



Encore Software

# TWENTY FOURTH ANNUAL REPORT

2015-2016

# Encore Software Limited

CIN L72200KA2001PLC029313

Email: [eslcompliance@ncoretech.com](mailto:eslcompliance@ncoretech.com) Website: [www.ncoretech.com](http://www.ncoretech.com)

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### 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  
6<sup>th</sup> Floor, Leo Complex  
44 & 45 Residency (Cross) Road  
Bangalore 560025

### USA OFFICE

20590 Shady Oak Lane  
Cupertino, CA 95014, USA

### 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 FOURTH ANNUAL REPORT 2015-2016

## NOTICE

Notice is hereby given that the Twenty Fourth Annual General Meeting of the Shareholders of the Company will be held on Thursday, 29<sup>th</sup> September, 2016 at 4:00 p.m. at Bharatiya Vidya Bhavan, Race Course Road, Bangalore 560001, to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Financial Statements of the Company including Audited Balance Sheet as at 31<sup>st</sup> March, 2016 and the Statement of Profit and Loss of the Company for the year ended as on that date together with the Auditors' Report thereon and Report of Board of Directors including Secretarial Audit Report.
2. To appoint Mr. Vinay L Deshpande, Director (DIN: 00225502), who retires by rotation and being eligible, offers himself for reappointment.
3. To ratify the appointment of Statutory Auditors and to fix their remuneration:  
To consider, and to pass, if thought fit, the following resolution as an Ordinary Resolution:  
"RESOLVED THAT pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 and The Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), Messrs. Ishwar & Gopal, Chartered Accountants, having ICAI Firm Registration No. 001154S, who have offered themselves for re-appointment and have confirmed their eligibility to be appointed as Auditors, in terms of provisions of Section 141 of the Act, and Rule 4 of the Rules, be and are hereby re-appointed as Statutory Auditors of the Company for the Company's financial years 2016-17 to 2017-18 and to hold office from the conclusion of this Annual General Meeting until the conclusion of the 26<sup>th</sup> Annual General Meeting of the Company on such remuneration as may be agreed upon by the Board of Directors and the Auditors, in addition to service tax and re-imbursement of out of pocket expenses incurred by them in connection with the audit of Accounts of the Company".

By the Order of the Board  
For Encore Software Limited

Place: Bangalore  
Date: 12<sup>th</sup> August, 2016

Vinay L Deshpande  
Director  
DIN: 00225502

### NOTES

1. A Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of himself/herself and such proxy need not be a member of the Company. Proxies in order to be effective must be received at the Registered Office of the Company at least 48 hours before the Meeting.
2. The Register of Members and the Share Transfer books of the Company will remain closed on 29<sup>th</sup> September, 2016.
3. The listing fee has been paid to the Bombay Stock Exchange where the Company is listed.
4. 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, 4<sup>th</sup> Cross, Sampige Road, Malleshwaram, 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.
5. Members are requested to bring copy of the Annual Report along with them to the Annual General Meeting.
6. Pursuant to SEBI Notification No. MED/DOP/Circular/05/2009, dated 20th May, 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.
7. As regards to re-appointment of Mr. Vinay L Deshpande (holding DIN: 00225502) referred to, in Item No. 2 of the notice, the following necessary disclosures are made for the information of the Shareholders.

Particulars	Details
Name	Mr. Vinay L Deshpande
Date of Birth	30 <sup>th</sup> July, 1947
Date of Appointment	24 <sup>th</sup> July, 2001
Qualifications	BE (Electronics and Communication) from Osmania University, Hyderabad and MSSE (Digital Systems) from Stanford University, USA
Expertise in specific functional area	Digital Systems
Directorships held in other Companies (excluding foreign Companies)	NIL
Membership/Chairmanships of Committees of other public Companies (included only Audit and Shareholders/Investors Grievance Committee)	NIL
No. of Board Meetings attended during the year	4

8. Due to Non-payment of Annual Custody Fees to Central Depository Services (India) Limited (CDSL), information could not be downloaded and hence electronic voting facility could not be provided for and the Directors regret the inconvenience caused to the Shareholders.

By the Order of the Board  
For Encore Software Limited

Place: Bangalore  
Date: 12<sup>th</sup> August, 2016

Vinay L Deshpande  
Director  
DIN: 00225502

## BOARD'S REPORT

### To the Members:

The Directors have pleasure in presenting before you the 24<sup>th</sup> Annual Report of the Company together with the Audited Financial Statements for the year ended 31<sup>st</sup> March, 2016.

#### 1. FINANCIAL SUMMARY/HIGHLIGHTS, OPERATIONS, STATE OF AFFARIS

Particulars	(Amount in Rs.)	
	2015-2016	2014-2015
Gross Income	1,22,05,303	23,488
Profit Before Interest and Depreciation	89,97,831	(35,13,870)
Finance Charges	2,39,53,746	2,18,14,787
Gross Profit	(1,49,55,915)	(2,53,28,657)
Provision for Depreciation	—	—
Net Profit Before Tax	(1,49,55,915)	(2,53,28,657)
Provision for Tax	—	—
Net Profit After Tax	(1,49,55,915)	(2,53,28,657)
Balance of Profit brought forward	(40,93,46,501)	(38,40,17,844)
Balance available for appropriation	(42,43,02,416)	(40,93,46,501)

While the Company has been continuing its efforts to get orders for the *SATHI* as well as trying to make progress in the Brazil project, it has also been working on finding new avenues of business, especially in applying information technology in various business applications, in keeping with the changing trends. Considerable progress has been made in this direction, and the Company is expecting reasonably significant orders for these in the new financial year. These new activities will need further investments to be made in the Company, and the Company is finalizing with financial institutions and prospective investors for some innovative solutions/schemes for funding. The activities so chosen/planned have relatively low competition.

#### FUTURE PROSPECTS

The new activities, when launched, have been so chosen for their potential for generating revenues quickly, and the Company is confident of being able to start rebuilding itself during the new financial year, as well as generating significant revenues and operating profit. Additionally, efforts to revive the *SATHI* manufacturing activity and the Brazil project will continue despite the seeming lack of success so far, which should add to the revenue and profit of the Company in the coming year.

#### 2. EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS

There were no material changes and commitments which occurred affecting the financial position of the Company between 31<sup>st</sup> March, 2016 and the date on which this report has been signed.

#### 3. MATERIAL CHANGES AFFECTING THE FINANCIAL POSITION OF THE COMPANY

The Company did not carry out any commercial sales activities. However, in line with the applicable regulations/Statutes, revenue of the Subsidiaries was captured in the consolidated financial Statement of the Company.

#### 4. CHANGE IN THE NATURE OF BUSINESS

The Company expects to add new activities as mentioned above, in applying information technology in various business applications, will expand the nature of business of the Company from manufacturing and sales of products developed in-house, to also software applications for specific chosen domains, by developing such applications in-house and/or partnering with organizations specializing in those activities/domains.

#### 5. DIVIDEND

In view of the losses incurred, your Directors express inability to recommend any dividend.

#### 6. AMOUNTS TRANSFERRED TO RESERVES

In view of the losses, the question of transferring any amount to Reserves does not arise.

#### 7. CHANGES IN SHARE CAPITAL

There were no changes in the Capital Structure of the Company during the year under report. Capital structure remained as follows:

The Authorised Share Capital of the Company was Rs. 12,00,00,000/- (Rupees Twelve Crores only) and the Paid-up Share Capital of the Company was Rs. 6,47,15,000/- (Rupees Six Crores Forty Seven Lakhs Fifteen Thousand only) as on 31<sup>st</sup> March, 2016.

#### **Disclosure regarding Issue of Equity Shares with Differential Rights**

During the year under review the Company has not issued Shares with Differential Rights.

#### **Disclosure regarding issue of Employee Stock Options**

During the year under review the Company has not issued Shares Employee Stock Options.

#### **Disclosure regarding issue of Sweat Equity Shares**

During the year under review the Company has not issued Sweat Equity Shares.

### **8. CAPITAL INVESTMENTS**

There was no capital Investments during the year 2015-16.

### **9. BOARD MEETINGS**

The Meetings of the Board are held at regular intervals with a time gap of not more than 120 days between two consecutive Meetings. Additional Meetings of the Board of Directors are held when necessary. During the year under review 4 (Four) Meetings were held on 29<sup>th</sup> May, 2015, 14<sup>th</sup> August, 2015, 13<sup>th</sup> November, 2015 and 15<sup>th</sup> February, 2016.

The Agenda of the Meeting is circulated to the Directors in advance. Minutes of the Meetings of the Board of Directors are circulated amongst the Members of the Board for their perusal.

The details of other Committee Meetings during the financial year 2015-16 are given in the Corporate Governance Report.

### **10. DIRECTORS AND KEY MANAGERIAL PERSONNEL**

Mr. Vinay L Deshpande, Director (DIN: 00225502), retires by rotation, as per the Companies Act, 2013 and being eligible, offers himself for re-appointment.

### **11. COMPOSITION OF AUDIT COMMITTEE**

As on 31<sup>st</sup> March, 2016, the Audit Committee of the Company consists of two (2) Non-Executive Independent Directors and one (1) Non-Executive Director and all of them have financial and accounting knowledge.

The Board has accepted the recommendations of the Audit Committee during the year under review.

The Audit Committee consists of the following:

- |    |                       |          |
|----|-----------------------|----------|
| a) | Mr. U Divakaran       | Chairman |
| b) | Mr. S P Satish        | Member   |
| c) | Mr. Vinay L Deshpande | Member   |

### **12. NOMINATION AND REMUNERATION COMMITTEE POLICY**

The Nomination and Remuneration Committee consists of the following:

- |    |                       |          |
|----|-----------------------|----------|
| a) | Mr. U Divakaran       | Chairman |
| b) | Mr. S P Satish        | Member   |
| c) | Mr. Vinay L Deshpande | Member   |

The Composition, criteria for selection of Directors and the Terms of Reference of the Nomination and Remuneration Committee is stated in the Corporate Governance Report.

### **13. VIGIL MECHANISM/WHISTLE BLOWER POLICY**

The Company has a Whistle Blower Policy for vigil mechanism pursuant to the provisions of Sections 177(9) and (10) of the Companies Act, 2013 and as per Regulation 4(2) (d)(iv) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 which is available on website of the Company at <http://www.ncoretech.com> and there were no cases reported during last year.

#### 14. DIRECTORS' RESPONSIBILITY STATEMENT

In pursuance of Section 134 (5) of the Companies Act, 2013, the Directors hereby confirm that:

- a. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b. the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- c. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. the Directors had prepared the Financial Statements on a going concern basis;
- e. the directors, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; and
- f. the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively to be provided.

#### 15. EXTRACT OF ANNUAL RETURN

As required pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in MGT 9 as a part of this Annual Report is attached as **Annexure I**.

#### 16. INFORMATION ABOUT THE FINANCIAL PERFORMANCE/FINANCIAL POSITION OF THE SUBSIDIARIES/ASSOCIATES/JV

Financial performance of the Subsidiary/Associates referred to in Section 129 of the Companies Act, 2013 in Form AOC-1 is annexed to this Report as **Annexure II**.

#### 17. AUDITORS

The Auditors, Messrs Ishwar & Gopal, Chartered Accountants, Bangalore, (registered with ICAI membership number 021748) were appointed as Statutory Auditors of the Company for a term of 3 years, to hold office from the conclusion of 23<sup>rd</sup> Annual General Meeting held on 28<sup>th</sup> September, 2015 until the conclusion of 26<sup>th</sup> Annual General Meeting, subject to ratification of their appointment at every subsequent Annual General Meeting.

#### QUALIFICATIONS IN THE AUDIT REPORT AND EXPLANATIONS BY THE BOARD

Sl. No.	Qualifications made by Statutory Auditor	Explanations by the Board
a.	The entire net worth of the Company has been eroded. However the Company is continuing to prepare accounts under going concern concept.	The Company is continuously making efforts to ramp up its scale of operations to generate profit and regain positive net worth.
b.	Provision for retirement benefits in the form of gratuity and leave encashment has been made on estimated basis instead of on an actuarial valuation as on the balance sheet date in accordance with Accounting Standard (AS)-15 (revised) on 'Employee Benefits' (refer note no. 22 E) in respect of the Holding Company.  The impact of the above on the 'loss' for the year is unascertained.	In view of the few employees, the Company followed the policy of accounting gratuity and leave salary liability on estimated basis instead of actuarial valuation.

#### 18. SECRETARIAL AUDITOR

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr. Vijayakrishna KT, Company Secretary in Practice to undertake the Secretarial Audit of the Company. The Report of the Secretarial Auditor in the form of MR-3 is annexed to this Report as **Annexure III**.

**QUALIFICATIONS IN THE SECRETARIAL AUDIT REPORT AND EXPLANATIONS BY THE BOARD**

<b>Sl. No.</b>	<b>Qualifications made by Secretarial Auditor</b>	<b>Explanations by the Board</b>
a.	Acknowledgements for sending the notices of the Meetings of the Board and the Committees are not maintained by the Company.	The notice and agenda for the Board and Committee meetings are sent by email. The Company will ensure to maintain the acknowledgements for sending the notices of the Meetings of the Board and the Committees.
b.	Updating of website with regard to various policies are pending.	The Company will take necessary steps to update Website with regard to various policies which are pending.
c.	Copy of newspaper clippings of advertisements informing the Board Meeting and AGM and the quarterly results are not available for review.	The Company will take necessary steps to comply with the same.
d.	The Company has not appointed Company Secretary (CS) during the year under scrutiny.	The Company initiated the process of finding suitable candidates, but due to the Company's financial position the Company is not in a position to afford the remuneration expected by the Company Secretary. However, Company will take necessary steps for comply with the requirements of law.
e.	The Company has not appointed Chief Financial Officer (CFO) during the year under scrutiny.	The Company initiated the process of finding suitable candidates but due to the Company's financial position the Company is not in a position to afford the remuneration expected by the CFO. However, Company will take necessary steps for comply with the requirements of law.
f.	The Company has not appointed Managing Director.	The Company is in the process of appointing Managing Director.
g.	The Company has not maintained the attendance register for Board and Committee meetings.	The Company will take necessary steps to maintain the attendance register for Board and Committee meetings.
h.	Statutory Register as per Companies Act, 2013 is yet to be updated.	The Company will take necessary steps to update Statutory Register as per Companies Act, 2013.
i.	The Company has not appointed Internal Auditor during the year under scrutiny.	Since there is no business and revenue in the last financial year, the Company is not in a position to appoint the Internal Auditor. However, Company will take necessary steps for comply with the requirements of law.
j.	Certain web links were not disclosed in the Annual Report of previous year.	The Company has adopted all the required Policies and the Company will take due care to comply with this in future.
k.	Certain returns/registers required to be maintained under the General Laws like Karnataka Shops & Commercial Establishments Act, Factories Act and other HR related Acts and Environmental Acts were not available for inspection.	The Company will ensure to comply with the same in future.
l.	The Company is yet to pay the listing fees for the year 2016-17 to BSE Limited.	Due to financial constraint, the Company has not paid the listing fees for the year 2016-17 to BSE Limited. However, Company will take necessary steps for comply with the requirements of law.
m.	The Company's Shares are suspended from trading on BSE Limited vide order L/DOSS/PK/INV/COM/531750/1 dated 21.08.2015 with effect from 26 <sup>th</sup> August, 2015.	Due to nonpayment of Listing fees to BSE Limited, suspension of the Shares took place. When the liquidity position improves, the Company will forthwith address this.



## 19. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO

### (A) Conservation of Energy

Steps taken/impact on conservation of energy.	The Company's operations are not power intensive. Nevertheless, your Company has introduced various measures to conserve and minimize the use of energy wherever it is possible.
(i) Steps taken by the company for utilizing alternate sources of energy including waste generated.	Nil
(ii) Capital investment on energy conservation equipment.	Not Applicable
Total energy consumption and energy consumption per unit of production as per Form A.	Not Applicable

### (B) Technology Absorption

Efforts in brief, made towards technology absorption, adaptation and innovation	Nil
Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.	Not Applicable
In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:	
Technology imported	Not Applicable
Year of Import	Not Applicable
Has technology been fully absorbed	Not Applicable
If not fully absorbed, areas where this has not taken place, reasons therefore and future plan of action	Not Applicable

### (C) Research and Development (R & D)

Specific areas in which R & D carried out by the company	The Company has not carried out any research and development work during the course of the year.
Benefits derived as a result of the above R & D	Not Applicable
Future plan of action	Not Applicable
Expenditure on R & D	
(a) Capital	Nil
(b) Recurring	Nil
(c) Total	Nil
(d) Total R & D expenditure as a percentage of total turnover	Nil

### (D) Foreign Exchange Earnings and Outgo

Activities relating to exports	Not Applicable
Initiatives taken to increase exports	Not Applicable
Development of new export markets for products and services	Not Applicable
Export plans	Not Applicable
Total Exchange used (Cash basis)	As on 31 <sup>st</sup> March, 2016: Nil
Total Foreign Exchange Earned (Accrual Basis)	As on 31 <sup>st</sup> March, 2016: Nil

## 20. RATIO OF REMUNERATION TO EACH DIRECTOR

The Company had 5 employees as of 31<sup>st</sup> March, 2016. Pursuant to Section 197(12) of the Companies Act, 2013 and Rule 5 (1) (2) (3) of the Companies (Appointment and Remuneration) Rules, 2014, details/disclosures of Ratio of Remuneration to each Director to the median employee's remuneration is annexed to this report as **Annexure IV**.

There are no employees posted and working in a country outside India, not being Directors or relatives, drawing more than the limits prescribed in Sub Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

#### **21. DEPOSITS**

Your Company has not invited/accepted/renewed any deposits from public as defined under the provisions of Companies Act, 2013 and Companies (Acceptance of Deposits) Rules, 2014 and accordingly, there were no deposits which were due for repayment on or before 31<sup>st</sup> March, 2016.

#### **22. SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS**

No order was passed by any court or regulator or tribunal during the period under review which impacts going concern status of the Company.

#### **23. DETAILS OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS**

The Company continued to maintain, high standards of internal control designed to provide adequate assurance on the efficiency of operations and security of its assets. The adequacy and effectiveness of the internal control across various activities, as well as compliance with laid-down systems and policies are comprehensively and frequently monitored by your Company's management at all levels of the organization. The Audit Committee, which meets at-least four times a year, actively reviews internal control systems as well as financial disclosures with adequate participation, inputs from the Statutory, Internal and Corporate Secretarial Auditors.

#### **24. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS**

During the year under review, the Company has not given any Loan, Guarantees or made Investments within the meaning of Section 186 of the Companies Act, 2013.

#### **25. RISK MANAGEMENT POLICY**

The Company has not yet formulated a Risk Management Policy and has in place a mechanism to inform the Board Members about risk assessment and minimization procedures and undertakes periodical review to ensure that executive management controls risk by means of a properly designed framework.

#### **26. CORPORATE SOCIAL RESPONSIBILITY POLICY**

Since the Company does not meet the criteria for the applicability of Section 135 of the Companies Act read with the Companies (Accounts) Rules, 2015, this clause is not applicable.

#### **27. RELATED PARTY TRANSACTIONS**

There were no related party transactions during the financial year 2015-16.

#### **28. FORMAL ANNUAL EVALUATION**

Pursuant to the provisions of the Companies Act, 2013 and the Listing Regulations, the Board has carried out an annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Audit, Nomination & Remuneration and Compliance Committees.

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration.

#### **29. MANAGEMENT DISCUSSION AND ANALYSIS**

As requisite and appropriate Management Discussion & Analysis is covered under this Report itself, a separate note on the same is not being furnished.

#### **30. LISTING WITH STOCK EXCHANGES**

Due to liquidity constraints, the Company has not yet been able to pay the Annual Listing Fees for the financial year 2016-17 to BSE Limited, where the Company's Shares are listed.

#### **31. CORPORATE GOVERNANCE AND SHAREHOLDERS INFORMATION**

A separate Report on Corporate Governance in terms of Regulation 34 of the SEBI (listing Obligations and Disclosure Requirements) Regulations, 2015 along with a Certificate from a Practising Company Secretary regarding compliance to the

Conditions stipulated under Chapter IV of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is attached to this report as **Annexure V**.

### **32. DECLARATION FROM INDEPENDENT DIRECTORS ON ANNUAL BASIS**

The Company has received necessary declaration from each Independent Director of the Company under Section 149(7) of the Companies Act, 2013 that the Independent Directors of the Company meet with the criteria of their Independence laid down in Section 149(6) (**Annexure VI**).

### **33. EVENT BASED DISCLOSURES**

The Company's shares are suspended from trading on BSE Limited vide order L/DOSS/PK/INV/COM/531750/1 dated 21<sup>st</sup> August, 2015 passed by Managing Director and Chief Executive Officer of BSE Limited with effect from 26<sup>th</sup> August, 2015.

**Further, the Company has received revised assessment order passed u/s 143 (3) r.w.s 260A of Income Tax Act, 1961 consequent to the order of the CIT(A)-2, Bangalore in ITA No. 400 & 386/CIT(A)-2/2014-15 dated 14.01.2016 from Income Tax Department claiming income tax payable of Rs. 27,31,649/-.**

### **34. DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

Your Company did not engage any women employee during the year under review.

### **35. ACKNOWLEDGEMENTS**

The Directors wish to place on record their appreciation for the sincere and dedicated efforts of all employees. Your Directors would also like to thank the Shareholders, Bankers and other Business associates for their sustained support, patronage and cooperation.

For and on behalf of Encore Software Limited

Place: Bangalore  
Date: 12<sup>th</sup> August, 2016

Vinay L Deshpande  
Director  
DIN: 00225502

Chhanda Deshpande  
Director  
DIN: 00225546

**Form No. MGT-9**  
**EXTRACT OF ANNUAL RETURN**  
**as on the Financial Year Ended on 31<sup>st</sup> March, 2016**  
*[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies*  
*(Management and Administration) Rules, 2014]*

**I. REGISTRATION AND OTHER DETAILS**

i. CIN	L72200KA2001PLC029313
ii. Registration Date	24 <sup>th</sup> July 2001
iii. Name of the Company	Encore Software Limited
iv. Category/Sub-Category of the Company	Company limited by shares and Indian Non Government Company
v. Address of the Registered office and contact details	<b>Registered Office Address:</b> 6th Floor, Leo Complex 44 & 45 Residency (Cross) Road Bangalore 560025 Tel: +91-99165 46224 Email: <a href="mailto:eslcompliance@ncoretech.com">eslcompliance@ncoretech.com</a> Website: <a href="http://www.ncoretech.com">www.ncoretech.com</a>
vi. Whether Listed Company	Yes
vii. Name, Address and Contact details of Registrar and Transfer	<b>Registrars:</b> Integrated Enterprises (India) Limited 30 Ramana Residency, 4th Cross Sampige Road, Malleswaram Bangalore 560003 Tel: 080-23460815 Fax: 080-23460819 Email: <a href="mailto:irg@integratedindia.in">irg@integratedindia.in</a> Website: <a href="http://www.integratedindia.in">www.integratedindia.in</a>

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:

Sl. No.	Name and Description of main Products/Services	NIC Code of the Product/Service	% to total turnover of the Company
1	NA	NA	NA

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of Shares Held	Applicable Section
1.	Ncore USA, Inc.	Foreign Company	Subsidiary Company	100%	2(87)(ii)

#### IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

##### i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the Beginning of the Year				No. of Shares held at the End of the Year*				% Change during the Year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>	40,320	—	40,320	0.62					
a) Individual/HUF	—	—	—	—					
b) Central Govt.	—	—	—	—					
c) State Govt(s).	—	—	—	—					
d) Bodies Corporates	32,091	—	32,091	0.50					
e) Banks/FI	—	—	—	—					
f) Any Other	—	—	—	—					
<b>Sub-Total (A) (1)</b>	<b>72,411</b>	<b>—</b>	<b>72,411</b>	<b>1.12</b>					
<b>(2) Foreign</b>									
a) NRIs – Individuals	—	—	—	—					
b) Other – Individuals	—	—	—	—					
c) Bodies Corporates	—	—	—	—					
d) Banks/FI	—	—	—	—					
e) Any Other...	—	—	—	—					
<b>Sub-Total (A) (2)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>					
<b>Total Shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	<b>72,411</b>	<b>—</b>	<b>72,411</b>	<b>1.12</b>					
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	—	—	—	—					
b) Banks/FI	—	—	—	—					
c) Central Govt.	—	—	—	—					
d) State Govt(s)	—	—	—	—					
e) Venture Capital Funds	—	—	—	—					
f) Insurance Companies	—	—	—	—					
g) FIs	80,000	—	80,000	1.24					
h) Foreign Venture Capital Funds	—	—	—	—					
i) Others (specify)	—	—	—	—					
<b>Sub-Total (B)(1)</b>	<b>80,000</b>	<b>—</b>	<b>80,000</b>	<b>1.24</b>					
<b>2. Non-Institutions</b>									
a) Bodies Corporates									
i) Indian	11,31,239	100	11,31,339	17.48					
ii) Overseas	—	—	—	—					
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	21,38,585	25,440	21,64,025	33.44					
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	24,19,657	—	24,19,657	37.39					
c) Others (specify)									
NRI	3,68,212	41,000	4,09,212	6.32					
Clearing Member	1,94,856	—	1,94,856	3.01					
Trust	—	—	—	—					
<b>Sub-Total (B)(2)</b>	<b>62,52,549</b>	<b>66,540</b>	<b>63,19,089</b>	<b>97.64</b>					
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>63,32,549</b>	<b>66,540</b>	<b>63,99,089</b>	<b>98.88</b>					
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	—	—	—	—					
<b>Grand Total (A+B+C)</b>	<b>64,04,960</b>	<b>66,540</b>	<b>64,71,500</b>	<b>100.00</b>					

\*Information could not be furnished since information could not be downloaded due to non-payment of Annual Custody Fee to Central Depository Services (India) Limited (CDSL).

**ii) Shareholding of Promoters**

Sl. No.	Shareholder's Name	Shareholding at the Beginning of the Year			Shareholding at the End of the Year*			% Change in Share holding during the Year
		No. of Shares	% of Total Shares of the Company	% of Share Pledged Encumbered to Total Shares	No. of Shares	% of Total Shares of the Company	% of Shares Pledged Encumbered to Total Shares	
1	Vinay L Deshpande	4,000	0.06	—				
2	Chhanda Deshpande	36,320	0.56	—				
3	Success Apparel Pvt. Ltd.	32,091	0.50	—				
	<b>TOTAL</b>	<b>72,411</b>	<b>1.12</b>	<b>—</b>				

\*Information could not be furnished since information could not be downloaded due to non-payment of Annual Custody Fee to Central Depository Services (India) Limited (CDSL).

**iii) Change in Promoters' Shareholding (Please specify, if there is no change)**

Sl. No.	Shareholder's Name	Shareholding at the Beginning of the Year		Date	Increase/Decrease in Share Holding	Reason	Cumulative Shareholding during the Year*		Reason
		No. of Shares	% of Total Shares of the Company				No. of Shares	% of Total Shares of the Company	
1	Vinay L Deshpande	4,000	0.06		—	—			
2	Chhanda Deshpande	36,320	0.56		—	—			
3	Success Apparel Pvt. Ltd.	32,091	0.50		—	—			

\*Information could not be furnished since information could not be downloaded due to non-payment of Annual Custody Fee to Central Depository Services (India) Limited (CDSL).

**iv) Shareholding Pattern of Top Ten Shareholders (Other than Directors, Promoters and Holders of GDRs and ADRs)**

\*Information could not be furnished due to non-payment of Annual Custody Fee to Central Depository Services (India) Limited (CDSL), information could not be downloaded.

**v) Shareholding of Directors and Key Managerial Personnel**

Sl. No.	For Each of the Directors and KMP	Shareholding at the Beginning of the Year		Cumulative Shareholding during the Year*	
		No. of Shares	% of Total Shares of the Company	No. of Shares	% of Total Shares of the Company
1	At the beginning of the year Vinay L Deshpande Chhanda Deshpande	4,000 36,320	0.06 0.56		
2	Date wise Increase/Decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/ sweat equity etc)	NIL	NIL		
3	At the End of the year	4,000 36,320	0.06 0.56		

\*Information could not be furnished since information could not be downloaded due to non-payment of Annual Custody Fee to Central Depository Services (India) Limited (CDSL).

