composition of the Committees.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that no investor grievances were pending for a period of one month against the Company as per the records maintained by the Shareholders / Investors Grievance Committee.

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

For Ishwar & Gopal
Chartered Accountants

K V Gopalakrishnayya
Partner
Membership No. 21748
Firm Registration No. 001154S

Place: Bangalore
Date: May 29, 2014

INDEPENDENT AUDITORS' REPORT
To the Members of Encore Software Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Encore Software Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

6. Entire net worth of the Company has been eroded. However the Company is continuing to prepare accounts under going concern concept.

7. In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India
   a. In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
   b. In the case of the Profit and Loss Account, of the loss for the year ended on that date; and
   c. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

8. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
9. As required by section 227(3) of the Act, we report that:
   a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
   c. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
   d. In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013;
   e. On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For Ishwar & Gopal
Chartered Accountants

K V Gopalakrishnayya
Partner
Membership No. 21748
Firm Registration No. 001154S

Place: Bangalore
Date: May 29, 2014

ANNEXURE TO AUDITORS' REPORT (AS REFERRED TO IN CLAUSE 1 OF OUR REPORT TO THE MEMBERS OF ENCORE SOFTWARE LIMITED.

1. a. The Company has maintained records showing full particulars, including quantitative details and the situation of its fixed assets.
   b. The fixed assets have been physically verified by the management during the year according to a periodical phased programme. In our opinion, the frequency of such verification is reasonable having regard to the size of the company and the nature of its business. No material discrepancies were noticed on such verification.
   c. During the year, the Company has not disposed off substantial part of the assets.
2. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms Report Order, 2003 (as amended) is not applicable to the Company for the year under review.
3. a. The Company has not granted any loans to companies and other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence clause 4 (iii) (a) to (d) of the Companies Auditor's Report Order, 2003 (as amended) is not applicable to the Company for the year under review.
   b The Company has taken interest free loans repayable on demand from parties (2 in number) covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 54,79,478/- and the year-end balance of loans taken was Rs. 45,99,353/-.
   c In our opinion, the rate of interest and other terms and conditions are not prima facie, prejudicial to the interests of the company.
   d. The Company has not defaulted in repayment of principal amount and interest as per the terms of the said loans.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
5. a. According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
   b. In our opinion and according to the information and explanations given to us, the transactions entered in the registers maintained under Section 301 and except for items which are of special nature for which no alternative sources of supply is available or no comparison could be made of the prices in the absence of quotations/similar transactions with other parties, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time;

6. The Company has not accepted any deposits to which the provisions of section 58A and 58AA of the companies Act, 1956 and the rules framed there under apply.
7. In our opinion, the Company's internal audit system is commensurate with the size and nature of its business.
8. Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 in respect of any activity of the Company.
9. a. There are delays in depositing with the appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, customs duty and other material statutory dues applicable.
   b. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and cess were in arrears as at March 31, 2014 for a period of more than six months from the date they became payable except for

Name of the Statute	Nature of Dues	Amount (Rs.)	Period to which amount relates	Due date	Date of payment
Central Excise Act	Service Tax	52,09,656	2009-10 and 2010-11	Various dates	Not paid as on the date of this report

   c. According to the information and explanation given to us, there are no amounts of income tax, wealth tax, customs duty, sales tax, excise duty and cess which have not been deposited with the relevant authorities on account of any dispute.
10. The accumulated losses of the Company at the end of the financial year are more than 50% of net worth. The Company has incurred cash losses during the financial year covered by our audit and in the preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to debenture holders/financial institutions/banks.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clauses 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
13. In our opinion, the Company is not a chit fund or a Nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. In our opinion the Company is not dealing in or trading in shares, securities, debentures and other investments during the year under audit. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
15. As far as we could ascertain, the Company has not given guarantees for loans taken by others from banks or financial institutions and hence the provisions of clause 4(xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
16. In our opinion, no term loans have been borrowed during the year.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
18. There was no issue of shares during the year. Accordingly, the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company for the year under review.
19. According to the information and explanations given to us, there are no debentures issued by the Company during the year. Accordingly, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 regarding creation of securities are not applicable.
20. The Company has not raised any monies by way of public issue during the year. Accordingly, the provisions of paragraph 4(xx) of the Companies (Auditor's Report) Order, 2003 regarding end use of money are not applicable.
21. According to the information and explanations given to us, no material frauds on or by the Company that causes material misstatements to financial statements have been noticed or reported during the year.

For Ishwar & Gopal
Chartered Accountants

K V Gopalakrishnayya
Partner
Membership No. 21748
Firm Registration No. 0011545

Place: Bangalore
Date: May 29, 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Encore Software Limited

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Encore Software Limited ("the Company"), which comprise the Consolidated Balance Sheet as at March 31, 2014, and the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation of these financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the

accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

We report that the Consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards (AS) 21 – Consolidated Financial Statements – notified under section 211 (3C) of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India subject to

a. in the case of the Consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
b. in the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date; and
c. in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to preparation of accounts of the Company under "going concern concept" despite complete erosion of shareholders funds. Our opinion is qualified in respect of this matter.

For Ishwar & Gopal
Chartered Accountants

K V Gopalakrishnayya
Partner
Membership No. 21748
Firm Registration No. 001154S

Place: Bangalore
Date: May 29, 2014

Encore Software Limited
Balance Sheet as at 31 March, 2014

Sl. No.	Particulars	Note No.	As at 31 March, 2014 Rs.	As at 31 March, 2013 Rs.
A	**EQUITY AND LIABILITIES**			
1	**Shareholders' funds**			
	Share capital	3	64,857,500	64,857,500
	Reserves and surplus	4	(301,623,994)	(276,271,209)
	Sub-total-Shareholders' funds		**(236,766,494)**	***(211,413,709)***
2	**Non-current liabilities**			
	Long-term provisions	5	1,027,426	2,304,345
	Sub-total-non-current liabilities		**1,027,426**	***2,304,345***
3	**Current liabilities**			
	Short-term borrowings	6	6,392,554	6,530,104
	Trade payables	7	5,220,981	5,220,981
	Other current liabilities	8	232,707,133	212,231,410
	Short-term provisions	9	1,667,133	190,855
	Sub-total-Current liabilities		**245,987,801**	***224,173,350***
	TOTAL-EQUITY AND LIABILITIES		**10,248,733**	**15,063,986**
B	**ASSETS**			
1	**Non-current assets**			
	Fixed assets			
	Tangible assets	10	—	62,647
	Non-current investments	11	151,800	151,800
	Long-term loans and advances	12	2,260,604	2,343,104
	Other non-current assets	13	—	—
	Sub-total-Non-current assets		**2,412,404**	***2,557,551***
2	**Current assets**			
	Trade receivables	14	5,675,918	9,374,306
	Cash and cash equivalents	15	2,001,273	2,135,743
	Short-term loans and advances	16	88,985	124,926
	Other current assets	17	70,153	871,460
	Sub-total-Current assets		**7,836,329**	***12,506,435***
	TOTAL-ASSETS		**10,248,733**	**15,063,986**
See accompanying notes forming part of the financial statements		23		

In terms of our report attached
For Ishwar & Gopal
Chartered Accountants

K V Gopalakrishnayya
Partner
Membership No. 21748
Firm Registration No. 001154S
Place: Bangalore
Date: May 29, 2014

Vinay L Deshpande
Chairman & CEO

Chhanda Deshpande
Executive Director

Encore Software Limited
Statement of Profit and Loss for the year ended 31 March, 2014

Sl. No.	Particulars	Note No.	For the year ended 31 March, 2014 Rs.	For the year ended 31 March, 2013 Rs.
	Income			
	Continuing Operations			
1	Revenue from operations	18	—	15,618,201
2	Other operating income	19	235,202	2,823,814
3	**Total revenue from Continuing Operations (1+2)**		***235,202***	***18,442,015***
4	**Expenses**			
	Employee benefits expense	20	4,192,850	5,757,065
	Finance costs	21	20,119,052	13,733,858
	Depreciation and amortisation expense	10	62,647	237,341
	Other expenses	22	1,213,438	2,108,077
	Total expenses		***25,587,987***	***21,836,341***
5	**Profit/(Loss) from continuing operations before exceptional and extraordinary items & tax (3-4)**		**(25,352,785)**	**(3,394,326)**
	Discontinuing Operation			
	Profit (Loss) from discontinuing Operation		—	(3,434,590)
	Gain on disposal of assets attributable to the Discontinuing Operation		—	81,887
6	**Profit / (Loss) before tax**		**(25,352,785)**	**(6,747,029)**
7	**Tax expense**		—	—
8	**Profit / (Loss) for the year (6-7)**		**(25,352,785)**	**(6,747,029)**
9	**Earnings per share (of Rs. 10/- each)**			
	Basic			
	from continuing Operation		(3.90)	(0.52)
	from total operation		(3.90)	(1.04)
	Diluted			
	from continuing Operation		(3.90)	(0.52)
	from total operation		(3.90)	(1.04)
See accompanying notes forming part of the financial statements		23		

