

LEADING EDGE SYSTEMS



ANNUAL REPORT 1999 - 2000

Quality Policy

At Leading Edge Systems, the management and the employees are committed to secure a long-term partnership with each customer. We are in the business of providing Custom Engineered Software Solutions, Consulting Assignments, Software Migration & Maintenance. We want to be the preferred supplier of the products and services that we offer. We intend doing this by:

- Ensuring that all products and services will provide complete satisfaction through meeting or exceeding the mutually agreed requirements and expectations consistently.
- Fostering a team environment where quality is everyone's responsibility.
- Promoting a philosophy of continuous improvement embraced by each and every employee.
- Inculcate awareness in all our employees to be responsible for what they produce.

Goals

- To maintain and continuously improve Quality System based on ISO 9001 - 1994, IEEE 1298. 1-1992 and AS 3563, 1-1991 standards.

- Achieve SEI - CMM Level 4 by year 2000.

- Introduce / inculcate TQM culture (Attain Level 6 on IQRS scale by year 2000) to achieve:

- Customer Delight
- Empowered Employees
- Higher Revenues
- Lower Costs

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BOARD OF DIRECTORS

S Y REGE
ATUL KAMATH
RAM BHAGWAT
TUSHAR VAIDYA
ANIL AHUJA

COMPANY SECRETARY

NITIN WAJE

AUDITORS

BSR & CO,
CHARTERED ACCOUNTANTS

SOLICITORS

CRAWFORD BAYLEY & CO

LEGAL ADVISORS

M/s SANJAY A PATKAR

INTERNAL AUDITORS

V.S. PARANJPE & CO.
CHARTERED ACCOUNTANTS

BANKERS

ICICI BANK LTD.
THE VYSYA BANK LTD
CANARA BANK

CORPORATE OFFICE

UNIT 27, SDF-I
SEEPZ, ANDHERI (EAST)
MUMBAI 400 096

US OFFICE

1 METROPLEX DRIVE
EDISON, NJ 08817
USA

DEVELOPMENT CENTRES

214-216, UDYOG BHAWAN
SONAWALA ROAD
GOREGAON (EAST)
MUMBAI 400 063

A1, PIROJSHA NAGAR
GODREJ SOAPS COMPLEX
EASTERN EXPRESS HIGHWAY
VIKHROLI (EAST), MUMBAI 400 079

LEADING EDGE SYSTEMS LIMITED

NOTICE

Notice is hereby given that the fourteenth annual general meeting of the members of the company will be held at A-1, Godrej Soaps Complex, Eastern Express Highway, Vikhroli (East), Mumbai 400 079 on Tuesday, July 18, 2000 at 3.30 p.m. to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited balance sheet as at March 31, 2000 and Profit and Loss Account for the year ended on that date and to consider the Directors' and Auditors' report thereon.
2. To declare a dividend on equity shares for the financial year ended March 31, 2000.
3. To appoint a director in place of Mr. Ramkrishna Bhagwat who retires by rotation and is eligible for re-appointment.
4. To appoint a director in place of Mr. Tushar Vaidya who retires by rotation and is eligible for re-appointment.
5. To appoint auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

By Order of the Board of Directors

Mumbai,
June 21, 2000.

Sd/-
Nitin Waje
Finance Controller & Company Secretary

NOTES:

1. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of himself/herself on a poll only. A proxy need not be a member.
2. The instrument appointing a proxy should be deposited at the registered office of the company not less than forty-eight hours before the time fixed for the meeting.
3. Members/Proxies should bring the attendance slip

duly completed for attending the meeting.