**V. INDEBTEDNESS**

Indebtedness of the Company including interest outstanding/accrued but not due for payment Rs. 22,51,37,789/-

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

**A. Remuneration to Managing Director, Whole-time Directors and/or Manager**

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager				Total Amount
		NA	NA	NA	NA	
1	Gross Salary					
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961					
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961					
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961					
2	Stock Option					
3	Sweat Equity					
4	Commission					
	- as % of profit					
	- others, specify...					
5	Others, please specify					
	Total (A)					
	Ceiling as per the Act					

**B. Remuneration to Other Directors**

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager				Total Amount
		NA	NA	NA	NA	
1	Independent Directors					
	* Fee for attending board/committee meetings					
	* Commission					
	* Others, please specify					
	<b>Total (1)</b>					
2	Other Non-Executive Directors					
	* Fee for attending board/committee meetings					
	* Commission					
	* Others, please specify					
	<b>Total (2)</b>					
	Total (B)=(1+2)					
	Total Managerial Remuneration					
	Overall Ceiling as per the Act					

**C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD**

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total Amount
		CEO	Company Secretary	CFO	
		NA	NA	NA	
1	Gross Salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961				
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961				
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961				
2	Stock Option				
3	Sweat Equity				
4	Commission				
	- as % of profit				
	- others, specify...				
5	Others, please specify				
	<b>Total</b>				

VII. **PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES**

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD/NCLT/ COURT]	Appeal made, if any (give Details)
<b>A. COMPANY</b>					
Penalty Punishment Compounding			None		
<b>B. DIRECTORS</b>					
Penalty Punishment Compounding			None		
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty Punishment Compounding			None		

For and on behalf of Encore Software Limited

Place: Bangalore  
Date: 12<sup>th</sup> August, 2016

Vinay L Deshpande  
Director  
DIN: 00225502

Chhanda Deshpande  
Director  
DIN: 00225546



## Form AOC-1

[Pursuant to first proviso to sub Section (3) of section 129 read with Rule 5 of Companies (Accounts) Rules, 2014]

## Statement containing salient feature of the Financial Statement of Subsidiaries/Associate Companies/Joint Ventures.

**Part "A" Subsidiaries**

(Information in respect of each Subsidiary to be presented with amounts in Rs.)

Sl. No.	Particulars	Name of the Subsidiaries
		Ncore USA, Inc.
1	Reporting period (if different from the holding company's reporting period)	NA
2	Reporting currency and Exchange rate as on the last date of the relevant Financial Year in case of foreign subsidiaries)	NA
3	Share Capital	NA
4	Reserves and Surplus	NA
5	Total Assets	NA
6	Total Liabilities	NA
7	Investments	NA
8	Turnover	NA
9	Profit Before Taxation	NA
10	Provision Before Taxation	NA
11	Profit After Taxation	NA
12	Proposed Dividend	NA
13	% of Shareholding	NA

**Part "B" Associates and Joint Ventures**

Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Sl. No.	Particulars	Name of Joint Ventures
1	Latest audited Balance Sheet date	NA
2	Shares of Associates/Joint Ventures held by the Company on the year end	NA
3	Percentage of holding	NA
4	Amount of investment in Associates/Joint Ventures	NA
5	Description of how there is significant influence	NA
6	Reason why the Associates/Joint Venture is not consolidated	NA
7	Net worth attributable to shareholding as per latest audited Balance Sheet	NA
8	Profit/Loss for the year	NA
	Considered in Consolidation	NA
	Not Considered in Consolidation	NA

For and on behalf of Encore Software Limited

Place: Bangalore  
Date: 12<sup>th</sup> August, 2016

Vinay L Deshpande  
Director  
DIN: 00225502

Chhanda Deshpande  
Director  
DIN: 00225546

**Form No. MR-3**  
**SECRETARIAL AUDIT REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> March, 2016**

*[Pursuant to section 204(1) of the Companies Act, 2013 and rule No. 9 of  
the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

To  
The Members  
ENCORE SOFTWARE LIMITED

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Encore Software Limited (CIN L72200KA2001PLC029313) (hereinafter called 'the Company'). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Encore Software Limited for the financial year ended on 31<sup>st</sup> March, 2016 according to the provisions of:

- i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
  - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
  - h) The Securities and Exchange Board of India (Buy back of Securities) Regulations, 1998;
  - i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- vi) The Industry specific laws applicable to the Company are as follows:
  - a) The Information Technology Act, 2000
  - b) The Special Economic Zone Act, 2005
  - c) Policy relating to Software Technology Parks of India and its regulations
  - d) The Indian Copyright Act, 1957
  - e) The Patents Act, 1970
  - f) The Trade Marks Act, 1999
- vii) The other general laws as may be applicable to the Company including the following:
  - a) Employer/Employee Related Laws & Rules:**
    1. The Employment Exchanges (Compulsory notification of Vacancies) Act, 1959
    2. The Apprentices Act, 1961
    3. The Employees Provident Fund & Miscellaneous Provisions Act, 1952
    4. The Employees State Insurance Act, 1948
    5. The Payment of Gratuity Act, 1972

6. The Payment of Bonus Act, 1965
  7. The Trade Unions Act, 1926
  8. The Payment of Wages Act, 1936
  9. The Minimum Wages Act, 1948
  10. The Child Labour (Regulation & Abolition) Act, 1970
  11. The Contract Labour (Regulation & Abolition) Act, 1970
  12. The Industrial Employment (Standing Orders) Act, 1946
  13. Equal Remuneration Act, 1976
  14. The Sexual Harassment of Women at Work Place (Prevention, Prohibition & Redressal) Act, 2013
  15. The Karnataka Shops & Establishments Act, 1961
  16. The Industrial Establishments (National and Festival Holidays) Act, 1963
  17. The Labour Welfare Fund Act, 1965
  18. For majority of Central Labour Laws the State has introduced Rules [names of each of the Rules is not included here]
- b) Environment Related Acts & Rules:**
1. The Environment Protection Act, 1986
  2. The Water (Prevention & Control of Pollution) Act, 1974
  3. The Air (Prevention & Control of Pollution) Act, 1981
  4. Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008.
- c) Economic/Commercial Laws & Rules:**
1. The Competition Act, 2002
  2. The Indian Contract Act, 1872
  3. The Sales of Goods Act, 1930
  4. The Forward Contracts (Regulation) Act, 1952
  5. The Indian Stamp Act, 1899
  6. The Transfer of Property Act, 1882

I have also examined compliances with the applicable clauses of the following:

- i) Secretarial Standards issued by the Institute of Company Secretaries of India on the Board and General Meetings i.e. SS - 1 and SS - 2 (applicable from 1st July, 2015).
- ii) The Listing Agreements entered into, by the Company with the BSE Limited (BSE) and the SEBI (LODR) Regulations, 2015, wherever applicable.

During the period under review, the Company has complied with the provisions of the Acts, Rules, Regulations, Guidelines, Standards, etc. mentioned above. Certain non material findings made during the course of the audit relating to Labour Laws were addressed suitably by the Management. Following observations have been brought before the shareholders, which are treated as material in nature:

- a) Acknowledgements for sending the notices of the Meetings of the Board and the Committees are not maintained by the Company.**
- b) Updating of website with regard to various policies are pending.**
- c) Copies of newspaper clippings of advertisements notifying the details of the Board Meetings and Annual General Meeting and publication of the quarterly results were not available for review.**
- d) The Company has not appointed Company Secretary (CS) during the year under scrutiny.**
- e) The Company has not appointed Chief Financial Officer (CFO) during the year under scrutiny.**
- f) The Company has not appointed Managing Director during the year under scrutiny.**
- g) The Company has not maintained the attendance register for Board and Committee meetings.**
- h) Statutory Register as per Companies Act, 2013 is yet to be updated.**
- i) The Company has not appointed Internal Auditor during the year under scrutiny.**
- j) Certain web links were not disclosed in the Annual Report of previous year.**
- k) Certain returns/registers required to be maintained under the General Laws like Karnataka Shops & Commercial Establishments Act, Factories Act and other HR related Acts and Environmental Acts were not available for inspection.**
- l) The Company is yet to pay the listing fees for the year 2016-17 to BSE Limited.**
- m) The Company's Shares are suspended from trading on BSE Limited vide order L/DOSS/PK/INV/COM/531750/1 dated 21<sup>st</sup> August, 2015 with effect from 26<sup>th</sup> August, 2015.**

Further, I report that with regard to financial and taxation matters, I have relied on the Audit Report, Limited Review Report and the Internal Audit Report provided by the Statutory/Internal Auditor as the case may be.

**I further report that**

The Board of Directors of the Company is not duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors.

As per the information received from the Director, adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Majority decision is carried through, while the dissenting members' views are captured and recorded as part of the minutes as per the practice followed. However, during the period under report, there was no such case instance.

**I further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

Place: Bangalore  
Date: 12<sup>th</sup> August, 2016

Vijayakrishna KT  
FCS No.: 1788  
CP No.: 980

**Note:** This report is to be read with my letter of even date which is annexed as Annexure and forms an integral part of this report.

**'ANNEXURE'**

My report of even date is to be read along with this letter:

1. Maintenance of secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on our audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of Secretarial Records. The verification was done on test basis to ensure that correct facts are reflected in the secretarial records. I believe that the processes and practices, I have followed provide a reasonable basis for our opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company including records under Income Tax Act, Central Excise Act, Customs Act, Central and State Sales Tax Act.
4. Where ever required, the Company has represented about the compliance of laws, rules and regulations and happening of events etc. as applicable from time to time.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of Management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report 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.

Place: Bangalore  
Date: 12<sup>th</sup> August, 2016

Vijayakrishna KT  
FCS No.: 1788  
CP No.: 980

## RATIO OF REMUNERATION

i.	the ratio of the remuneration of each Director to the median remuneration of the employees of the company for the financial year;	NIL
ii.	the percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;	NIL
iii.	the percentage increase in the median remuneration of employees in the financial year;	NIL
iv.	the number of permanent employees on the rolls of company;	As on 31 <sup>st</sup> March, 2016 5 members
v.	the explanation on the relationship between average increase in remuneration and company performance;	NOT APPLICABLE
vi.	comparison of the remuneration of the Key Managerial Personnel against the performance of the company;	NOT APPLICABLE
vii.	variations in the market capitalisation of the company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer in case of listed companies, and in case of unlisted companies, the variations in the net worth of the company as at the close of the current financial year and previous financial year;	NOT APPLICABLE
viii.	average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;	NOT APPLICABLE
ix.	comparison of the each remuneration of the Key Managerial Personnel against the performance of the company	NOT APPLICABLE
x.	the key parameters for any variable component of remuneration availed by the directors;	NOT APPLICABLE
xi.	the ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year;	NOT APPLICABLE
xii.	affirmation that the remuneration is as per the remuneration policy of the company.	NOT APPLICABLE

**STATEMENT SHOWING DETAILS OF EMPLOYEES OF THE COMPANY**

i. Designation of the employee;	NOT APPLICABLE
ii. remuneration received;	
iii. nature of employment, whether contractual or otherwise;	
iv. qualifications and experience of the employee;	
v. date of commencement of employment;	
vi. the age of such employee;	
vii. the last employment held by such employee before joining the company;	
viii. the percentage of equity shares held by the employee in the company within the meaning of clause (iii) of sub-rule (2) above; and	
ix. whether any such employee is a relative of any director or manager of the company and if so, name of such director or manager:	
The Top ten employees, if employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than One Crore and Two Lakhs rupees	
The Top ten employees, if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than Eight Lakhs and Fifty Thousand rupees per month	
The employee, if employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the Managing Director or Whole-Time Director or Manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the Company	
NOT APPLICABLE	

For and on behalf of Encore Software Limited

Place: Bangalore  
Date: 12<sup>th</sup> August, 2016

Vinay L Deshpande  
Director  
DIN: 00225502

Chhanda Deshpande  
Director  
DIN: 00225546

**ANNEXURE TO THE BOARD'S REPORT  
REPORT ON CORPORATE GOVERNANCE  
MANDATORY REQUIREMENTS**

**1. A BRIEF STATEMENT ON COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

As reported in the last Annual Report, your Company has implemented and complied with the Corporate Governance Code recommended by the Securities and Exchange Board of India (SEBI). Your Company shall always be managed with the principles of Good Corporate Governance with a view to enhance overall Shareholder value and to run the business effectively to achieve its corporate objectives.

**2. BOARD OF DIRECTORS**

a. The Company currently has 4 (Four) Directors, including 2 (two) non-executive and Independent Directors.

After due circulation of agenda and notes thereon, the Board of Directors have met at reasonable periods of intervals to transact business on various Board's functions, responsibilities and accountabilities. Compliances of various Laws and Regulations along with the Corporate Philosophy, goal, plans and strategies have been dealt at length by the Board at its various proceedings.

The details of the Directors' attendance at the Meetings of the Board of your Company during the financial year end 31<sup>st</sup> March, 2016 are given below:

Sl. No.	Name	DIN	Category	Designation	No. of Board Meetings Held	No. of Board Meetings Attended	Attended Last AGM
1.	Vinay L Deshpande	00225502	Non-Executive Director (Promoter Group)	Director	4	4	Yes
2.	Chhanda Deshpande	00225546	Non-Executive Director (Promoter Group)	Director	4	3	Yes
3.	S P Satish	00897276	Non-Executive & Independent Director	Director	4	4	Yes
4.	U Divakaran	01678151	Non-Executive & Independent Director	Director	4	4	Yes

**b. DETAILS OF BOARD MEETINGS HELD DURING THE YEAR**

The Meetings of the Board are held at regular intervals with a time gap of not more than 120 days between two consecutive Meetings.

The Board of Directors duly met 4 (Four) times during the year on 1<sup>st</sup> April, 2015 to 31<sup>st</sup> March, 2016 on the following dates: 29<sup>th</sup> May, 2015, 14<sup>th</sup> August, 2015, 13<sup>th</sup> November, 2015 and 15<sup>th</sup> February, 2016.

None of the Non-executive Directors has any material pecuniary relationship or transactions with the Company.

**3. AUDIT COMMITTEE**

The Audit Committee is responsible for over view of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible; recommending the appointment and removal of the statutory and internal auditors, fixation of audit fees, the approval of payment for any other services and reviewing with the management the annual financial statements before submission to the Board.

The Committee also meets the management team and reviews the operations, new initiatives and performance of the business units. The minutes of the Audit Committee are circulated to the Board, discussed and taken note of.

The Audit Committee is comprised of the following Directors:

1. Mr. U Divakaran Chairman
2. Mr. S P Satish Member
3. Mr. Vinay L Deshpande Member

The Audit Committee met 4 (Four) times from 4 (Four) times during the year on 1<sup>st</sup> April, 2015 to 31<sup>st</sup> March, 2016 on the following dates: 29<sup>th</sup> May, 2015, 14<sup>th</sup> August, 2015, 13<sup>th</sup> November, 2015 and 15<sup>th</sup> February, 2016.

The details of attendance of the Meetings of the Audit Committee are as follows:

Sl. No.	Name	No. of Meetings attended during the year
1.	U Divakaran	4
2.	S P Satish	4
3.	Vinay L Deshpande	4

The Audit Committee reviewed the financial results, accounting and financial controls as well as policies and practices as also internal control and internal audit systems.

#### 4. NOMINATION AND REMUNERATION COMMITTEE

The functions of Remuneration Committee are as follows:

- \* Formulation of criteria for persons to become Director and to be appointed in the position of senior management including KMPs and recommending to the Board for their appointments and removal.
- \* Continuous review and evaluation of the performance of the Board members.
- \* Broadly oversee the Administrative and Executive compensation programme.
- \* Any other functions as may be mandated by the Board or any Statutes or enactment.

Remuneration of employees largely consists of base remuneration, perquisites and performance incentives.

The Nomination and Remuneration Committee consists of the following Directors:

1. Mr. U Divakaran Chairman
2. Mr. S P Satish Member
3. Mr. Vinay L Deshpande Member

The Committee met 1 (One) time from 1<sup>st</sup> April, 2015 to 31<sup>st</sup> March, 2016 on 13<sup>th</sup> November, 2015.

Sl. No.	Name	No. of Meetings attended during the year
1.	S P Satish	1
2.	U Divakaran	1
3.	Vinay L Deshpande	1

Details of Remuneration of all Directors:

Sl. No.	Name	Designation	Salary (in Rs.)	Sitting Fee*
1.	Vinay L Deshpande	Director	NIL	NIL
2.	Chhanda Deshpande	Director	NIL	NIL
3.	U Divakaran	Director	NIL	NIL
4.	S P Satish	Director	NIL	NIL

#### 5. STAKEHOLDERS' RELATIONSHIP COMMITTEE

The functions of Stakeholders' Relationship Committee are as follows:

- \* To look into the shareholders complaints, if any and to redress the same expeditiously.
- \* To approve the request for issue of duplicate share certificates and issue of certificates after split/consolidation.

The Stakeholders' Relationship Committee consists of the following:

1. Mr. Vinay L Deshpande Chairman
2. Mr. U Divakaran Member
3. Mr. S P Satish Member



The Sub-Committee duly appointed by the aforesaid Committee met continuously to address the various issues relating to the investors, including non-receipt of Annual Reports, Dividend related issues, Change of addresses, transfers of shares, dematerialization and other related aspects. The Company has also continuously requisitioned the services of an independent Practicing Company Secretary to review the procedures followed by the RTA. No major grievance of any investor was pending as on 31<sup>st</sup> March, 2016.

## 6. INDEPENDENT DIRECTORS' MEETING

During the year under review, the Independent Directors met on 15<sup>th</sup> February, 2016, *inter alia*, to discuss:

- \* Evaluation of the performance of the Non-Independent Directors and the Board as a whole,
- \* Evaluation of the performance of the Chairman of the Company taking into account the views of the Executive and Non-Executive Directors,
- \* Evaluation of the quality, content and timelines of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

All the Independent Directors viz., Mr. U Divakaran, and Mr. S P Satish were present at the Meeting.

## 7. CRITERIA FOR MAKING PAYMENTS TO NON-EXECUTIVE DIRECTORS

The Company has laid down the criteria for making payments to the Non-Executive Directors.

## 8. PERFORMANCE EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, the Board has carried out an annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Audit, Nomination & Remuneration and Compliance Committees.

## 9. COMPLIANCE OFFICER AND ADDRESS FOR CORRESPONDENCE

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

## 10. DETAILS OF ANNUAL GENERAL MEETING (AGM)

Year	Date	Time	Location
2012-2013	27 <sup>th</sup> September, 2013	4:40 PM	Bharatiya Vidya Bhavan, Race Course Road, Bangalore 560001
2013-2014	26 <sup>th</sup> September, 2014	4:30 PM	Bharatiya Vidya Bhavan, Race Course Road, Bangalore 560001
2014-2015	28 <sup>th</sup> September, 2015	4:00 PM	Bharatiya Vidya Bhavan, Race Course Road, Bangalore 560001

Particulars of Special Resolution passed in the last three AGMs are given below:

27 <sup>th</sup> September, 2013	Nil
26 <sup>th</sup> September, 2014	Nil
28 <sup>th</sup> September, 2015	Disposal of Shares in Consilient Technologies Private Limited, a material Subsidiary and to reduce the shareholding to less than 50%

## 11. MEANS OF COMMUNICATION

The Company's financial results and shareholding pattern are displayed in the Company's website. The Company does not make any representations to the Institutional investors or to the Analysts.

## 12. DISCLOSURES

### SUBSIDIARY COMPANIES

The Company has following Subsidiaries:

- a) Ncore USA, Inc.
- b) Consilient Technologies Private Limited\*

\*Upon disinvestment during the financial year 2015-16, ceased to be a Subsidiary Company as per the Shareholder's approval obtained in the previous Annual General Meeting held on 28<sup>th</sup> September, 2015.

The financials of the subsidiary Companies have been duly reviewed by the Audit Committee and the Board of the Holding Company. The Board minutes of the Unlisted Subsidiary Companies have been placed before the Board of the Holding Company. The Holding Company's Board is also periodically informed about all significant transactions and arrangements entered into by the Subsidiary Companies.

#### RELATED PARTY TRANSACTION

Transactions with the related parties are disclosed in Note No. 22.B of Notes to Accounts in the Annual Report.

The Company has formulated a policy on materiality of related party transactions and also on dealing with Related Party Transactions.

#### CODE OF CONDUCT

The Company has adopted a Code of Conduct which has been implemented. The Code of Conduct is made applicable to the Directors and Senior Management Team.

#### CEO AND CFO CERTIFICATION

The Director of the Company have certified to the Board of Directors, *inter alia*, the accuracy of financial statements and adequacy of Internal Controls for the financial reporting purpose as required under SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 for the year ended 31<sup>st</sup> March, 2016.

#### COMPLIANCES

There have been no instances of non-compliance by the Company on any matters related to the capital markets. However, the Company's shares were suspended from trading on BSE Limited vide order L/DOSS/PK/INV/COM/531750/1 dated 21<sup>st</sup> August, 2015 passed by Managing Director and Chief Executive Officer of BSE Limited with effect from 26<sup>th</sup> August, 2015.

#### 13. GENERAL SHAREHOLDERS' INFORMATION

The following information would be useful to the Shareholders:

- 1) Annual General Meeting Date and Time: 29<sup>th</sup> September, 2016 at 4:00 p.m.
- 2) Financial Year: 1<sup>st</sup> April, 2015 to 31<sup>st</sup> March, 2016
- 3) Book Closure Date: 29<sup>th</sup> September, 2016
- 4) Listing on Stock Exchange at: Bombay Stock Exchange Limited (BSE)
- 5) **Depositories:** National Securities Depository Limited  
Central Depository Services Limited, Scrip Code: BSE-531750 ISIN: INE103B01012
- 6) **Registrars & Share Transfer Agents:** Integrated Enterprises (India) Limited  
30 Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore 500081  
Phone 080-23460815/818 Fax 080-23460819 Email [irg@integratedindia.in](mailto:irg@integratedindia.in)
- 7) **Stock Market Data**  
Bombay Stock Exchange Limited (BSE)  
For the Period: April, 2015 to March, 2016

All Prices in Rs.

Month	Open	High	Low	Close
April 2015	5.58	6.10	5.31	6.08
May 2015	6.05	6.05	5.75	5.75
June 2015	5.75	6.03	5.75	6.03
July 2015	6.33	6.80	6.33	6.80
August 2015	6.80	7.10	6.80	7.10
September 2015	Suspended - Surveillance Measure			
October 2015				
November 2015				
December 2015				
January 2016				
February 2016				
March 2016				

8) **Share Transfer System:** The Company in consultation with the RTA ensures that the transfers of shares in physical form and dematerialization take place well within the time limits.

9) **Distribution of Shareholding as at 31<sup>st</sup> March, 2016**

Category (Amount)	No. of Cases	% of Cases	Total Shares	Amount	% of Amount
0 – 5000	2,354	70.33	4,51,327	45,13,270	6.97
5001 – 10000	416	12.43	3,61,243	36,12,430	5.58
10001 – 20000	217	6.48	3,43,740	34,37,400	5.31
20001 – 30000	90	2.69	2,30,855	23,08,550	3.57
30001 – 40000	41	1.22	1,49,545	14,95,450	2.31
40001 – 50000	52	1.55	2,53,812	25,38,120	3.92
50001 – 100000	78	2.33	5,82,380	58,23,800	9.00
100001 & Above	99	2.96	40,98,598	409,85,980	63.33
<b>TOTAL</b>	<b>3,347</b>	<b>100.00</b>	<b>64,71,500</b>	<b>647,15,000</b>	<b>100.00</b>

Since information could not be downloaded due to non-payment of Annual Custody Fee to Central Depository Services (India) Limited (CDSL), the details given above are as at 31<sup>st</sup> March, 2015.

10) **Categories of Shareholding as at 31<sup>st</sup> March, 2016**

Category	No. of Shares Held	% of Holding
<b>Promoters Holding</b>		
i. Indian Promoters	72,411	1.12
ii. Foreign Promoters	—	—
<b>Sub Total</b>	<b>72,411</b>	<b>1.12</b>
<b>Non-Promoters Holding</b>		
i. Mutual Fund and UTI	—	—
ii. Banks, Financial Institutions and Insurance companies	—	—
iii. FII	80,000	1.24
iv. Bodies Corporate	11,31,339	17.48
v. Indian Public	45,83,682	70.83
vi. NRIs/OCBs	4,09,212	6.32
vii. Foreign Collaborators	—	—
viii. Others - Clearing Members	1,94,856	3.01
<b>Sub Total</b>	<b>63,99,089</b>	<b>98.88</b>
<b>Grand Total</b>	<b>64,71,500</b>	<b>100.00</b>

Since information could not be downloaded due to non-payment of Annual Custody Fee to Central Depository Services (India) Limited (CDSL), the details given above are as at 31<sup>st</sup> March, 2015.

11) **Dematerialization of Shares and Liquidity as at 31<sup>st</sup> March, 2016**

Control Report as on 31<sup>st</sup> March, 2016

Description	No. of Holders	Shares	% To Equity
PHYSICAL	106	66,540	1.03
NSDL	2,246	43,14,599	66.67
CDSL	995	20,90,361	32.30
<b>Total</b>	<b>3,347</b>	<b>64,71,500</b>	<b>100.00</b>

Comparative Report as on 31<sup>st</sup> March, 2016

Description	No. of Holders	Shares	% To Equity
PHYSICAL	106	66,540	1.03
ELECTRONIC FORM	3,241	64,04,960	98.97
<b>Total</b>	<b>3,347</b>	<b>64,71,500</b>	<b>100.00</b>

Since information could not be downloaded due to non-payment of Annual Custody Fee to Central Depository Services (India) Limited (CDSL), the details given above are as at 31<sup>st</sup> March, 2015.

12) Number of days taken for dematerialization: 15 Days from the date of Physical documents received.

13) Dematerialization request from 1<sup>st</sup> April, 2015 to 31<sup>st</sup> March, 2016

Sl. No.	Depositories	No. of Cases	No. of Shares	% of Shares
1.	NSDL	NIL	NIL	NIL
2.	CDSL	NIL	NIL	NIL

14) **Postal Ballot**

No Resolution was passed during the year attracting Postal Ballot and no resolution attracting Postal Ballot is recommended at this Meeting.

15) **Report on Corporate Governance**

This report together with the information given in Directors Report constitutes a detailed compliance report on Corporate Governance during the current year.

**PLANT LOCATIONS**

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

**ADDRESS FOR CORRESPONDENCE**

Encore Software Limited  
6<sup>th</sup> Floor, Leo Complex, 44 & 45 Residency (Cross) Road, Bangalore 560025  
Phones: +91-99165 46224  
Email: [eslcompliance@ncoretech.com](mailto:eslcompliance@ncoretech.com)  
Website: [www.ncoretech.com](http://www.ncoretech.com)

For and on behalf of Encore Software Limited

Place: Bangalore  
Date: 12<sup>th</sup> August, 2016

Vinay L Deshpande  
Director  
DIN: 00225502

Chhanda Deshpande  
Director  
DIN: 00225546

**CEO Certification**

I confirm that:

1. I have reviewed the financial statements including the cash flow statement for the year ended 31<sup>st</sup> March, 2016 and certify to the best of my knowledge and belief that:
  - i. the statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. 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. To the best of my knowledge and belief, no transactions entered into, by the Company during the year ended were fraudulent, illegal or against to the Company's Code of Conduct.
3. I accept responsibility for establishing and maintaining internal controls for financial reporting and I have evaluated the effectiveness of the internal control systems of the Company and I have disclosed to the Auditors and to the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which I was aware and the steps I had taken or propose to take to rectify those deficiencies.
4.
  - i. There has not been any significant change in internal control during the year;
  - ii. There has not been any significant change in Accounting Policies during the year requiring disclosure in the notes to the financial statements; and
  - iii. I am not aware of any instances during the year of significant fraud with involvement therein, of the Management or any employee having a significant role in the Company's internal control system over financial reporting.

Place: Bangalore  
Date: 12<sup>th</sup> August, 2016

Vinay L Deshpande  
Director  
DIN: 00225502

**AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENTS AND THE SEBI (LODR) REGULATIONS, 2015.**

To  
The Members  
Encore Software Limited  
Bangalore

I have examined all the relevant records of Encore Software Limited ('the Company') for the purpose of certifying the compliances of the conditions of Corporate Governance by the Company for the year ended 31st March, 2016 as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges for the period April 1, 2015 to November 30, 2015 and in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the Listing Regulations') for the period December 1, 2015 to March 31, 2016.

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

In my opinion and to the best of my information and explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Agreement/the Listing Regulations except Regulation 6 of SEBI (LODR) Regulations, 2015 as the Company has not appointed Company Secretary during the year.

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

Place: Bangalore  
Date: 12<sup>th</sup> August, 2016

Vijayakrishna K T  
Practising Company Secretary  
FCS No.: 1788  
CP No.: 980

**ANNEXURE VI**

**DECLARATION FROM INDEPENDENT DIRECTORS ON ANNUAL BASIS**

The Board of Directors  
Encore Software Limited

Dear Sirs:

We undertake to comply with the conditions laid down under Section 149 and Schedule IV of the Companies Act, 2013 read with the provisions of Listing Regulations in relation to conditions of independence and in particular:

- a) Apart from receiving Director's remuneration, we do not have any material pecuniary relationship or transactions with the Company, its Promoters, Senior Management or its associates which may affect my independence as Director on the Board of the Company.
- b) We declare that we are not related to Promoters or persons occupying management positions at the Board level and one level below the Board.
- c) We have not been executive of the Company in the immediately preceding three financial years.
- d) We are not a Partner or an Executive or were also not Partner or Executive during the preceding three years, of any of the following:
  - (i) the statutory audit firm or the internal audit firm that is associated with the Company and
  - (ii) the legal firm(s) and consulting firm(s) that have a material association with the company
- e) We are not a material supplier, service provider or customer or lesser or lessee of the Company, which may affect independence of the Director.
- f) We are not a substantial Shareholder of the Company i.e., owning two percent or more of the block of voting shares.

Sibi Prahalada Satish  
DIN: 00897276  
Date: 1<sup>st</sup> April, 2016

Unnikot Divakaran  
DIN: 01678151  
Date: 1<sup>st</sup> April, 2016

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ENCORE SOFTWARE LIMITED

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Encore Software Limited** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2016, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that shall give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with provisions of the Act for safeguarding of the assets of the Company and preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirement 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 the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Director's 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 on the financial statements.

### BASIS OF QUALIFIED OPINION

- a) *The entire net worth of the Company has been eroded. However the Company is continuing to prepare accounts under going concern concept.*
- b) *Provision for retirement benefits in the form of gratuity and leave encashment has been made on estimated basis instead of on actuarial valuation as on the balance sheet date in accordance with Accounting Standard (AS)-15 (revised) on 'Employee Benefits' (refer note no. 22 E).  
The impact of the above on the 'loss' for the year is unascertained.*

### QUALIFIED OPINION

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 aforesaid 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 of the state of affairs of the Company as at 31<sup>st</sup> March, 2016 and its loss and its cash flows for the year ended on that date.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2016 (CARO 2016 or "the Order") issued by the Central Government of India in terms of subsection (11) of section 143 of the Act, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c. The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with books of account;
  - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - e. On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2016, taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
  - f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and operating effectiveness of such controls, refer to our separate report in Annexure B, and
  - g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 22 A of Notes to the financial statements;
    - ii. The Company has made provisions, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including pending derivative contracts;
    - iii. The Company has not transferred Rs. 1,01,173/- share application money and Rs. 1,86,42,450/- share warrant application money received during the prior years which is required to be transferred to the Investor Education and Protection Fund by the Company

For Ishwar & Gopal  
Chartered Accountants  
Registration No. 001154S

K V Gopalakrishnayya  
Partner  
Membership No. 21748

Place: Bangalore  
Date: 30<sup>th</sup> May, 2016

## ANNEXURE - A TO THE AUDITORS' REPORT

The Annexure referred to in Independent Auditors' Report to the members of the Company on the financial statements for the year ended 31<sup>st</sup> March, 2016, we report that:

- i.
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
  - b. The fixed assets of the Company have been verified by the management during the year. No material discrepancies were noticed on such verification and the same have been properly dealt with in the books of account. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and nature of its business for the year under review;
  - c. According to the information and explanations given to us, and on the basis of our examination of the records of the Company, the Company does not have any immovable properties.
- ii. The Company is a service company, primarily rendering software services. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable.
- iii. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not granted any loans, secured or unsecured to Companies, firms, limited liability partnerships, or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Hence clause 3 (iii) (a) and (b) of the order is not applicable to the Company for the year under review.

- iv. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not granted any loans, investments, guarantees, and securities to parties covered under section 185 and 186 of the Companies Act, 2013.
- v. Rs. 1,01,173/- share application money and Rs. 1,86,42,450/- share warrant application money received during the prior years amounts to acceptance of deposits under the Companies Act, 2013. The Company has not adhered to the directives of Reserve Bank of India and the provisions of section 73 to 76 of the Companies Act, 2013 and rules framed under in this regard. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or Tribunal.
- vi. We have been informed that maintenance of books of accounts pursuant to the rules made by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013 for maintenance of Cost records in respect of products of the Company are not applicable to the Company for the year under review and hence the requirement of clause 3 (vi) of Companies (Auditor's Report) Order, 2015 is not applicable to the Company during the year under review.
- vii. a. The Company has not been regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues applicable.  
The following undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues applicable in arrears as at 31<sup>st</sup> March, 2016 for a period of more than six months from the date they became payable.  
The data is furnished to the extent details are available.

Name of the Statute	Nature of Dues	Amount (Rs.)	Period to which amount relates	Due date	Date of payment
Finance Act, 1994	Service Tax	51,09,656	2009-10 and 2010-11	Various dates	Not paid as on the date of this report
Employees State Insurance Act	Employees State Insurance	6,441	2014-15 and 2015-16	Various dates	Not paid as on the date of this report
Employees Provident Fund and Miscellaneous Provisions Act	Provident Fund	1,08,865	2014-15 and 2015-16	Various dates	Not paid as on the date of this report
Income Tax Act, 1961	Tax Deducted at Source	380	2009-10	Various dates	Not paid as on the date of this report
Central Sales Tax Act	Central Sales Tax	482	2012-13	Various dates	Not paid as on the date of this report

- b. According to the information and explanation given to us, there are no disputed amounts of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax or cess which have not been deposited with the relevant authorities on account of any dispute.
- viii. In our opinion and according to the information and explanations given to us, the Company did not have any amount outstanding to banks, financial institutions, government or debenture holders.
- ix. In our opinion and according to the information and explanations given to us, during the year the Company did not raise any money by way of initial public offer, or further public offer (including debt instruments) or term loans. Accordingly, clause 3 (ix) of Companies (Auditor's Report) Order, 2016 is not applicable to the Company during the year under review.
- x. According to the information and explanations given to us, no material frauds by the Company or on the Company by its officers and employees have been noticed or reported during the course of the audit.
- xi. According to the information and explanations given to us and based on our examination of records of the Company, the Company has not paid/provided for managerial remuneration during the year under review. Accordingly, clause 3 (xi) of Companies (Auditor's Report) Order, 2016 is not applicable to the Company during the year under review.
- xii. In our opinion and according to the information and explanation given to us, the Company is not a nidhi Company. Accordingly, clause 3 (xii) of Companies (Auditor's Report) Order, 2016 is not applicable to the Company during the year under review.
- xiii. According to the information and explanation given to us and based on our examination of the records of the Company, transactions with related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv. According to the information and explanation given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly paid debentures during the year.



- xv. According to the information and explanation given to us and based on our examination of the records of the Company, the Company has not entered into any non cash transactions with directors or persons connected with him. Accordingly, clause 3 (xv) of Companies (Auditor's Report) Order, 2016 is not applicable to the Company during the year under review.
- xvi. According to the information and explanation given to us and based on our examination of the records of the Company, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For Ishwar & Gopal  
Chartered Accountants  
Registration No. 001154S

K V Gopalakrishnayya  
Partner  
Membership No. 21748

Place: Bangalore  
Date: 30<sup>th</sup> May, 2016

### **ANNEXURE - A TO THE AUDITORS' REPORT**

#### **REPORT ON THE INTERNAL FINANCIAL CONTROLS UNDER CLAUSE (I) OF SUB-SECTION 3 OF SECTION 143 OF THE COMPANIES ACT, 2013 ("THE ACT")**

We have audited the internal financial controls over financial reporting of Encore Software Limited ("the Company") as of 31<sup>st</sup> March, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

#### **MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

#### **MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the

transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### **INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **OPINION**

In our opinion, the Company does not have adequate and effective internal financial control over financial reporting as at 31<sup>st</sup> March, 2016.

For Ishwar & Gopal  
Chartered Accountants  
Registration No. 001154S

K V Gopalakrishnayya  
Partner  
Membership No. 21748

Place: Bangalore  
Date: 30<sup>th</sup> May, 2016

**Encore Software Limited**  
**Balance Sheet as at 31<sup>st</sup> March, 2016**

Sl. No.	Particulars	Note No.	As at	As at
			31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
			Rs.	Rs.
<b>A</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>Shareholders' funds</b>			
	Share capital	3	64,857,500	64,857,500
	Reserves and surplus	4	(341,908,566)	(326,952,651)
	<b>Sub-total-Shareholders' funds</b>		<b>(277,051,066)</b>	<b>(262,095,151)</b>
<b>2</b>	<b>Non-current liabilities</b>			
	Long-term provisions	5	1,259,981	1,203,503
	<b>Sub-total-non-current liabilities</b>		<b>1,259,981</b>	<b>1,203,503</b>
<b>3</b>	<b>Current liabilities</b>			
	Short-term borrowings	6	120,000	1,265,815
	Trade payables	7		
	(A) total outstanding dues of micro enterprises and small enterprises;			
	(B) total outstanding dues of creditors other than micro enterprises and small enterprises.		2,361,737	5,220,981
	Other current liabilities	8	272,024,763	255,471,916
	Short-term provisions	9	1,667,133	1,667,133
	<b>Sub-total-Current liabilities</b>		<b>276,173,633</b>	<b>263,625,845</b>
	<b>TOTAL-EQUITY AND LIABILITIES</b>		<b>382,548</b>	<b>2,734,197</b>
<b>B</b>	<b>ASSETS</b>			
<b>1</b>	<b>Non-current assets</b>			
	Fixed assets - Tangible assets	10	—	—
	Non-current investments	11	143,800	151,800
	Long-term loans and advances	12	62,574	2,260,604
	Other non-current assets	13	—	—
	<b>Sub-total-Non-current assets</b>		<b>206,374</b>	<b>2,412,404</b>
<b>2</b>	<b>Current assets</b>			
	Trade receivables	14	26,000	151,013
	Cash and cash equivalents	15	64,314	88,688
	Short-term loans and advances	16	82,092	82,092
	Other current assets	17	3,768	—
	<b>Sub-total-Current assets</b>		<b>176,174</b>	<b>321,793</b>
	<b>TOTAL-ASSETS</b>		<b>382,548</b>	<b>2,734,197</b>
	Corporate information, significant accounting policies and other explanatory information.	1, 2 & 22		

In terms of our report attached  
For Ishwar & Gopal  
Chartered Accountants  
Registration No. 001154S

K V Gopalakrishnaya  
Partner  
Membership No. 21748  
Place: Bangalore  
Date: 30<sup>th</sup> May, 2016

Vinay L Deshpande  
Director  
DIN: 00225502

Chhanda Deshpande  
Director  
DIN: 00225546

**Encore Software Limited**  
**Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 2016**

Sl. No.	Particulars	Note No.	For the year ended	For the year ended
			31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
			Rs.	Rs.
	<b>Income</b>			
1	Revenue from operations		—	—
2	Other operating income	18	12,205,303	23,488
3	<b>Total revenue from Continuing Operations (1+2)</b>		<b>12,205,303</b>	<b>23,488</b>
4	<b>Expenses</b>			
	Employee benefits expense	19	2,678,602	2,819,914
	Finance costs	20	23,953,746	21,814,787
	Depreciation and amortisation expense	10	—	—
	Other expenses	21	528,870	717,444
	<b>Total expenses</b>		<b>27,161,218</b>	<b>25,352,145</b>
5	<b>Profit/(Loss) before exceptional and extraordinary items &amp; tax (3-4)</b>		<b>(14,955,915)</b>	<b>(25,328,657)</b>
6	<b>Profit/(Loss) before tax</b>		<b>(14,955,915)</b>	<b>(25,328,657)</b>
7	<b>Tax expense</b>		—	—
8	<b>Profit/(Loss) for the year (6-7)</b>		<b>(14,955,915)</b>	<b>(25,328,657)</b>
9	<b>Earnings per share (of Rs. 10/- each)</b>			
	Basic & Diluted		(2.30)	(3.87)
Corporate information, significant accounting policies and other explanatory information.		1,2 & 22		

In terms of our report attached  
For Ishwar & Gopal  
Chartered Accountants  
Registration No. 001154S

K V Gopalakrishnayya  
Partner  
Membership No. 21748  
Place: Bangalore  
Date: 30<sup>th</sup> May, 2016

Vinay L Deshpande  
Director  
DIN: 00225502

Chhanda Deshpande  
Director  
DIN: 00225546

**Encore Software Limited**  
**Cash Flow Statement for the year ended 31<sup>st</sup> March, 2016**

Particulars	For the year ended 31 <sup>st</sup> March, 2016		For the year ended 31 <sup>st</sup> March, 2015	
	Rs.	Rs.	Rs.	Rs.
<b>A Cash flow from operating activities</b>				
Net Profit/(Loss) before extraordinary items and tax		(14,955,915)		(25,328,657)
<u>Adjustments for:</u>				
Finance costs	23,953,746		21,808,894	
(Profit)/Loss from sale of Investments	(1,392,000)		—	
		22,561,746		21,808,894
Operating profit/(loss) before working capital changes		7,605,831		(3,519,763)
<u>Changes in working capital:</u>				
Adjustments for (increase)/decrease in operating assets:				
Trade receivables	125,013		5,524,905	
Short-term loans and advances	—		6,893	
Long-term loans and advances	2,198,030		—	
Other current assets	(3,768)		70,153	
Adjustments for increase/(decrease) in operating liabilities:				
Other current liabilities	(10,257,095)		1,216,320	
Short-term provisions	56,478		—	
Long-term provisions	—	(7,881,342)	176,077	6,994,348
Cash generated from operations		(275,511)		3,474,585
Net income tax (paid)/refunds		—		—
<b>Net cash flow from/(used in) operating activities (A)</b>		<b>(275,511)</b>		<b>3,474,585</b>
<b>B Cash flow from investing activities</b>				
Proceeds from sale of investments	1,400,000		—	
Cash flow from extraordinary items		1,400,000		—
<b>Net cash flow from/(used in) investing activities (B)</b>		<b>1,400,000</b>		<b>—</b>
<b>C Cash flow from financing activities</b>				
Proceeds from other short-term borrowings	(1,145,815)		(5,126,739)	
Finance cost	(3,048)	(1,148,863)	(260,431)	(5,387,170)
<b>Net cash flow from/(used in) financing activities (C)</b>		<b>(1,148,863)</b>		<b>(5,387,170)</b>
<b>Net increase/(decrease) in Cash and cash equivalents (A+B+C)</b>		<b>(24,374)</b>		<b>(1,912,585)</b>
Cash and cash equivalents at the beginning of the year		88,688		2,001,273
<b>Cash and cash equivalents at the end of the year</b>		<b>64,314</b>		<b>88,688</b>

**Notes forming part of the financial statements**

In terms of our report attached  
For Ishwar & Gopal  
Chartered Accountants  
Registration No. 001154S

K V Gopalakrishnayya  
Partner  
Membership No. 21748  
Place: Bangalore  
Date: 30<sup>th</sup> May, 2016

Vinay L Deshpande  
Director  
DIN: 00225502

Chhanda Deshpande  
Director  
DIN: 00225546

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**

2.1 **Basis for Preparation of Financial Statements:** The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Principles in India (Indian GAAP) under the historical cost convention under accrual basis. Indian GAAP comprises of mandatory accounting standards prescribed under section 133 of the Companies Act, 2013 (Act) read with Rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the Act (to the extent notified) and guidelines issued by the Securities Exchange Board of India (SEBI).The accounting policies have been consistently applied by the Company except to the extent of deviations specifically stated. 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 **Tangible & Intangible Fixed Assets:** Tangible Assets are stated in the accounts at historical cost together with all costs directly attributable to their acquisition less accumulated depreciation and impairment if any. Capital work in progress comprises of the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortisation and impairment if any.

2.4 **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.

2.5 **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).

2.6 **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.

2.7 **Depreciation:** Depreciation on Tangible Assets has been provided under Straight Line method based on useful life as estimated by the management which are less than the useful life of assets prescribed in Part C of Schedule II of the Companies Act, 2013.

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 year of purchase.

Intangible assets are amortised over their respective individual estimated useful life on straight line basis, commencing from the date the asset is available to the Company for its use.

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 **Employee Benefits**

i) **Post-employment benefit plans:** From the year under review, the Company has 5 employees. In view of few employees, the company has made provision for gratuity and leave encashment on estimated basis instead of on actuarial valuation.

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 **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.

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.

2.11 **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.

## Notes forming part of the Financial Statements

### Note 3: Share Capital

Particulars	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	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
<b>Total</b>	<b>6,500,000</b>	<b>64,857,500</b>	<b>6,500,000</b>	<b>64,857,500</b>
<b>(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period</b>				
<b>Particulars</b>	<b>Opening Balance</b>		<b>Closing Balance</b>	
Equity Shares with voting rights Year ended 31 <sup>st</sup> March, 2016				
- Number of Shares		6,500,000		6,500,000
- Amount (Rs.)		64,857,500		64,857,500
Year ended 31 <sup>st</sup> March, 2015				
- Number of Shares		6,500,000		6,500,000
- Amount (Rs.)		64,857,500		64,857,500
<b>(ii) Details of forfeited shares</b>				
Particulars	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	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 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
(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	(409,346,501)	(384,017,844)
Add: Profit/(Loss) for the year	(14,955,915)	(25,328,657)
Closing balance	(424,302,416)	(409,346,501)
<b>Total</b>	<b>(341,908,566)</b>	<b>(326,952,651)</b>

**Note 5: Long-term provisions**

Provision for employee benefits		
- Compensated absences	157,548	157,548
- Gratuity	1,102,433	1,045,955
<b>Total</b>	<b>1,259,981</b>	<b>1,203,503</b>

**Note 6: Short-term borrowings**

Loans repayable on demand (Secured)	—	—
Loans and advances from related parties (Unsecured)	120,000	1,265,815
<b>Total</b>	<b>120,000</b>	<b>1,265,815</b>

**Note 7: Trade payables**

Other than Acceptances *	2,361,737	5,220,981
* Due to other than Micro, Small and Medium Enterprises		
<b>Total</b>	<b>2,361,737</b>	<b>5,220,981</b>

**Note 8: Other current liabilities**

Current maturities of long-term debt (Refer Note below)	219,023,636	195,072,938
Application money received for allotment of securities and due for refund	18,743,623	18,642,450
Statutory remittances	5,025,729	4,800,963
Advances from customers	56,250	7,673,692
Others (specify nature):		
Due to Directors'	4,473,248	4,645,727
Liability for expenses	24,702,277	24,636,146
<b>Total</b>	<b>272,024,763</b>	<b>255,471,916</b>

**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 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	Period of default	Rs.	Period of default	Rs.
Principal	105 months	79,300,000	92 months	79,300,000
Interest		139,723,636		115,772,938

**Note 9: Short-term provisions**

Provision for employee benefits		
- Compensated absences	27,746	27,746
- Gratuity	1,639,387	1,639,387
<b>Total</b>	<b>1,667,133</b>	<b>1,667,133</b>



**Note 10: Fixed assets**
**Tangible Assets**

Amount in Rs.

Particulars	GROSS BLOCK			DEPRECIATION			NETBLOCK		
	Balance as at 1 <sup>st</sup> April, 2015	Disposals	Balance as at 31 <sup>st</sup> March, 2016	Balance as at 1 <sup>st</sup> April, 2015	Depreciation /amortisation expense for the year	Eliminated on disposal of assets	Balance as at 31 <sup>st</sup> March, 2016	Balance as at 31 <sup>st</sup> March, 2016	Balance as at 31 <sup>st</sup> March, 2016
Plant & Equipment Owned	1,364,284	—	1,364,284	1,364,284	—	—	1,364,284	—	—
Furniture & Fixtures Owned	—	—	—	—	—	—	—	—	—
Vehicles Owned	1,928,985	—	1,928,985	1,928,985	—	—	1,928,985	—	—
Office equipment Owned	18,284,651	—	18,284,651	18,284,651	—	—	18,284,651	—	—
Tools – Owned *	6,917,417	—	6,917,417	6,917,417	—	—	6,917,417	—	—
<b>Total</b>	<b>28,495,337</b>	<b>—</b>	<b>28,495,337</b>	<b>28,495,337</b>	<b>—</b>	<b>—</b>	<b>28,495,337</b>	<b>—</b>	<b>—</b>
Previous Year	45,967,401	17,472,064	28,495,337	45,967,401	352,709	17,472,064	28,495,337	—	—

\* 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 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
	Unquoted Rs.	Unquoted Rs.
Investments Unquoted (At cost)		
<b>A Trade</b>		
Investment in equity instruments of subsidiaries		
Ncore USA Inc., a 100% subsidiary company incorporated in USA 1,178,000 (1,178,000) Common Stock at US\$ 0.10 each (Par value US\$ 0.10 each)	5,460,488	5,460,488
Consilient Technologies Private Limited, a 47% (51%) holdings, 9,400 (10,200) equity shares of Rs. 10/- each	94,000	102,000
Investment in 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
<b>Total – Trade (A)</b>	<b>7,354,488</b>	<b>7,362,488</b>
<b>B Non Trade</b>		
Investment in government securities		
National Saving Certificates	5,000	5,000
Other non current investments		
Vacation Time Shares	44,800	44,800
<b>Total – Other investments (B)</b>	<b>49,800</b>	<b>49,800</b>
<b>Total (A+B)</b>	<b>7,404,288</b>	<b>7,412,288</b>
Less: Provision for diminution in value of investments	7,260,488	7,260,488
<b>Total</b>	<b>143,800</b>	<b>151,800</b>
<b>Aggregate value of unquoted investments</b>	<b>7,404,288</b>	<b>7,412,288</b>
<b>Aggregate provision for diminution in investments</b>	<b>15,843,536</b>	<b>7,260,488</b>

**Note 12: Long-term loans and advances**

Security deposits Unsecured, considered good	62,574	2,260,604
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**Note 13: Other non-current assets**

Long-term trade receivables Unsecured		
Considered Doubtful	16,209,585	16,209,585
	<b>16,209,585</b>	<b>16,209,585</b>
Less: Provision for doubtful trade receivables	16,209,585	16,209,585
	—	—

**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 (Due from a Subsidiary)	—	125,013
<b>Total</b>	<b>26,000</b>	<b>151,013</b>

**Note 15: Cash and cash equivalents**

Balances with banks		
In current accounts	24,137	34,512
Cash on hand	177	14,176
Balance in earmarked accounts	40,000	40,000
<b>Total</b>	<b>64,314</b>	<b>88,688</b>

**Note 16: Short-term loans and advances**

Due from statutory authorities	82,092	82,092
<b>Total</b>	<b>82,092</b>	<b>82,092</b>

**Note 17: Other current assets**

Interest accrued but not due on deposits	3,768	—
<b>Total</b>	<b>3,768</b>	<b>—</b>

**Note 18: Other operating income**

Interest income	3,768	4,862
Profit on sale of Fixed Assets	—	5,000
Profit on sale of Investments	1,392,000	—
Unclaimed credit written back	10,809,535	13,626
<b>Total</b>	<b>12,205,303</b>	<b>23,488</b>
Interest income comprises		
Interest from banks on Deposits	3,768	4,862
<b>Total - Interest income</b>	<b>3,768</b>	<b>4,862</b>

**Note 19: Employee benefits expense**

Salaries and wages	2,576,826	2,696,425
Contributions to provident and other funds	100,488	91,212
Staff welfare expenses	1,288	32,277
<b>Total</b>	<b>2,678,602</b>	<b>2,819,914</b>

**Note 20: Finance costs**

Interest expense on		
Borrowings	23,950,698	21,808,894
Others	3,048	5,893
<b>Total</b>	<b>23,953,746</b>	<b>21,814,787</b>

**Note 21: Other expenses**

Repairs and maintenance – Machinery	500		299
Insurance	—		6,893
Rates and taxes	6,790		40,075
Communication	55,338		43,327
Travelling and conveyance	79,844		122,518
Printing and stationery	26,884		27,685
Legal and professional	213,801		164,423
Payments to auditors (Refer Note (i) below)	68,700		67,416
Bad trade and other receivables, loans and advances written off		11,848	
Less: provision for bad receivables withdrawn	—	11,848	—
Loss on investments		8,583,048	
Less: provision for diminution in investments withdrawn	—	8,583,048	—
Listing Fees	64,555		209,248
Miscellaneous expenses	12,458		35,560
<b>Total</b>	<b>528,870</b>		<b>717,444</b>

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

As auditors - statutory audit	50,000	50,000
For taxation matters	10,000	10,000
Service tax	8,700	7,416
<b>Total</b>	<b>68,700</b>	<b>67,416</b>

22 Notes on Accounts

A. **Contingent Liabilities:** Disputed liability towards Employees State Insurance contributions is Rs. 91,027 (Rs. 91,027).

B. Disclosure relating to related party transactions

- i. 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.	Peninsula Electronics	Firm in which Director is interested
3.	Processor Systems India Pvt. Ltd.	Company in which Director is interested
4.	Vinay L Deshpande	Key Management Personnel
5.	Chhanda Deshpande	Key Management Personnel
6.	Consilient Technologies Private Limited	Associate Company 47% holding

- ii. 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			2,20,000	
	Repaid during the year			1,032,996 (3,593,452)	
2	Interest on Unsecured Loan Vinay L Deshpande			— (288,291)	
Balances with related parties as at 31 <sup>st</sup> March, 2016					
1	Loan accepted from Vinay L Deshpande			120,000 (1,265,815)	
2	Investments Ncore USA	5,460,488* (5,460,488)*			
	Investments Consilient Technologies Private Limited	94,000 (102,000)			
3	Receivable from Ncore USA	47,532* (47,532)*			
	Receivable from Consilient Technologies Private Limited	— (125,012)			
4	Payable to Vinay L Deshpande			4,473,284 (4,645,727)	
	Payable to Peninsula Electronics				1,993,906 (1,993,906)

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

C. The Company has sold 800 equity shares of Consilient Technologies Private Limited, (CTPL) on 6<sup>th</sup> October, 2015. Consequent to the same, CTPL ceased to be the subsidiary and became an associate from that date.

D. **Provisions, Contingent Liabilities & Contingent Assets:** The Company has made provision for leave salary on estimated basis during the year. 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	185,294	—	Nil	—	185,294

E. **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. 92,424 (Rs. 83,148) 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:** As at 31<sup>st</sup> March, 2016, there were 5 of employees employed in the Company and hence the company has made provision for gratuity and leave encashment on estimated basis instead of on actuarial valuation.

F. **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.

G. 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  
Registration No. 001154S

K V Gopalakrishnayya  
Partner  
Membership No. 21748

Vinay L Deshpande  
Director  
DIN: 00225502

Chhanda Deshpande  
Director  
DIN: 00225546

Place: Bangalore  
Date: 30<sup>th</sup> May, 2016

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ENCORE SOFTWARE LIMITED**

**REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

We have audited the accompanying **consolidated financial statements** of **Encore Software Limited** ("the Holding Company"), and its subsidiary/associate (collectively referred to as "the group") comprising the consolidated Balance Sheet as at 31<sup>st</sup> March, 2016, the consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The group's Board of Directors are responsible for the preparation of the consolidated financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") 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, including the Accounting Standards specified under Section 133 of the Companies Act, 2013 (hereinafter referred to as "the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014. The Board of Directors of the group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

**BASIS OF QUALIFIED OPINION**

- a. *The entire net worth of the holding company has been eroded. However the group is continuing to prepare accounts under going concern concept.*
- b. *Provision for retirement benefits in the form of gratuity and leave encashment has been made on actual basis instead of on an actuarial valuation as on the balance sheet date in accordance with Accounting Standard (AS)-15 (revised) on 'Employee Benefits' (refer note no. 22 E) in respect of the holding company.  
The impact of the above on the 'loss' for the year is unascertained.*

**OPINION**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements **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, of the consolidated state of affairs of the Company, as at 31<sup>st</sup> March, 2016, and their consolidated profit and their consolidated cash flows for the year ended on that date.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by Section 143(3) of the Act, we report that:

- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
- b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.
- c. The consolidated balance sheet, the consolidated statement of profit and loss, and the consolidated cash flow statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- d. In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e. On the basis of the written representations received from the directors of the Holding Company as on 31<sup>st</sup> March, 2016 taken on record by the Board of Directors of the Holding Company, none of the Directors of the Group companies are disqualified as on 31<sup>st</sup> March, 2016 from being appointed as a Director of that company in terms of sub-section 2 of Section 164 of the Act.
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure A"; and
- g. with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group. Refer Note 24 to the consolidated financial statements;
  - ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivatives contracts;
  - iii. The Holding Company has not transferred Rs. 101,173/- share application money and Rs. 1,86,42,450/- share warrant application money received during the prior years which is required to be transferred to the Investor Education and Protection Fund.

For Ishwar & Gopal  
Chartered Accountants  
Registration No. 001154S

K V Gopalakrishnayya  
Partner  
Membership No. 21748

Place: Bangalore  
Date: 30<sup>th</sup> May, 2016

#### **ANNEXURE - A TO THE AUDITORS' REPORT**

##### **REPORT ON THE INTERNAL FINANCIAL CONTROLS UNDER CLAUSE (I) OF SUB-SECTION 3 OF SECTION 143 OF THE COMPANIES ACT, 2013 ("THE ACT")**

In conjunction with our audit of the consolidated financial statements of the group as of and for the year ended 31<sup>st</sup> March, 2016, we have audited the internal financial controls over financial reporting of **Encore Software Limited** ("the Holding Company") as of that date and its subsidiary/associate. (collectively referred to as "the group").

##### **MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS**

The respective board of Directors of the group are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the group considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

## **AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on the group's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the group's internal financial controls system over financial reporting.

## **MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

## **INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## **OPINION**

In our opinion, the Holding Company does not have adequate and effective internal financial control over financial reporting as at 31<sup>st</sup> March, 2016.

In our opinion, the subsidiary Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31<sup>st</sup> March, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Place: Bangalore  
Date: 30<sup>th</sup> May, 2016

For Ishwar & Gopal  
Chartered Accountants  
Registration No. 001154S

K V Gopalakrishnayya  
Partner  
Membership No. 21748

**Encore Software Limited**  
**Consolidated Balance Sheet as at 31<sup>st</sup> March, 2016**

Sl. No.	Particulars	Note No.	As at 31 <sup>st</sup> March, 2016 Rs.	As at 31 <sup>st</sup> March, 2015 Rs.
<b>A</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>Shareholders' funds</b>			
	Share capital	3	64,857,500	64,857,500
	Reserves and surplus	4	(320,600,875)	(319,844,607)
	Minority Interest		—	14,923,190
	<b>Sub-total-Shareholders' funds</b>		<b>(255,743,375)</b>	<b>(240,063,917)</b>
<b>2</b>	<b>Non-current liabilities</b>			
	Long-term provisions	5	1,259,981	2,167,717
	<b>Sub-total-non-current liabilities</b>		<b>1,259,981</b>	<b>2,167,717</b>
<b>3</b>	<b>Current liabilities</b>			
	Short-term borrowings	6	120,000	1,265,815
	Trade payables			
	(A) total outstanding dues of micro enterprises and small enterprises;			
	(B) total outstanding dues of creditors other than micro enterprises and small enterprises.	7	2,361,737	5,220,981
	Other current liabilities	8	272,024,763	258,754,882
	Short-term provisions	9	1,667,133	1,942,435
	<b>Sub-total-Current liabilities</b>		<b>276,173,633</b>	<b>267,184,113</b>
	<b>TOTAL-EQUITY AND LIABILITIES</b>		<b>21,690,239</b>	<b>29,287,913</b>
<b>B</b>	<b>ASSETS</b>			
<b>1</b>	<b>Non-current assets</b>			
	Fixed assets – Tangible assets	10	—	588,063
	Non-current investments	11	21,451,491	49,800
	Deferred Tax Assets	12	—	102,142
	Long-term loans and advances	13	62,574	3,180,604
	Other non-current assets	14	—	—
	<b>Sub-total-Non-current assets</b>		<b>21,514,065</b>	<b>3,920,609</b>
<b>2</b>	<b>Current assets</b>			
	Trade receivables	15	26,000	565,890
	Cash and cash equivalents	16	64,314	22,891,540
	Short-term loans and advances	17	82,092	1,079,200
	Other current assets	18	3,768	830,674
	<b>Sub-total-Current assets</b>		<b>176,174</b>	<b>25,367,304</b>
	<b>TOTAL-ASSETS</b>		<b>21,690,239</b>	<b>29,287,913</b>
Significant accounting policies and other explanatory information.		1, 2 & 24		

In terms of our report attached  
For Ishwar & Gopal  
Chartered Accountants  
Registration No. 001154S

K V Gopalakrishnayya  
Partner  
Membership No. 21748  
Place: Bangalore  
Date: 30<sup>th</sup> May, 2016

Vinay L Deshpande  
Director  
DIN: 00225502

Chhanda Deshpande  
Director  
DIN: 00225546



**Encore Software Limited**  
**Consolidated Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 2016**

Sl. No.	Particulars	Note No.	For the year ended 31 <sup>st</sup> March, 2016 Rs.	For the year ended 31 <sup>st</sup> March, 2015 Rs.
	<b>Income</b>			
1	Revenue from operations	19	24,309,443	41,668,262
2	Other operating income	20	13,764,734	891,423
3	<b>Total revenue (1+2)</b>		<b>38,074,177</b>	<b>42,559,685</b>
	<b>Expenses</b>			
	Employee benefits expense	21	11,280,530	20,987,320
	Finance costs	22	24,011,375	22,008,343
	Depreciation and amortisation expense	10	120,140	248,021
	Other expenses	23	2,190,066	3,663,640
	<b>Total Expenses</b>		<b>37,602,111</b>	<b>46,907,324</b>
5	<b>Profit/(Loss) before extraordinary item &amp; tax (3-4)</b>		<b>472,060</b>	<b>(4,347,639)</b>
6	<b>Profit/(Loss) before tax</b>		<b>472,060</b>	<b>(4,347,639)</b>
7	<b>Tax Expenses/(credit)</b>			
	Deferred Tax		—	(374,818)
	Income Tax		3,786,079	6,065,435
8	<b>Profit/(Loss) for the year (6-7)</b>		<b>(3,314,013)</b>	<b>(10,038,256)</b>
	Minority Interest		4,148,636	5,925,799
	<b>Profit/(Loss) for the year</b>		<b>(7,462,649)</b>	<b>(15,964,055)</b>
9	<b>Earnings per share (of Rs. 10/- each)</b>			
	Basic & Diluted		(0.05)	(2.24)
	Significant accounting policies and other explanatory information.	1, 2 & 24		

In terms of our report attached  
For Ishwar & Gopal  
Chartered Accountants  
Registration No. 001154S

K V Gopalakrishnayya  
Partner  
Membership No. 21748  
Place: Bangalore  
Date: 30<sup>th</sup> May, 2016

Vinay L Deshpande  
Director  
DIN: 00225502

Chhanda Deshpande  
Director  
DIN: 00225546

**Encore Software Limited**  
**Consolidated Cash Flow Statement for the year ended 31<sup>st</sup> March, 2016**

Particulars	For the year ended 31 <sup>st</sup> March, 2016		For the year ended 31 <sup>st</sup> March, 2015	
	Rs.	Rs.	Rs.	Rs.
<b>A Cash flow from operating activities</b>				
Net Profit/(Loss) before extraordinary items & and tax		(7,462,652)		(4,347,639)
<u>Adjustments for:</u>				
Depreciation and amortization	120,140		248,021	
Interest income	—		(872,797)	
(Profit)/Loss from sale of Fixed Assets	—		(5,000)	
Variation in trade payables and receivables on account of sale of investment in subsidiary	(30,651,687)			
(Profit)/Loss from sale of Investments	156,884		—	
Finance costs	24,011,375	(6,363,288)	22,008,343	21,378,567
Operating profit/(loss) before working capital changes		(13,825,940)		17,030,928
<u>Changes in working capital:</u>				
Adjustments for (increase)/decrease in operating assets:				
Trade receivables	539,890		7,126,239	
Short-term loans and advances	997,108		137,396	
Long-term loans and advances	3,118,030		—	
Other Current Assets	826,906		—	
Adjustments for increase/(decrease) in operating liabilities:				
Trade Payables	(2,859,244)		—	
Other current liabilities	(10,680,817)		1,927,227	
Short-term provisions	(275,302)		56,716	
Long-term provisions	(907,736)	(9,241,165)	325,606	9,573,184
Cash generated from operations		(23,067,105)		26,604,112
Net income tax (paid)/refunds		102,142		(6,501,438)
<b>Net cash flow from/(used in) operating activities (A)</b>		<b>(22,964,963)</b>		<b>20,102,674</b>
<b>B Cash flow from investing activities</b>				
Capital expenditure on fixed assets, including capital advances	(55,771)		(283,771)	
Proceeds from sale of Investments	1,400,000			
Interest Income	—		283,289	
Sale of Fixed Assets	—	1,344,229	5,000	4,518
<b>Net cash flow from/(used in) investing activities (B)</b>		<b>1,344,229</b>		<b>4,518</b>
<b>C Cash flow from financing activities</b>				
Proceeds from other short-term borrowings	(1,145,815)		(5,126,739)	
Finance cost	(60,667)	(1,206,492)	(485,556)	(5,612,295)
<b>Net cash flow from/(used in) financing activities (C)</b>		<b>(1,206,492)</b>		<b>(5,612,295)</b>
<b>Net increase/(decrease) in Cash and cash equivalents (A+B+C)</b>		<b>(22,827,226)</b>		<b>14,494,897</b>
Cash and cash equivalents at the beginning of the year		22,891,540		8,396,643
<b>Cash &amp; cash equivalents at the end of the year</b>		<b>64,314</b>		<b>22,891,540</b>

In terms of our report attached  
For Ishwar & Gopal  
Chartered Accountants  
Registration No. 001154S

K V Gopalakrishnayya  
Partner  
Membership No. 21748  
Place: Bangalore  
Date: 30<sup>th</sup> May, 2016  
Encore Software Limited

Vinay L Deshpande  
Director  
DIN: 00225502

Chhanda Deshpande  
Director  
DIN: 00225546

## 1. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

- a. **Basis for preparation of financial statements:** The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Principles in India (Indian GAAP) under the historical cost convention under accrual basis. Indian GAAP comprises of mandatory accounting standards prescribed under section 133 of the Companies Act, 2013 (Act) read with Rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the Act (to the extent notified) 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.
- b. **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.
- c. **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.
- d. **Tangible Assets:** Tangible Assets are stated in the accounts at historical cost together with all costs directly attributable to their acquisition less accumulated depreciation and impairment if any.
- e. **Depreciation:** Depreciation on Tangible Assets has been provided under Straight Line method based on useful life as estimated by the management which are less than the useful life of assets prescribed in Part C of Schedule II of the Companies Act, 2013. Depreciation is charged on pro-rata basis for assets purchased/sold during the year. Individual assets costing less than Rs. 5000 are depreciated in full in year of purchase.  
Intangible assets are amortised over their respective individual estimated useful life on straight line basis, commencing from the date the asset is available to the Company for its use.  
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

- f. **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:** In respect of the subsidiary, 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:** In respect of the subsidiary, for 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.  
In respect of the holding Company, since there are 5 employees, provision for gratuity and leave salary is made on actual basis instead of actuarial valuation.

- g. **Foreign Currency Conversion:** Foreign currency transactions are dealt with in accordance with the Accounting Standard on Accounting for Effects of Changes in Foreign Exchange.
- h. **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).
- i. **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.
- j. **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.
- k. **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

## 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 Limited (Holding Company) and its subsidiary incorporated in India/associate, CTPL.
- ii. Till 6<sup>th</sup> October, 2015, CTPL was subsidiary in which the holding company was holding 51% share and the consolidation has been made on a line by line basis by adding together like items of assets, liabilities, income and expense after eliminating all intercompany balances/transactions and resulting unrealized gain/loss. Thereafter the holding Company disposed 4% of its investment in the equity of the subsidiary and CTPL became an associate Company. Consolidation of associate Company was done as per the as per equity method under Accounting Standard on Investments in Associates and Joint Ventures. 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 till 6<sup>th</sup> October, 2015, 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	Voting Power	
		As on 31 <sup>st</sup> March, 2016	As on 31 <sup>st</sup> March, 2015
Consilient Technologies Pvt. Ltd.	India	47%	51%

Since there are no operations in Ncore USA, Inc. wholly owned subsidiary incorporated in United States of America, 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.