In terms of our report attached
For Ishwar & Gopal
Chartered Accountants

K V Gopalakrishnayya
Partner
Membership No. 21748
Firm Registration No. 001154S
Place: Bangalore
Date: May 29, 2014

Vinay L Deshpande
Chairman & CEO

Chhanda Deshpande
Executive Director

Encore Software Limited
Cash Flow Statement for the year ended 31 March, 2014

	Particulars	For the year ended 31 March, 2014 Rs.	Rs.	For the year ended 31 March, 2013 Rs.	Rs.
A	**Cash flow from operating activities**				
	Net Profit / (Loss) before extraordinary items and tax		(25,352,786)		(6,747,029)
	Adjustments for:				
	Depreciation and amortization	62,647		352,709	
	(Profit) / loss on sale / write off of assets	—		(81,887)	
	Finance costs	20,119,052		18,158,500	
	Interest income	(230,177)	19,951,522	(104,106)	18,325,216
	Operating profit / (loss) before working capital changes		(5,401,263)		11,578,187
	Changes in working capital:				
	Adjustments for (increase) / decrease in operating assets:				
	Trade receivables	3,698,388		(8,102,194)	
	Short-term loans and advances	35,941		72,733	
	Long-term loans and advances	82,500		(17,060)	
	Other current assets				
	Adjustments for increase / (decrease) in operating liabilities:				
	Trade payables	—			
	Other current liabilities	(505,166)		1,360,290	
	Short-term provisions	1,476,278		247,871	
	Long-term provisions	(1,276,919)	1,522,351	1,128,877	(13,783,559)
	Cash flow from extraordinary items		(878,909)		(2,205,372)
	Cash generated from operations		(878,909)		(2,205,372)
	Net income tax (paid) / refunds		567,624		(188,394)
	Net cash flow from / (used in) operating activities (A)		**(311,285)**		**(2,393,766)**
B	**Cash flow from investing activities**				
	Proceeds from sale of fixed assets	—		247,929	
	Investments	—		(102,000)	
	Interest income	463,860	463,860	209,491	355,420
	Cash flow from extraordinary items		463,860		355,420
	Net cash flow from / (used in) investing activities (B)		**463,860**		**355,420**
C	**Cash flow from financing activities**				
	Proceeds from other short-term borrowings	(137,550)		1,673,282	
	Finance cost	(149,495)	(287,045)	(227,524)	1,445,758
	Net cash flow from / (used in) financing activities (C)		**(287,045)**		**1,445,758**
	Net increase / (decrease) in Cash and cash equivalents (A+B+C)		**(134,470)**		**(592,588)**
	Cash and cash equivalents at the beginning of the year		2,135,743		2,728,331
	Cash and cash equivalents at the end of the year		**2,001,273**		**2,135,743**

Notes:

I. The Cash Flow Statement reflects the combined cash flows pertaining to continuing and discontinuing operations.

II. These earmarked account balances with banks can be utilized only for the specific identified purposes.

See accompanying notes forming part of the financial statements

In terms of our report attached
For Ishwar & Gopal
Chartered Accountants

K V Gopalakrishnayya
Partner
Membership No. 21748
Firm Registration No. 001154S
Place: Bangalore
Date: May 29, 2014

Vinay L Deshpande
Director

Chhanda Deshpande
Director

1. **Corporate Information:** Encore Software Limited (hereinafter called as "Company") is a Public Limited Company domiciled in India incorporated under provisions of Companies Act, 1956. Company is engaged in developing software and hardware.

2. **SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

2.1 **Basis for Preparation of Financial Statements**

The Accounts have been prepared and presented in accordance with Indian Generally Accepted Accounting Practices (GAAP) under the historical cost convention on the accrual basis of accounting following. GAAP comprises of mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and Companies Act, 1956, to the extent applicable and guidelines issued by the Securities Exchange Board of India (SEBI). The accounting policies have been consistently applied by the Company. The financial statements are prepared in Indian Rupees.

2.2 **Use of Estimates**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

2.3 **Revenue Recognition**

Revenue from software development services and sale of software is recognised based on the milestones achieved on a percentage-of-completion basis. Product sale is recognised on delivery and passing of title.

Rejections / returns if any are recognised when Software supplied is found inadequate / product supplied is returned.

Fee for manufacturing license is recognized during the year in which the company has licensed the manufacturing rights using the technology.

Income from royalty is recognized on accrual basis in accordance with the substance of the relevant agreement.

Interest income is recorded on accrual basis.

2.4 **Expenditure**

Expenses are accounted on accrual basis and provision is made for all known losses and liabilities.

2.5 **Fixed Assets**

Fixed assets are stated at their original cost of acquisition and subsequent improvement thereto, including taxes, duties, freight and other incidental expenses related to acquisition, construction and installation of asset(s) concerned.

2.6 **Depreciation**

Depreciation on fixed assets is provided using the straight-line method based on useful life as estimated by the management. Depreciation is charged on pro-rata basis for assets purchased/sold during the year. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of purchase. The management's estimate of useful life for the various fixed assets is given below:

Machinery and Equipment	5 years
Tools and Fixtures	3 years
Computer Equipment	3 years
Furniture and Fixtures	5 years
Vehicles	5 years
Library Books	1 year

2.7 **Inventories**

Inventory of finished goods, materials and components are valued at the lower of cost and estimated net realisable value. Cost is recognized on FIFO basis.

2.8 **Employee Benefits**

i) **Post-employment benefit plans**

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the profit and loss account for the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

ii) **Short-term employee benefits**

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave, overseas social security contributions and performance incentives.

2.9 **Research and Development**

Expenditure on Research is recognized as an expense in the year in which it is incurred.

2.10 **Foreign Currency Conversion**

Foreign currency transactions are dealt with in accordance with the Accounting Standard on Accounting for Effects of Changes in Foreign Exchange Rates (AS11), notified by the Companies (Accounting Standards) Rules, 2006.

2.11 **Investments**

Investments are classified into current investment and long-term investments. Current investments are carried at the lower of cost and fair value, and provision is made to recognize any decline in the carrying value. Long-term investments are carried at cost, and provision is made to recognize any decline, other than temporary, in the value of such investment(s).

2.12 **Provision for Current and Deferred Tax**

Provision for current tax is made after taking into consideration benefits admissible under the provisions of Income Tax Act, 1961

Deferred tax resulting from "timing difference" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the asset will be realised in future.

In view of the losses, as a conservative policy, the Company has not recognized deferred tax assets resulting on account of unabsorbed business losses and other benefits available under Income Tax.

2.13 **Impairment of Assets**

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged off to the Profit & Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of the recoverable amount.

2.14 **Provisions, Contingent Liabilities & Contingent Assets**

Provisions involving substantial degree of estimation in measurement of recognizing when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

Notes forming part of the financial statements

Note 3: Share Capital

Particulars	As at 31 March, 2014		As at 31 March, 2013	
	Number of shares	Amount originally paid up Rs.	Number of shares	Amount originally paid up Rs.
(a) Authorised Equity shares of Rs. 10 each with voting rights	12,000,000	120,000,000	12,000,000	120,000,000
(b) Issued Equity shares of Rs. 10 each with voting rights	6,471,500	64,715,000	6,471,500	64,715,000
(c) Subscribed and fully paid up Equity shares of Rs. 10 each with voting rights	6,471,500	64,715,000	6,471,500	64,715,000
(d) Subscribed but not fully paid up Equity shares of Rs. 10 each with voting rights, Rs. 5 paid up	28,500	142,500	28,500	142,500
Total	**6,500,000**	**64,857,500**	**6,500,000**	**64,857,500**

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period

Particulars	Opening Balance	Closing Balance
Equity shares with voting rights		
Year ended 31 March, 2014		
- Number of shares	6,500,000	6,500,000
- Amount (Rs.)	64,857,500	64,857,500
Year ended 31 March, 2013		
- Number of shares	6,500,000	6,500,000
- Amount (Rs.)	64,857,500	64,857,500

(ii) Details of forfeited shares

Particulars	As at 31 March, 2014		As at 31 March, 2013	
	Number of shares	Amount originally paid up Rs.	Number of shares	Amount originally paid up Rs.
Equity shares with voting rights	28,500	142,500	28,500	142,500

The Company has only one class of equity shares having par value of Rs. 10 per share. Each holder of an equity share is entitled to one vote per share.
In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of shares held by the equity share holders.
Shares held by each shareholder holding more than 5 percent shares specifying the number of shares held - Nil.