4. Members desiring any information on the business to be transacted at the meeting are requested to write to the company at least 10 days in advance to enable the management to keep the information, as far as possible, ready at the meeting.
5. The register of members and transfer books of the company will remain closed from July 11, 2000 to July 18, 2000 both days inclusive.
6. All documents referred to in the accompanying notice are open for inspection at the registered office of the company on all working days between 11 a.m. and 1 p.m. except Saturdays, upto the date of the Annual General Meeting.
7. The dividend on equity shares as recommended by the Directors for the year ended March 31, 2000, if declared at the meeting, will be made payable on or after July 18, 2000 to those members whose names stand in the register of members of the company on July 18, 2000.
8. Members are requested to intimate to the company before July 15, 2000, the changes, if any, in their registered address along with the pin code number.
9. Shareholders who have multiple accounts are requested to intimate to the company the ledger folios of such accounts, to enable the company to consolidate all shareholdings into one account before July 15, 2000.
10. With a view to provide protection against fraudulent encashment of dividend warrants, shareholders are requested to provide their bank account numbers and names and addresses of the bank branches to enable the company to incorporate these details in the dividend warrants. Members are required to provide these details quoting their folio numbers so as to reach the company no later than July 15, 2000.

By Order of the Board of Directors

Sd/-
Mumbai, **Nitin Waje**
June 21, 2000. *Finance Controller & Company Secretary*

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Dear Shareholders,

1999-2000 was a not an easy year for Leading Edge Systems Limited. The income and profit after tax were more or less static at Rs. 697 million and Rs. 129 million as compared to Rs. 655 million and Rs. 133 million respectively for the previous year. During the year however, the Company has taken several bold steps to refocus the Company's business and ensure future growth.

The Company acquired eCapital Solutions Limited, a company with development centers in Bangalore and Delhi in India and operations in New York, Dallas and Cupertino in the US and in Reading, UK and Pforzeim, Germany in Europe. This substantially augments the Company's delivery capabilities and extends its sales and marketing reach throughout the US and Europe.

Mr. Suresh Rajpal will be the CEO of the combined entity, which is being renamed Trigyn Technologies Limited. Mr. Rajpal was previously with Hewlett-Packard of the US for over 29 years, where he held various senior management positions including Head of Marketing for the Asia-Pacific region and Head of India operations. He will head the management team comprising managers from both companies.

The delivery and sales capabilities of the Company will be considerably expanded during the coming year. The development centers at both Mumbai and Bangalore are doubling their capacities and this process has already commenced and will be completed by October 1. The sales capabilities are being enhanced by the addition of sales offices in the US, Europe and South-East Asia.

The Company has decided to focus on three major business areas, namely E-Business, Telecommunications and Financial Services and will offer products and services in each of these areas.

The focus on vertical segments is expected to yield rich results for the Company.

Two of the Company's products, eVector and ISMS, have already been launched and are working successfully at several client sites in the US and Europe. eVector, which is an Open Multi-Access Mobile (OMAM) platform, enables organizations to quickly mobile-enable their applications. It has been installed by Charles Stanley, a leading stockbroker in the UK to enable their clients to trade stocks through their mobile phones. It has also been installed by several leading information and music portals to deliver content directly to the mobile devices of their clients'.

Inter-Site Management Systems (ISMS) is our telecommunications product which enables cell-phone service providers to better manage and maintain their cell sites is in use at such leading organizations as Winstar and Omnipoint, among others.

Other leading edge products in the areas of focus are also under development and will be released during the coming year.

On the quality front, the Company is on schedule to achieve CMM Level 4 by this year-end and Level 5 in 2001.

A new Employee Stock Option Plan (ESOP) has been instituted by the Company, which will provide stock options to all employees of the Company as well as its subsidiaries.

With the post acquisition focus and plans as mentioned above in place and with the always unstinted support of the Company's employees, customers and shareholders, we expect the company to meet and exceed its ambitious targets for the coming year.