Notes forming part of the consolidated financial statements

Note 3: Share capital

Particulars	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	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
<b>Total</b>	<b>6,500,000</b>	<b>64,857,500</b>	<b>6,500,000</b>	<b>64,857,500</b>
<b>(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period</b>				
<b>Particulars</b>	<b>Opening Balance</b>		<b>Closing Balance</b>	
Equity Shares with voting rights Year ended 31 <sup>st</sup> March, 2016				
- Number of Shares	6,500,000		6,500,000	
- Amount (Rs.)	64,857,500		64,857,500	
Year ended 31 <sup>st</sup> March, 2015				
- Number of Shares	6,500,000		6,500,000	
- Amount (Rs.)	64,857,500		64,857,500	
<b>(ii) Details of forfeited shares</b>				
Particulars	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	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 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
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	(402,238,457)	(386,274,402)
Add: Profit/(Loss) for the year	(7,462,649)	(15,964,055)
Add: Restoration of profit on sale to a subsidiary consequent to disinvestment	25,680,208	—
Less: Share of reserves relating to minority holders	(18,973,827)	—
Closing balance	(402,994,725)	(402,238,457)
<b>Total</b>	<b>(320,600,875)</b>	<b>(319,844,607)</b>

**Note 5: Deferred tax Assets/(Liabilities)**

Fixed Assets	—	(180,520)
Temporary Disallowance under Income Tax	—	282,663
<b>Total</b>	<b>—</b>	<b>102,143</b>

**Note 6: Long-term provisions**

Provision for employee benefits		
- Compensated absences	157,548	913,844
- Gratuity	1,102,433	1,253,873
<b>Total</b>	<b>1,259,981</b>	<b>2,167,717</b>

**Note 7: Short-term borrowings**

Loans and advances from related parties (Unsecured)	120,000	1,265,815
<b>Total</b>	<b>120,000</b>	<b>1,265,815</b>

**Note 8: Trade payables**

Other than Acceptances *	2,361,737	5,220,981
* Due to other than Micro, Small and Medium Enterprises		
<b>Total</b>	<b>2,361,737</b>	<b>5,220,981</b>

**Note 9: Other current liabilities**

Current maturities of long-term debt (Refer Note below)	219,023,636	195,072,938
Application money received for allotment of securities and due for refund	18,743,623	18,642,450
Statutory remittances	5,025,729	5,071,610
Advances from customers	56,250	7,673,692
Others (specify nature)		
- Due to Directors'	4,473,248	4,645,727
- Liability for expenses	24,702,277	27,648,465
<b>Total</b>	<b>272,024,763</b>	<b>258,754,882</b>

**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 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	Period of default	Rs.	Period of default	Rs.
Principal	104 months	79,300,000	92 months	79,300,000
Interest		139,723,636		115,772,938

**Note 10: Short-term provisions**

Provision for employee benefits		
- Compensated absences	27,746	132,980
- Gratuity	1,639,387	1,809,455
<b>Total</b>	<b>1,667,133</b>	<b>1,942,435</b>

**Note 11: Fixed assets****Tangible Assets**

Amount in Rs.

Particulars	GROSS BLOCK				DEPRECIATION				NETBLOCK	
	Balance as at 1 <sup>st</sup> April, 2015	Additions	Deletions/ Adjustments	Balance as at 31 <sup>st</sup> March, 2016	Balance as at 1 <sup>st</sup> April, 2015	Depreciation/ amortisation expense for the year	Deletions/ Adjustments	Balance as at 31 <sup>st</sup> March, 2016	Balance as at 31 <sup>st</sup> March, 2016	Balance as at 31 <sup>st</sup> March, 2015
Plant & Equipment Owned	15,591,149	—	14,226,865	1,364,284	15,306,027	13,763	13,955,506	1,364,284	—	285,122
Furniture and Fixtures Owned	6,092,833	—	6,092,833	—	6,092,781	12,422	6,042,203	—	—	63,052
Vehicles Owned	1,928,985	—	—	1,928,985	1,928,985	—	—	1,928,985	—	—
Office equipment Owned	20,801,954	55,711	2,573,014	18,284,651	20,562,065	93,955	2,371,369	18,284,651	—	239,889
Tools – Owned *	6,989,085	—	71,668	6,917,417	6,989,085	—	71,668	6,917,417	—	—
<b>Total</b>	<b>51,404,006</b>	<b>55,711</b>	<b>22,964,380</b>	<b>28,495,337</b>	<b>50,815,943</b>	<b>120,140</b>	<b>22,440,746</b>	<b>28,495,337</b>	<b>—</b>	<b>588,063</b>
Previous Year	51,120,235	283,771	—	51,404,006	50,567,922	248,021	—	50,815,943	588,063	—

\* 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 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
	Unquoted Rs.	Unquoted Rs.
Investments Unquoted (At cost):		
<b>A Trade</b>		
Investment in equity instruments of subsidiaries		
Ncore USA Inc., a 100% subsidiary company incorporated in USA 1,178,000 (1,178,000) Common Stock at US\$ 0.10 each (Par value US\$ 0.10 each)	5,460,488	5,460,488
of Associates		
Consilient Technologies Private Limited, a 47% holding, 9,400 Equity shares of Rs. 10/- each	21,401,691	—
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
<b>Total – Trade (A)</b>	<b>28,662,179</b>	<b>7,260,488</b>
<b>B Non Trade</b>		
in government securities		
National Saving Certificates	5,000	5,000
Other non current investments		
Vacation Time Shares	44,800	44,800
<b>Total – Other investments (B)</b>	<b>49,800</b>	<b>49,800</b>
<b>Total (A+B)</b>	<b>28,711,979</b>	<b>7,310,288</b>
Less: Provision for diminution in value of investments	7,260,488	7,260,488
<b>Total</b>	<b>21,451,491</b>	<b>49,800</b>
<b>Aggregate value of unquoted investments</b>	<b>28,711,979</b>	<b>7,310,288</b>
<b>Aggregate provision for diminution in investments</b>	<b>7,260,488</b>	<b>7,260,488</b>

**Note 13: Long-term loans and advances**

Security deposits, Unsecured, considered good	62,574	3,180,604
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**Note 14: Other non-current assets**

Long-term trade receivables Unsecured		
Considered Doubtful	16,209,585	16,209,585
	<b>16,209,585</b>	<b>16,209,585</b>
Less: Provision for doubtful trade receivables	16,209,585	16,209,585
	—	—

**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	—	539,890
<b>Total</b>	<b>26,000</b>	<b>565,890</b>

**Note 16: Cash and cash equivalents**

Cash on hand	177	14,232
Balances with banks		
In current accounts	24,137	7,144,675
In deposit accounts	—	15,692,633
In earmarked accounts	—	—
Balances held as margin money or security against borrowings, guarantees and other commitments	40,000	40,000
<b>Total</b>	<b>64,314</b>	<b>22,891,540</b>

**Note 17: Short-term loans and advances**

Balance with Statutory Authorities	82,092	800,581
Prepaid expenses	—	278,619
<b>Total</b>	<b>82,092</b>	<b>1,079,200</b>

**Note 18: Other current assets**

Interest accrued on deposits	3,768	774,439
Advance Income Tax/Tax Deducted at Source	—	56,235
<b>Total</b>	<b>3,768</b>	<b>830,674</b>

**Note 19: Revenue from operations**

Revenue from Software development	24,059,443	41,090,017
Other Operating revenues	250,000	578,245
<b>Total</b>	<b>24,309,443</b>	<b>41,668,262</b>

**Note 20: Other operating income**

Interest income	3,768	872,797
Gain on sale of Assets	—	5,000
Share of profit of associates	3,108,306	—
Unclaimed credit written back	10,809,544	13,626
<b>Total</b>	<b>13,921,618</b>	<b>891,423</b>
Interest income comprises:		
Interest from banks on Deposits	3,768	872,797
<b>Total - Interest income</b>	<b>3,768</b>	<b>872,797</b>

**Note 21: Employee benefits expense**

Salaries and wages	11,136,104	20,772,160
Contributions to provident and other funds	100,488	91,212
Staff welfare expenses	43,938	123,948
<b>Total</b>	<b>11,280,530</b>	<b>20,987,320</b>

**Note 22: Finance costs**

Interest expense on:		
Borrowings	23,950,698	21,808,894
Income tax	—	34,204
Others	60,677	165,245
<b>Total</b>	<b>24,011,375</b>	<b>22,008,343</b>

**Note 23: Other expenses**

Power and fuel	134,267		293,075
Rent including lease rentals	666,760		1,330,104
Repairs and maintenance - Machinery	138,181		169,427
Insurance	528,057		490,845
Rates and taxes	9,749		48,719
Communication	96,493		122,792
Travelling and conveyance	90,652		147,542
Printing and stationery	27,613		46,072
Legal and professional	317,583		209,248
Listing Fee	64,555		224,625
Payments to auditors (Refer Note (i) below)	68,700		134,832
Bad trade and other receivables, loans and advances written off		11,848	
Less: Provision for bad receivables withdrawn	—	11,848	—
Loss on investments		8,583,048	
Less: Provision for diminution in investments withdrawn	—	8,583,048	—
Marketing Commission	—		—
Miscellaneous expenses	47,456		446,357
<b>Total</b>	<b>2,190,066</b>		<b>3,663,638</b>



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

As auditors - statutory audit	50,000	100,000
For taxation matters	10,000	20,000
For other services	—	—
Reimbursement of expenses/Service Tax	8,700	14,832
<b>Total</b>	<b>68,700</b>	<b>134,832</b>

**24 Other Explanatory Information's**

**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) Rs. 24,059,443 (Rs. 39,148,262)

**24.2 Expenditure in Foreign Currency (Cash Basis)**

Bank Charges Rs. 91,548 (Rs. 101,758)  
Commission Nil (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.	Peninsula Electronics	Firm in which Director is interested
3.	Processor Systems India Pvt. Ltd.	Company in which Director is interested
4.	Vinay L Deshpande	Key Management Personnel
5.	Chhanda Deshpande	Key Management Personnel

**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			220,000	—
	Accepted during the year	—	—	—	—
1	Repaid during the year	—	—	1,032,996	—
		—	—	(3,593,452)	—
2	Interest on Unsecured Loan Vinay L Deshpande	—	—	—	—
		—	—	(288,291)	—
Balances with related parties as at 31 <sup>st</sup> March, 2016					
1	Loan accepted from Vinay L Deshpande	—	—	120,000	—
		—	—	(1,265,815)	—
2	Investments Ncore USA	5,460,488*			
		(5,460,488)*			
3	Receivable from Ncore USA	47,532*			
		(47,532)*			
4	Payable to Vinay L Deshpande			4,473,284	
				(4,645,727)	
	Payable to Peninsula Electronics				1,993,906
					(1,993,906)

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

**24.4 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 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
Lease rentals recognized during the year	1,335,034	1,330,104
Lease obligations payable:		
Within one year of the Balance Sheet date	1,335,034	1,330,104
Due in a period between one year and five years	1,335,034	1,330,104
Due after five years	1,335,034	1,330,104

- 24.5 **Retirement Benefits 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. In respect of the subsidiary, 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. During the year ended 31<sup>st</sup> March, 2016, since there are 5 employees in the Holding Company, the company has made provision for gratuity and leave encashment on estimated basis instead of on actuarial valuation. The Company has made provision for leave salary on basis of actuarial valuation in respect of subsidiary incorporated in India. 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	1,098,826	—	—	912,902	185,294

- 24.6 **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.
- 24.7 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  
Registration No. 001154S

K V Gopalakrishnayya  
Partner  
Membership No. 21748  
Place: Bangalore  
Date: 30<sup>th</sup> May, 2016

Vinay L Deshpande  
Director  
DIN: 00225502

Chhanda Deshpande  
Director  
DIN: 00225546

**ENCORE SOFTWARE LIMITED**

CIN: L72200KA2001PLC029313

Registered Office: 6<sup>th</sup> Floor, Leo Complex, 44 & 45 Residency (Cross) Road, Bangalore 560025  
Telephone: +91-99165 4622 Email: [eslcompliance@ncoretech.com](mailto:eslcompliance@ncoretech.com) Website: [www.ncoretech.com](http://www.ncoretech.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  
Registered Office 6<sup>th</sup> Floor, Leo Complex, 44 & 45 Residency (Cross) Road, Bangalore-560 025

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 .....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Twenty Fourth Annual General Meeting of the Company, to be held on Thursday, 29<sup>th</sup> September, 2016 at 4:00 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:

Resolution No.

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Financial Statements of the Company including Audited Balance Sheet as at 31<sup>st</sup> March, 2016 and the Statement of Profit and Loss of the Company for the year ended as on that date together with the Auditors' Report thereon and Report of Board of Directors including Secretarial Audit Report.
2. To appoint Mr. Vinay L Deshpande, Director (DIN: 00225502), who retires by rotation and being eligible, offers himself for reappointment.
3. To ratify the Appointment of Statutory Auditors and fix their remuneration.

Signed this ..... day of ..... 2016

Signature of Shareholder

Signature of Proxy Holder(s)

**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: 6<sup>th</sup> Floor, Leo Complex, 44 & 45 Residency (Cross) Road, Bangalore 560025  
Telephone: +91-99165 4622 Email: [eslcompliance@ncoretech.com](mailto:eslcompliance@ncoretech.com) Website: [www.ncoretech.com](http://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		
Registered Office		6 <sup>th</sup> Floor, Leo Complex, 44 & 45 Residency (Cross) Road, Bangalore 560025		
<b>BALLOT PAPER</b>				
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
<b>ORDINARY BUSINESS</b>				
1.	To receive, consider and adopt the Financial Statements of the Company including Audited Balance Sheet as at 31 <sup>st</sup> March, 2016 and the Statement of Profit and Loss of the Company for the year ended as on that date together with the Auditors' Report thereon and Report of Board of Directors including Secretarial Audit Report.			
2.	To appoint Mr. Vinay L Deshpande, Director (DIN: 00225502), who retires by rotation and being eligible, offers himself for reappointment.			
3.	To ratify appointment of Statutory Auditors and fix their remuneration.			
Place:				
Date:				
(Signature of the Shareholder)			(Signature of the Scrutinizer)	

**ENCORE SOFTWARE LIMITED**

CIN: L72200KA2001PLC029313

Registered Office: 6<sup>th</sup> Floor, Leo Complex, 44 & 45 Residency (Cross) Road, Bangalore 560025  
Telephone: +91-99165 4622 Email: [eslcompliance@ncoretech.com](mailto:eslcompliance@ncoretech.com) Website: [www.ncoretech.com](http://www.ncoretech.com)

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**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 Fourth Annual General Meeting of the Company held on Thursday, 29<sup>th</sup> September, 2016, at 4.00 PM at Bharatiya Vidya Bhavan, Race Course Road, Bangalore 560001.

To be signed at the time of handing over the slip

Signature of Member/Proxy

**Book Post**

*If undelivered please return to*

**ENCORE SOFTWARE LIMITED**

6th Floor, Leo Complex,  
44 & 45, Residency (Cross) Road, Bangalore 560 025.  
Ph.:+91 99165 46224 Web : [www.ncoretech.com](http://www.ncoretech.com)