Note 4: Reserves and surplus

Particulars	As at 31 March, 2014	As at 31 March, 2013
(a) Capital reserve		
Balance as per last Balance Sheet	8,690,850	8,690,850
(b) Securities premium account		
Balance as per last Balance Sheet	62,703,000	62,703,000
(c) General reserve		
Balance as per last Balance Sheet	11,000,000	11,000,000
(d) Surplus / (Deficit) in Statement of Profit and Loss		
Opening balance	(358,665,059)	(351,918,030)
Add: Profit / (Loss) for the year	(25,352,785)	(6,747,029)
Closing balance	(384,017,844)	(358,665,059)
Total	**(301,623,994)**	**(276,271,209)**

Note 5: Long-term provisions

Provision for employee benefits:		
- Compensated absences	209,550	142,131
- Gratuity	817,876	2,162,214
Total	**1,027,426**	**2,304,345**

Note 6: Short-term borrowings

Loans repayable on demand (Secured)		
From banks [Secured by lien on deposits]	1,793,201	1,075,626
Loans and advances from related parties (Unsecured)	4,599,353	5,454,478
Total	**6,392,554**	**6,530,104**

Note 7: Trade payables

Other than Acceptances *	5,220,981	5,220,981
* Due to other than Micro, Small and Medium Enterprises		
Total	**5,220,981**	**5,220,981**

Note 8: Other current liabilities

Current maturities of long-term debt (Refer Note below)	173,550,151	154,166,012
Application money received for allotment of securities and due for refund	18,642,450	18,642,450
Statutory remittances	4,850,701	6,228,040
Advances from customers	7,673,692	7,673,692
Others (specify nature):		
Due to Directors'	4,681,627	4,673,601
Liability for expenses	23,308,512	20,847,615
Total	**232,707,133**	**212,231,410**

Note: The Company has defaulted in repayment of loans and interest payable to Council of Scientific and Industrial Research (CSIR) as detailed below.

Particulars	As at 31 March, 2014		As at 31 March, 2013	
	Period of default	Rs.	Period of default	Rs.
Principal	80 months	79,300,000	68 months	79,300,000
Interest		94,250,151		74,866,012

Note 9: Short-term provisions

Provision for employee benefits:		
- Compensated absences	27,746	19,954
- Gratuity	1,639,387	170,901
Total	**1,667,133**	**190,855**

Note 10: Fixed assets

Tangible Assets **Amount in Rs.**

Particulars	GROSS BLOCK			DEPRECIATION				NETBLOCK	
	Balance as at 1 April, 2013	Disposals	Balance as at 31 March, 2014	Balance as at 1 April, 2013	Depreciation /amortisation expense for the year	Eliminated on disposal of assets	Balance as at 31 March, 2014	Balance as at 31 March, 2014	Balance as at 31 March, 2013
Plant & Equipment Owned	**12,796,065**	—	**12,796,065**	**12,780,486**	15,579	—	**12,796,065**	—	**15,579**
Furniture & Fixtures Owned	**5,968,615**	—	**5,968,615**	**5,968,615**	—	—	**5,968,615**	—	—
Vehicles Owned	**1,928,985**	—	**1,928,985**	**1,883,653**	45,332	—	**1,928,985**	—	**45,332**
Office equipment Owned	**18,284,651**	—	**18,284,651**	**18,282,915**	1,736	—	**18,284,651**	—	**1,736**
Others:									
Tools – Owned *	**6,989,085**	—	**6,989,085**	**6,989,085**	—	—	**6,989,085**	—	—
Total	**45,967,401**	—	**45,967,401**	**45,904,754**	**62,647**	—	**45,967,401**	—	**62,647**
Previous year	50,402,865	4,435,464	45,967,401	49,821,467	352,709	4,269,422	45,904,754	62,647	

* lying with third parties gross block Rs. 6,917,417 (Rs. 6,917,417), written down value Rs. Nil (Nil)

Note 11: Non-current investments

Particulars	As at 31 March, 2014 Unquoted Rs.	As at 31 March, 2013 Unquoted Rs.
Investments (At cost):		
A Trade		
Investment in equity instruments		
I) of subsidiaries		
Ncore USA Inc., a 100% subsidiary company incorporated in USA 11,78,000 (11,78,000) Common Stock at US$ 0.10 each (Par value US$ 0.10 each)	5,460,488	5,460,488
Consilient Technologies Private Limited, a 51% holdings, 10200 equity shares of Rs. 10/- each	102,000	102,000
II) of joint venture companies		
Bharat Logistics Private Limited 180,000 (180,000) equity shares at Rs. 10/- each	1,800,000	1,800,000
Encore Technologies (Singapore) Pte Ltd 3,301,100 (3,301,100) equity shares at S$ 0.10 each (Par value S$ 0.10 each)	8,583,048	8,583,048
Total – Trade (A)	**15,945,536**	**15,945,536**
B Non Trade		
in government securities		
National Saving Certificates	5,000	5,000
Other non current investments		
Vacation Time Shares	44,800	44,800
Total – Other investments (B)	**49,800**	**49,800**
Total (A+B)	**15,995,336**	**15,995,336**
Less: Provision for diminution in value of investments	15,843,536	15,843,536
Total	**151,800**	**151,800**
Aggregate value of unquoted investments	**15,995,336**	**15,995,336**
Aggregate provision for diminution in investments	**15,843,536**	**15,843,536**

Note 12: Long-term loans and advances

Security deposits Unsecured, considered good	2,260,604	2,343,104

Note 13: Other non-current assets

Long-term trade receivables Unsecured		
Considered Doubtful	16,221,433	16,221,433
	16,221,433	**16,221,433**
Less: Provision for doubtful trade receivables	16,221,433	16,221,433
	—	—

Note 14: Trade receivables

Trade receivables (Unsecured, Considered Good)		
Outstanding for a period exceeding six months from the date they were due for payment	26,000	26,000
Other Trade receivables	5,649,918	9,348,306
Total	**5,675,918**	**9,374,306**

Note 15: Cash and cash equivalents

Cash on hand	825	454
Balances with banks		
In current accounts	11,335	93,541
In deposit accounts	—	474,186
In earmarked accounts	1,989,113	1,567,562
Balances held as margin money or security against borrowings, guarantees and other commitments		
Total	**2,001,273**	**2,135,743**

Note 16: Short-term loans and advances

Prepaid expenses	88,985	124,926
Total	**88,985**	**124,926**

Note 17: Other current assets

Interest accrued on deposits	—	233,683
Advance Income Tax/Tax Deducted at Source	70,153	637,777
Total	**70,153**	**871,460**

Note 18: Revenue from operations

Particulars	For the year ended 31 March, 2014	For the year ended 31 March, 2013
Revenue from Software development	—	15,592,201
Revenue from Technical Services and Royalty	—	26,000
Total	**—**	**15,618,201**

Note 19: Other operating income

Interest income	230,177	104,106
Net gain on foreign currency transactions and translation	—	163,468
Prior year income	—	2,556,240
Unclaimed credit written back	5,025	—
Total	**235,202**	**2,823,814**
Interest income comprises:		
Interest from banks on Deposits	220,811	104,106
Interest on income tax refund	9,366	—
Total - Interest income	**230,177**	**104,106**

Note 20: Employee benefits expense

Salaries and wages	4,061,711	5,582,619
Contributions to provident and other funds	76,856	108,059
Staff welfare expenses	54,283	66,387
Total	**4,192,850**	**5,757,065**

Note 21: Finance costs

Interest expense on:		
Borrowings	20,112,240	13,719,451
Others	6,812	14,407
Total	**20,119,052**	**13,733,858**

Note 22: Other expenses

Consumption of stores and spare parts	—	9,656
Power and fuel	—	117,291
Rent including lease rentals	—	957,354
Repairs and maintenance – Machinery	10,857	81,444
Insurance	127,610	58,654
Rates and taxes	6,300	154,518
Communication	43,603	94,913
Travelling and conveyance	59,680	78,922
Printing and stationery	26,202	50,684
Legal and professional	158,618	189,192
Payments to auditors (Refer Note (i) below)	60,000	33,750
Bad trade and other receivables, loans and advances written off	531,814	—
Listing Fees	112,317	120,429
Directors' Sitting Fee	—	3,000
Miscellaneous expenses	76,347	158,270
Total	**1,213,438**	**2,108,077**

(i) Payments to the auditors comprises (net of service tax input credit, where applicable)

As auditors - statutory audit	50,000	25,000
For taxation matters	—	5,000
For other services	10,000	3,750
Total	**60,000**	**33,750**

23 Notes on Accounts

23.1 Contingent Liabilities

Disputed liability towards Employees State Insurance contributions is Rs. 91,027 (Rs 91,027).

