# TRIGYN TECHNOLOGIES LIMITED

Regd. Office : 27-A, SDF I, SEEPZ - SEZ, M.I.D.C., Andheri (East), Mumbai 400 096

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE** is hereby given that the **Nineteenth Annual General Meeting of the Members of Trigyn Technologies Limited** will be held on Thursday, the September 22, 2005 at 3.30 p.m. at the All India Plastics Manufacturers' Association Auditorium, AIPMA House, A-52, Road No. 1, M.I.D.C., Andheri (E), Mumbai 400 093 to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2005 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Tushar Vaidya who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Sanjay Patkar who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint RSM & Co., Chartered Accountants as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorise the Board of Directors / Audit Committee of the Company to fix their remuneration.

### SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution** :

   "**RESOLVED THAT** Mr. Anil Kale who was appointed as an Additional Director of the Company at the meeting of the Board of Directors held on March 18, 2005 in terms of Section 260 of the Companies Act, 1956 and Article 131 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a Member proposing the candidature for the office of Director be and is hereby appointed as a Director of the Company liable to retire by rotation."

6. To consider and if thought fit, to pass with or without modifications, the following resolution as a **Special Resolution** :

   "**RESOLVED THAT** in partial modification to the resolution passed by the Members at the Seventeenth Annual General Meeting of the Company held on December 30, 2003 and in accordance with the provisions of Section 81 (1A) and subject to any other provisions of the Company Act, 1956, including any statutory modifications or re-enactment thereof, for time being in force, the Articles of Association of the Company as amended from time to time, the Listing Agreement entered into by the Company with the Stock Exchanges, the prevailing Guidelines issued by the Securities and Exchange Board of India ("SEBI") and amendments, if any thereto, in particular and subject to the conditions and or modifications, permissions or sanctions as may be prescribed or imposed by any body or authority, including the Central Government, Reserve Bank of India, Authorised Dealers, SEBI, Financial Institutions, Banks or any foreign regulatory bodies, while granting such approvals, permissions or sanctions, the consent per se of and as such in the form of ratification by the Members be and is hereby accorded to the Board of Directors of the Company / Compensation Committee to grant from time to time, for the benefit of Mr. Thomas Gordon, Senior Vice President – US Operations and Employee of the Subsidiary of the Company, Trigyn Technologies Inc., upto a maximum of 1,50,000 stock options convertible into equivalent number of equity shares of the Company, with July 30, 2004 as effective grant date, in terms of the Employee Stock Option Plan 2000 approved by the Members at the Extraordinary General Meeting held on June 20, 2000, as amended from time to time."

   **RESOLVED FURTHER THAT** the new equity shares to be issued by virtue of aforesaid shall rank pari-passu in all respects including for entitlement of dividend with the then existing equity shares of the Company.

**RESOLVED FURTHER THAT** for the purpose of giving effect to all or any of the foregoing the Board of Directors / Compensation Committee of the Company, be and is hereby authorized inter-alia to do all such acts, deeds, matters and things whatsoever, including settling any question, doubt or difficulty that may arise, as it may be in its absolute discretion consider necessary, expedient, usual or proper in or about the premises."

7. To consider and if thought fit, to pass with or without modifications, the following resolution as a **Special Resolution** :

"**RESOLVED THAT** in partial modification to the resolution passed by the Members at the Seventeenth Annual General Meeting of the Company held on December 30, 2003 and in accordance with the provisions of Section 81 (1A) and subject to any other provisions of the Company Act, 1956, including any statutory modifications or re-enactment thereof, for time being in force, the Articles of Association of the Company as amended from time to time, the Listing Agreement entered into by the Company with the Stock Exchanges, the prevailing Guidelines issued by the Securities and Exchange Board of India ("SEBI") and amendments, if any thereto, in particular and subject to the conditions and or modifications, permissions or sanctions as may be prescribed or imposed by any body or authority, including the Central Government, Reserve Bank of India, Authorised Dealers, SEBI, Financial Institutions, Banks or any foreign regulatory bodies, while granting such approvals, permissions or sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company / Compensation Committee to grant from time to time, in one or more tranche, for the benefit of the overseas Employees of the Company or any of the Subsidiaries of the Company, upto a maximum of 10,00,000 stock options convertible into equivalent number of equity shares of the Company, over and above the existing limit authorized by the Members at the Seventeenth Annual General Meeting of the Company, at an exercise price which would be the closing price quoted on the Stock Exchange, on which the Company is listed, with a highest turnover of the Company's equity shares in value on the date of grant of such stock options or at a reduced price as may determined by the Board of Directors / Compensation Committee of the Company subject to conforming to the accounting policies specified by the SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time.

**RESOLVED FURTHER THAT** the new equity shares to be issued by virtue of aforesaid shall rank paripassu in all respects including for entitlement of dividend with the then existing equity shares of the Company.

**RESOLVED FURTHER THAT** for the purpose of giving effect to all or any of the foregoing the Board of Directors / Compensation Committee of the Company, be and is hereby authorized inter-alia to do all such acts, deeds, matters and things whatsoever, including settling any question, doubt or difficulty that may arise, as it may be in its absolute discretion consider necessary, expedient, usual or proper in or about the premises."

**By Order of the Board of Directors**
**For Trigyn Technologies Limited**

Place : Mumbai
Date : June 29, 2005

**Samir Kamat**
**Company Secretary**

**NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Explanatory Statement as required under Section 173 (2) of the Companies Act, 1956 in respect of Items no. 5 to 7 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from September 20, 2005 to September 22, 2005 (both days inclusive).
4. 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.
5. Members / Proxies should bring the Attendance Slip duly filled in and hand over the same at the entrance of the place of the meeting.
6. Members desiring any information on the business to be transacted at the meeting are requested to write to the Company at least ten days in advance to enable the Management to keep the information ready at the meeting, to the extent possible.
7. Members are requested to inform any change in their address immediately to the Company's Registrar & Transfer Agents in case physical shareholding or their respective Depository Participants so far as electronic shareholding is concerned.

**By Order of the Board of Directors**

**For Trigyn Technologies Limited**

Place : Mumbai
Date : June 29, 2005

**Samir Kamat**
**Company Secretary**

## EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

### ITEM NO. 5

For providing better strategic direction to and controls on the Company's business Mr. Anil Kale was appointed at the Board of Directors Meeting held on March 18, 2005. Mr. Kale is a Graduate in Commerce and also a Certified Associate of the Indian Institute of Bankers. He is an ex-Reserve Bank of India Officer and has worked in various departments, including foreign exchange department before taking up voluntary retirement in 1995 to carry on free lance liaison and consultancy on foreign exchange matters. In view of Mr. Kale's profile as aforesaid, the Company is certain to benefit through his meaningful contribution in a professional capacity as an Non-Executive and Independent Director of the Company.

Mr. Kale currently hold office only upto this Annual General Meeting but is eligible for appointment under Section 257 of the Companies Act, 1956. A notice in writing along with requisite deposit has been received from a Member signifying his intention to propose the candidature of Mr. Kale for the office of a Director liable to retire by rotation.

Except for Mr. Kale no other Director is concerned or interested in the resolution.

The Directors recommend the resolution for approval of the Members.

### ITEM NO. 6

Mr. Thomas Gordon has been appointed in the capacity of Senior Vice President – US Operations of Trigyn Technologies Inc., USA, the Subsidiary of the Company according to the provisions of Section 4 (1) (c) of the Companies Act, 1956 on a base salary and a performance based commission in addition to perquisites as per the employment policy of the said Subsidiary. Mr. Gordon has generated substantial additional business since his joining the Trigyn Group. In order to motivate Mr. Gordon, 1,50,000 stock options convertible into equivalent number of equity shares were promised at the time of his joining. As there was no Compensation Committee in effect, the Board of Directors of the Company approved the terms and conditions of Mr. Gordon's appointment and also granted these options in terms of the

Employees Stock Option Plan 2000 of the Company at the closing market price on the date of the said Board Meeting. Thereafter, the Compensation Committee of the Company comprising of Independent / Non-Executive Directors, constituted on March18, 2005 considered and ratified approval of grant of these stock options on March 29, 2005 in line with the earlier approval of the Board of Directors. The Members approval is accordingly sought for grant of these options and issue of equity shares of the Company there against, as and when opted for by Mr. Gordon within the parameters of the Employees Stock Option Plan 2000 of the Company.

The Directors recommend the resolution for approval of the Members.

None of the Directors are concerned or interested in the Resolution.

**ITEM NO. 7**

The Members of the Company had resolved at the Seventeenth Annual General Meeting held on December 30, 2003 to grant upto a maximum of 5,00,000 stock options convertible into equivalent number of equity shares of the Company for the benefit of the overseas Employees of the Company or any of its Subsidiaries. While realizing the potential of stock options and the prevailing market conditions in the US, it is proposed to increase the number of such stock options, to be granted by the Compensation Committee / Board of Directors of the Company to employees at present or in future, by further 10,00,000 nos. over and above the existing limit of 5,00,000 stock options. The grant of these stock options would be on merits in each case and in accordance to the Employees Stock Option Plan 2000 of the Company framed in terms of the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 as amended from time to time. The Compensation Committee has approved the grant of the said stock options on March 29, 2005.

The Directors recommend the resolution for approval of the Members.

None of the Directors are concerned or interested in the Resolution.

## Information pursuant to Clause 49 of the Listing Agreement on the Directors retiring by rotation but are eligible for re-appointment

### Mr. Tushar Vaidya

Mr. Tushar Vaidya is the Co-Founder, Whole Time Director and the Chief Executive Officer of the Company w.e.f. August 13, 2002 and holds a Graduate Degree in Science. He has got about 28 years of work experience including in niche marketing areas. Mr. Vaidya is currently spearheading the Global Sales and Marketing activities and is based in New Jersey, USA. The major part of Company's income is sourced from US markets where its activities are predominant. The other companies in which Mr. Vaidya holds Directorships include Leading Edge Infotech Limited, Trigyn Technologies (India) Private Limited, Trigyn Technologies, Inc., Applisoft, Inc., eCapital Solutions (Bermuda) Limited and LES Holdings Limited.

### Mr. Sanjay Patkar

Mr. Sanjay Patkar is an acclaimed Professional rendering advisory and consultancy services in Indian and International Taxation, Corporate Laws, FEMA and Property related matters. Mr. Patkar hold a B.Com (Hons.) and LL.B degree and is enrolled with the Bar Council of India since December 5, 1978. Mr. Patkar has been practicing as an Advocate / Consultant for past 28 years. He is on Board of Trigyn Technologies (India) Private Limited and Leading Edge Infotech Limited, both Trigyn Group Companies and Patki and Dadarkar Technical Consultants Private Limited as Non-Executive Director.

**By Order of the Board of Directors**

**For Trigyn Technologies Limited**

Place : Mumbai
Date : June 29, 2005

**Samir Kamat**
**Company Secretary**

# TRIGYN TECHNOLOGIES LIMITED

Regd. Office : 27-A, SDF I, SEEPZ - SEZ, M.I.D.C., Andheri (East), Mumbai 400 096. INDIA
PHONE : +91 (22) 2829 0909, FAX : + (22) 2829 1418.

**PROXY FORM**

DP ID ______________________________ Client ID __________________________

Folio No. ____________________________ No. of Shares held __________________

I / We ______________________________________________ of ______________________________________________

being a Member / Members of Trigyn Technologies Limited hereby appoint _______________________________________

or failing him / her ________________________________________of __________________________________________

as my / our proxy in my / our absence to attend and vote on my / our behalf at the Nineteenth Annual General Meeting of the Company to be held at The All India Plastics Manufacturers' Association Auditorium, AIPMA House, A-52, Street No. 1, M.I.D.C. Marol, Andheri (E), Mumbai 400 093 on September 22, 2005 at 3.30 p.m.

Signed this ___________ day of _________________ ,2005

Signature _______________________________________

| Please affix 1 Rupee Revenue Stamp here |
|---|

**Note :** The proxy must be returned so as to reach registered office of the Company not less than forty eight hours before the time for holding the aforesaid meeting.

— — — — — ✂ — — — — — — — — — — — — — (TEAR HERE) — — — — — — — — — — — ✂ — — — — — —

# TRIGYN TECHNOLOGIES LIMITED

Regd. Office : 27-A, SDF I, SEEPZ - SEZ, M.I.D.C., Andheri (East), Mumbai 400 096. INDIA
PHONE : +91 (22) 2829 0909, FAX : + (22) 2829 1418.

**ATTENDANCE SLIP**

DP ID ______________________________ Client ID __________________________

Folio No. ____________________________ No. of Shares held __________________

Full name of Member (s) ___________________________________________________

I / We hereby record my / our presece at the Nineteenth Annual General Meeting of the Company to be held at The All India Plastics Manufacturers' Association Auditorium, AIPMA House, A-52, Street No. 1, M.I.D.C. Marol, Andheri (E), Mumbai 400 093 on September 22, 2005 at 3.30 p.m.

Signed of the Member / Proxy / Representative * _____________________

**Note :** Please fill in this attendance slip and hand over at the entrance to the meeting.

* Strike out whichever is not applicable.

## BOARD OF DIRECTORS

| | | |
|---|---|---|
| **TUSHAR VAIDYA** | - | **Wholetime Director & Chief Executive Officer** |
| **RAMKRISHNA BHAGWAT** | - | **Wholetime Director** |
| **SANJAY PATKAR** | - | **Non - Executive / Independant Director** |
| **NITIN PALEKAR** *(Appointed w.e.f. July 30, 2004)* | - | **Non - Executive / Independant Director** |
| **ANIL KALE** *(Appointed w.e.f. March 18, 2005)* | - | **Non - Executive / Independant Director** |
| **MADHAV KALE** *(Resigned on June 3, 2004)* | - | **Non - Executive / Independant Director** |

## FINANCE CONTROLLER
**Y. V. GOPALAM**

## COMPANY SECRETARY
**SAMIR KAMAT**
*(Appointed w.e.f. October 12, 2004)*
**RACHANA CHOUDHARY**
*(Resigned on October 11, 2004)*

## AUDITORS
**RSM & CO., CHARTERED ACCOUNTANTS**

## INTERNAL AUDITORS
**M. H. KALE & CO., CHARTERED ACCOUNTANTS**

## BANKERS
**ORIENTAL BANK OF COMMERCE**
*(Since merger with erstwhile Global Trust Bank)*

## REGISTERED / CORPORATE OFFICE
UNIT 27-A, SDF I, SEEPZ - SEZ
ANDHERI (E), MUMBAI 400 096.

## US OFFICE
100, METROPLEX DRIVE,
EDISON, NJ 08817 USA.

## SINGAPORE OFFICE
1, NORTH BRIDGE ROAD,
# 19-04/05 HIGH STREET CENTRE
SINGAPORE 179094.

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## Directors' Report

Your Directors present the nineteenth Annual Report and audited statement of accounts of Trigyn Technologies Limited for the year ended March 31, 2005.