Atul Kamath

Ramkrishna Bhagwat

Tushar Vaidya

LEADING EDGE SYSTEMS LIMITED

| (Rs. In Millions) | | | | | |
|--|-------------------------------|--------|--------|--------|--------|
| | for the year ending March 31, | | | | |
| | 2000 | 1999 | 1998 | 1997 | 1996 |
| Total income | 696.76 | 654.95 | 488.20 | 345.60 | 169.56 |
| Operating expenses | 509.99 | 469.92 | 347.15 | 255.81 | 137.17 |
| Operating profit | 186.77 | 185.03 | 141.05 | 89.79 | 32.39 |
| Interest and finance charges | 12.15 | 2.50 | 1.21 | 0.89 | 0.67 |
| Depreciation | 27.81 | 14.52 | 7.49 | 5.78 | 4.73 |
| Profit before taxes | 146.81 | 168.01 | 132.35 | 83.12 | 26.99 |
| Taxation | 47.12 | 34.89 | 25.53 | 22.12 | 3.69 |
| Net profit | 99.69 | 133.12 | 106.82 | 61.00 | 23.30 |
| Dividend % | 30.00 | 30.00 | 30.00 | 22.50 | 15.00 |
| Dividend amount | 25.57 | 15.49 | 10.85 | 7.40 | 4.93 |
| Equity Capital | 69.86 | 65.78 | 32.89 | 32.89 | 32.89 |
| Reserves & Surplus | 515.1 | 286.97 | 209.86 | 111.91 | 59.16 |
| Net worth | 583.54 | 351.09 | 247.09 | 142.90 | 89.91 |
| Net Assets | 816.54 | 564.47 | 247.76 | 147.78 | 93.72 |
| Performance Indicators | | | | | |
| as a % of total income | | | | | |
| Operating Margin | 26.81 | 28.25 | 28.89 | 25.98 | 19.10 |
| Net Margin | 14.31 | 20.33 | 21.88 | 17.65 | 13.74 |
| Taxation | 6.76 | 5.33 | 5.23 | 6.40 | 2.18 |
| Taxation/net Profit | 32.10 | 20.77 | 19.29 | 26.61 | 13.67 |
| Current Ratio | 8.03 | 6.10 | 4.24 | 3.66 | 4.26 |
| Total income/net working capital (times) | 0.98 | 1.45 | 2.43 | 3.16 | 2.32 |
| Fixed assets turnover (times) | 4.29 | 4.54 | 8.21 | 7.61 | 6.20 |
| Receivable (in days) | 121 | 98 | 109 | 83 | 79 |
| Investment Indicators | | | | | |
| Book value per share | 83.60 | 53.36 | 73.28 | 43.43 | 27.33 |
| Earnings per share | 14.28 | 20.23 | 32.47 | 18.54 | 7.08 |
| Return on capital employed % | 12.21 | 23.58 | 43.11 | 41.28 | 24.86 |
| Share price as on March 31, (BSE) Rs. | 1996.25 | 475.00 | 421.00 | 61.50 | 27.00 |
| Market capitalisation (in millions) | 13946 | 3125 | 1385 | 202 | 89 |

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DIRECTORS' REPORT

The directors are pleased to present the fourteenth annual report and audited statement of accounts of Leading Edge Systems Limited for the year ended March 31, 2000.

Financial Results

(Rs. in Million)

| | Year ended March 31, 2000 | Year ended March 31, 1999 |
|-------------------------------|------------------------------|------------------------------|
| Gross revenue | 696.76 | 654.95 |
| Operating Profit (PBITD) | 186.76 | 185.02 |
| Interest | 12.15 | 2.50 |
| Depreciation | 27.81 | 14.52 |
| Provision for Tax | 17.56 | 34.88 |
| Profit After Tax | 129.24 | 133.12 |
| Exceptional item | 29.56 | - |
| Profit after exceptional item | 99.68 | 133.12 |
| Appropriations | | |
| LESS: Short provision for Tax | - | 7.64 |
| LESS: Tax on dividend | 4.61 | 1.40 |
| Proposed Dividend | 20.96 | 14.09 |
| Transfer to General reserve | 9.97 | 13.31 |
| Profit after Appropriations | 64.15 | 96.68 |
| Add: Balance Brought Forward | 252.47 | 155.79 |
| Balance to be carried Forward | 316.61 | 252.47 |

During the year under review, the Company's total income was higher by 6% at Rs. 696.76 million as against Rs. 654.95 million for the year ended March 31, 1999. The profit after tax for the year was Rs. 129.24 million as opposed to Rs. 133.12 million for the previous year.

Exceptional item of expenditure during the year

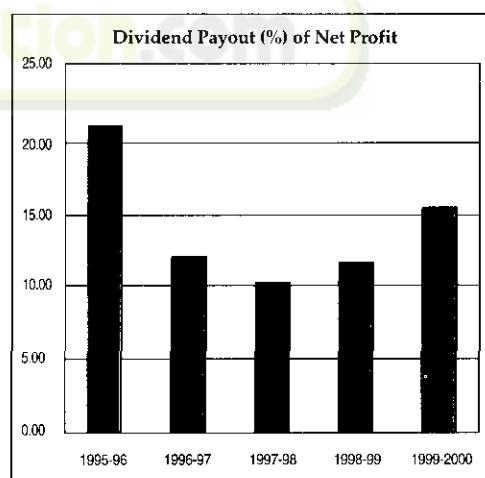
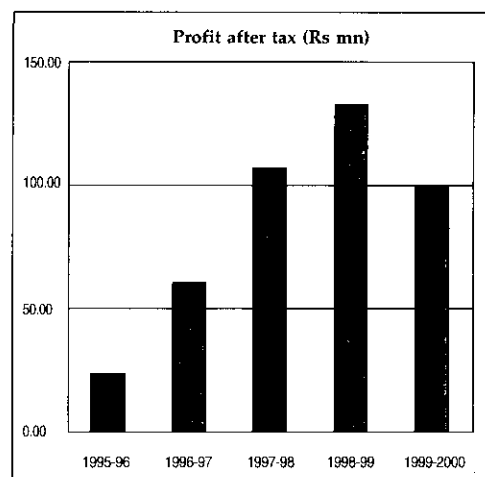
Your attention is invited to item no. 19 of the notes to the financial statements detailing the exceptional item of expenditure in the form of a tax demand raised by the authorities during the year, aggregating to Rs. 29,561,192/-. The Company is contesting the demand by way of appeal and has paid an amount of Rs. 14,780,596/- under protest, during the year under review. The Company has been advised that the demand is not sustainable legally and would be set aside on appeal. However, it must be mentioned that, if decided otherwise, the Company would be further liable for payment of interest on the contested demands for which no provision has been made in the current financial statements.

Dividend

Your directors are pleased to recommend a dividend of Rs. 3 per share for the year ended March 31, 2000. If it is approved, the total amount payable will be Rs. 25.57 million (inclusive of dividend tax) as compared to Rs. 15.49 million for the previous year.

Increase in Share Capital

During the year, 408,000 shares of Rs. 10/- each were issued to The India Private Equity Fund (Mauritius) on their exercising the option granted to them. Due to this the issued, subscribed and paid-up share capital increased from 6,578,000 shares of Rs. 10 each during the previous year to 6,986,000 shares of Rs. 10/- each.



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Further, on March 31, 2000, the Company received, Rs. 178,560,000 towards share application money for the remaining 512,000 warrants held by The India Private Equity Fund (Mauritius), which were converted into equity shares on April 3, 2000.

Acquisition of eCapital Solutions (Bermuda) Limited

With your approval, the acquisition of eCapital Solutions (Bermuda) Limited along with its subsidiaries was completed. The required approval from the Secretariat of Industrial Approval (SIA) for the acquisition was received on March 8, 2000 and that of the Reserve Bank of India on March 31, 2000.

After receipt of such approvals, the Company has allotted 7,350,000 Equity shares of Rs. 10/- each to eCapital Holding (Bermuda) Limited on April 11, 2000 against receipt of 7,350,000 shares of eCapital Solutions (Bermuda) Limited, which represents 100% of the paid-up equity capital of the latter, thereby making it a wholly owned subsidiary of the Company.

Subsequent to the acquisition, the erstwhile President & CEO of eCapital Solutions (Bermuda) Limited, Mr. Suresh Rajpal, has taken charge as President & CEO of the Company with effect from April 1, 2000. He will be supported by a management team from both the companies. The two companies complement each other in their respective strengths and the acquisition would provide opportunities to your Company to tap areas such as eCommerce, telecommunications, and sports and entertainment for widening the client base. This will also pave the way for the entry of your Company into the European market, which has a sizeable potential.

Proposed acquisition of Applisoft Inc. USA

It is proposed to acquire 100% stake in Applisoft Inc. of the US at a price of US \$9 million. It is estimated that this acquisition would provide access to their impressive client list, which includes CISCO, Intel, Bank of America etc., and also augment the resources of the Company in the US.

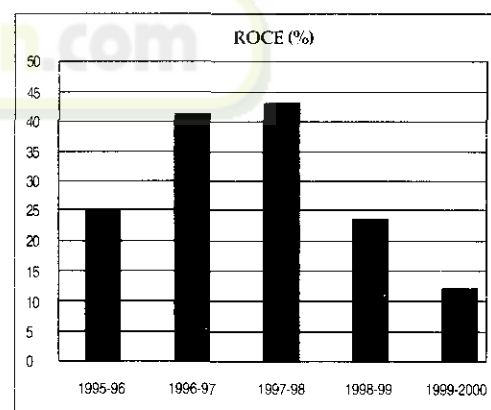
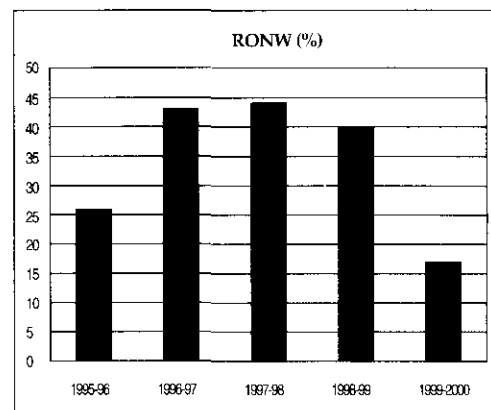
The necessary approval for this proposal has been given by the shareholders at the Extraordinary General Meeting held on June 20, 2000.

Operations

The US continued to be the main area of focus for the operations of the Company during 1999-00. In addition to our on-going work for our existing clients, the Company acquired several new clients during the year, the most prominent being Systemax and Winstar.

The technology focus of the Company shifted during the year from Client-Server applications to providing advanced, web-based distributed solutions using technologies such as EJB (Enterprise Java Beans), Application Servers and CTMs (Component Transaction Managers).

With the acquisition of eCapital Solutions (Bermuda) Limited, the delivery and sales capabilities of the Company have increased substantially. The Company now has development centers in Bangalore and Delhi in addition to its existing centers in Mumbai and Edison, New Jersey. The existing sales offices in Edison, Atlanta and Washington D.C. have now been augmented by offices in New York, Dallas and Cupertino in the US and in Reading, UK and Pforzeim, Germany in Europe.



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The resources at both Mumbai and Bangalore development centers are being further enhanced and both centers will double their delivery capabilities during the year. Additional sales offices are also planned in the US, Europe and South-East Asia.

The delivery and sales capabilities of the Company have been restructured to focus on the areas of E-Business, Telecommunications and Financial Services. The Company has product and service offerings in each of these areas.

The Company has already launched two products, eVector and ISMS, successfully and several others are currently under development.

Leading Edge InfoTech Limited

Leading Edge InfoTech Limited (LEI), the 100% subsidiary of the Company, has during the current year reported a profit of Rs. 4.40 million on a turnover of Rs. 16.88 million as against loss of Rs. 2.7 million on a turnover of Rs. 10.16 million for the previous year. With the increase in demand for ERP implementation and other financial solutions for the financial sector, there is expected to be a further growth in business of the subsidiary during the current year.

Employees Stock Option Plan (ESOP)

Members' attention is invited to note no. 18 of the notes to the financial statements, which provides details of the Employees Stock Option Plan. The proposal for a revised ESOP Scheme-2000 so as to cover all the employees of the Company as well as its subsidiaries has been approved by the shareholders at the Extra-ordinary General Meeting held on June 20, 2000.

Change of Name of the Company

Pursuant to the acquisition of eCapital Solutions (Bermuda) Limited and its subsidiaries, the name of the combined entity is proposed to be changed so as to reflect the combined focus of the Company's business. The Directors recommended the new name of the Company to be Trigyn Technologies Limited. The word Trigyn is of Greek origin and denotes a type of flower with three pistils. It is symbolic of boldness, integrity and growth. The directors feel that the new name would strongly convey the vision and philosophy of the combined entity and help us build a strong brand image for the Company.

The necessary approval for the name change has been granted by the Registrar of Companies. The shareholders have approved the change at the Extra-ordinary General Meeting held on June 20, 2000.

Fixed Deposits

The Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as on the Balance Sheet date.

Depository System

In line with the Company's constant endeavor to provide best possible services to the shareholders and investors, the equity shares of the Company have been made available for dematerialisation under the depository system operated by the National Securities Depository Limited (NSDL) from May 15, 2000. Subsequent to this, SEBI has also included the Company's shares under compulsory dematerialisation for trading with effect from the abovementioned date.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Ramkrishna Bhagwat and Mr. Tushar Vaidya, Directors are liable to retire by rotation and are eligible for re-appointment.

Auditors

The auditors, M/s. BSR & Co., Chartered Accountants, retire at the conclusion of this Annual General Meeting and have informed as required u/s 224 of the Companies Act, 1956 that they are available for reappointment for the current year, which is recommended.

Information Pursuant to section 217 of the Companies Act, 1956

Information to be provided under Section 217(2A) of the Companies Act read with the Companies (Particulars of Employees) Rules 1975 as amended from time to time forms part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the report and accounts are being sent to all the members excluding the statement containing the particulars of employees to be provided under section 217(2A) of the Act. Any member interested in obtaining such particulars may inspect the same at the registered office of the Company or write to the Company Secretary for a copy.

Acknowledgements

Your directors take this opportunity to thank the shareholders, customers, vendors and bankers for their continued support. The directors also place on record their appreciation for the contribution made by our employees at all levels towards the growth of the Company. Special thanks are due to the Government of India - Department of Company Affairs, the Secretariat of Industrial Approvals, the Foreign Investments Promotion Board, the SEEPZ and STPI authorities, the Reserve Bank of India, the Customs and other regulatory authorities for their co-operation.

On behalf of the Board of Directors

Sd/-

Mumbai
June 21, 2000

Atul Kamath
Director

LEADING EDGE SYSTEMS LIMITED

ANNEXURE TO DIRECTORS' REPORT

Information under section 217 (1) (e) of the Companies Act, 1956, read with Companies (disclosure of particulars in the report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2000.

CONSERVATION OF ENERGY

- a. Energy conservation measures taken : The computer systems installed are designed for low power consumption.
- b. Additional investments and proposal if any, being implemented for reduction of consumption of energy : As above
- c. Impact of measures in (a) and (b) for reduction of energy consumption and consequent impact on the cost of production : N. A.

- d. Total energy consumption and energy consumption per unit of production : N. A.

TECHNOLOGY ABSORPTION

- e. Efforts made in technology absorption : N. A.

FOREIGN EXCHANGE EARNINGS & OUTGO

- f. Activities relating to exports, initiatives taken to increase exports, development of new export market for products and services and export plans : As detailed in the report
- g. Statement of Expenditure / Earning incurred in foreign currency
- | | |
|----------|-------------------|
| Earnings | : Rs. 678,047,361 |
| Outgo | : Rs. 443,450,728 |


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