23.2 Earnings in Foreign Exchange:

Exports (on FOB basis) Rs. Nil (7,468,682)

23.3 Expenditure in Foreign Currency (Cash Basis):

Bank Charges Rs. Nil (8,715)

23.4 Disclosure relating to related party transactions

23.4.1 As per Accounting Standard (AS-18) on Related party disclosures notified by the Companies (Accounting Standards) Rules, 2006, the disclosure of transactions with the related party as defined in the Accounting Standard are given below:

Sl. No.	Name of the Related Party	Relationship
1.	Ncore USA Inc	Wholly Owned Subsidiary
2.	Encore Technologies Singapore Pte Ltd	Associate & Joint Venture
3.	Bharath Logistics Private Limited	Associate Company
4.	Ncore Technology Services Pvt Ltd	Company in which Director is interested
5.	Peninsula Electronics	Firm in which Director is interested
6.	Processor Systems India Pvt Ltd	Company in which Director is interested
7.	Vinay L Deshpande	Key Management Personnel
8.	Chhanda Deshpande	Key Management Personnel
9.	Consilient Technologies Private Limited	51% Subsidiary company

23.4.2 Transactions during the year with related parties:

Sl. No	Nature of Transaction	Subsidiaries	Associate & Joint Venture	Key Management Personnel & their relatives	Firm in which Director is interested
1	Loan accepted from Vinay L Deshpande				
	Accepted during the year			854,999 (1,976,450)	
	Repaid during the year			2,237,000 (355,000)	
2	Sale of Licenses & Copyrights to Consilient Technologies Private Limited	Nil (15,583,451)			
3	Interest on Unsecured Loan Vinay L Deshpande			585,418 (527,756)	
Balances with related parties as at 31st March 2014					
1	Loan accepted from Vinay L Deshpande			4,266,504 (5,121,629)	
	Loans from Ncore Technology Services Private Limited		332,849 (332,849)		
2	Investments Ncore USA	5,460,488* (5,460,488)*			
	Investments Bharat Logistics Private Limited		1,800,000* (1,800,000)*		
	Investments Encore Technologies Singapore Pte Ltd		8,583,048* (8,583,048)*		
	Investments Consilient Technologies Private Limited	102,000 (102,000)			
3	Receivable from Ncore USA	47,532* (47,532)*			
	Receivable from Encore Technologies Singapore Pte Ltd		11,848* (11,848)*		
	Receivable from Consilient Technologies Private Limited	5,651,791 (9,348,305)			
4	Payable to Vinay L Deshpande			4,681,627 (4,673,601)	
	Payable to Peninsula Electronics				1,993,906 (1,993,906)

*Provision has been made for diminution in value of investments and receivables.

23.5 Particulars of Joint Venture

Encore Technologies Singapore Pte Ltd is a Joint Venture Company of Encore Software Limited and Time 2 Talk Pte Ltd, incorporated under the laws of Singapore. Out of the total Paid up Capital of 9,645.784 numbers of equity shares (par value S $ .1 each) of Encore Technologies Singapore Pte Ltd, Encore Software Limited holds 3,301,100 (par value s $ 0.10 each) representing 38.02% of total equity.

Based on contractual obligation Encore Technologies Singapore Pte Ltd has entered into, Encore Software Limited has no contingent liabilities or capital commitments on account of the joint venture.

23.6 Leases

Operating Leases: The Company has taken commercial premises under cancelable operating lease. The lease agreements provide an option to the Company to renew the lease period. There are no exceptional / restrictive covenants in the lease agreements. Contingent rent recognized in the profit and loss account is Rs. Nil (Rs. Nil)

Obligations on long-term, non-cancelable operating leases:.

Particulars	**31 March, 2014**	**31 March, 2013**
Lease rentals recognized during the year	Nil	Rs. 17,54,514
Lease obligations payable:		
Within one year of the Balance Sheet date		
Due in a period between one year and five years		
Due after five years		
TOTAL		

23.7 Provisions, Contingent Liabilities & Contingent Assets

The Company has made provision for gratuity and leave salary on basis of actuarial valuation. These being retirement benefits, an obligation to pay these amounts might arise at the time of resignation / superannuation of the employees. There is no reimbursement receivable against these obligations.

Amounts in Rs.

Nature of obligation	The carrying amount at the beginning of the period	Additional provisions made during the year	Amounts incurred and charged against the provision during the period	Unused amounts reversed during the period	The carrying amount at the end of the period
Leave Salary	162,085	75,211	Nil	Nil	237,296

23.8 Retirement Benefit Plans

Defined contribution plans

The Company makes Provident Fund contributions to defined contribution retirement benefit plans for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Provident Fund scheme additionally requires the Company to guarantee payment of interest at rates notified by the Central Government from time to time, for which shortfall has been provided for as at the Balance Sheet date.

The Company recognized Rs. 68,792 (Rs. 152,446) for provident fund contributions and in the profit and loss account. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

Defined benefit plans

The Company has made a provision for gratuity payable to qualifying employees'. Lump sum payment is made to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary, payable for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service.

The present value of the defined benefit obligation and the related current service cost were measured using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date.

The following table sets out the funded status of the gratuity plan and the amounts recognized in the Company's financial statements as at March 31, 2014:

		As at 31 March, 2014	As at 31 March, 2013
I.	**Change in benefit obligations:**		
	Projected benefit obligation, beginning of the year	2,333,115	5,401,228
	Transfer to Consilient Technologies Private Limited	—	(2,518,783)
	Service cost	42,491	403,507
	Interest cost	188,938	237,802
	Actuarial (gain) / loss	(107,281)	(1,190,639)
	Benefits paid	—	—
	Projected benefit obligation, end of the year	2,457,263	2,333,115
II.	**Change in plan assets:**		
	Fair value of plan assets, beginning of the year		
	Expected return on plan assets		
	Employer's contributions	—	—
	Benefits paid	—	—
	Actuarial gain		
	Fair value of plan assets at the end of the year		
	Excess of (obligation over plan assets) / plan assets over obligation		
	(Accrued liability) / Prepaid benefit		
III.	**Net gratuity and other cost for the year ended**		
	Service cost	42,491	403,507
	Interest on defined benefit obligation	188,938	237,802
	Expected return on plan assets	—	—
	Net actuarial (gain) / loss recognized in the year	(107,281)	(1,190,639)
	Net gratuity and other cost	—	(549,330)
	Actual Return on Plan Assets		
IV.	**Category of Assets as**		
	Special Deposits Scheme	—	—
	Insurer Managed Funds	—	—
	Others	—	—
	Total	—	—
V.	**Assumptions used in accounting for the gratuity plan:**		
	Interest rate	8.25%	8.25%
	Discount rate	8.25%	8.25%
	Salary escalation rate	6.00%	6.00%
	Attrition Rate	5.00%	5.00%
	Retirement Age	**60 years**	60 years

23.9 Particulars of Discontinuing Operations

During the year, the Company has incorporated a subsidiary Consilient Technologies Private Limited with 51% share holding and transferred the technology solutions business to its subsidiary. The results of the discontinued business during the year till discontinuation were as under:

Profit / (Loss) from ordinary activities	Year ended 31 March, 2014	Period ended 30 August, 2012
Sale of Products	—	73,35,385
Sale of services	—	1,33,297
Other Operating revenue	—	15,83,561
Other Income	—	—
Total Revenue	—	**90,52,243**
Employee Benefit Expense	—	60,00,847
Finance Costs	—	44,24,642
Depreciation and amortization expenses	—	1,15,368
Other Expenses	—	18,64,089
Total Expenses	—	**1,24,04,946**
Profit / (Loss) before tax from Ordinary Activities	—	(33,52,703)
Profit / (Loss) after tax from Discontinuing Operations	—	(33,52,703)

23.10 Segment Reporting

The Company is currently offering services only in Technology Solutions segment to overseas customers. Hence in the opinion of the management disclosures under segment reporting (AS-17) is not applicable to the Company for the year under review.

23.11 Previous period's figures have been recast/restated, wherever necessary, to conform to the current year's classifications. Figures in brackets relate to the previous period.

As per Our Report of even date

For Ishwar & Gopal
Chartered Accountants

K V Gopalakrishnayya	**Vinay L Deshpande**	**Chhanda Deshpande**
Partner	Chairman & CEO	Executive Director
Membership No. 21748		
Firm Registration No. 001154S		
Place: Bangalore		
Date: May 29, 2014		

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Encore Software Limited

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Encore Software Limited ("the Company"), which comprise the Consolidated Balance Sheet as at March 31, 2013, and the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of qualified opinion

The entire net worth of the Company has been eroded. However the Company is continuing to prepare accounts under "going concern concept".

Opinion

We report that the Consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards (AS) 21 — Consolidated Financial Statements — notified under section 211 (3C) of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, ***except for the effects of the matter described in the Basis for qualified opinion paragraph*** give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India subject to

a. in the case of the Consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
b. in the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date; and
c. in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For Ishwar & Gopal
Chartered Accountants

K V Gopalakrishnayya
Partner
Membership No. 21748
Firm Registration No. 001154S

Place: Bangalore
Date: May 29, 2014

Encore Software Limited
Consolidated Balance Sheet as at 31 March, 2014

Sl. No.	Particulars	Note No.	As at 31 March, 2014 Rs.	As at 31 March, 2013 Rs.
A	**EQUITY AND LIABILITIES**			
1	**Shareholders' funds**			
	Share capital	3	64,857,500	64,857,500
	Reserves and surplus	4	(303,880,552)	(289,378,465)
	Minority Interest		8,997,391	1,584,230
	Sub-total-Shareholders' funds		***(230,025,661)***	***(222,936,735)***
2	**Non-current liabilities**			
	Deferred tax Liabilities	5	272,676	—
	Long-term provisions	6	1,842,111	7,263,709
	Sub-total-non-current liabilities		***2,114,787***	***7,263,709***
3	**Current liabilities**			
	Short-term borrowings	7	6,392,554	6,530,104
	Trade payables	8	5,220,981	5,220,981
	Other current liabilities	9	235,304,867	215,491,819
	Short-term provisions	10	2,321,723	873,369
	Sub-total-Current liabilities		***249,240,125***	***228,116,273***
	TOTAL-EQUITY AND LIABILITIES		**21,329,251**	**12,443,247**
B	**ASSETS**			
1	**Non-current assets**			
	Fixed assets	11		
	Tangible assets		552,313	338,122
	Non-current investments	12	49,800	49,800
	Deferred Tax Assets		—	165,532
	Long-term loans and advances	13	3,180,604	3,263,104
	Other non-current assets	14	—	—
	Sub-total-Non-current assets		***3,782,717***	***3,816,558***
2	**Current assets**			
	Trade receivables	15	7,692,129	2,751,001
	Cash and cash equivalents	16	8,396,643	3,988,550
	Short-term loans and advances	17	1,202,678	1,015,678
	Other current assets	18	255,084	871,460
	Sub-total-Current assets		***17,546,534***	***8,626,689***
	TOTAL-ASSETS		**21,329,251**	**12,443,247**
Notes forming part of the financial statements		24		

In terms of our report attached
For Ishwar & Gopal
Chartered Accountants

K V Gopalakrishnayya
Partner
Membership No. 21748
Firm Registration No. 001154S
Place: Bangalore
Date: May 29, 2014

Vinay L Deshpande
Chairman & CEO

Chhanda Deshpande
Executive Director

Encore Software Limited

Consolidated Statement of Profit and Loss for the year ended 31 March, 2014

Sl. No.	Particulars	Note No.	For the year ended 31 March, 2014 Rs.	For the year ended 31 March, 2013 Rs.
	Income			
1	Revenue from operations	19	41,688,977	21,546,697
2	Other operating income	20	616,175	4,325,488
3	**Total revenue from Continuing Operations (1+2)**		***42,305,152***	***25,872,185***
4	**Expenses**			
	Employee benefits expense	21	18,154,581	19,732,806
	Finance costs	22	20,426,324	18,221,185
	Depreciation and amortisation expense	11	280,891	465,564
	Other expenses	23	3,948,083	5,109,952
	Total Expenses		***42,809,879***	***43,529,507***
5	**Profit/(Loss) before extraordinary item & tax (3-4)**		**(504,727)**	**(17,657,322)**
6	**Profit / (Loss) before tax**		**(504,727)**	**(17,657,322)**
7	**Tax Expenses**			
	Deferred Tax Assets		438,208	(165,532)
	Income Tax		6,145,991	876,265
8	**Profit / (Loss) for the year (6-7)**		**(7,088,926)**	**(18,368,055)**
	Minority Interest		7,413,161	1,486,230
	Profit / (Loss) for the year		**(14,502,087)**	**(19,854,285)**
9	**Earnings per share (of Rs. 10/- each)**			
	Basic & Diluted		(2.24)	(3.07)
Notes forming part of the financial statements		24		

In terms of our report attached
For Ishwar & Gopal
Chartered Accountants

K V Gopalakrishnayya
Partner
Membership No. 21748
Firm Registration No. 001154S
Place: Bangalore
Date: May 29, 2014

Vinay L Deshpande
Chairman & CEO

Chhanda Deshpande
Executive Director

Encore Software Limited

Consolidated Cash Flow Statement for the year ended 31 March, 2014

	Particulars	For the year ended 31 March, 2014 Rs.	Rs.	For the year ended 31 March, 2013 Rs.	Rs.
A	**Cash flow from operating activities**				
	Net Profit / (Loss) before extraordinary items and tax		(504,727)		(17,657,322)
	Adjustments for:				
	Depreciation and amortization	280,891		465,564	
	Minority interest			98,000	
	Finance costs	20,426,324		18,221,185	
	Interest income	415,108	20,292,107	(104,106)	18,680,643
	Operating profit / (loss) before working capital changes		19,787,380		1,023,321
	Changes in working capital:				
	Adjustments for (increase) / decrease in operating assets:				
	Trade receivables	(4,941,128)		(1,478,889)	
	Short-term loans and advances	(187,000)		(818,019)	
	Long-term loans and advances	82,500		(937,060)	
	Other current assets	—		—	
	Adjustments for increase / (decrease) in operating liabilities:				
	Trade payables	—		—	
	Other current liabilities	(156,509)		1,900,119	
	Short-term provisions	1,448,354		38,219	
	Long-term provisions	(5,421,598)	(9,175,381)	830,487	(465,143)
	Cash flow from extraordinary items		10,611,999		558,178
	Cash generated from operations		10,611,999		558,178
	Net income tax (paid) / refunds		(5,745,761)		(668,235)
	Net cash flow from / (used in) operating activities (A)		**4,866,238**		**(110,057)**
B	**Cash flow from investing activities**				
	Capital expenditure on fixed assets, including capital advances	(495,082)		(222,288)	
	Proceeds from sale of fixed assets				
	Investments				
	Others	463,860	(31,222)	209,491	(12,797)
	Cash flow from extraordinary items		(31,222)		(12,797)
	Net cash flow from / (used in) investing activities (B)				**(12,797)**
C	**Cash flow from financing activities**				
	Proceeds from other short-term borrowings	(137,550)		1,673,282	
	Finance cost	(289,373)	(426,923)	(290,209)	1,383,073
	Net cash flow from / (used in) financing activities (C)		**(426,923)**		**1,383,073**
	Net increase / (decrease) in Cash and cash equivalents (A+B+C)		**4,408,093**		**1,260,219**
	Cash and cash equivalents at the beginning of the year		3,988,550		2,728,331
	Cash and cash equivalents at the end of the year		**8,396,643**		**3,988,550**

Notes:

I. The Cash Flow Statement reflects the combined cash flows pertaining to continuing and discontinuing operations.

II. These earmarked account balances with banks can be utilised only for the specific identified purposes.

See accompanying notes forming part of the financial statements

In terms of our report attached

For Ishwar & Gopal

Chartered Accountants

K V Gopalakrishnayya
Partner
Membership No. 21748
Firm Registration No. 001154S
Place: Bangalore
Date: May 29, 2014

Vinay L Deshpande
Chairman & CEO

Chhanda Deshpande
Executive Director

1. **Corporate Information:** Encore Software Limited (hereinafter called as "Company") is a public Limited Company domiciled in India incorporated under provisions of Companies Act, 1956. Company is engaged in developing software and hardware.

2. **SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

2.1 **Basis for Preparation of Financial Statements**

The Accounts have been prepared and presented in accordance with Indian Generally Accepted Accounting Practices (GAAP) under the historical cost convention on the accrual basis of accounting following. GAAP comprises of mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and Companies Act, 1956, to the extent applicable and guidelines issued by the Securities Exchange Board of India (SEBI). The accounting policies have been consistently applied by the Company. The financial statements are prepared in Indian Rupees.

2.2 **Principles of Consolidation**

The financial statements of the subsidiary Companies used in consolidation are drawn up to the same reporting date as of the Company.

The consolidated financial statements have been prepared on the following basis:

i. The consolidated financial statements include the financial statements of Encore Software Limitedand its subsidiaries, which are more than 50% owned or controlled. The financial statements of the Parent Company and its majority owned / controlled subsidiaries have been combined on a line by line basis by adding together the book values of all items of assets, liabilities, incomes and expenses after eliminating all inter-Company balances / transactions and resulting unrealized gain / loss.

ii. The consolidated financial statements include the share of profit / loss of associate companies, which are accounted under the 'Equity method', wherein, the share of profit / loss of the associate Company has been added / deducted to / from the cost of investment.

iii. Minority interest in the net assets of consolidated subsidiaries consists of:
   a) The amount of equity attributable to the minorities at the dates on which investment in a subsidiary is made; and
   b) The minority's share of movements in equity since the date of parent-subsidiary relationship came into existence.

   Minority interest in share of net result for the year is identified and adjusted against the profit after tax. Excess of loss, if any, attributable to the minority over and above the minority interest in the equity of the subsidiaries is absorbed by the Company.

iv. The consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances except for deviations mentioned under the respective accounting policies.

The enterprises considered in the consolidated financial statements are:

Name of the enterprise	Country of incorporation	As on 31 March, 2014	As on 31 March, 2013
Consilient Technologies Private Limited	India	51%	51%

Since there are no operations in Ncore USA Inc, wholly owned subsidiary, Bharat Logistics Private Limited a joint venture and Encore Technologies (Singapore) Pte Limited a joint venture, the same are not considered for consolidation. Provision for diminution in investments has been made for these investments / receivables in the financials of Encore Software Limited.

2.3 **Use of Estimates**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

2.4 **Revenue Recognition**

Revenue from software development services and Sale of Software is recognised based on the milestones achieved on a percentage-of-completion basis.

Product sale is recognised on delivery and passing of title.

Fee for Manufacturing License is recognized during the year in which the company has licensed the manufacturing rights using the technology.

Rejections/returns if any are recognised when Software supplied is found inadequate / Product supplied is returned.

Income from royalty is recognized on accrual basis in accordance with the substance of the relevant agreement

Interest income is recorded on accrual basis.

2.5 **Expenditure**

Expenses are accounted on accrual basis and provision is made for all known losses and liabilities.

2.6 **Fixed Assets**

Fixed assets are stated at their original cost of acquisition and subsequent improvement thereto, including taxes, duties, freight and other incidental expenses related to acquisition, construction and installation of asset (s) concerned.

2.7 **Depreciation**

Depreciation on fixed assets is provided using the straight-line method based on useful life as estimated by the management. Depreciation is charged on pro-rata basis for assets purchased/sold during the year. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of purchase. The management's estimate of useful life for the various fixed assets is given below:

Machinery and Equipment	5 years
Tools and Fixtures	3 years
Computer Equipment	3 years
Furniture and Fixtures	5 years
Vehicles	5 years
Library Books	1 year

2.8 **Inventories**

Inventory of finished goods, materials and components are valued at the lower of cost and estimated net realisable value. Cost is recognized on FIFO basis.

2.9 **Employee Benefits**

i) **Post-employment benefit plans**

Defined Contribution plans: The state governed provident fund scheme, insurance scheme, and employee pension scheme are defined contribution plans. The contribution paid/payable under the schemes is recognized during the period in which the employee renders the related services.

Defined Benefit Plans: For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the profit and loss account for the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

ii) **Short-term employee benefits**

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave, overseas social security contributions and performance incentives.

2.10 **Research and Development**

Expenditure on Research is recognized as an expense in the year in which it is incurred.

2.11 **Foreign Currency Conversion**

Foreign currency transactions are dealt with in accordance with the Accounting Standard on Accounting for Effects of Changes in Foreign Exchange Rates (AS11), notified by the Companies (Accounting Standards) Rules, 2006.

2.12 **Investments**

Investments are classified into current investment and long-term investments. Current investments are carried at the lower of cost and fair value, and provision is made to recognize any decline in the carrying value. Long-term investments are carried at cost, and provision is made to recognize any decline, other than temporary, in the value of such investment(s).

2.13 **Provision for Current and Deferred Tax**

Provision for current tax is made after taking into consideration benefits admissible under the provisions of Income Tax Act, 1961

Deferred tax resulting from "timing difference" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the asset will be realised in future.

In view of the losses, as a conservative policy, the Company has not recognized deferred tax assets resulting on account of unabsorbed business losses and other benefits available under Income Tax.

2.14 **Impairment of Assets**

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged off to the Profit & Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of the recoverable amount.

2.15 **Provisions, Contingent Liabilities & Contingent Assets**

Provisions involving substantial degree of estimation in measurement of recognizing when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

Notes forming part of the consolidated financial statements

Note 3: Share capital

Particulars	As at 31 March, 2014		As at 31 March, 2013	
	Number of shares	Rs.	Number of shares	Rs.
(a) Authorised Equity shares of Rs. 10 each with voting rights	12,000,000	120,000,000	12,000,000	120,000,000
(b) Issued Equity shares of Rs. 10 each with voting rights	6,471,500	64,715,000	6,471,500	64,715,000
(c) Subscribed and fully paid up Equity shares of Rs. 10 each with voting rights	6,471,500	64,715,000	6,471,500	64,715,000
(d) Subscribed but not fully paid up Equity shares of Rs. 10 each with voting rights, Rs. 5 paid up	28,500	142,500	28,500	142,500
Total	**6,500,000**	**64,857,500**	**6,500,000**	**64,857,500**

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period

Particulars	Opening Balance	Closing Balance
Equity shares with voting rights		
Year ended 31 March, 2014		
- Number of shares	6,500,000	6,500,000
- Amount (Rs.)	64,857,500	64,857,500
Year ended 31 March, 2013		
- Number of shares	6,500,000	6,500,000
- Amount (Rs.)	64,857,500	64,857,500

(ii) Details of forfeited shares

Particulars	As at 31 March, 2014		As at 31 March, 2013	
	Number of shares	Amount originally paid up Rs.	Number of shares	Amount originally paid up Rs.
Equity shares with voting rights	28,500	142,500	28,500	142,500

The Company has only one class of equity shares having par value of Rs. 10 per share. Each holder of an equity share is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of shares held by the equity share holders.

Shares held by each shareholder holding more than 5 percent shares specifying the number of shares held - Nil.

Note 4: Reserves and surplus

Particulars	As at 31 March, 2014	As at 31 March, 2013
a) Capital reserve		
Balance as per last Balance Sheet	8,690,850	8,690,850
b) Securities premium account		
Balance as per last Balance Sheet	62,703,000	62,703,000
c) General reserve		
Balance as per last Balance Sheet	11,000,000	11,000,000
d) Surplus / (Deficit) in Statement of Profit and Loss		
Opening balance	(371,772,315)	(351,918,030)
Add: Profit / (Loss) for the year	(14,502,087)	(19,854,285)
Closing balance	(386,274,402)	(371,772,315)
Total	**(303,880,552)**	**(289,378,465)**

Note 5: Deferred tax Assets/(Liabilities)

Fixed Assets	(391,773)	(304,465)
Temporary Disallowance under Income Tax	119,097	469,997
Total	**(272,676)**	**165,532**

Note 6: Long-term provisions

Provision for employee benefits:		
- Compensated absences	513,591	1,527,783
- Gratuity	1,328,520	5,735,926
Total	**1,842,111**	**7,263,709**

Note 7: Short-term borrowings

Loans repayable on demand		
From banks [Secured by lien on deposits]	1,793,201	1,075,626
Loans and advances from related parties (Unsecured)	4,599,353	5,454,478
Total	**6,392,554**	**6,530,104**

Note 8: Trade payables

Other than Acceptances *	5,220,981	5,220,981
* Due to other than Micro, Small and Medium Enterprises		
Total	**5,220,981**	**5,220,981**

Note 9: Other current liabilities

Current maturities of long-term debt (Refer Note below)	173,550,151	154,166,012
Application money received for allotment of securities and due for refund	18,642,450	18,642,450
Statutory remittances	4,839,865	6,444,812
Advances from customers	7,673,692	7,673,692
Others (specify nature):		
- Due to Directors'	4,681,627	4,673,601
- Liability for expenses	25,917,082	23,891,252
Total	**235,304,867**	**215,491,819**

Note: The Company has defaulted in repayment of loans and interest payable to Council of Scientific and Industrial Research (CSIR) as detailed below.

Particulars	As at 31 March, 2014		As at 31 March, 2013	
	Period of default	Rs.	Period of default	Rs.
Principal	80 months	79,300,000	68 months	79,300,000
Interest		94,250,151		74,866,012

Note 10: Short-term provisions

Provision for employee benefits:		
- Compensated absences	76,264	135,976
- Gratuity	1,809,455	340,969
Provision for Income tax	436,004	396,424
Total	**2,321,723**	**873,369**

Note 11: Fixed assets

Tangible Assets **Amount in Rs.**

Particulars	GROSS BLOCK			DEPRECIATION			NETBLOCK	
	Balance as at 1 April, 2013	Additions	Balance as at 31 March, 2014	Balance as at 1 April, 2013	Depreciation / amortisation expense for the year	Balance as at 31 March, 2014	Balance as at 31 March, 2014	Balance as at 31 March, 2013
Plant & Equipment Owned	15,266,074	163,713	15,429,787	15,196,182	49,416	15,245,598	184,189	69,892
Furniture and Fixtures Owned	6,092,833	—	6,092,833	5,980,093	24,844	6,004,937	87,896	112,740
Vehicles Owned	1,928,985	—	1,928,985	1,883,653	45,332	1,928,985	—	45,332
Office equipment Owned	20,348,176	331,369	20,679,545	20,238,018	161,299	20,399,317	280,228	110,158
Tools – Owned *	6,989,085	—	6,989,085	6,989,085	—	6,989,085	—	—
Total	50,625,153	495,082	51,120,235	50,287,031	280,891	50,567,922	552,313	338,122

* lying with third parties gross block Rs. 6,917,417 (Rs. 6,917,417), written down value Rs.. Nil (Nil).

Note 12: Non-current investments

Particulars	As at 31 March, 2014 Unquoted Rs.	As at 31 March, 2013 Unquoted Rs.
Investments (At cost):		
A Trade		
Investment in equity instruments		
of subsidiaries		
Ncore USA Inc., a 100% subsidiary company incorporated in USA 11,78,000 (11,78,000) Common Stock at US$ 0.10 each (Par value US$ 0.10 each)	5,460,488	5,460,488
of joint venture companies		
Bharat Logistics Private Limited 180,000 (180,000) equity shares at Rs. 10/ each (par value Rs. 10/ each)	1,800,000	1,800,000
Encore Technologies (Singapore) Pte Ltd 3,301,100 (3,301,100) equity shares at S$ 0.10 each (Par value S$ 0.10 each)	8,583,048	8,583,048
Total – Trade (A)	**15,843,536**	**15,843,536**
B Other investments		
In government securities		
National Saving Certificates	5,000	5,000
Other non current investments		
Vacation Time Shares	44,800	44,800
Total – Other investments (B)	**49,800**	**49,800**
Total (A+B)	**15,893,336**	**15,893,336**
Less: Provision for diminution in value of investments	15,843,536	15,843,536
Total	**49,800**	**49,800**
Aggregate value of unquoted investments	**15,893,336**	**15,893,336**
Aggregate provision for diminution in investments	**15,843,536**	**15,843,536**

Note 13: Long-term loans and advances

Security deposits, Unsecured, considered good	3,180,604	3,263,104

Note 14: Other non-current assets

Long-term trade receivables Unsecured		
Considered Doubtfu	16,221,433	16,221,433
	16,221,433	**16,221,433**
Less: Provision for doubtful trade receivables	16,221,433	16,221,433
	—	—

Note 15: Trade receivables

Trade receivables (Unsecured, Considered Good)		
Outstanding for a period exceeding six months from the date they were due for payment	26,000	26,000
Other Trade receivables	7,666,129	2,725,001
Total	**7,692,129**	**2,751,001**

Note 16: Cash and cash equivalents

Cash on hand	2,058	23,913
Balances with banks		
In current accounts	3,905,472	1,922,889
In deposit accounts	2,500,000	474,186
In earmarked accounts		
Balances held as margin money or security against borrowings, guarantees and other commitments	1,989,113	1,567,562
Total	**8,396,643**	**3,988,550**

Note 17: Short-term loans and advances

Balance with Statutory Authorities	857,089	—
Prepaid expenses	345,589	1,015,678
Total	**1,202,678**	**1,015,678**

Note 18: Other current assets

Interest accrued on deposits	184,931	233,683
Advance Income Tax/Tax Deductec at Source	70,153	637,777
Total	**255,084**	**871,460**

Note 19: Revenue from operations

Revenue from Software development	39,078,603	19,242,170
Revenue from Technical Services and Royalty	2,610,374	2,304,527
Total	**41,688,977**	**21,546,697**

Note 20: Other operating income

Interest income	415,108	104,106
Net gain on foreign currency transactions and translation	192,350	163,468
Prior year income	—	2,556,240
Unclaimed credit written back	8,717	1,501,674
Total	**616,175**	**4,325,488**
Interest income comprises:		
Interest from banks on Deposits	405,742	104,106
Interest on Income Tax Refund	9,366	—
Total - Interest income	**415,108**	**104,106**

Note 21: Employee benefits expense

Salaries and wages	17,940,917	19,431,255
Contributions to provident and other funds	76,856	166,069
Staff welfare expenses	136,808	135,482
Total	**18,154,581**	**19,732,806**

Note 22: Finance costs

Interest expense on:		
Borrowings	20,112,240	18,133,974
Income tax	167,394	35,158
Others	146,690	52,053
Total	**20,426,324**	**18,221,185**

Note 23: Other expenses

Consumption of stores and spare parts	—	9,656
Power and fuel	314,493	461,946
Rent including lease rentals	1,103,508	2,298,462
Repairs and maintenance - Machinery	162,205	222,377
Insurance	363,483	312,294
Rates and taxes	10,245	209,101
Communication	132,377	212,333
Travelling and conveyance	65,900	84,844
Printing and stationery	41,153	106,928
Legal and professional	218,307	350,866
Listing Fee	112,317	120,429
Payments to auditors (Refer Note (i) below)	133,259	101,000
Bad trade and other receivables, loans and advances written off	531,814	—
Marketing Commission	362,364	—
Withholding tax written off	—	179,865
Miscellaneous expenses	396,658	439,851
Total	**3,948,083**	**5,109,952**

(i) Payments to the auditors comprises (net of service tax input credit, where applicable):

As auditors - statutory audit	100,000	78,000
For taxation matters	20,000	18,000
For other services	5,750	5,000
Reimbursement of expenses / Service Tax	7,509	—
Total	**133,259**	**101,000**

24 Notes on Accounts

Contingent Liabilities

Disputed liability towards Employees State Insurance contributions is Rs. 91,027 (Rs 91,027).

24.1 Earnings in Foreign Exchange

Exports (on FOB basis)	41,689,977	(21,511,947)

24.2 Expenditure in Foreign Currency (Cash Basis)

Bank Charges	71,613	(94,361)
Commission	362,364	Nil

24.3 Disclosure relating to related party transactions

24.3.1 As per Accounting Standard (AS-18) on Related party disclosures notified by the Companies (Accounting Standards) Rules, 2006, the disclosure of transactions with the related party as defined in the Accounting Standard are given below:

Sl. No.	Name of the Related Party	Relationship
1.	Ncore USA Inc	Wholly Owned Subsidiary
2.	Encore Technologies Singapore Pte Ltd	Associate & Joint Venture
3.	Bharath Logistics Private Limited	Associate Company
4.	Ncore Technology Services Pvt Ltd	Company in which Director is interested
5.	Peninsula Electronics	Firm in which Director is interested
6.	Processor Systems India Pvt Ltd	Company in which Director is interested
7.	Vinay L Deshpande	Key Management Personnel
8.	Chhanda Deshpande	Key Management Personnel
9.	Consilient Technologies Private Limited	51% Subsidiary company

24.3.2 Transactions during the year with related parties

Sl. No	Nature of Transaction	Subsidiaries	Associate & Joint Venture	Key Management Personnel & their relatives	Firm in which Director is interested
1	Loan accepted from Vinay L Deshpande				
	Accepted during the year			854,999 (1,976,450)	
	Repaid during the year			2,237,000 (355,000)	
2	Interest on Unsecured Loan Vinay - Deshpande			585,418 (527,756)	
Balances with related parties as at 31st March, 2014					
1	Loan accepted from Vinay L Deshpande			4,266,504 (5,121,629)	
	Loans from Ncore Technology Services Private Limited		332,879 (332,849)		
2	Investments Ncore USA	5,460,488* (5,460,488)*			
	Investments Bharat Logistics Private Limitec		1,800,000* (1,800,000)*		
	Investments Encore Technologies Singapore Pte Ltd		8,583,048* (8,583,048)*		
3	Receivable from Ncore USA	47,532* (47,532)*			
	Receivable from Encore Technologies Singapore Pte Ltd		11,848* (11,848)*		
4	Payable to Vinay L Deshpande			46,81,627 (4,673,601)	
	Payable to Peninsula Electronics				1,993,906 (1,993,906)

*Provision has been made for diminution in value of investments and receivables.

24.4 Particulars of Joint Venture

Encore Technologies Singapore Pte Ltd is a Joint Venture Company of Encore Software Limited and Time 2 Talk Pte. Ltd, incorporated under the laws of Singapore. Out of the total Paid up Capital of 9,645.784 numbers of equity shares (par value S $ .1 each) of Encore Technologies Singapore Pte Ltd, Encore Software Limited holds 3,301,100 (par value s $ 0.10 each) representing 38.02% of total equity.

Based on contractual obligation Encore Technologies Singapore Pte. Ltd has entered into, Encore Software Limited has no contingent liabilities or capital commitments on account of the joint venture

24.5 Leases

Operating Leases: The Company has taken commercial premises under cancelable operating lease. The lease agreements provide an option to the Company to renew the lease period. There are no exceptional / restrictive covenants in the lease agreements. Contingent rent recognized in the profit and loss account is Rs. Nil (Rs. Nil)

Obligations on long-term, non-cancelable operating leases.

Particulars	31 March, 2014	31 March, 2013
Lease rentals recognized during the year	1,103,508	2,298,462
Lease obligations payable:		
Within one year of the Balance Sheet date		
Due in a period between one year and five years		
Due after five years		
TOTAL		

24.6 Provisions, Contingent Liabilities & Contingent Assets

The Company has made provision for gratuity and leave salary on basis of actuarial valuation. These being retirement benefits, an obligation to pay these amounts might arise at the time of resignation / superannuation of the employees. There is no reimbursement receivable against these obligations.

Amounts in Rs.

Nature of obligation	The carrying amount at the beginning of the period	Additional provisions made during the year	Amounts incurred and charged against the provision during the period	Unused amounts reversed during the period	The carrying amount at the end of the period
Leave Salary	1,663,759	427,770	Nil	1,501,674	589,855

23.7 Segment Reporting

The Company is currently offering services only in Technology Solutions segment to overseas customers. Hence in the opinion of the management disclosures under segment reporting (AS-17 is not applicable to the Company for the year under review.

24.8 Previous period's figures have been recast/restated, wherever necessary, to conform to the current year's classifications. Figures in brackets relate to the previous period.

As per Our Report of even date

For Ishwar & Gopal
Chartered Accountants

K V Gopalakrishnayya
Partner
Membership No. 21748
Firm Registration No. 001154S
Place: Bangalore
Date: May 29, 2014

Vinay L Deshpande
Director

Chhanda Deshpande
Director

ENCORE SOFTWARE LIMITED
CIN: L72200KA2001PLC029313
Registerec Office: 6th Floor, Leo Complex, 44 & 45 Residency (Cross) Road, Bangalore 560025
Email: oslcompliance@ncorctech.com Website: www.ncorctech.com

FORM NO. MGT-11
PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Company: Encore Software Limited
CIN: L72200KA2001PLC029313
Registerec Office: 6th Floor, Leo Complex, 44 &45 Residency (Cross) Road, Bangalore 560025

Name of the member(s)	
Registered address	
E mail Id	
Folio No/Client Id	
DP ID	

I/We, being the member (s) of ..... shares of the above named company, hereby appoint.

1. Name .....
   Address .....
   E-mail Id .....
   Signature ..... , or failing him

2. Name .....
   Address .....
   E-mail Id .....
   Signature ..... , or failing him

3. Name .....
   Address .....
   E-mail Id .....
   Signature ..... , or failing him

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Twenty Second Annual General Meeting of the Company, to be held on Friday, 26th September, 2014 at 4:30 p.m at Bharatiya Vidya Bhavan, Race Course Road, Bangalore 560001 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolutions.

ORDINARY BUSINESS
1. Adoption of Financial Statements for the year ended 31stMarch, 2014.
2. Appointment of Mr. Vinay L Deshpande, who retires by rotation.
3. Appointment of Mrs. Chhanda Deshpande, who retires by rotation.
4. Appointment of auditors of the Company.

SPECIAL BUSINESS
5. Appointment of Mr. U Divakaran as an Independent Director.
6. Appointment of Mr. S P Satish as an Independent Director.

Signed this ..... day of 2014

Affix ₹ 1/- Revenue Stamp

Signature of Shareholder

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

ENCORE SOFTWARE LIMITED
CIN: L72200KA2001PLC029313
Registered Office: 6th Floor, Leo Complex, 44 & 45 Residency (Cross) Road, Bangalore 560025
Email: eslcompliance@ncoretech.com Website: www.ncoretech.com

FORM NO. MGT-12
Polling Paper

[Pursuant to section 109(5) of the Companies Act, 2013 and rule 21(1)(c) of the Companies (Management and Administration) Rules, 2014]

Name of the Company: Encore Software Limited
CIN: L72200KA2001PLC029313
Registered Office: 6th Floor, Leo Complex, 44 &45 Residency (Cross) Road, Bangalore 560025

BALLOT PAPER

S No	Particulars	Details
1.	Name of the First Named Shareholder (In block letters)	
2.	Postal Address	
3.	Registered folio No. / *Client ID No. (*Applicable to investors holding shares in dematerialized form)	
4.	Class of Share	

I hereby exercise my vote in respect of Ordinary/ Special resolution enumerated below by recording my assent or dissent to the said resolution in the following manner:

No.	Item No.	No. of Shares held by me	I assent to the resolution	I dissent from the resolution
	ORDINARY BUSINESS			
1.	Adoption of Financial Statements for the year ended 31st March, 2014.			
2.	Appointment of Mr. Vinay L Deshpande, who retires by rotation.			
3.	Appointment of Mrs. Chhanda Deshpande, who retires by rotation.			
4.	Appointment of Auditors of the Company.			
	SPECIAL BUSINESS			
5.	Appointment of Mr. U Divakaran as an Independent Director.			
6.	Appointment of Mr. S P Satish as an Independent Director.			

Place:
Date: (Signature of the Shareholder)

ENCORE SOFTWARE LIMITED

CIN: L72200KA2001PLC029313

Registered Office: 6th Floor, Leo Complex, 44 & 45 Residency (Cross) Road, Bangalore 560025

Email: eslcompliance@ncoretech.com Website: www.ncoretech.com

ATTENDANCE SLIP

(This attendance slip duly filled in to be handed over at the entrance of the meeting hall)

Name of the attending Member (in block letters) .....

Members' Folio Number .....

Client ID No. .....

DP ID No. .....

Name of the Proxy (in Block Letters, to be filled in if the proxy attends instead of the members)

.....

No. of Shares held .....

I hereby record my presence at the Twenty Second Annual General Meeting of the Company held on Friday, 26th September, 2014, at 4:30 p.m at Bharatiya Vidya Bhavan, Race Course Road, Bangalore 560001.

To be signed at the time of handing

Signature of Member / Proxy

BOOK POST

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ENCORE SOFTWARE LIMITED
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44 & 45 Residency (Cross) Road, Bangalore 560025
Email: eslcompliance@ncoretech.com Website: www.ncoretech.com

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