**Financial Results**: (Rs. In Lakhs)

| Item | Year ended March 31, 2005 | Year ended March 31, 2004 |
|---|---|---|
| Income from operations | **485.72** | 787.37 |
| Other Income | **224.36** | 358.37 |
| Interest | **679.00** | 798.19 |
| Depreciation | **59.07** | 210.48 |
| Other Expenditure including Personnel costs | **554.06** | 1204.17 |
| Profit / (Loss) before Tax | **(582.03)** | (1067.10) |
| Tax for earlier years | **0.46** | (101.05) |
| Profit /(Loss) after tax | **(582.49)** | (966.05) |
| Less : Prior Period adjustments | **43.08** | 227.18 |
| Add : Extraordinary items | **1065.34** | - |
| Add : Exceptional items | **216.30** | (2122.86) |
| Net Profit / (Loss) | **656.07** | (3316.09) |
| Appropriations : | | |
| Proposed Dividend on Preference Shares | **-** | - |
| Proposed Dividend on Equity Shares | **-** | - |
| Profit / (Loss) after Appropriations | **656.07** | (3316.08) |
| Add: Balance Brought Forward | **(66092.39)** | (62776.31) |
| Balance To Be Carried Forward | **(65436.32)** | (66092.39) |

### Operations :

During the year under review, the Company achieved a net turnover of Rs.485.72 lakhs as against Rs.787.37 lakhs in the previous year.This reduction of almost 38% was mainly due to transfer of a major business account to i-Flex Group for raising alternate funds and paying a substantial amount out of these funds to the Global Trust Bank (since merged with the Oriental Bank of Commerce) vis-à-vis the ongoing further restructuring / recast of credit facilities proposal with the said Bank. Furthermore the operating margins of the Company, given the current small size and some disproportionate overheads due to organizational structure, were affected and continue to be under pressure. After taking the extraordinary / exceptional items into consideration, the Company achieved a net profit of Rs.656.07 lakhs as against a net loss of 3316.09 lakhs in the previous year. The Company managed to bring down the fixed costs to optimum levels and possibilities of reducing the overheads further are being looked into. Also the Company during the year concentrated only on existing projects and working capital funds were rationed. There were no significant capital expansions undertaken during the year.

### Dividend:

The Company has a positive bottomline during the year under review which was mainly due to the extraordinary and exceptional items as reflected herebefore. The Board of Directors is unable to recommend payment of dividend due to accumulated losses and negative performance otherwise.

### Subsidiaries:

The Company has restructured the UK operations with a view to eliminating the losses on account of UK operations and achieving profitability of UK operations without sacrificing any existing Client relationships and / or revenues. Trigyn Technologies Limited UK has been put into voluntary liquidation as it continued to incur losses mainly on account of long term lease contracts.

All eVector companies across all locations around the globe are / would be put under liquidation subject to necessary approvals from the concerned regulatory authorities. For obtaining better leverage the strategic / financial investors in eVector have been provided an exit route through funds of eVector companies without burdening the Company and the eVector product has been spun back into Trigyn Group for enhanced product re-orientation, market penetration and development, which was being overlooked due to different market strategy of the investors.

The Company also proposed to undergo a major restructuring vis-à-vis its direct and tier subsidiaries which have negligible operations so that the group organizational structure is streamlined and unproductive costs and other unnecessary overheads are optimized.

As required under section 212 of the Companies Act, 1956, the financial statements of all the subsidiaries, other than the one having implications of liquidation, are enclosed alongwith the Annual Report. The appropriate provision for losses of these subsidiaries has been made by the Company, wherever required.

**Management Discussion & Analysis :**

The Management Discussion & Analysis Report as annexed hereto and forms an integral part of this report.

**Depository System:**

The Company's shares are already under compulsory dematerialization trading. At present around 97% of the shares of the Company are held in dematerialized form.

**Fixed Deposits:**

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

**Directors Responsibility Statement**

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

i) The annual accounts have been prepared as per the applicable accounting standards, along with proper explanations relating to material departures.

ii) Appropriate accounting policies have been selected and applied consistently and judgements and estimates have been made that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at March 31, 2005 and of the profit & loss account for the year ended March 31, 2005.

iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and detecting fraud and other irregularities.

iv) The annual accounts have been prepared on a going concern basis.

**Employee Stock Option Plan (ESOP) :**

The Company has two 2 Employees Stock Option Schemes for the benefit of its employees, whom it treasures s indispensable assets well worth capitalising upon. In 1998, the Company evolved the first Employee Stock Option Plan ("1998 ESOP") under which the eligible employees of the Company and its then sole Subsidiary viz. Leading Edge Infotech Limited were eligible to be allotted at Rs.265/- per equity share. Thereafter with the acquisition of eCapital Solutions (Bermuda) Limited and its the various underlying Subsidiaries and other Subsidiaries thereafter, a new Employees Stock Option Scheme otherwise known as Employee Stock Option Plan ("2000 ESOP") was formulated by the Company in 2000 as per the applicable SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999. All grants of stock options are presently being made in terms of the 2000 ESOP of the Company the details whereof are as under :

Given hereunder is the stock option activity for the year under review in terms of the 1998 ESOP :

| | | |
|---|---|---|
| Balance as at March 31, 2004 | : | 6,875 |
| Forfeited during the year 2004-05 | : | 500 |
| Balance as at March 31, 2005 | : | 6,375 |

Till date 1,875 shares have been allotted in terms the 1998 ESOP.

In terms of 1998 ESOP, 1,08,150 stock options were granted at the market price, 80,637 stock options at Rs.380/- per equity share as against the market price of Rs.394/- per equity share and 63,550 stock options at Rs.78/- per equity share when the market price was Rs.394.30 per equity share. The Company has in accordance with the Guidelines framed by SEBI on ESOPs recognised the excess of market price of the underlying equity shares over the exercise price of the stock options and the same is being amortised over the vesting period.

During the year, the Company issued NIL options to employees of its subsidiaries, under the 2000 ESOP at an exercise price equivalent to the market price of the shares, on the date of grant of the options. In the current year in respect of above, NIL options to employees of its subsidiaries have been forfeited.

Further, during the year ended 31 March 2001, the Company issued 156,050 options including 34,250 options to employees of its subsidiaries, at an exercise price of Rs 380 per option and the prevalent market price of the shares, on the date of grant of these options was Rs 394.3 per share. In the current year, in respect of the above, 12,450 options including 6,750 options to employees of its subsidiaries have been forfeited.

In April 2000, TTL acquired 100% equity interest in eCapital Solutions (Bermuda) Limited and its subsidiaries (collectively referred as EB). The employees of EB had been granted options by eCapital Solutions (Bermuda) Limited. Accordingly, on acquisition of EB, the Company issued 85,850 options to the employees of the Indian subsidiaries of EB in exchange of EB options held by these employees. These options had been issued at an exercise price of Rs 78 per option and the prevalent market price of the shares, on the date of grant of these options was Rs 394.3 per share. These options would vest in the ratio of 50:25:25 over a period of three years, with a minimum vesting period of one year from the date of the grant of these options. In the current year, in respect of the above, 10,000 options have been forfeited.

In the AGM held on 30 December 2003, the Company passed a resolution to grant Mr. Homiyar Panday, President - US Operations and Employee of the Subsidiary Company, Trigyn Technologies Inc., upto a maximum limit of 240,000 stock options convertible into equivalent amount of equity shares in one tranche at an exercise price of Rs.10/- per equity share. These shares., if opted for, are to vest after a lock in period of one year from the date of grant of the said stock options. The Company has accordingly provided the price differential in its books of accounts in terms of the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999. The requisite statutory approvals would be taken at the time of issue of these equity shares to Mr. Homiyar Panday.

During the year the Company has granted stock options to Mr. Thomas A Gordon, Senior Vice President – US Operations and Employee of the Subsidiary Company, Trigyn Technologies Inc., upto a maximum limit of 150,000 stock options convertible into equivalent amount of equity shares at market price during the end of July, 2004 in terms of the Employees Stock Options Plan of the Company as applicable to its overseas subsidiaries' employees These shares, if opted for, are to vest pro rata after a lock in period of one year from the date of grant of the said stock options This grant is subject to the approval of the members of the Company at the forthcoming Annual General Meeting and also other statutory approvals like SEBI, RBI, etc., as may be required.

The stock option to the employees currently being granted by the company are on selective basis and on merits of each case.

**Corporate Governance:**

The Report on Corporate Governance for the year 2004-05 is given separately in the Annual Report. The attention of the Shareholders towards the Certificate issued by the Statutory Auditors with reference to the said Report on Corporate Governance. The qualifications which are self explanatory have been addressed and the Audit Committee as referred therein has been duly constituted in terms of the Listing Agreement w.e.f. March 18, 2005. It may be reiterated that the Board of Directors of the Company stands committed to the interests of the Company's valued Shareholders in spirit.

**Auditors Qualifications :**

There are no audit qualifications which require any clarification or redressal as such by the Board of Directors of the Company.

**General Information for Shareholders:**

The shares of the company are listed on the Stock Exchange Mumbai, the National Stock Exchange and the Ahmedabad Stock Exchange. the listing fees for the year 2004-05 and 2005-06 have been paid to all the Stock Exchanges where the Company's shares are listed.

**Directors:**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Tushar Vaidya and Mr. Sanjay Patkar retire by rotation and are eligible for re-appointment.

Mr. M. H. Kale resigned during the year. The Board of Directors place on record its appreciation for the contributions made by Mr. M. H. Kale during the tenure of his directorship.

Mr. Nitin Palekar and Mr. Anil Kale were appointed as Directors of the Company on July 30, 2004 and March 18, 2005 respectively. Mr. Anil Kale who is currently an Additional Director, would be confirmed by the Members as the Director at the ensuing Annual General Meeting.

### Auditors:

M/s. RSM & Co., Chartered Accountants retire at the ensuing Annual General Meeting and being eligible have confirmed their willingness to be re-appointed.

### 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 form time to time forms a 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 write to the Company Secretary at the Registered Office of the Company for a copy.

### Acknowledgements:

Your Directors take this opportunity to thank the Shareholders, Customers, Vendors and Bankers viz. Oriental Bank of Commerce for their continued support. The Board of Directors also place on record their appreciation for the contribution made by the Employees at all the levels towards the growth of the Company. Special thanks are due to the Government Authorities including the Department of Company Affairs, Secretariat of Industrial Approvals, Foreign Investment Promotion Board, SEEPZ authorities, Reserve Bank of India other regulatory authorities for their co-operation.

**On behalf of the Board of Directors**

Place : Mumbai **Ramkrishna Bhagwat**

Date : June 29, 2005 **Director**

**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, 2005.

**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 | | |
| | Foreign Exchange earned | : | Rs. 48,110,399 |
| | Foreign Exchange used | : | Rs. 8,018,627 |

## MANAGEMENT DISCUSSION & ANALYSIS

### Overview

Trigyn Technologies Ltd., earlier known as Leading Edge Systems Ltd., ("Trigyn Technologies" or "the Company") is a leading software solutions and services company with global operations, delivering cost effective and quality end to end IT software solutions, services and products customized as per the requirements of its internationally acclaimed clients. Trigyn Technologies services help customers to integrate business processes with technology and operate in a marketplace that is no longer restricted by time and distance and thus providing a sustainable competitive advantage. The Company designs and delivers information technology services, for various domains, including Financial Services, Government Entities, Pharmaceutical, Chemical, Manufacturing, and Telecommunications. The range of service offerings is comprehensive and encompasses Consulting Services, Application Development and Maintenance, Security Solutions, Web-enabling Services, Reengineering, Staff Augmentation Services and other End-to-End Solutions.

### Focus on Quality

Trigyn Technologies is an SEI CMM Level 4 Company, which implies that strong management practices are in place, which aid in planning and execution of projects. There is a continuous effort to improve quality management systems based on ISO 9001-2000 standards. A Total Quality Management & Business Excellence model is followed by the Company, which seeks to inculcate:

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

### Value Added Creative Solutions & Services

#### Software Project Oriented Services

Trigyn Technologies develops and provides the latest functional software applications and products which are cost effective and based on a customer-centric de-risk model. Projects are delivered as fixed-time/ fixed-price tasks. Delivery locations are either onsite (at the customer's location), offsite (at one of the Company's or Associate Company's development center in the US), or offshore (in India). There is a constant endeavour to leverage the current SEI CMM Level 4 process maturity while integrating and managing the esteemed customers' investment, creating a seamless transition and rapidly delivering business value. Transparency and schedule compliance form the basis of all projects undertaken by Trigyn Technologies.

#### Staff Augmentation Services

Trigyn Technologies has a valuable resource base with experience and skills in technologies that are critical in providing business solutions. Companies remain dependent on Information Technology to maximize productivity, facilitate the exchange of information internally and externally, and ensure operational efficiencies. As a result, the demand continues for qualified Information Technology (IT) professionals. Over the years the Company has remained at the forefront of technology by recruiting, training and deploying top talent in emerging technologies and has also maintained elite vendor status with many dedicated clientele spanning various industries including Insurance, Financial Services, Government, Manufacturing and Pharmaceutical.

The core competencies of this resource base include:

- Full Life-Cycle Application Development
- Software Quality Assurance & Software Quality Control
- Database Design & Administration
- Network Design, Implementation, Migration & Administration
- Data Warehousing
- Internet & Intranet Architecture
- Legacy Support & Migration
- Regulatory Compliance

### Consultancy Services - Capital Markets

Trigyn Technologies has established methodologies and processes to provide business consulting services to the Capital Markets customers. A high Domain Literacy and strong Project Management skills form a core value proposition of Trigyn Technologies in this segment. The Company has presence inter alia in the field of Securities Lending, Mutual Funds, Market Connectivity, Equity Derivatives, Foreign Exchange, Risk Technology and Prime Brokerage.

### Re-engineering/Migration Solution

Trigyn Technologies has successfully created Re-engineered/migrated enterprise-wide applications for some of its global clients, integrating legacy applications with the latest web-based and client-server applications. In the process, the Company has been commended for delivering exceptional results for completeness, accuracy and speed of migration. End-to-end solutions for seamless migration from planning, installing, and verifying, to customizing, testing, data migration and support are provided.

### Business Continuance & Disaster Recovery

The primary objective of Trigyn Technologies Business Continuance & Disaster Recovery Practice is to enable an organization to survive a disaster and to re-establish normal business operations. In order to survive, the organization must be assured that critical operations can resume normal processing within a reasonable time frame. The Company ensures that the customers' business is prepared for any outage or unplanned downtime, regardless of the cause. The business continuance plan is aimed to assess existing vulnerabilities, implement disaster avoidance and prevention procedures and develop a comprehensive plan that will enable the customer to react appropriately and in a timely manner if disaster strikes.

### BroadVision Practice

Trigyn Technologies with its BroadVision practice provides individualized, real-time targeting of Web interactions through customized business rules, profiling, click-stream analysis, and tools for the business user. Through its BroadVision training program, the Company has trained numerous consultants on BroadVision's advanced, reliable and flexible e-business applications.

## Business Strategy

The Management of Trigyn Technologies has embarked on a comprehensive and aggressive business strategy to streamline its operations while narrowing its focus on its core competencies and several segments that it views as being able to produce higher margins for the Company. Some of the steps taken or planned include:

- Procure contracts with a reasonably long duration that would involve sustained cash flows. To this extent efforts are on and the Management is confident that based on its technical credentials, more so in the US market, the Company would be able to bag a few prestigious projects in the year to come. This would be in the IT as well as the ITES segments. The Company's Subsidiary in US viz. Trigyn Technologies Inc. is expected to play a major role overall in relation to such projects.
- Grow existing relationships and build new relationships. The Company has had a fair amount of success in the United Nations project as well as in its foray in the BPO stream. Existing clients, including the United Nations, are being mined for more business through referrals. There would be an added focus on offshore business.
- Focus on high margin business that uses the latest skill-sets, including WebMethods and WebLogic Integration, to execute projects.
- Restructuring of the Trigyn Group companies across some locations whose load to carry is hampering the costs due to unnecessary overheads. This activity would subject to obtaining of requisite statutory approvals from the statutory authorities.
- Retaining existing talent through high motivation levels, stock options, optimum salary structures, promotions from within the ranks and providing a means to continue to grow professionally and technically.

- Reduce the heavy payment outflow due to the payment of principal and high rate of interest to the Bank on account of the credit facilities obtained back in 2001. To this extent the negotiations are on to recast / reschedule these credit facilities and this matter is being relentlessly pursued. Presumably on happening of this restructuring, Trigyn Technologies would definitely be in a position to utilize the surplus funds, if any, as working capital and on capital expansions and this would further its business prospects.
- Ensure strict compliance of law and regularize any noted non-compliances.

**Industry Structure and Outlook**

The Indian Information Services and software industry can be categorized into core IT services, which include project oriented services, IT outsourcing, support and training, R & D services, software products design and development, development of embedded systems and sales of proprietary software. The world IT industry, including India, has again slowly and steadily come into fore and the long term prospects remain positive with India being upheld as a major player in IT services and applications in the foreseeable future. The Indian corporations over a broad spectrum have involved a mix-n-match methodology of prudent cost management and creating superior efficiency in operations. There is a continuous pressure on billing rates, and a reduction in operating margins, requiring a 'survival of the fittest' approach to success.

As per NASSCOM, the IT services and software exports were expected to reach US $ 12.2 billion by 2004-05 (2003-04 : US $ 9.2 billion), an estimated rise of 32.3 % over previous year. Further the domestic IT software and services segment was expected to record revenues of around US $ 4.3 billion during 2004-05 (2003-04 : US $ 3.6 billion).

Trigyn Technologies believes that its business fundamentals and the value proposition to its customers remain intact, despite current performance and initiatives are being taken to consolidate the existing business and prospect new business given the inherent strengths and legacy of the Company. The Company expects to improve on its performance and hopes to post a better performance in the year 2005-06 by adding to the top line and by securing its bottom line through control and selective rationing of costs. Trigyn Technologies has a solid pipeline of projects and prospects in place, and is confident of a better performance in its future.

**Opportunities**

The Company enjoys a strong brand image in the IT segments in which it is active, augmented by the strong India offshoring advantage. The Company's ability to effectively deliver competitively priced and quality niche software solutions and products in international markets should ensure continued success in the years to come. The Company has an ability to seamlessly provide offshore and onsite services to customers world over. It is this capability to offer blended services that provides a significant opportunity in this competitive market. Trigyn Technologies has offerings across all layers of technology and is also able to provide a wide range of services across a horizontal platform and across many verticals. Trigyn Technologies is a SEI-CMM Level 4 and ISO 9001: 2000 standard Company and this high quality standard ensures that the projects executed are managed in a reliable manner through use of comprehensive processes and past project data. blend of both onsite and offshore, the primary focus though being on offshore projects. Revenue recognition is done on the basis of the nature of work as may be specified in the Agreement or the Statement of Work. This could be on time and material basis or on fixed basis or on attainment or certain milestones.

There is an ongoing effort on the part of the Company to streamline and rationalize its operations in order to achieve significant cost savings, streamline delivery capabilities and selective manpower recruitments.

Trigyn Technologies focuses on the following core competencies, which would be a key advantage in the near future

- Web Technology which include web services based on JAVA and .Net, B2B & B2C applications
- Messaging Middlewares and Enterprise Applications Integration (EAI)
- Mainframes on IBM platforms
- RDBMS's such as Oracle, MS SQL Server, Sybase and DB2
- Data Warehousing on Oracle and Hyperion platforms for using archived data for future decisions
- Quality Testing Studios
- BroadVision, J2EE, WebMethods and WebLogic Integration technologies

## Results of Operations

- **Income from Operations**

The income from operations of Trigyn Technologies for the year 2004-05 was Rs. 485.72 lakhs as compared to Rs. 787.37 lakhs during the year 2003-04. The reduced revenue was primarily due to the transfer of one of the major business account during the early part of the year under review.

- **Expenditure**

The expenditure including interest and depreciation of Trigyn Technologies for the year 2004-05 was Rs. 1292.12 lakhs as compared to Rs. 2212.84 lakhs during the previous year. Cost control was a priority of the Management during the year and the total expenditure more than proportionately reduced over the last year due to measures initiated to contain direct and indirect costs.

- **Gross Profit / Loss**

The Gross Loss of Trigyn Technologies was Rs.582.04 lakhs for the year 2004-05 as compared to Gross Loss of Rs.1067.10 lakhs during the previous year. The same was mainly due to reduction in the effective revenues, particularly US revenues, with direct costs reducing to a limited extent over last year.

- **Net Profit / Loss**

The Net Profit after considering Exceptional and Extraordinary Items of Trigyn Technologies was Rs.656.07 lakhs for the year 2004-05 as compared to loss of Rs. 3316.08 lakhs during the previous year.

## Segmentwise performance for the year 2004-05

Trigyn Technologies identifies its operations in terms of the following segments, which include providing niche software solutions customized as per the customer’s requirement and by sale of quality product suites.

(Rs. In Lakhs )

Unaudited

| | Finance | eBusiness | Total |
|---|---|---|---|
| Total Segmental Revenues | 101.24 | 384.48 | 485.72 |
| Total Segmental Expenses | 73.38 | 213.73 | 287.11 |
| Total Segmental Gross Profit / (Loss) before Interest and Tax | 27.86 | 170.75 | 198.61 |
| Add / (Less) : Interest | | | (679.00) |
| Add / (Less) Tax | | | (0.46) |
| Add / (Less) Other net unallocable expenditure | | | 920.61 |
| Total Profit / (Loss) after Tax, Prior Period adjustment and before Exceptional items | | | 439.76 |

## Threats

The Company business revenues are sourced predominantly from the US market. Despite the US economy looking up and outsourcing being the current norm, a few Indian corporations have bagged the contracts from the US Principals. Outsourcing has become selective, competition is very high and price cutting is rampant. Some MNCs are setting up their own back end development centers in India. Trigyn Technologies is trying to meet the above situation inter alia by aggressive marketing, relentless focus on improvement of work timelines and technology, in-house R & D upgradation, cost control measures, cutting off dead flab and strict quality control.

## Risks and Concerns

The revenue growth and profitability of the business of Trigyn Technologies is subject to the following factors:

- Changes in the domestic and international economic and business conditions
- Competition on the product and price front
- Foreign exchange fluctuation
- Length of the sales cycle
- Success in expanding the global operations through direct sales force and indirect distribution channels
- Timing of new product introductions or product enhancements
- Products or Services mix
- Activities of the competitors
- Allocation of resources
- Technical manpower availability

Based on the preceding factors, the Company could experience a shortfall in revenues or earnings or fail to meet the public market expectations, which could materially and adversely affect the business operations, financial condition and market price of the Company's share on the stock market.
Also there is a significant pressure from its Bank, Oriental Bank of Commerce from which loans have been obtained by the Company to pay their outstanding dues, if any, on periodical basis. The Company is currently negotiating with the said Bank for recast / rescheduling of the credit facilities obtained from them, with a view to reduce the outflow burden on account of payment of principal as well as interest thereto.

## Internal Controls and Adequacy

Trigyn Technologies continuously reviews its Internal Control system in order to further strengthen and make it commensurate with the size and nature of the business which currently is well defined and commensurate with the scale of operations of the Company.

## People Practices and Processes at Trigyn Technologies

Trigyn Technologies caters to its clients worldwide with services with high maturity practices. The Company conforms to SEI-CMM Level 4 and also has recently moved to ISO 9001 : 2000 framework. To bring out the best from its employees and creating a high opportunity environment, the Company constantly provides stimulus for all to raise the bar in achieving their potential. Trigyn Technologies undertakes programs to foster the unlimited potential of its human resources, in order to create a steady infusion of good management / technical ideas, practices and innovations. The Company, as such, realizes the importance of a competent, motivated and dedicated manpower in achieving its goals. It is the constant endeavour of the Management to share with its workforce the opportunities and challenges faced in its business operations.

## Cautionary Statement

*Some of the statements made in this section may contain certain 'forward looking statements' within the meaning of securities laws and regulations in force. Facts which are not historical in nature and include but are not limited to Trigyn Technologies business, financial condition, business strategy, plans relating to products and services, future prospects or any related assumptions thereto should be deemed to be 'forward looking statements' and should be considered as such. These 'forward looking statements' are inherently subject to risks and uncertainties, beyond the control of Trigyn Technologies and accordingly the actual results could differ materially from those indicated by the 'forward looking statements'. Trigyn Technologies shall not be liable for any loss, which may arise as a result of any action taken on the basis of the information contained herein nor would be under any obligation to update the 'forward looking statements' to reflect the developments of events or circumstances hereafter.*

# REPORT ON CORPORATE GOVERNANCE

## COMPANY'S PHILOSOPHY OF CORPORATE GOVERNANCE

The Company stands committed and upholds the Code of Corporate Governance introduced by the Securities and Exchange Board of India through Clause 49 in the Listing Agreement. The Board of Directors as trustees of the Company have always endeavored to instill ethical and transparent practices while recognising the right to information of all stakeholders including the shareholders within the framework laid by the said Code of Corporate Governance.

## BOARD OF DIRECTORS

### • Composition and Category of Directors

During the year ended under review, the Board of Directors comprised of the following Directors :

1. Mr. Tushar Vaidya – Wholetime Director and CEO
2. Mr. Ramkrishna Bhagwat – Wholetime Director
3. Mr. Sanjay Patkar – Independent / Non Executive Director
4. Mr. Nitin Palekar – Independent Director / Non Executive (appointed on July 30, 2004)
5. Mr. Anil Kale - Independent Director / Non Executive (appointed on March 18, 2005)
6. Mr. Madhav Kale - Independent Director / Non Executive (resigned on June 3, 2004)

Out of the above, Mr. Tushar Vaidya and Mr. Ramkrishna Bhagwat belong to the Promoter category. The other three existing Directors do not belong to the Promoter Category and are independent.

Mr. Tushar Vaidya is the Chief Executive Officer (CEO) of the Company and is based in the USA. He also heads the sales and marketing functions of the Company and is also responsible for establishing the Company's US operations and nurturing it to its current level, besides spearheading many long standing client relationships.

Mr. Ramkrishna Bhagwat is the Administrative Head of India operations and also oversees the global delivery and quality processes and initiatives.

Mr. Sanjay Patkar is a practicing Advocate and also renders professional advisory and consultancy services in Indian and International Taxation, Corporate Laws, FEMA and Property related matters.

Mr. Nitin Palekar is a qualified Chartered Accountant and also holds a degree in Law. He is currently working as the Director – Finance in a reputed software company specializing in niche software products and services and is based at Pune.

Mr. Anil Kale is a Certified Associate of the Indian Institute of Bankers and is also a Graduate in Commerce. He is an ex-Reserve Bank of India Officer and has worked in various departments, including Foreign Exchange department before taking up voluntary retirement in 1995 to carry on free lance liaison and consultancy on foreign exchange matters.

### • Attendance of Directors in the Board Meetings and in the last Annual General Meeting

The Company's Board of Directors met 8 times during the year 2004-05. The Board Meetings took place on May 21, 2004, June 02, 2004, July 30, 2004, September 30, 2004, October 30, 2004, December 11, 2004, January 31, 2005 and March 18, 2005. The maximum gap between any two meetings did not exceed the gap stipulated by Clause 49 IV of the Listing Agreement.

| Name of the Director | Attendance at the Board Meetings | Attendance at the last AGM held on September 30, 2004 |
|---|---|---|
| Mr. Tushar Vaidya | 2 | Yes |
| Mr. Ramkrishna Bhagwat | 8 | Yes |
| Mr. Sanjay Patkar | 8 | Yes |
| Mr. Nitin Palekar | 4 | Yes |
| Mr. Anil Kale | 1 | No |
| Mr. Madhav Kale | 2 | No |

Since Mr. Tushar Vaidya operates out of New Jersey, USA, his personal attendance, when he is not available at Board Meetings in India, is ensured, to the extent possible, through a continuous telephonic link. None of the Directors on the Board hold the Office of Directors in more than 15 companies or Memberships of Committees in more than 10 Committees or Chairmanship of more than 5 Committees across all companies.

**AUDIT COMMITTEE**

The Audit Committee of the Company which was constituted on January 6, 2003 with 3 Independent Directors in terms of Clause 49 II of the Listing Agreement ceased to function on January 8, 2004 on resignation of one of such Directors. Subsequently the Company continued to function with an Audit Committee constituted in terms of Section 292 A of the Companies Act, 1956. With the appointment of Mr. Anil Kale as Independent Director on the Board vis-à-vis the Audit Committee, this Audit Committee has again been re-constituted with the following Independent Directors :

Mr. Nitin Palekar - Chairman

Mr. Sanjay Patkar

Mr. Anil Kale

Amongst other things, the Audit Committee oversees the Company's financial reporting process and disclosures of its financial information to ensure that the financial statements are correct, sufficient, factual and credible. This Committee also periodically reviews the compliance requirements and various internal processes and systems, internal and statutory audit processes and reports. During the year 2004-05, the Committee met twice. Once on June 2, 2004 and was attended by Mr. Madhav Kale, Mr. Ramkrishna Bhagwat and Mr. Sanjay Patkar and thereafter on March 29, 2005 by Mr. Nitin Palekar, Mr. Sanjay Patkar and Mr. Anil Kale.

**REMUNERATION COMMITTEE**

The Company is not paying remuneration to any of the Independent / Non Executive Directors, other than sitting fees.

The Remuneration Committee of the Company which was constituted on January 6, 2003 with 3 Independent Directors in terms of Clause 49 III of the Listing Agreement ceased to function on January 8, 2004 on resignation of one of such Directors. This Committee was re-constituted on March 18, 2005 on appointment of Mr. Anil Kale as an Independent Director and consists of the following Independent Directors :

Mr. Sanjay Patkar – Chairman

Mr. Nitin Palekar

Mr. Anil Kale

Remuneration paid to Directors during 2004 – 2005 :

| Names | Sitting fees (Rs.) | Remuneration including Salary & Perquisites(Rs.) |
|---|---|---|
| Mr.Ramkrishna Bhagwat | - | 1,800,000/- |
| Mr. Tushar Vaidya * | - | - |
| Mr. Sanjay Patkar | 1,10,000/- | - |
| Mr. Nitin Palekar | 60,000/- | - |
| Mr. Anil Kale | 30,000/- | - |
| Mr. Madhav Kale | 30,000/- | - |

* *Mr. Tushar Vaidya is on the rolls of the US subsidiary, Trigyn Technologies Inc. at a monthly remuneration of US$ 14,000 (including taxes).*

Amongst other things, the issues under the purview of this Committee are the administration of employee stock options, the compensation policy for key personnel, etc. During the year 2004-05, the Committee met once on March 29, 2005 and was attended by Mr. Nitin Palekar, Mr. Sanjay Patkar and Mr. Anil Kale.

## SHARE TRANSFER / INVESTOR GRIEVANCE COMMITTEE

The shares of the Company are listed on the BSE, NSE and ASE. The trading thereof is done in demat mode. The Share Transfer / Investor Grievance Committee of the Company which was constituted on January 6, 2003 with 3 Independent Directors in terms of Clause 49 VI of the Listing Agreement ceased to function on January 8, 2004 on resignation of one of such Directors. This Committee was re-constituted on March 18, 2005 on appointment of Mr. Anil Kale as an Independent Director and consists of the following Independent Directors :

Mr. Anil Kale – Chairman

Mr. Nitin Palekar

Mr. Sanjay Patkar

Amongst other things, this Committee reviews critical Investor Grievances and ensures the issues of Investors, both large and small are addressed timely which are referred to by the Company Secretary or by the Company's Registrar & Transfer Agents. This Committee met on March 29, 2005.

During the year, the Company received 5 complaints from Investors, all of which have been resolved as on date. No compliant was received from the SEBI or any of the Stock Exchanges. No share transfers were pending as on March 31, 2005.

The Company Secretary acts as a Secretary to all the aforesaid three Committees of the Company.

## GENERAL BODY MEETINGS

Details of the location of the Annual General Meetings held during the last three years:

| Financial Year | Location | Date | Time |
|---|---|---|---|
| 2001 – 2002 | All India Plastic Manufacturers' Association Auditorium, AIPMA House, A-52, Street No.1, M.I.D.C., Andheri (E), Mumbai 400 093 | December 30, 2002 | 4.00 p.m. |
| 2002 – 2003 | -do- | December 30, 2003 | 3.00 p.m. |
| 2003 – 2004 | -do- | September 30, 2004 | 3.30 p.m. |

No Special Resolution was put through Postal Ballot in the last AGM and there is no proposal to conduct any business by way of Postal Ballot at the ensuing AGM.

## DISCLOSURES

The Related Party Transactions of the Company which involve the business dealings with its Subsidiaries are explicitly mentioned under the heading " Notes to the Financial Statements for the year ended March 31, 2005" of the Company given in this Annual Report. In case of managerial remuneration paid to Directors please refer to the aforesaid section on Remuneration Committee.

There were no strictures or penalties imposed on the Company by the SEBI or any of the Stock Exchanges on which the Company is listed or any other Statutory Authority on any matter related to the capital market during the last three years. The Board of Directors from time to time reviews the various compliances and if necessary initiates a process for regularising or taking post facto approval from concerned authorities in respect of deviations if noticed.

## MEANS OF COMMUNICATION

The financial results are currently being published in the leading Newspapers like Financial Express (English) / Free Press Journal (English) and Navshakti (Marathi) / Tarun Bharat (Marathi). These results are also made available on the Company's website www.trigyn.com after the respective Stock Exchanges are intimated. Official news releases, details of presentations or analyst meets, if any, and material press coverage received by the Company is also uploaded on the said website for the information of the shareholders.

The Management's Discussion and Analysis forms part of the Directors' Report.

## GENERAL SHAREHOLDERS' INFORMATION

- **Date, time and venue of the Annual General Meeting**

September 22, 2005 at 3.30 p.m. at AIPMA Auditorium, AIPMA House, A-52 Street No. 1, MIDC, Marol, Andheri 400093.

- **Financial Calendar**

April 1 to March 31, next calendar year

| | |
|---|---|
| Financial reporting for the Quarter ended June 30, 2004 | Board Meeting was held on July 30, 2004. The results were published in newspapers on August 3, 2004 |
| Financial reporting for the Quarter / Half Year ended September 30, 2004 | Board Meeting was held on October 30, 2004. The results were published in newspapers on November 2, 2004. |
| Financial reporting for the Quarter ended December 31, 2004 | Board Meeting was held on January 31, 2005. The results were published in newspapers on February 2, 2005. |
| Financial reporting for the Financial Year ended March 31, 2005 | Board Meeting was held on June 29, 2005. The results were published in newspapers on July 1, 2005 |

- **Date of Book Closure**

September 20, 2005 to September 22, 2005 ( both days inclusive)

- **Dividend Payment Date**

No dividend has been declared by the Company during the year 2004-05

- **Listing on Stock Exchanges**

The Company is listed on :

The Stock Exchange, Mumbai (BSE) under Scrip Code 517562

The National Stock Exchange (NSE) under Scrip Code TRIGYN

The Ahmedabad Stock Exchange (ASE) under Scrip Code 32289 / LEADINGEDG

The Annual Listing Fees in respect of the equity shares of the Company has been paid for the years 2004-05 and 2005-06.

- **Stock Market Price Data**

During the year, the monthly High and Low prices of the Company's script were as under:

| Month / Year | Mumbai Stock Exchange | | National Stock Exchange | |
|---|---|---|---|---|
| | High (Rs.) | Low (Rs.) | High (Rs.) | Low (Rs.) |
| April, 2004 | 13.00 | 10.05 | 12.45 | 10.20 |
| May, 2004 | 12.50 | 8.75 | 12.35 | 8.00 |
| June, 2004 | 11.00 | 7.50 | 11.00 | 7.25 |
| July, 2004 | 11.30 | 8.03 | 11.40 | 8.10 |
| August, 2004 | 11.25 | 9.16 | 11.30 | 9.15 |
| September, 2004 | 13.50 | 11.00 | 13.70 | 10.65 |
| October, 2004 | 15.40 | 10.50 | 15.40 | 10.90 |
| November, 2004 | 19.45 | 12.99 | 19.00 | 13.05 |
| December, 2004 | 19.25 | 15.00 | 19.25 | 15.20 |
| January, 2005 | 24.80 | 16.00 | 24.90 | 15.75 |
| February, 2005 | 20.90 | 17.00 | 20.95 | 16.90 |
| March, 2005 | 18.70 | 11.25 | 17.95 | 12.00 |

- **Performance of the Company's share prices vis-à-vis the BSE SENSEX & NSE NIFTY**

| Month / Year | BSE closing price | SENSEX closing price | NSE closing price | NIFTY closing price |
|---|---|---|---|---|
| April, 2004 | 10.40 | 5655.09 | 10.60 | 1796.10 |
| May, 2004 | 10.18 | 4759.62 | 10.25 | 1483.60 |
| June, 2004 | 8.71 | 4795.46 | 8.65 | 1505.60 |
| July, 2004 | 9.98 | 5170.32 | 10.10 | 1632.30 |
| August, 2004 | 10.85 | 5192.08 | 10.85 | 1631.75 |
| September, 2004 | 11.85 | 5583.61 | 11.90 | 1745.50 |
| October, 2004 | 13.56 | 5672.27 | 13.45 | 1786.90 |
| November, 2004 | 15.91 | 6234.29 | 16.00 | 1958.80 |
| December, 2004 | 17.65 | 6602.69 | 17.65 | 2080.50 |
| January, 2005 | 18.25 | 6555.94 | 18.15 | 2057.60 |
| February, 2005 | 17.35 | 6713.86 | 17.25 | 2103.25 |
| March, 2005 | 13.65 | 6492.82 | 13.50 | 2035.65 |

- **Registrar and Transfer Agents**

The Company has appointed M/s. Sharepro Services as its Registrar and Transfer Agents for processing transfers, sub-division, consolidation, attending general shareholder / investor correspondence and complaints, etc., as well as for dematerialisation and re-materialisation of shares of the Company. They are located at Satam Estate, 3rd Floor, Cardinal Gracias Road, Above Bank of Baroda, Chakala, Andheri (E) Mumbai 400 099.

Tel. : 022 - 28348218 / 28300262 Fax : 022 – 28375646

- **Share Transfer System**

The Company processes share transfers and such related issues twice in a month. Transfer or transmission documents which are complete in all respects are returned to the respective Shareholders / Lodgers within 30 days of lodgement. Since the Company's shares are currently being traded in dematerialised form, the shareholders are requested to send the shares if held in physical form, directly to their Depository Participant (DP), which would, then by sent to the Registrar and Transfer Agents for dematerialisation.

Based on the information given by our Registrars and Transfer Agents, no shareholder complaints were pending as on March 31, 2005. The complaints mainly related to issues related to non-receipt of dividend / revalidation of warrants, change of address, etc.

- **Distribution of Shareholding as on March 31, 2005**

| Shareholding of Nominal Value | Shareholders | | Shares | |
|---|---|---|---|---|
| | Nos. | % to Total | Nos. | % to Total |
| Less than 500 | 12192 | 75.84 | 2384132 | 16.06 |
| 501 - 1000 | 1975 | 12.29 | 1654124 | 11.14 |
| 1001 - 2000 | 961 | 5.98 | 1498352 | 10.09 |
| 2001 - 3000 | 331 | 2.06 | 852630 | 5.74 |
| 3001 - 4000 | 150 | 0.93 | 538661 | 3.63 |
| 4001 - 5000 | 148 | 0.92 | 705246 | 4.75 |
| 5001 – 10000 | 185 | 1.15 | 1329736 | 8.95 |
| 10001 and above | 134 | 0.83 | 5886994 | 39.64 |
| **TOTAL** | **16076** | **100.00** | **14849875** | **100.00** |

- **Shareholding Pattern as on March 31, 2005**

| CATEGORY | NO. OF SHARES HELD | PERCENTAGE OF SHAREHOLDING |
|---|---|---|
| **Promoter's Holding** | | |
| Promoters | | |
| - Indian Promoters (Directors & Relatives) | 2545834 * | 17.14 |
| - Foreign Promoters | - | - |
| Persons acting in Concert | - | - |
| **Sub- Total** | **2545834** | **17.14** |
| **Non-Promoters Holding** | | |
| **Institutional Investors** | | |
| Mutual Funds and UTI | 156734 | 1.06 |
| Banks, Financial Institutions, Insurance Companies (Central / State Gov. Institutions / Non-Gov. Institutions | 100 | 0.00 |
| FIIs | 8400 | 0.05 |
| **Sub-Total** | **165234** | **1.11** |
| **Others** | | |
| | **1989186** | **13.40** |
| **Private Corporate Bodies** | | |
| Indian Public | 9753260 | 65.68 |
| NRI / OCBs | 323531 | 2.18 |
| Any Other : | - | - |
| Foreign National | 72830 | 0.49 |
| NSDL in Transit | **-** | **-** |
| **Sub-Total** | **12138807** | **81.75** |
| **GRAND TOTAL** | **14849875** | **100.00** |

* Includes shares held by the relatives of the Promoter-Director Late Mr. Atul Kamath

- **Dematerialisation of Shares**

The shares of the Company are traded in a compulsory demat mode under ISIN : INE948A01012.
As on March 31, 2005, 97.62 % shares of the Company have been dematerialised.

- **Locations of Offices and Development Centre**

Registered / Corporate Office
Unit 27 A, SDF I,
SEEPZ, Andheri (East),
Mumbai 400096.

US Office
100, Metroplex Drive,
Edison, NJ 08817,
USA

- **Address for Shareholder Correspondence**

All Shareholders / Investors should address their correspondence to :

Mr. Prashant Vaidya
Senior Manager
Sharepro Services
Unit : Trigyn Technologies Limited
Satam Estate, 3rd Floor
Cardinal Gracias Road,
Above Bank of Baroda
Chakala, Andheri (E)
Mumbai 400 099
Tel. : 022 - 28348218 /28300262
Fax : 022 – 28375646

Mr. Samir Kamat
Company Secretary
Trigyn Technologies Limited
Unit 27, SDF-I,
SEEPZ, Andheri (East),
Mumbai 400096

Tel. : 022 - 28290909
Fax : 022 – 28291418
E-mail : samir.kamat@trigyn.com

## To the members of Trigyn Technologies Limited

### Certificate of compliance of corporate governance as per clause 49 of the listing agreement with stock exchanges

We have examined the compliance of conditions of corporate governance by Trigyn Technologies Limited (‘the Company’), for the year ended on March 31, 2005 as stipulated in clause 49 of the listing agreement of the Company with the stock exchanges.

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

During the major part of the year, the audit committee had two independent directors as against the minimum requirements of three independent directors. Further, during the year, the Company has held only two audit committee meetings as against the requirement of three meetings in a financial year as per the requirement of listing agreement. Except for this, in our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in clause 49 of the listing agreement.

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

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

For **RSM & Co.**
***Chartered Accountants***

Place : Mumbai
Date : August 3, 2005

**Vijay N. Bhatt**
**Partner (F-36647)**

## PERFORMANCE AT A GLANCE

(Rs. In Millions)
for the year ending March 31,

| | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|
| Total income | 177.54 | 114.57 | 160.58 | 461.40 | 936.72 |
| Operating expenses | 38.08 | 355.42 | 2,814.03 | 4138.67 | 881.93 |
| operating profit | 139.46 | -240.85 | -2,653.45 | -3677.27 | 54.79 |
| Interest and finance charges | 67.90 | 79.82 | 127.43 | 66.66 | 20.52 |
| Depreciation | 5.91 | 21.05 | 37.01 | 44.70 | 27.20 |
| Profit before taxes | 65.65 | -341.72 | -2,817.89 | -3788.63 | 7.07 |
| Taxation | 0.04 | -10.11 | 10.29 | 0.00 | 22.61 |
| Net profit / (loss) | 65.61 | -331.61 | -2,828.18 | -3788.63 | -15.54 |
| Dividend % | | | | | |
| Equity | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Preference | 0.00 | 0.00 | 0.00 | 0.00 | 65.00 |
| Dividend Amount | | | | | |
| Equity | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Preference | 0.00 | 0.00 | 0.00 | 0.00 | 6.03 |
| Share Capital | | | | | |
| Equity | 148.50 | 148.50 | 148.50 | 148.50 | 148.50 |
| Preference | 50.00 | 50.00 | 50.00 | 50.00 | 50.00 |
| Reserves & Surplus | -2.49 | -66.76 | 265.96 | 3102.79 | 6877.54 |
| Net worth | -53.99 | -118.26 | 214.46 | 3301.29 | 7076.04 |
| Net Assets | 429.89 | 465.67 | 806.08 | 3722.52 | 7496.07 |
| **Performance Indicators** | | | | | |
| as a % of total Income | | | | | |
| Operating Margin | 78.55 | -210.22 | -1652.42 | -796.99 | 5.85 |
| Net Margin | 36.95 | -289.44 | -1761.23 | -821.12 | -1.66 |
| Taxation | 0.02 | -8.82 | 6.41 | 0.00 | 2.41 |
| Taxation /Net profit / (loss) | 0.06 | 2.96 | -0.37 | 0.00 | 319.80 |
| Current Ratio | 0.57 | 0.77 | 1.68 | 3.44 | 6.90 |
| Total Income/Net Working Capital (times) | -3.11 | -4.18 | 1.42 | 1.16 | 1.08 |
| Fixed Assets turnover (times) | 1.19 | 0.59 | 0.76 | 2.19 | 4.48 |
| Receivables (in days) | 28 | 183 | 276 | 135 | 161 |
| **Investment Indicators** | | | | | |
| Book value per share | -3.64 | -7.96 | 14.44 | 222.31 | 476.50 |
| Earnings per share | 4.42 | -22.33 | -190.45 | -257.32 | -1.47 |
| Return on capital employed % | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Share price as on March 31, (BSE) Rs. | 13.65 | 10.53 | 11.40 | 90.40 | 78.95 |
| Market capitalisation (in millions) | 203 | 156 | 169 | 1342 | 1172 |

## AUDITORS' REPORT
## To The Members of Trigyn Technologies Limited

1. We have audited the attached Balance Sheet of Trigyn Technologies Limited ('the Company') as at March 31, 2005, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date (together referred to as 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, ('the said Order'), issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 (the Act), and on the basis of such checks of the books and records as we considered necessary and appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Attention is invited to Note 4 ( c ) of schedule 19, regarding non-provision for diminution in value of investments (other than temporary) in certain subsidiaries based on the valuation report from an independent valuer, current years workings and future business prospects.
5. Further to our comments in the Annexure referred to above, we report that:
   a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 appears from our examination of those books ;
   c. the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
   d. in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow statement comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
   e. on the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2005 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
   f. in our opinion and to the best of our information and according to the explanations given to us, and read with our comments in paragraph 4 above, the said financial statements, read with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
      i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2005;
      ii. in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and,
      iii. in case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**For RSM & Co.**
***Chartered Accountants***

**Vijay N. Bhatt**
**Partner (F-36647)**

Place : Mumbai
Date : June 29, 2005

## Annexure to Auditors' Report
## (Referred to in our Report of even date)

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The Company has a carried out a physical verification of fixed assets. We are informed that no material discrepancies were noticed on such verification.

(c) The Company has not disposed off substantial part of fixed assets during the year.

(ii) The Company is in the business of providing software services, hence provisions of paragraph 4 (ii) (a), (b) and (c) of the said Order does not applicable.

(iii) (a) According to information and explanations given to us, the Company has granted interest free unsecured loans to six companies covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was Rs. 2,556.19 lacs and the year-end balance of loans granted to such parties was Rs. 2,511.74 lacs.

(b) In our opinion, the terms and conditions of the loans given by the Company are not, prima facie, prejudicial to the interest of the Company.

(c) Since there is no stipulation as to the time period for recovery of the principal amount of unsecured loans given, we are unable to comment on the regularity of the same.

(d) According to the information and explanations given to us, reasonable steps have been taken by the Company for recovery of the principal amount of the loans.

(e) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms, or other parties listed in the register maintained under section 301 of the Act, except for an interest free loans from directors amounting to Rs. 60 lacs. The same has been repaid during the year. Accordingly, provisions of paragraph 4 (iii) (f) and (g) of the said Order relating to rate of interest and other terms and conditions of loans and regularity of payment of principal and interest are not applicable.

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system. We are informed that the nature of Company's business does not involve purchase of inventory and sale of goods.

(v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Act have been so entered.

(b) In our opinion and according to the information and explanations given to us, in respect of the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Act and exceeding the value of rupees five lacs in respect of any party during the year, the prices cannot be compared as transactions of similar nature have not been made with other parties.

(vi) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public as per the directives issued by the Reserve Bank of India and the provisions of section 58A, section 58AA and any other relevant provisions of the Act and the rules framed there under. No order has been passed by the National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Act for any of the activities of the Company.

(ix) (a) According to the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Sales Tax, Service Tax, Wealth Tax and any other statutory dues with the appropriate authorities and there were no such outstanding dues as at March 31, 2005 for a period exceeding six months from the date they became payable except amount payable to Investor Education and Protection Fund amounting to Rs. 0.82 Lacs. As explained to us, Custom duty, Excise duty and Cess are presently not applicable to the Company.

(b) According to the information and explanations given to us, there are no disputed dues of sales tax, income tax, custom duty, wealth tax, excise duty and cess remaining unpaid as at the year end.

(x) In our opinion and according to the information and explanations given to us, the Company's accumulated losses exceed 50% of its net worth at the end of the financial year under reporting; and the Company has not incurred cash losses in the financial year under report. The Company has incurred cash losses in the immediately preceding financial year.

(xi) On the basis of our examination and according to the information and explanations given to us, the Company has defaulted in repayment of the interests to a bank with respect to its borrowings. Details of the same are given below:

| Period (outstanding since) | Amount of default (Rs. In lacs) |
|---|---|
| March 2003 & March 2004 | 650.00 |
| Total | 650.00 |

(xii) As the Company has not granted any loans or advances against security, provisions of paragraph 4 (xii) of the said Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund, or a nidhi, mutual benefit funds/societies, accordingly, the provisions of paragraph 4 (xiii) of the said Order is not applicable.

(xiv) On the basis of our examination and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) According to the information and explanations given to us, the Company has applied the term loans for the purpose for which the loans were obtained.

(xvii) In our opinion and according to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the Company has not used the fund borrowed on short term basis during the year for long term investments.

(xviii) In our opinion and according to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act.

(xix) The Company has not issued debentures or made any public issue during the year and accordingly provisions of paragraph 4 (xix) and (xx) of the said Order, are not applicable.

(xx) To the best of our knowledge and according to the information and explanations given to us, there have been no cases of fraud on or by the Company noticed or reported during the year.

**For RSM & Co.**
***Chartered Accountants***

**Vijay N. Bhatt**
**Partner (F-36647)**

Place : Mumbai
Date : June 29, 2005

**Balance sheet at March 31, 2005**
(Currency: Indian Rupee)

| | Schedule | 2005 | 2004 |
|---|---|---|---|
| **SOURCES OF FUNDS** | | | |
| **Shareholders' funds** | | | |
| Share capital | 1 | **198,498,750** | 198,498,750 |
| Share application money | 2 | **397,500** | 397,500 |
| Reserves and surplus | 3 | **6,541,139,960** | 6,542,474,898 |
| | | **6,740,036,210** | 6,741,371,148 |
| **Loan funds** | | | |
| Secured loans | 4 | **233,485,411** | 327,541,380 |
| Unsecured loans | 5 | **-** | 6,000,000 |
| | | **6,973,521,621** | 7,074,912,528 |
| **APPLICATION OF FUNDS** | | | |
| **Fixed assets** | 6 | | |
| Gross block | | **149,250,302** | 195,211,623 |
| Less: Accumulated depreciation | | **142,522,309** | 182,648,730 |
| | | **6,727,993** | 12,562,893 |
| **Investments** | 7 | **479,423,600** | 479,423,600 |
| **Current assets, loans and advances** | | | |
| Unbilled debtors | 8 | **-** | 222,300 |
| Sundry debtors | 9 | **3,706,961** | 39,398,726 |
| Cash and bank balances | 10 | **38,982,905** | 2,102,331 |
| Loans and advances | 11 | **33,561,616** | 49,125,591 |
| | | **76,251,482** | 90,848,948 |
| **Less: Current liabilities and provisions** | | | |
| Current liabilities | 12 | **132,511,316** | 114,844,328 |
| Provisions | 13 | **775,551** | 3,399,892 |
| | | **133,286,867** | 118,244,220 |
| **Net current liabilities** | | **(57,035,385)** | (27,395,272) |
| **Miscellaneous expenditure** | | | |
| (to the extent not written off or adjusted) | 14 | **773,000** | 1,082,200 |
| **Profit and loss account** | | **6,543,632,413** | 6,609,239,107 |
| | | **6,973,521,621** | 7,074,912,528 |
| Notes to the accounts | 19 | | |

As per our report of even date attached.

**For RSM & Co.**
***Chartered Accountants***

**Vijay N. Bhatt**
**Partner (F-36647)**

**For Trigyn Technologies Limited**

**Ramkrishna Bhagwat**
**Director**

**Tushar Vaidya**
**Director**

**Y. V. Gopalam**
**Finance Controller**

**Samir Kamat**
**Company Secretary**

Place: Mumbai
Date: June 29, 2005

**Profit and loss account for the year ended March 31, 2005**
(Currency: Indian Rupee)

| | Schedule | 2005 | 2004 |
|---|---|---|---|
| **Income** | | | |
| Software development services | | **48,572,007** | 78,736,787 |
| Other income | 15 | **22,435,789** | 16,387,744 |
| Provision for doubtful debts/advances no longer required, written back | | - | 19,450,013 |
| | | **71,007,796** | 114,574,544 |
| **Expenditure** | | | |
| Personnel costs | 16 | **29,542,257** | 53,621,613 |
| Depreciation | 6 | **5,906,933** | 21,047,913 |
| Interest | 17 | **67,899,656** | 79,819,398 |
| Other costs | 18 | **25,863,189** | 66,795,281 |
| | | **129,212,035** | 221,284,205 |
| **Profit / (Loss) for the year before tax, extraordinary item, prior period adjustments and exceptional items** | | **(58,204,239)** | (106,709,661) |
| **Less: Income tax for earlier years** | | **46,036** | (10,105,177) |
| **Add: Extraordinary Item-Profit on sale of business consideration (Refer note 3 to schedule 19)** | | **106,534,400** | - |
| **Less: Prior period adjustments-Director Remuneration and payroll contributions for earlier years** | | **4,307,907** | 22,718,025 |
| **Profit / (Loss) for the year after tax, prior period adjustments and before exceptional items** | | **43,976,218** | (119,322,509) |
| **Add: Exceptional items (Refer note 4 (a and b) to schedule 19)** | | **21,630,476** | (212,285,834) |
| **Profit / (loss) for the year after tax, prior period adjustments and exceptional items** | | **65,606,694** | (331,608,343) |
| **Profit and loss account, brought forward** | | **(6,609,239,107)** | (6,277,630,764) |
| **Profit and loss account, carried forward** | | **(6,543,632,413)** | (6,609,239,107) |
| **Earning per share before exceptional and extraordinary adjustments** | | | |
| - Basic earnings per share | | **(4.21)** | (8.04) |
| - Diluted earnings per share | | **(4.18)** | (8.03) |
| **Earning per share after exceptional and extraordinary adjustments** | | | |
| - Basic earnings per share | | **(4.42)** | (22.33) |
| - Diluted earnings per share | | **(4.38)** | (22.32) |
| Number of share (face value of Rs. 10 each) | | **14,849,875** | 14,849,875 |
| Notes to the accounts | 19 | | |

As per our report of even date attached

**For RSM & Co.**
***Chartered Accountants***

**For Trigyn Technologies Limited**

**Vijay N. Bhatt**
**Partner (F-36647)**

**Ramkrishna Bhagwat**
**Director**

**Tushar Vaidya**
**Director**

**Y. V. Gopalam**
**Finance Controller**

**Samir Kamat**
**Company Secretary**

Place: Mumbai
Date: June 29, 2005

(Currency: Indian Rupee)

## Cash Flow Statement for the year ended March 31, 2005

| | | 2005 | | 2004 |
|---|---|---|---|---|
| **Cash flow from operating activities** | | | | |
| Profit / (Loss) after tax, prior period adjustments and exceptional items | | **65,606,694** | | (331,608,343) |
| **Adjustments for:** | | | | |
| Dimunition other than temporary in value of investments | **-** | | 169,264,545 | |
| Interest income | **(291,962)** | | (2,710,228) | |
| Income from Trade Investments | **(7,000)** | | (7,000) | |
| Provision for doubtful debts/advances to debtors / subsidiaries / employees | **6,930,650** | | 23,571,267 | |
| Depreciation and amortization | **4,881,195** | | 20,385,666 | |
| Unrealised foreign exchange (gain) / loss | **(2,410,291)** | | 5,031,125 | |
| Loss / (profit) on sale of assets, net | **(104,621)** | | 3,547,375 | |
| Interest Cost | **67,899,656** | **76,897,627** | 79,819,398 | 298,902,148 |
| **Operating (loss)/profit before working capital changes** | | **142,504,321** | | (32,706,195) |
| **Changes in:** | | | | |
| Sundry Debtors | **42,754,905** | | 8,514,221 | |
| Loans and advances | **705,812** | | 22,020,138 | |
| Current Liabilities and Provisions | **(46,386,527)** | **(2,925,810)** | (77,649,683) | (47,115,324) |
| **Cash (used in) / generated from operations** | | **139,578,511** | | (79,821,519) |
| Income taxes refund, net | | **1,918,969** | | 40,369,640 |
| **Net cash (used in) / generated from operations** | **(A)** | **141,497,480** | | (39,451,879) |
| **Cash flow from investing activities** | | | | |
| Proceeds from sale of fixed assets | | **338,305** | | 5,502,061 |
| Purchase of fixed assets | | **(305,717)** | | (1,414,073) |
| Interest Received | | **199,189** | | 2,710,228 |
| Dividend Received | | **7,000** | | 7,000 |
| Loans to subsidiaries (net) | | **1,668,745** | | 70,383,640 |
| **Net cash used in investing activities** | **(B)** | **1,907,522** | | 77,188,856 |

(Currency: Indian Rupee)

## Cash Flow Statement for the year ended March 31, 2005 *(continued)*

| | | 2005 | 2004 |
|---|---|---|---|
| **Cash flow from financing activities** | | | |
| Interest paid | | **(6,468,459)** | (48,485,365) |
| Acceptance / (repayment) of loans from directors | | **(6,000,000)** | 6,000,000 |
| Repayment of loans | | **(94,055,969)** | (12,973,539) |
| **Net Cash (used in) / generated from financing activities** | **(C)** | **(106,524,428)** | (55,458,904) |
| **Decrease in cash and cash equivalents** | **(A + B + C)** | **36,880,574** | (17,721,927) |
| **Cash and cash equivalents at the beginning of year** | | **2,102,331** | 19,824,258 |
| **Cash and cash equivalents at the end of year *** | | **38,982,905** | 2,102,331 |

* Includes unrealised exchange loss of Rs. 764,507 (2004: loss of Rs. 61,673)

.

As per our report of even date attached.

**For RSM & Co.**
***Chartered Accountants***

**Vijay N. Bhatt**
**Partner (F-36647)**

**For Trigyn Technologies Limited**

**Ramkrishna Bhagwat**
**Director**

**Tushar Vaidya**
**Director**

**Y. V. Gopalam**
**Finance Controller**

**Samir Kamat**
**Company Secretary**

Place: Mumbai
Date: June 29, 2005

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005**
(Currency: Indian Rupee)

| **Schedule 1. Share capital** | **2005** | 2004 |
|---|---|---|
| **Authorised** | | |
| 20,000,000 (2004: 20,000,000) equity shares of Rs 10 each. | **200,000,000** | 200,000,000 |
| 5,000,000 (2004: 5,000,000) preference shares of Rs 10 each. | **50,000,000** | 50,000,000 |
| | **250,000,000** | 250,000,000 |
| **Issued, subscribed and paid-up** | | |
| 14,849,875 (2004: 14,849,875) equity shares of Rs 10 each fully paid-up. | **148,498,750** | 148,498,750 |
| 5,000,000 (2004: 5,000,000) cumulative redeemable preference shares of Rs 10 each fully paid-up. | **50,000,000** | 50,000,000 |
| | **198,498,750** | 198,498,750 |

Of the above, 5,251,666 (2004: 5,251,666) equity shares of Rs 10 each fully paid-up have been issued as bonus shares by capitalisation of share premium.

Of the above, 7,350,000 (2004: 7,350,000) equity shares of Rs 10 each fully paid-up with a premium of Rs 815 have been allotted to eCapital Holding (Bermuda) Limited for consideration other than cash for acquiring 7,350,000 equity shares (representing 100% of issued and paid up share capital) of eCapital Solutions (Bermuda) Limited.

Of the above, 5,000,000 (2004: 5,000,000) cumulative redeemable preference shares of Rs 10 each fully paid-up with a premium of Rs 40 were issued on 30 January 2001 to Oriental Bank of Commerce (earlier known as Global Trust Bank). The cumulative preference shares are redeemable at a premium of Rs 40 with a put and call option as defined below:

10% redeemable at premium of Rs 40 at the end of 24 months from the date of the issue
(Oriental Bank of Commerce / the Company has not exercised this option on that date).
20% redeemable at premium of Rs 40 at the end of 36 months from the date of the issue.
(Oriental Bank of Commerce / the Company has not exercised this option on that date).
35% redeemable at premium of Rs 40 at the end of 48 months from the date of the issue.
(Oriental Bank of Commerce / the Company has not exercised this option on that date).
35% redeemable at premium of Rs 40 at the end of 60 months from the date of the issue.
All these redemptions are based on Put/Call Options by Oriental Bank of Commerce or the Company respectively, at these dates.
Refer note 9 to schedule 19 for Employee Stock Options granted by the Company.

| **Schedule 2. Share application money** | | |
|---|---|---|
| **Application money under Employees stock** option plan ('ESOP') | **397,500** | 397,500 |
| | **397,500** | 397,500 |

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

| | 2005 | 2004 |
|---|---|---|
| **Schedule 3. Reserves and surplus** | | |
| Share premium account | **6,538,364,825** | 6,538,364,825 |
| Employee stock options outstanding | | |
| - Balance at the beginning of the year | **6,116,170** | 5,904,295 |
| - Addtion on issue of stock options | **-** | 2,640,000 |
| - Reversal on forfeiture of stock options | **(3,341,035)** | (2,428,125) |
| | **2,775,13** | 6,116,170 |
| Less: Deferred employee compensation expense | | |
| - Balance at the beginning of the year | **2,006,097** | 679,175 |
| - Addition on issue of Stock options | **-** | 2,640,000 |
| - Reversal on forfeiture of stock options | **(1,549)** | (77,867) |
| - Amortisation of deferred employee Compensation expense | **(2,004,548)** | (1,235,211) |
| | **-** | 2,006,097 |
| | **2,775,135** | 4,110,073 |
| | **6,541,139,960** | 6,542,474,898 |
| **Schedule 4. Secured loans** | | |
| **From banks** | | |
| Term loans | **233,485,411** | 327,267,818 |
| (Amount repayable within one year Rs 112,400,000 (2004: Rs. 56,200,000)) | | |
| | **233,485,411** | 327,267,818 |
| **From others** | | |
| Lease obligation in relation to vehicles acquired under finance lease | **-** | 273,562 |
| | **233,485,411** | 327,541,380 |

The Company has taken terms loans from Oriental Bank of Commerce (OBC) (earlier known as Global Trust Bank (GTB)). The term loans from OBC are secured by the sole charge on all the assets of the Company and its subsidiaries in India. In addition, the term loans from OBC are secured by the pledge of the 100% shares of eCapital Solutions (Bermuda) Limited and Applisoft Inc., the two wholly owned subsidiaries of Trigyn Technologies Limited.. Finance lease obligations are secured against vehicles acquired under lease. Refer Note 6 to Schedule 19.

| | 2005 | 2004 |
|---|---|---|
| **Schedule 5. Unsecured loans** | | |
| Loans from Directors (Interest free) | - | 6,000,000 |
| | **-** | 6,000,000 |

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

### Schedule 6. Fixed assets

| Particulars | Cost as at 1 April 2004 | Additions during the year | Deductions during the year | Cost as at 31 March 2005 | Accumulated depreciation as at 1 April 2004 | Depreciation charge for the year | Accumulated depreciation on deductions | Accumulated depreciation as at 31 March 2005 | Net book value as at 31 March 2005 | Net book value as at 31 March 2004 |
|---|---|---|---|---|---|---|---|---|---|---|
| Leasehold improvements | 74,490,504 | - | 479,600 | **74,010,904** | 68,026,440 | 4,325,482 | 479,600 | **71,872,322** | **2,138,582** | 6,464,064 |
| Building (Note 1) | 6,449,503 | - | - | **6,449,503** | 1,589,305 | 558,640 | - | **2,147,945** | **4,301,558** | 4,860,198 |
| Office equipment | 11,704,435 | 85,302 | 4,350,512 | **7,439,225** | 11,282,152 | 424,054 | 4,350,517 | **7,355,689** | **83,536** | 422,283 |
| Computers & peripherals | 91,048,689 | 194,815 | 32,827,991 | **58,415,513** | 90,893,217 | 170,038 | 32,827,991 | **58,235,264** | **180,249** | 155,472 |
| Motor vehicles (Note 2) | 3,796,628 | - | 2,923,510 | **873,118** | 3,283,484 | 279,455 | 2,689,821 | **873,118** | **-** | 513,144 |
| Furniture and fixtures | 7,721,864 | 25,600 | 5,685,425 | **2,062,039** | 7,574,132 | 149,264 | 5,685,425 | **2,037,971** | **24,068** | 147,732 |
| | 195,211,623 | 305,717 | 46,267,038 | **149,250,302** | 182,648,730 | 5,906,933 | 46,033,354 | **142,522,309** | **6,727,993** | 12,562,893 |
| Previous year | 211,179,026 | 1,414,073 | 17,381,476 | 195,211,623 | 169,932,857 | 21,047,913 | 8,332,040 | 182,648,730 | 12,562,893 | |

Note 1: Building includes value of properties in Co-operative societies including shares of respective societies.
Note 2: The cost of Motor vehicles includes motor vehicle taken on hire purchase amounting to Rs. Nil; (2004: Rs. 723,409)

| **Schedule 7. Investments** | **2005** | 2004 |
|---|---|---|
| **Long term investments (at cost)** | | |
| Trade (unquoted) investment in subsidiaries | | |
| 7,350,000 (2004:7,350,000) equity shares of US $ 0.40 each fully paid-up in eCapital Solutions (Bermuda) Limited | **6,064,716,375** | 6,064,716,375 |
| 15,000 (2004:15,000) equity shares of US $ 1 each fully paid-up in Applisoft Inc. USA | **421,629,079** | 421,629,079 |
| 500,000 (2004: 500,000) equity shares of Rs 10 each fully paid-up in Leading Edge Infotech Limited | **5,000,000** | 5,000,000 |
| | **6,491,345,454** | 6,491,345,454 |
| Less: Provision for decline other than temporary in the value of investment in subsidiaries | **6,011,975,454** | 6,011,975,454 |
| Refer Note 4(c) of schedule 19 | | |
| | **479,370,000** | 479,370,000 |
| Non - trade (unquoted) investments | | |
| 100 (2004: 100) equity shares of Rs 36 each fully paid-up in Bombay Mercantile Co operative Bank Limited | **3,600** | 3,600 |
| 5,000 (2004: 5,000) equity shares of Rs 10 each fully paid-up in North Kanara GSB Co operative Bank Limited | **50,000** | 50,000 |
| | **53,600** | 53,600 |
| | **479,423,600** | 479,423,600 |

| **Schedule 8. Unbilled Debtors** | | |
|---|---|---|
| (Unsecured) | | |
| Debts over six months | | |
| - Considered doubtful | **1,319,189** | 1,204,211 |
| Others debts | | |
| - Considered good | **-** | 222,300 |
| | **1,319,189** | 1,426,511 |
| Less: Provision for doubtful debts | **1,319,189** | 1,204,211 |
| | **-** | 222,300 |

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

| **Schedule 9. Sundry debtors** | **2005** | 2004 |
|---|---|---|
| (Unsecured) | | |
| Debts over six months | | |
| -Considered good | **478,228** | 1,676,347 |
| -Considered doubtful | **269,726,586** | 261,623,540 |
| Others debts | | |
| - Considered good | **3,228,733** | 37,722,379 |
| -Considered doubtful | **-** | - |
| | **273,433,547** | 301,022,266 |
| Less: Provision for doubtful debts | **269,726,586** | 261,623,540 |
| | **3,706,961** | 39,398,726 |
| **Schedule 10. Cash and bank balances** | | |
| Cash on hand | **6,588** | 555 |
| Balances with scheduled banks | | |
| -in current account | **18,272,893** | 874,005 |
| -in deposit account | **17,840,961** | 325,974 |
| | **36,120,442** | 1,200,534 |
| Balances with other banks in current account | | |
| -First Fidelity Bank NA, USA | **630,012** | 674,220 |
| -Overseas Chinese Banking Corporation | **2,232,451** | 227,577 |
| | **2,862,463** | 901,797 |
| | **38,982,905** | 2,102,331 |
| Maximum balance held during the year with other banks on current account | | |
| -First Fidelity Bank NA, USA | **1,092,904** | 7,644,248 |
| -Overseas Chinese Banking Corporation | **4,349,602** | 3,314,540 |
| -Brunswick Bank and Trust, USA | **-** | 866,040 |
| **Schedule 11. Loans and advances** | | |
| (Unsecured, considered good) | | |
| Loans to subsidiaries | **30,425,019** | 42,144,086 |
| Loans and advances to employees | **121,504** | 82,930 |
| Deposits | **150,041** | 687,456 |
| Advance income taxes | **2,465,451** | 4,384,420 |
| Advances recoverable in cash or in kind or for value to be received | **399,601** | 1,826,699 |
| | **33,561,616** | 49,125,591 |
| (Unsecured, considered doubtful) | | |
| Loans to subsidiaries | **220,748,755** | 210,698,434 |
| Loans and advances to employees | **1,016,528** | 1,016,528 |
| Advance for Purchase of Fixed Asset | **1,342,893** | - |
| | **223,108,176** | 211,714,962 |
| Less: provision for doubtful loans and advances | **223,108,176** | 211,714,962 |
| | **-** | - |
| | **33,561,616** | 49,125,591 |

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

Loans to subsidiaries comprise amounts due from Trigyn Technologies (India) Private Limited Rs 221,454,943 (2004: Rs 224,853,110), Leading Edge Infotech Limited Rs 25,284,703 (2004: Rs 23,570,659), eVector (India) Private Limited Rs 9,505 (2004: Rs 9,505), Trigyn Technologies Limited UK Rs 2,075,814 (2004: Rs 2,075,814), Applisoft Inc. Rs 2,322,096 (2004: Rs 2,306,718) and eVector Inc. Rs 26,713 (2004: Rs 26,713) which are companies under the same management as defined under section 370(1B) of the Companies Act, 1956.

Maximum amount outstanding during the year from Trigyn Technologies India Private Limited Rs 225,695,372 (2004: Rs 235,354,230), Leading Edge Infotech Limited Rs 25,284,703 (2004: Rs 29,532,386), eVector (India) Private Limited Rs 9,505 (2004: Rs 9,505), Trigyn Technologies Limited UK Rs 2,075,814(2004: Rs 2,273,859), Applisoft Inc. Rs 2,322,096 (2004: Rs 2,526,784), and eVector Inc. Rs 26,713 (2004: Rs 29,264).

Maximum amount outstanding during the year from the Directors is Rs 2,016,000 (2004: Rs 20,318,306).

| **Schedule 12. Current liabilities** | **2005** | 2004 |
|---|---|---|
| Sundry creditors | **224,738** | 5,481,914 |
| Amount to be deposited with Investor Education and Protection Fund (to the extent as and when required) | | |
| - Unclaimed dividend * | **489,302** | - |
| Other liabilities | **34,297,276** | 12,731,938 |
| Income tax liability on salaries (refer note 4 to schedule 19) | **-** | 31,630,476 |
| Interest accrued but not due on loans | **97,500,000** | 65,000,000 |
| | **132,511,316** | 114,844,328 |

At 31 March 2005 and 31 March 2004, the Company had no amounts due to small-scale industrial undertakings.
* At 31 March 2005, the Company has to deposit a sum of Rs.82,270/- to the credit of Investor Education and Protection Fund (2004: Rs. 20,937).

**Schedule 13. Provisions**

| | | |
|---|---|---|
| Provision for income tax | **7,721** | 22,120 |
| Provision for leave encashment and gratuity costs | **767,830** | 3,377,772 |
| | **775,551** | 3,399,892 |

**Schedule 14. Miscellaneous expenditure**
(to the extent not written off or adjusted)

| | | |
|---|---|---|
| Loan origination costs | **1,082,200** | 1,535,000 |
| Less: written off during the year | **309,200** | 452,800 |
| | **773,000** | 1,082,200 |

**Schedule 15. Other income**

| | | |
|---|---|---|
| Interest received on deposits with banks (Tax Deducted at Source Rs 41,205 (2004: Rs.16,432) | **291,962** | 298,222 |
| Interest received on Income Tax Refund | **-** | 2,412,006 |
| Sundry Balance written back | **606,067** | 3,181,287 |
| Lease rental income | **8,227,410** | 9,974,913 |
| Profit on sale fixed assets | **115,155** | 505,311 |
| Dividend from non-trade investments (long term) | **7,000** | 7,000 |
| Exchange gain, net | **13,188,195** | - |
| Miscellaneous income | **-** | 9,005 |
| | **22,435,789** | 16,387,744 |

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

| **Schedule 16. Personnel costs** | **2005** | 2004 |
|---|---|---|
| Salaries, bonus and overseas allowances | **28,249,250** | 50,057,943 |
| Contribution to provident and other funds | **1,531,291** | 2,215,646 |
| Gratuity and leave encashment costs | **745,177** | 1,840,823 |
| Staff welfare | **351,477** | 574,276 |
| Sales commission | **-** | 47,972 |
| Employee stock option expense, net of forfeiture of options | **(1,334,938)** | (1,115,047) |
| | **29,542,257** | 53,621,613 |

**Scheule 17. Interest costs**

| | | |
|---|---|---|
| On term loans * | **67,869,695** | 79,683,936 |
| Others | **29,961** | 135,462 |
| | **67,899,656** | 79,819,398 |

* Includes Rs. 32,500,000 (2004: Rs. 32,500,000) provided for in lieu of preference dividend for 2005.

As per the Facility agreement and Preference Share Subscription Agreement signed with Oriental Bank of Commerce (OBC) earlier known as Global Trust Bank (GTB), the Company is liable to pay interest at the rate of 13% on the total preference share subscription amount of Rs. 250 million, in the event the Company is unable to declare dividend in any year, for lack of adequate profits. Accordingly, the Company has made the provision towards this liability.

**Schedule 18. Other costs**

| | | |
|---|---|---|
| Consultancy charges | **4,687,895** | 19,719,520 |
| Travel and conveyance costs | **1,595,350** | 2,234,589 |
| Legal and professional fees | **4,345,360** | 3,984,878 |
| Rent | **442,550** | 2,026,543 |
| Rates and Taxes | **45,494** | 45,735 |
| Electricity Charges | **1,229,325** | 1,495,019 |
| Communication expenses | **906,859** | 926,248 |
| Insurance | **31,320** | 1,105,034 |
| Repairs and maintenance | | |
| - Buildings | **5,500** | 198,389 |
| - Plant and machinery | **204,119** | 305,828 |
| - Others | **73,271** | 218,311 |
| Bad debts written off | **36,397** | - |
| Provision for doubtful debts / advances (net ) | **9,611,238** | - |
| Exchange loss, net | **-** | 27,308,196 |
| Miscellaneous expenses | **2,339,311** | 6,774,191 |
| Amortisation of miscellaneous expenditure | **309,200** | 452,800 |
| | **25,863,189** | 66,795,281 |

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

**Schedule 19. Notes to Accounts**

## 1. Background

Trigyn Technologies Limited ('TTL' or 'the Company') was incorporated on 25 March 1986. The Company made its initial public offering in January 1995 and is presently listed on the Mumbai, National and Ahmedabad Stock Exchanges.TTL is primarily engaged in the development of customized applications and client server custom engineered solutions, principally to customers in the telecommunications, and financial services sectors.

Currently, TTL has its software development center in Mumbai, India ('the Head Office') and a branch office at New Jersey, United States of America ('the Branch'). The Branch has effectively closed down its operations w.e.f. September 2004 and the Company operates in US through its subsidiary Trigyn Technologies Inc.. In 1997, the Company established a wholly owned subsidiary, Leading Edge Infotech Limited ('LEIL'), which is engaged primarily in providing software services for the financial services market in India. The Company who had begun providing services to one of its key clients in Singapore through its branch there since March 2003 has effectively closed down the operations of Singapore Branch w.e.f July 2004 on sale of the above business to iflex Group.

The Company operates in Germany, US and UK through its subsidiaries, which became part of Trigyn group pursuant to the acquisition of these subsidiaries by Trigyn in previous years.

## 2. Principal accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, on the accrual basis of accounting, and in accordance with the provisions of the Companies Act, 1956. All income and expenditure having a material bearing on the financial statements are recognised on accrual basis.The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements.

These financial statements have been prepared assuming the Company will continue as a going concern despite current liabilities exceeds current assets and reduced sales, in the current year. Management believes that the Company will be able to finance its operations and meet its commitments including commitments given to support its subsidiaries from internal cash generation in the foreseeable future given the various options it is perusing in this regard, including transfer of material business / contract during the year. Accordingly, the financial statements do not include any adjustments regarding the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

### 2.2 Revenue recognition

Revenues from software development services comprise income from time and material and fixed price contracts. Revenue from 'time and material' contracts is recognised, as and when related services are performed and accepted by the customer. Revenue from fixed price contracts is recognised using the percentage of completion method of accounting, under which the sales value of performance, including the profit thereon, is determined by relating the actual man hours of work performed to date to the estimated total man hours for each contract. Provision for estimated losses on uncompleted contracts are recorded in the period in which such losses become probable, based on current contract estimates.

Unbilled receivables represent costs incurred and revenues recognised on contracts, to be billed in subsequent periods as per the terms of the contract. Interest on deployment of surplus funds is recognized using the time proportion method based on the underlying interest rates.

### 2.3 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the fixed assets. Cost also includes financing costs directly attributable to acquisition of fixed assets. Depreciation on additions and disposals is provided pro-rata for the period of use.

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

Depreciation is provided on straight line basis at higher of the rates based on useful lifes of the fixed assets as estimated by the management and those stipulated in Schedule XIV to the Companies Act, 1956.

The useful lives of fixed assets as estimated by the management are:

| **Asset** | **Useful life (in years)** |
|---|---|
| Leasehold improvements / Assets taken on lease | Over the term of the lease or the estimated useful life of the asset which ever is shorter |
| Buildings | 20 years |
| Office equipment | 3-4 years |
| Computers and peripherals | 3 years |
| Furniture and fixtures | 4 years |
| Motor vehicles | 4 years |

### 2.4 Retirement benefits

Contributions to the employees' provident fund, which is a defined contribution scheme, are charged to the profit and loss account in the year in which the contributions are due. Leave encashment costs are provided for, based on an actuarial valuation carried out by an independent actuary at the balance sheet date. Gratuity costs, which are defined benefits, are based on an actuarial valuation carried out by an independent actuary at the balance sheet date.

### 2.5 Investments

Long-term investments are carried at cost, and provision is made when in the management's opinion there is a decline, other than temporary, in the carrying value of such investments. Current investments are carried at lower of cost and fair value.

### 2.6 Miscellaneous expenditure

Miscellaneous expenditure comprises loan origination costs are written off on a straight-line basis over the outstanding period of the loan.

### 2.7 Income tax

Current tax provision is made annually based on the tax liability computed after considering tax allowances and exemptions. Further, deferred tax liability or asset is recognized for timing differences between the profits/ losses offered for income taxes and profits/losses as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized, other than deferred tax assets in respect of unabsorbed depreciation and carry forward tax losses, which are recognised only to the extent that there is virtual certainty that they will be realized. Deferred tax assets are reviewed at each balance sheet date for the appropriateness of their carrying values.

### 2.8 Leases7

Assets acquired on finance leases after March 31, 2001, including assets acquired on hire purchase, have been recognised as an asset and a liability at the inception of the lease, at an amount equal to the lower of the fair value of the leased asset or the present value of the future minimum lease payments. Such leased assets are depreciated over the lease term or its estimated useful life whichever is shorter. Further, the payment of minimum lease payments have been apportioned between finance charges, which are debited to the profit and loss account and reduction in lease obligations recorded at the inception of the lease.

Assets given under operating lease are reflected in the financial statements under fixed assets. Further, lease income from such operating lease arrangements have been recognised in the statement of profit and loss on a straight line basis over the lease term.

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*

(Currency: Indian Rupee)

### 2.9 Foreign currency transactions

**Indian operations**

Transactions in foreign currency are recorded at the monthly average exchange rates. Net exchange gain or loss resulting in respect of foreign exchange transactions settled during the year are recognised in the profit and loss account. Foreign currency denominated current assets and current liabilities at the year-end are translated at the year-end exchange rates and the resulting net gain or loss is recognised in the profit and loss account other than the exchange rate difference relating to fixed assets, that are adjusted against the carrying costs of corresponding fixed assets.

**US and Singapore Branch office operations**

Revenue items other than depreciation costs are translated into the reporting currency at the monthly average exchange rates. Foreign currency denominated current assets and current liabilities at year-end are translated at the year-end exchange rates. Fixed assets are translated at exchange rates on the date of the transaction and depreciation on fixed assets is translated at the exchange rates used for translation of the underlying fixed assets. Net exchange difference resulting from translation of items in the financial statements of the foreign Branch is recognised in the profit and loss account.

### 2.10 Stock based compensation

Compensation cost relating to employee stock options granted by the Company has been accounted in accordance with the “SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999” issued by Securities and Exchange Board of India. Accordingly, the excess of the market price of the underlying equity share as at the date of grant of the option over the exercise price of the options on the date of grant has been recognized as employee compensation expense and is being amortised on a straight line basis over the vesting period.

### 2.11 Earnings per share

The basic earnings per share is computed by dividing the profit/ loss after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding during the reporting period.

### 2.12 Segment information

In accordance with Accounting Standard 17 “Segment Reporting”, issued by the Institute of Chartered Accountants of India, if the Company’s single financial report contains both consolidated financial statements and the separate financial statements of the parent, segment information need be presented only on the basis of the consolidated financial statements. Accordingly, the Company has chosen to present segment information only in its consolidated financial statements.

### 2.13 Provision and contingent liabilities

Provisions are recognized when the Company has present legal or constructive obligation, a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. Contingent liabilities, if any, are disclosed by way of notes to the Balance Sheet.

### 3. Extraordinary Item

During the year, Rs.10.65 crores (USD 2.32 million) were received as business consideration from i –flex Group towards payment in full on account of transaction involving transfer of a material business / contract. The proceeds from this transaction would be used for reducing the debt burden and also infuse the much needed working capital for the business growth.

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

### 4. Exceptional items

#### (a) Provisions for income tax on salary for earlier years written back amounting to Rs.31,630,476

In March 2000, the Company had received a demand from the Income tax authorities aggregating Rs 29,561,192, representing the amount of tax not deducted at source by the Company on salaries of certain employees for the five assessment years ended 31 March 1999. As at 31 March 2000, the Company had provided for the entire amount in the financial statements. Further, the Company had filed an appeal contesting this demand, and paid Rs 14,780,596 under protest. In March 2001, the above appeal was decided in the favour of the Company and in the previous year, the Company had received refund of the above taxes paid including interest aggregating Rs 16,849,880. The tax authorities had appealed against this above order, the amount provided for and the refund received had been disclosed in the financial statements as liability. The Company has received an order in August 2004 from the Income-Tax Appellate Tribunal dismissing the appeals filed by the Income-tax Authorities regarding assessment of tax deductible at source on the salary of the employees deputed to United States of America. As a result of this, the tax liability provided by the Company on such salary has been written back as an exceptional adjustment.

#### (b) Provision for loan given to a subsidiary amounting to Rs. 10,000,000

In the year 2004 – 2005 Trigyn Technologies (India) Private Limited (TTIPL) and its UK Branch have discontinued its software operations. Accordingly, the Company has made an additional provision for doubtful loans and advance due from this subsidiary aggregating Rs. 10,000,000 on the basis of the realisability of the funds from the subsidiary generated by rent and interest income in the following two years. The earlier provision was made in the year 2001 – 2002 aggregating Rs. 183.64 million

#### (c) Provision for decline other than temporary in the value of investments

In April 2000, the Company allotted 7,350,000 equity shares of Rs 10 each at a premium of Rs 815 in consideration aggregating Rs 6,064.72 million for acquiring 7,350,000 equity shares, representing 100% equity interest in eCapital Solutions (Bermuda) Limited ("EB"). The investment was recorded by crediting share capital and share premium accounts. Further, in January 2001, the Company also acquired 100% equity stake in Applisoft Inc for consideration in cash aggregating Rs 421.63 million.

On the basis of a preliminary evaluation in the year 2002 and 2003, the Company had made a provision for 'decline other than temporary' in the carrying value of its investments in eCapital (Bermuda) Limited and Applisoft Inc. aggregating Rs 5837.71 million. The primary reasons for such decline are attributed to the general downturn in the software services and products business, which may result in loss of certain perceived business synergies.

In the year 2004, the company has engaged the services of Dua and Jablons, a CPA firm in the USA to conduct an independent valuation of the two subsidiaries, eCapital Solutions (Bermuda) Ltd. and its subsidiaries and Applisoft Inc. for arriving at a realistic valuation and carrying value for these investments. Based on this valuation report, the average valuation or carrying value of the investment in these two subsidiaries is USD 11.44 million or Rs. 479.37 million as on that balance sheet date. As a result of which management decided to make a further provision amounting to Rs. 169.26 million in the year 2004. Further, since the companies have made a profit during the current year and looking at the future prospects and underlying potential, the Company is of the opinion that no further diminution in value of investements is currently required.

#### (d) Provision for doubtful debts amounting to Rs. 43,021,289

One of the customer having a balance of Rs. 43,021,289 was provided during the previous year after an out of court settlement was reached to forego the balance outstanding from that customer.

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

### 5. Earnings per share

Details of numerator and denominator used for the purposes of computing earnings per share are summarized below :

| | **2005** | 2004 |
|---|---|---|
| Profit / (Loss) attributable to equity share holders | **65,606,694** | (331,608,343) |
| Less : Extraordinary adjustment | **106,534,400** | - |
| Less : Exceptional adjustment | **21,630,476** | 212,285,834 |
| **Profit /(Loss) before extraordinary and exceptional adjustment** | **62,558,182** | 119,322,509 |
| Weighted average number of shares used in computing earning per share (Basic) | **14,849,875** | 14,849,875 |
| Weighted average number of shares used in computing earning per share (Diluted) | **14,975,932** | 14,858,691 |
| **Earnings per share before exceptional and extraordinary adjustment** | | |
| - Basic | **(4.21)** | (8.04) |
| - Diluted | **(4.18)** | (8.04) |
| **Earnings per share after exceptional and extraordinary adjustment** | | |
| - Basic | **4.42** | (22.33) |
| - Diluted | **4.38** | (22.33) |

### 6.Term Loan from Oriental Bank of Commerce

The Company has submitted fresh proposals for further restructuring / rescheduling the credit facility obtained from the Global Trust Bank (since merged with Oriental Bank of Commerce) inter alia for reduction of interest, write off / moratorium on payment of principle amount and the matter is being followed up by the Company with the said Bank.

### 7. Deferred Taxes

In view of the losses incurred by the company, deferred tax assets on carry forward business losses and unabsorbed depreciation have not been created.

### 8. Leases

In 1998, 1999 and 2001 the Company acquired certain vehicles on hire purchase basis. The hire purchase payments in respect of these vehicles are payable in 36 monthly installments, which expired by 2004. Additionally in 2001-2002, the Company acquired a vehicle under finance lease for a non-cancelable period of 3 years. At the inception of the lease, fair value of such vehicles has been recorded as an asset under the gross block of vehicles with a corresponding lease rental obligation under secured loans. As per the agreement, the Company had an option to purchase the vehicle at the end of lease period at the residual value mentioned therein or opt for renewal. However at the end of the lease period the Company has sold the vehicle and has paid the residual value to the lesser.

Fixed assets include the following amounts in relation to the above leased assets:

| | **2005** | 2004 |
|---|---|---|
| Gross block of vehicles | **873,118** | 2,217,922 |
| Less accumulated depreciation | **873,118** | 1,704,778 |
| Net Block | **-** | 513,144 |

Future minimum lease payments in respect of the above assets as at 31 March 2005 are summarized below:

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

| | Minimum lease payments | | Finance charge | | Present value of minimum lease payments | |
|---|---|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 | **2005** | 2004 |
| Amount due within one year from the balance sheet date | **-** | 299,414 | **-** | 25,816 | **-** | 273,598 |
| Amount due in the period between one year and five years | **-** | - | **-** | - | **-** | - |
| Amount due after five years | **-** | - | **-** | - | **-** | - |
| | **-** | 299,414 | **-** | 25,816 | **-** | 273,598 |

The Company has entered into operating lease arrangements, for leasing office premises in both India and US. The lease agreement in India has been cancelled on 25 April, 2003. The office premises in US had been taken under a non-cancelable lease for a period of 3 years, which was renewable at the option of the Company.

The future minimum lease payments in respect of non-cancelable operating lease in the US as at 31 March 2005 are summarized below:

| | **2005** | 2004 |
|---|---|---|
| Amount due within one year from the balance sheet date | **-** | 5,083,261 |
| Amount due in the period between one year and five years | **-** | - |
| Amount due after five years | **-** | - |
| | **-** | 5,083,261 |

In July 2001, the Company surrendered a part of its leased office premises. The existing leasehold improvements in these premises were subsequently leased by the Company. Primary period of this lease is 35 months, and can be terminated by the lessee after the first 11 months period. The lease can be further extended by 6 years (3 years at a time) from the end of the primary lease period. These assets are being depreciated over a period of 35 months representing the primary lease period.

In April 2003, the Company surrendered the remaining part of its leased office premises. The existing leasehold improvements in these premises were subsequently leased by the Company. Primary period of this lease is 35 months, and can be terminated by the lessee after the first 11 months period. The lease can be further extended by 6 years (3 years at a time) from the end of the primary lease period. These assets are being depreciated over a period of 35 months representing the primary lease period or the estimated useful life on the date of the agreement whichever is lower.

Fixed assets include the following amounts in relation to the above leased assets:

| | **2005** | 2004 |
|---|---|---|
| Gross block of leasehold improvements | **71,542,903** | 71,542,903 |
| Less accumulated depreciation | **69,404,322** | 65,092,396 |
| Net Block | **2,138,581** | 6,450,507 |

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*

(Currency: Indian Rupee)

The future minimum lease income in respect of the above non-cancellable operating lease as at 31 March 2005 are summarized below:

| | 2005 | 2004 |
|---|---|---|
| Amount due within one year from the balance sheet date | **7,486,266** | 4,398,292 |
| Amount due in the period between one year and five years | **4,681,638** | 3,164,754 |
| Amount due after five years | **-** | - |
| | **12,167,904** | 7,563,046 |

## 9. Employee Stock Option Plans

The 1998 Employee stock option plan

The 1998 Employees Stock Option Plan ('the Plan') provides for the issue of options up to 5% of the paid up equity share capital at a minimum exercise price of Rs 265 per equity share, with a vesting period of 36 months from the date of grant of option. In 2002, the Company revised the Plan, whereby the options granted to the employees would vest in four equal installments from the date of the grant of the options.

Presented below is a summary of the Company's 1998 stock option plan activity during the years ended 31 March 2001, 31 March 2002, 31 March 2003, 31 March 2004 and 31 March 2005:

| | Number of options |
|---|---|
| Balance at 1 April 2000 | 31,000 |
| Exercised during the year | (1,875) |
| Forfeited during the year | (3,750) |
| Balance at 31 March 2001 | 25,375 |
| Forfeited during the year 2002 | (4,500) |
| Balance at 31 March 2002 | 20,875 |
| Forfeited during the year 2003 | (5,250) |
| Balance at 31 March 2003 | 15,625 |
| Forfeited during the year 2004 | (8,750) |
| Balance at 31 March 2004 | 6,875 |
| Forfeited during the year 2005 | (500) |
| Balance at 31 March 2005 | 6,375 |

The Securities and Exchange Board of India ("SEBI") issued Employees Stock Option Scheme and Employees Stock Purchase Scheme Guidelines, 1999 ("the Guidelines"), which are effective for all stock option schemes established after 19 June 1999. In accordance with the Guidelines, the excess of the market price of the underlying equity shares as at the date of the grant of the options over the exercise price of the options, including upfront payments, if any, is to be recognised and amortised on a straight line basis over the vesting period.

The Company's 1998 Stock Option Plan was established prior to the Guidelines. Had the stock compensation cost for the plan been determined as per the Guidelines, the Company's reported net loss would have been lower by Rs. 134,775 (2004: Rs. 1,839,359).

Employee stock option plan 2000

In June 2000 the shareholders of the Company approved the Employees Stock Option Plan 2000 ("the 2000 Plan"), which covers the employees of the Company including its subsidiaries and affiliates. These options would vest equally over a period of four years, with a minimum vesting period of one year from the date of the grant of these options. The Company has reconstituted a compensation committee as prescribed by the SEBI guidelines for the purpose of administering this Plan.

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*

(Currency: Indian Rupee)

## Employee Stock Option Plans *(continued)*

During the year, the Company issued NIL options to employees of its subsidiaries, (2004: 250,150 options, including 350 options to employees of its subsidiaries) under the above Plan at an exercise price equivalent to the market price of the shares, on the date of grant of the options. In the current year in respect of above, NIL options to employees of its subsidiaries (2004: 3,800 options, including 350 options to employees of its subsidiaries) have been forfeited.

Further, during the year ended 31 March 2001, the Company issued 156,050 options including 34,250 options to employees of its subsidiaries, at an exercise price of Rs 380 per option and the prevalent market price of the shares, on the date of grant of these options was Rs 394.3 per share. In the current year, in respect of the above, 12,450 options including 6,750 options to employees of its subsidiaries (2004: 30,450 options, including 5,575 options to employees of its subsidiaries) have been forfeited.

In April 2000, TTL acquired 100% equity interest in eCapital Solutions (Bermuda) Limited and its subsidiaries (collectively referred as EB). The employees of EB had been granted options by eCapital Solutions (Bermuda) Limited. Accordingly, on acquisition of EB, the Company issued 85,850 options to the employees of the Indian subsidiaries of EB in exchange of EB options held by these employees. These options had been issued at an exercise price of Rs 78 per option and the prevalent market price of the shares, on the date of grant of these options was Rs 394.3 per share. These options would vest in the ratio of 50:25:25 over a period of three years, with a minimum vesting period of one year from the date of the grant of these options. In the current year, in respect of the above, 10,000 options (2004: 6,300) have been forfeited.

In the AGM held on 30 December 2003, the Company passed a resolution to grant Mr. Homiyar Panday, President - US Operations and Employee of the Subsidiary Company, Trigyn Technologies Inc., upto a maximum limit of 240,000 stock options convertible into equivalent amount of equity shares in one tranche at an exercise price of Rs.10/- per equity share. These shares, if opted for, are to vest after a lock in period of one year from the date of grant of the said stock options. The Company has accordingly provided the price differential in its books of accounts in terms of the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999. The requisite statutory approvals would be taken at the time of issue of these equity shares to Mr. Homiyar Panday.

During the year the Company has granted stock options to Mr. Thomas A Gordon, Senior Vice President – US Operations and Employee of the Subsidiary Company, Trigyn Technologies Inc., upto a maximum limt of 150,000 stock options convertible into equivalent amount of equity shares at market price during the month of July 2004 in terms of the Employees Stock Options Plan of the Company as applicable to its overseas subsidiaries' employees These shares., if opted for, are to vest pro rata after a lock in period of one year from the date of grant of the said stock options This grant is subject to the approval of the members of the Company at the forthcoming Annual General Meeting and also other statutory approvals like SEBI, RBI, etc., as may be required.

Presented below is a summary of the Company's 2000 stock option plan activity during the years ended 31 March 2001, 31 March 2002, 31 March 2003, 31 March 2004 and 31 March 2005:

| | Number of options |
|---|---|
| Balance at 1 April 2000 | - |
| Options granted during the year | 324,050 |
| Balance at 31 March 2001 | 324,050 |
| Options granted during the year | 26,350 |
| Forfeited during the year 2002 | (136,451) |
| Balance at 31 March 2002 | 213,949 |
| Options granted during the year | 17,200 |
| Forfeited during the year | (112,049) |
| Balance at 31 March 2003 | 119,100 |
| Options granted during the year | 250,150 |
| Forfeited during the year | (69,650) |
| Balance at 31 March 2004 | 299,600 |
| Options granted during the year | 150,300 |
| Forfeited during the year | 45,750 |
| Balance at 31 March 2005 | 404,150 |

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

In accordance with the SEBI guidelines, the excess of the market price of the underlying equity share as at the date of grant of the option over the exercise price of the options on the date of grant has been recognized as employee compensation expenses and is being amortised on a straight line basis over the vesting period. Employee stock option Employee Stock Option Plans compensation income for the year ended 31 March 2005 aggregated Rs 1,334,938 (cost for 2004: Rs 1,115,047).

Options granted to employees of the US branch ('Branch')

eCapital Holding Bermuda Limited ('EH'), the principal stockholder in TTL (EH owns 49% equity stake in TTL) has granted options to the employees of the Branch at an exercise price ranging between USD 0.65 (Rs 31.54) and USD 0.08 (Rs 3.88) per option, which would vest over a period of four years from the original date of grant of these options. EH has also issued options to certain employees at an exercise price of USD 0.28 (Rs. 13.59) per option, which would vest over a period of 2 years. Presently, these option entitlements are under review by the Company's attorneys and pending formal approval/adoption by the Board of Directors of EH and the Company. The Company has not accounted employee compensation expense in this regard, as these stock options have been granted by EH and do not represent Company's stock options.Summary of the Company's ESOP plan activity is given below:

| | Number of EH options |
|---|---|
| Options granted during the year 2000 - 2001 | 1,018,024 |
| Forfeited during the year | (3,087) |
| Balance at 31 March 2001 | 1,014,937 |
| Options granted during the year | 27,440 |
| Forfeited during the year | (148,519) |
| Balance at 31 March 2002 | 893,858 |
| Forfeited during the year | (125,023) |
| Balance at 31 March 2003 | 768,835 |
| Forfeited during the year | (172,232) |
| Balance at 31 March 2004 | 596,603 |
| Forfeited during the year | (596,603) |
| Balance at 31 March 2005 | - |

### 10. Regulatory matters

The Company has applied to the concerned regulatory authorities in respect of certain non-compliances, which had been reported on the previous balance sheet date. Most of these non-compliances are a result of the persistent down trend in the software industry, particularly in the United States, which is the largest customer market for the Company. These matters are summarized below:

- Assignment with recourse of certain debtors of foreign subsidiaries to the US branch aggregating Rs 2.53 million. 50% of this amount has been received in India in April 2005; and
- Discount cost aggregating Rs 116.83 million representing allowances made by the Company, arising from negotiations and settlement with a certain customer outside India.

  The management is confident that the pending applications will be reviewed favourably by the concerned authorities without any significant penalty.

### 11. Provisions, Contingent liabilities and Contingent assets

The details of provisions as required by the provisions of the Accounting Standard 29 " Provisions, Contingent liabilities and Contingent assets" are as under:

| Nature of Provision | Provision for doubtful debts | Provision for unbilled debtors | Provision for advances / loans | Provision for investments |
|---|---|---|---|---|
| Opening balance | 261,623,540 | 1,204,211 | 211,714,962 | 6,011,975,454 |
| Addition in provision | 12,574,943 | 114,978 | 11,393,214 | - |
| Reduction in provision | 4,471,897 | - | - | - |
| Closing balance | 269,726,586 | 1,319,189 | 223,108,176 | 6,011,975,454 |

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

## 12. Related party transactions

Details of related parties including summary of transactions entered into by the Company during the year ended 31 March 2005 are summarized below:
Names of related parties

| Subsidiary companies | Whole-time directors of the Company |
|---|---|
| Leading Edge Infotech Limited | Tushar Vaidya |
| Applisoft Inc. | Ramkrishna Bhagwat |
| ECapital Solutions (Bermuda) Limited | |
| ECapital Solutions (Mauritius) Limited | |
| Trigyn Technologies (India) Private Limited | |
| Trigyn Technologies Europe GmbH | |
| Trigyn Technologies Inc | |
| EVector (Cayman) Limited | |
| EVector Inc. | |
| EVector (India) Private Limited | |
| EVector (UK) Limited | |
| Trigyn Technologies Limited, UK | |

Particulars of related party transactions during the year ended 31 March 2005

| Nature of transactions | Transactions with subsidiaries | |
|---|---|---|
| | **2005** | 2004 |
| **Transactions during the year** | | |
| Services rendered by the Company | **41,817,512** | 68,801,067 |
| Cost of services rendered by the subsidiaries | **-** | - |
| Expenses incurred by the Company | **7,432,560** | 14,042,986 |
| Expenses incurred on behalf of the Company | **10,142,626** | 9,239,687 |
| Loans to subsidiaries | **582,691** | 392,130 |
| Provision for doubtful loans | **10,050,321** | (34,318,181) |
| Provisions for doubtful debts/advances | **(4,710,097)** | 27,637,300 |
| Provisions for diminution in value of investments | **-** | 169,264,545 |
| Transfer of fixed assets | **-** | - |
| **Year-end balances** | | |
| Gross amounts due as loans | **251,173,774** | 252,842,520 |
| Provisions for doubtful loans | **220,748,755** | 210,698,434 |
| Gross amounts due as debts | **100,650,286** | 139,450,159 |
| Provisions for doubtful debts | **96,709,515** | 101,419,613 |
| Gross amounts due to subsidiaries | **-** | - |
| Provisions for diminution in value of investments | **6,011,975,454** | 6,011,975,454 |

For ESOP's granted to employees of subsidiaries refer note 9.
For counter guarantees given on behalf of subsidiary refer note 14.

**Transactions with Directors**

For remuneration paid to the Directors refer note 17 (i) to schedule 19 to the financial statements.

For amounts due to and from Directors refer schedule 5 and schedule 11 to the financial statements.

## 13. Capital commitments

The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances at 31 March 2005 aggregated Rs. 19,681 (2004: Rs. 1,535,803).

## 14. Contingent liabilities

Counter guarantees on behalf of Leading Edge Infotech Limited, a wholly owned subsidiary Rs 1,000,000 (2004: Rs. 1,000,000).

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

### 15. Income tax matter

Income tax assessments for the AY 1995 – 1996 and AY 1996 – 1997 are pending for rectification while an appeal is pending before the tribunal for AY 2000 – 2001. The primary assessments for the above years have been completed and the demand as arrived by the Income Tax Department has been adjusted against the refund received against the assessment for AY 2001 – 2002. In view of this no provision for the same has been created.

### 16. Exchange gain and provision for doubtful debts / advances

Exchange gain of Rs. 13,188,195 and provision for doubtful debts / advances of Rs. 9,611,238 includes Rs. 12,680,588 as reinstatement of debtors and provisions for doubtful debts.

### 17. Supplementary statutory information

(i) Personnel costs includes managerial remuneration in respect of the whole-time directors of the Company as follows:

| | **2005** | 2004* |
|---|---|---|
| Salary | **1,800,000** | 1,800,000 |
| Contribution to provident and other funds | **216,000** | 216,000 |
| Director Insurance | **-** | 187,200 |
| | **2,016,000** | 2,203,200 |

*During the year and during the previous years ended March 31, 2001 and March 31, 2002, the Company paid managerial remuneration in excess of the limits prescribed under the Companies Act, 1956. On receipt of final approvals from the Central Government in the year 2004, this excess remuneration paid aggregating Rs. 22,718,025 has been shown as an prior period expense for the directors in the previous year.

| | | **2005** | 2004* |
|---|---|---|---|
| (ii) | Other costs include: | | |
| | Auditor’s remuneration: | | |
| | -statutory audit fees | **991,800** | 972,000 |
| | -taxation matters | **165,300** | 162,000 |
| | -other services | **589,170** | 352,500 |
| | -out of pocket expenses | **39,710** | 72,832 |
| | | **1,785,980** | 1,559,332 |
| (iii) | Expenditure in foriegn currency: | | |
| | Personnel costs | **5,569,214** | 30,043,632 |
| | Travel and conveyance | **(23,607)** | 1,113,019 |
| | Legal and professional fees | **360,936** | 913,712 |
| | Consultancy fees | **3,827,823** | 18,007,511 |
| | Capital items | **-** | - |
| | Others | **(1,715,739)** | 68,339,766 |
| | | **8,018,627** | 118,417,640 |
| (iv) | Earnings in foreign currency: | | |
| | Software development services | **47,154,732** | 78,527,227 |
| | Exchange gain, net | **847,982** | - |
| | Income Tax Provision written back | **-** | 1,554,750 |
| | