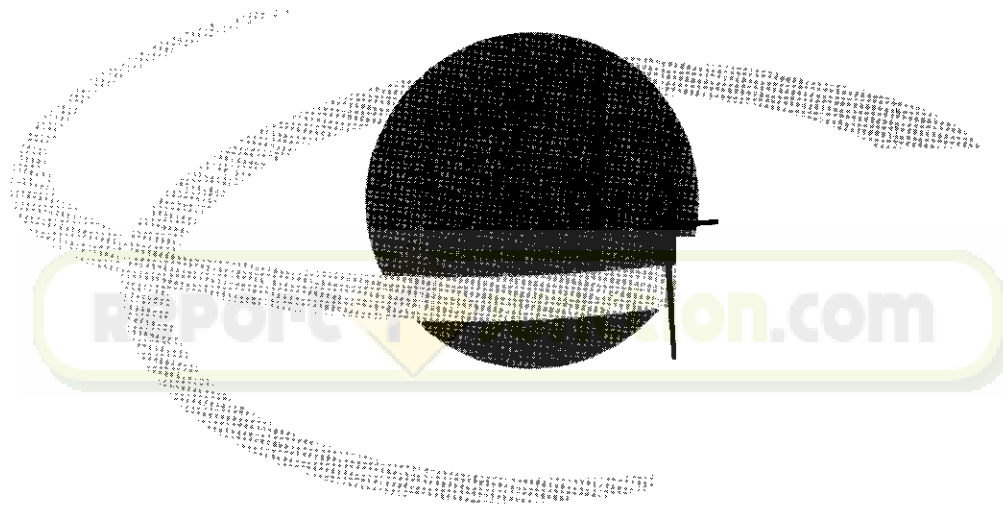


Eighth
Annual Report
1999 - 2000



Encore Software

Encore Software Limited

**DIRECTORS**

Mr. Vinay L Deshpande *Chairman & CEO*
Mrs. Chhanda Deshpande *Executive Director*
Dr. Saibal Kanti Gupta
Prof. V Rajaraman
Prof. V. Umapathy Reddy
Mr. Ashwin Vora
Dr. Christin Schwarz-Schilling

CHIEF FINANCIAL OFFICER

Mr. S. Mohan

**COMPANY SECRETARY AND
COMPLIANCE OFFICER**

Mr. K. Chandrashekarappa

BANKERS

Syndicate Bank
Bangalore - 560 025

AUDITORS

Ishwar & Gopal
Chartered Accountants

REGISTERED OFFICE

'Surampally Industrial Estate'
Surampally, Ganavaram Mandal,
Krishna District
Andhra Pradesh - 521 212

CORPORATE OFFICE

44 & 45, 'Leo Complex'
Residency Cross Road,
Bangalore - 560 025.
web : www.ncoretech.com

OVERSEAS OFFICE

Ncore USA, Inc.
339, Fredrick Street,
San Francisco, California 94117
USA

SHARE TRANSFER AGENTS

Alpha Systems Pvt. Ltd.
30, Ramana Residency, 4th Cross,
Sampige Road, Malleswaram,
Bangalore - 560 003.
Phone : 3460815-818, Fax : 3460819

Chairman's Message

Dear Shareholders,

There is so much talk these days about the new economy and the convergence of voice and data networks, which is great news for us. We are positioned uniquely in the "convergence space," with our focus on DSP-based modem technology, Speech compression, Voice-over-IP (VoIP) and Embedded Systems. Our existing Intellectual Property in these areas has already been licensed to many OEM customers worldwide, including some of the most well known multinationals in Europe, Japan and the United States. The feedback we have from these customers has vindicated our belief in the core value of our products and we are putting our Mission Statement in practice – that of delivering "best-in-class" products in DSP and Embedded System. In fact, our products are already in use as some of the "enablers" in the infrastructure field for several of the new telecommunications and internet-enabled technologies. We therefore feel encouraged to continue our pursuit of development of more and more intellectual property in our chosen areas of expertise.

Consequently, your Company, in addition to pursuing further development of products in the current areas, is aggressively concentrating on emerging technologies such as 3G Wireless. One of these, a speech coder called 3GPP-AMR, is already in Beta testing, and we are now negotiating with prospective licensees for the same. We do have a road map of developments in other technologies in related areas, and are confident of having a fairly broad portfolio of world-class intellectual property in the next couple of years.

We have also established a very high reputation among our customers for our service support, in addition to the quality of our products. We wish to now leverage these into developing new state-of-the-art products for our customers, under contract as well as on a license basis. Several such discussions are currently in progress with interested OEM customers worldwide, and as some of those get finalized, we will have embarked on an era of rapid growth.

With a view to strengthen the marketing network, our wholly owned subsidiary in US has started functioning and we have entered into marketing tie-ups with leading agencies. Japan being a very significant market for us, we are proposing to establish an office there. Coupled with our participation in exhibitions like DSP world, these efforts would go a long way in enhancing our market share.

As we look to the coming year, you should be happy in the knowledge that our goal of developing "Indian high-technology for the world" has already become a reality, and that we are now sought-after for worldclass leading-edge technologies by our world-class customers and competitors alike. This should help us further in our Mission to be "the most admired company developing best-in-class solutions in DSP and Embedded Systems." Of course, none of this would have been or would be possible without the unhesitating and continuing loyalty and support of our Employees, Customers, and Shareholders. Your Company shall remain grateful for that, forever.

Vinay L Deshpande

Notice



NOTICE is hereby given that 8th Annual General Meeting of the members of the Company will be held on Wednesday, 27th December, 2000 at 11.00 A.M. at the registered office of the Company to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at June 30, 2000 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr. Christian Schwarz-Schilling, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Prof. V. Rajaraman, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint auditors and authorize the Board to fix the remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Act, *libid*, as amended and subject to such permissions, consents and approvals, if any, from authorities, if required and subject to such conditions, if any, that may be imposed by any authority while granting their consents, permissions and approvals and which the Board of Directors is hereby authorized to accept, the Company hereby accords approval to the appointment of Mrs. Chhanda Deshpande as Whole Time Director designated as Executive Director of the Company for a period of five years with effect from July 24, 2000 on the terms and conditions as to remuneration by way of salary and perquisites as set out in explanatory statement.

FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to increase the remuneration and/or perquisites of Mrs. Chhanda Deshpande, in its absolute discretion within such guidelines or ceilings subject to such approvals of Central Government or any other authority, wherever applicable, and required and for which consent of the Company as required under various provisions of the Companies Act, 1956, be and is hereby granted.

FURTHER RESOLVED THAT in the event where in any financial year during the currency of her appointment, the Company has no profit or its profits are inadequate, it may pay remuneration to Executive Director the total of which shall not exceed the ceiling limits as provided in Schedule XIII of the Act, *libid*, or such other amount as may be specified by the Government from time to time by any amendment to the Act.

FURTHER RESOLVED THAT the Board of Directors be and are hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this Resolution.

FURTHER RESOLVED THAT the Board of Directors be and are hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this Resolution".

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

"RESOLVED THAT pursuant to the provisions of Section 94(1) (a) of the Companies Act, 1956 and other applicable provisions, if any, the Authorized Share Capital of the Company be and is hereby increased from Rs. 7.00 Crores (Rupees Seven Crores) divided into 70,00,000 Equity Shares of Rs. 10/- each to Rs. 8.50 Crores divided into 85,00,000 Equity Shares of Rs. 10/- each by creation of 15,00,000 new Equity Shares of Rs. 10/- each ranking *pari-passu* in all respects with the existing Shares of the Company".

7. To consider and if, thought fit, to pass, with or without modification(s), the following resolution as Special Resolution:

"RESOLVED THAT the existing Clause V of the Memorandum of Association of the Company as to Share capital be and is hereby deleted and in its place the following Clause V be substituted:

V. The Authorized Share capital of the Company is Rs. 8,50,00,000 (Rupees Eight Crores Fifty Lakhs only) divided in to 85,00,000 (Eighty Five lakhs) Equity Shares of Rs. 10/- (Rupees ten) each."

8. To consider and if, thought fit, to pass, with or without modification(s), the following resolution as Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act, 1956 the existing Article 2 of the Company's Articles of Association be and is hereby deleted and in its place the following new Article 2 be substituted:

2. The Authorized Share Capital of the Company is Rs. 8,50,00,000 (Rupees Eight Crores Fifty Lakhs only) divided in to 85,00,000 (Eighty Five Lakhs) Equity Shares of Rs. 10/- (Rupees Ten) each."

9. To consider and if, thought fit, to pass, with or without modification(s) the following resolution as Special resolution:

"RESOLVED THAT in terms of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 and in accordance with the provisions of Articles of Association of the Company and subject to the consent of the Securities and Exchange Board of India (SEBI) and all other concerned authorities and Departments, if and to the extent necessary, and such other approvals, permissions and sanctions as may be necessary, and subject to such conditions and modifications as may be prescribed in granting such approvals, permissions and sanctions which may be agreed by the Board of Directors of the company (hereinafter referred to as "The Board" which term shall be deemed to include any committee of the Board), at its sole discretion, the consent of the company be and is hereby accorded to the Board to create, offer and issue equity shares numbering not exceeding 15,00,000 (Fifteen Lakhs) of the face value of Rs. 10/- each to the Foreign Financial Institutional Investors, Non Resident Indians, Overseas Corporate companies, Other Private Equity Funds, Strategic Partners, Financial Institutions, Mutual funds, Venture Capital Funds, Venture Capital Companies, Bodies Corporate, other entities/ authorities and to such other person(s) through public issue/ private placement/ preferential allotment or a combination thereof as may be determined by the Board of Directors, in one or more tranches, in such form, manner and upon such form, manner and upon such terms and conditions including premium amount as the board may, in its absolute discretion, deem fit and as may be permitted by the appropriate authorities or as may be permissible under any guidelines issued or to be issued by any authorities from time to time.

FURTHER RESOLVED THAT new Equity Shares shall upon allotment have the same voting rights as the existing Equity Shares of the Company and be treated for all purposes *pari passu* with the existing Shares of the Company except that these shall be entitled for dividend declared, if any, for the financial year after the allotment, on pro rata basis.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board of Directors of the Company be and is hereby authorized to take such steps and to do all such acts, deeds, matters and things and accept any alterations or modification(s) as they may deem fit and proper and give such direction as may be necessary to settle any question or difficulty that may arise in regard to the issue and allotment of the said equity shares including the power to allot the unsubscribed equity shares, if any, in such manner as may appear to the Board of Directors to be most beneficial to the Company."

10. To consider and if, thought fit, to pass with or without modification(s), the following resolution as a Special resolution:

"RESOLVED THAT, in continuation of the approval granted earlier at the 7th Annual General Meeting held on 30th December, 1999, pursuant to the provisions of Section 17 of the Companies Act, 1956, subject to the confirmation of the Company Law Board, the Registered Office of the Company be shifted from Surampally Industrial estate, Surampally, Ganaram Mandal, Krishna District - 521 212, in the State of Andhra Pradesh to # 44 & 45, VI Floor, 'Leo Complex' Residency Cross Road, Bangalore - 560 025 or such other places as the Board of Directors may deem fit but in the State of Karnataka."

"RESOLVED That, subject to the sanction of the Company law board, the existing Clause II of the Memorandum of Association of the Company be deleted and be substituted by the following new Clause no II

II. The Registered Office of the Company will be situated in the State of Karnataka.

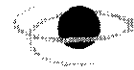
By order of the Board

Bangalore
October 20, 2000

K. Chandrashekarappa
Company Secretary

NOTES :

1. The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the business under items 5 to 10 set out above is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT



BE A MEMBER. THE INSTRUMENT APPOINTING PROXY, IN ORDER TO BE EFFECTIVE, SHOULD REACH THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE TIME OF THE MEETING.

3. The Register of Members and Transfer Books of the Company will be closed from **20.12.2000 to 27.12.2000, both days inclusive.**
4. Members are requested to inform the Company's Registrars and Share Transfer Agents viz., Alpha Systems Pvt. Ltd., Unit: Encore Software Limited, 30, Ramana Residency, Ground Floor, 4th Cross, Sampige Road, Malleswaram, Bangalore - 560 003 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 their copy of the Annual Report to the Meeting.

By order of the Board

Bangalore
October 20, 2000

K. Chandrashekarappa
Company Secretary

EXPLANATORY STATMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

ITEM NO. 5

Mrs. Chhanda Deshpande was appointed as Executive Director of the Company for a period of five years, effective from July 24, 2000 by the Board of Directors of the Company subject to the approval of the Shareholders.

The terms and conditions including the remuneration payable to her as Executive Director are specified below:

1. Salary : Rs. 75,000/- per month
2. Commission : Not exceeding 5% of net profit subject to overall limits of managerial remuneration
3. Term : 5 years with effect from July 24, 2000

MINIMUM REMUNERATION

In the event of absence or inadequacy of profits in any financial years during the currency of tenure of the appointment, the entire applicable remuneration

by way of salary and perquisites mentioned above shall be paid as minimum remuneration, subject to the provisions under schedule XIII of the Companies Act, 1956.

PERQUISITES :

The following perquisites shall not be included in the ceiling on remuneration.

1. Contribution to Provident Fund, Superannuation Fund or Annuity Fund. These will be in accordance with the schemes applicable to Senior Executives of the Company from time to time and will not be included in the computation of ceiling on perquisites mentioned above to the extent they, either singly or put together, are not taxable under the Income Tax Act, 1961 and as amended from time to time.
2. Gratuity in accordance with the Rules and Regulations applicable to Senior Executives of the Company from time to time but not exceeding half month's salary for each completed year of services.
3. Encashment of Leave at the end of tenure in accordance with the rules and regulations applicable to the senior Executives of the Company from time to time, the monetary equivalent of such encashed leave shall not be included in the computation of the ceiling on perquisites referred to in paragraph stated above.
4. Leave Travel Concession for appointee and his family once in a year, while on leave be spent in home country, in accordance with the rules and regulations applicable to senior Managers of the company from time to time.
5. Children's Educational allowance limited to a maximum of Rs. 5000/- per month per child or actual expenses incurred, whichever is less, subject to maximum of Two children.
6. Medical Reimbursement: Expenses incurred for the appointee and his family, subject to, a ceiling one month's salary in a year or three months salary over a period of three years.

Note :- Provision of car for the use of Company's business and telephone at residence shall not be considered as perquisites. Personal long distance calls and use of car for private purpose shall be billed by the company to the appointee.

Mrs. Chhanda Deshpande is interested in her appointment as Wholtime Director and remuneration payable to her. Mr. Vinay L Deshpande is interested in her appointment as she is a relative. No other Director is interested or concerned.

ITEMS No. 6, 7&8

To enable future growth and part finance the expansion plan, it is proposed to issue shares on placement basis privately. In view of the proposed preferential/ private placement of shares, it is proposed to increase the Authorised Shares Capital of the Company from the present Rs. 7 Crores to Rs. 8.5 Crores.

As per the provision contained in Section 94 of the Companies Act, 1956, Authorised Share Capital of the Company can be increased with the consent of the Shareholders of the Company.

Further, the increase in Authorised Shares Capital will also require the consequential changes in the Memorandum and Articles of Association of the Company. Hence, these resolutions are placed for the approval of the members.

None of the Directors of the Company is interested or concerned in the resolutions except as shareholders.

ITEM No. 9

The Company is engaged in software related business. In view of the newer opportunities, the Company may be required to raise funds for execution of projects at shorter notice. As an abundant precaution, the Shareholders approval is sought for having option to issue Shares of the Company through private placement/ preferential basis or a combination thereof to various persons up to a certain limits as the Board may think fit.

Section 81 of the Companies Act, 1956 provides, inter alia, that whenever it is proposed to increase the subscribed capital of the Company by a further issue and allotment of Shares, such shares shall be offered to the existing shareholders of the Company in the manner laid down in the said section, unless the Shareholders of the Company decide otherwise in a General Meeting by way of a Special Resolution.

Accordingly, the consent of the Shareholders is being sought pursuant to the provisions of section 81 (1A) and all other provisions of the Companies Act, 1956 for authorising the Board to create, issue, offer and allot Equity Shares as stated in the Resolution, which would result in a further issuance of securities of the Company to such investors who may or may not be the existing members of the

Company, through public issue/ private placement/ preferential basis, in one or more tranches, in such form, manner and upon such terms and conditions as the Board may in its discretion deem fit. The price of the shares to be issued will be determined according to the guidelines issued by SEBI from time to time.

None of the Directors is concerned or interested in this resolution except as shareholders.

ITEM No. 10

You have already approved the shifting of the Registered office in the 7th Annual General Meeting held on 30th December, 1999. In continuation of the same, the alteration of Memorandum of Association of the Company should be made. Clause II of the Memorandum of Association of the Company provides that the Registered Office of the Company will be situated in the State of Andhra Pradesh. The Company has already been functioning from Bangalore after Ncore Technology Pvt. Ltd got merged with the Company. Majority of the Directors and Professionals in employment of the Company are located in Bangalore. Therefore, it is proposed to shift the Registered Office of the Company from Surampally Industrial Estate, Surampally, Ganaram Mandal, Krishna District-521 212, in the State of Andhra Pradesh to # 44& 45, VI Floor, 'Leo Complex' Residency Cross Road, Bangalore - 560 025 or such other places as the Board of Directors may deem fit, but, in the State of Karnataka, wherein all the infrastructural facilities available and all activities are carried in Bangalore and so it is more convenient and economical to manage the over all affairs of the Company effectively.

In terms of Section 17 of the Companies Act, 1956 shifting of Registered Office outside the State requires approval of the shareholders by passing special resolution subject to the confirmation of the Company Law Board.

The Board recommends passing of the resolution.

None of the Directors is concerned / interested in the resolution.

By order of the Board

Bangalore
October 20, 2000

K. Chandrashekarappa
Company Secretary

Directors' Report



Yours Directors are pleased to present the 8th Annual Report of the Company together with the Audited Statement of Accounts for the year ended June 30, 2000.

Financial Results

(Rs. In Million)

Particulars	Year ended June 30, 2000	Year ended June 30, 1999
Operating Income	90.83	0.17
Gross Profit After Interest But Before Depreciation and Tax	44.90	31.87
Less : Depreciation	47.11	(31.87)
Provision for Tax	3.00	—
Profit after Tax	37.19	(31.87)

Review of Operations

The Directors are pleased to report that your Company entered the new millennium with new business activities with the amalgamation of Ncore Technology Pvt. Ltd., with an encouraging promise for the future. This has enabled your Company to venture in to research and development of computer software in the telecommunications sector and embedded systems. The financial results for the year ended June 30, 2000 are encouraging.

Amalgamation of Ncore Technology with the Company

Consequent upon the Open Offer given by Mr. Vinay L Deshpande and Associates, the Company's management changed hands. The scheme of amalgamation was given effect to, and Ncore Technology Pvt. Ltd. was amalgamated into your Company.

Increase in share Capital

During the year under review, 6,96,700 equity shares of Rs. 10/- each were issued as per details below:

	No. of Shares	Remarks
1. FIIs/FI/Mutual Funds/Others	6,96,700	At Rs. 90/- premium per shares of Rs.10/-
2. Erstwhile Shareholders of Ncore Technology Pvt. Ltd.	13,29,000	As per Scheme of Amalgamation

New Project/Products

Your Directors are pleased to inform you that your Company has made considerable progress in licensing several of its technologies to prestigious OEM clients world-wide. Some new clients that have

been added in this year include Zilog (US), Arcadian Wireless (US), Infineon Technologies (Germany), Lucent Technologies India Limited, RealChip (US), Hua-Wei Technologies (China), Tecnomen (Finland) and D-Link India. During the same period, Encore also obtained a repeat order from Oki Electric (Japan) and also became a strategic alliance partner in Infineon's Carmel DSP Alliance, a privilege acquired after considerable benchmarking with several of our worthy competitors.

Encore's DSP based Modem and Speech Coding technologies have been the primary revenue earner during this period. Several of your Company's DSP technologies have been ported to 2 major DSP architectures from TI, the leading supplier of DSPs in the world. During this year, your Company also completed the development of an H.323 compliant protocol stack which is used in Voice-over-IP (VoIP) products. The Board is proud to report that this protocol stack is highly optimised and is beginning to draw attention of potential clients. Your Company expects to earn healthy revenues from VoIP related technologies and projects in the next financial year. The Company has also started development of the Media Gateway Control Protocol (MGCP) as part of the continuing effort to stay abreast of newer protocol standards in the VoIP area.

Encore participated in DSP World - 2000 at San Jose, USA, the premier trade showcase for DSP technologies where a considerable amount of interest in your Company was generated. The DSP World trade show is an important meeting-place for DSP suppliers and system designers and enables benchmarking of your Company's products against the competition as well as acquiring current trends that help the Company stay abreast of the marketplace.

Your Company is well positioned to benefit from the convergence between DSP and Embedded Systems, as well as the convergence of Telecommunications and Computers and the emergence of the Internet as a major vehicle for the delivery of newer services. The DSP capabilities will be deployed in the integration of voice and data services and our expertise in Embedded Systems is being focused towards solutions for mobile computing and Internet appliances.

Overseas Subsidiaries

As part of globalisation of the business activity, your Company has invested in a 100% subsidiary under the name and style of "Ncore USA, Inc" in USA.

Dematerialisation of Shares

Your Company's shares are now listed on the Stock Exchanges at Bangalore, Hyderabad, Madras and Mumbai. SEBI has recently included your Company's shares in the list of shares for compulsory trading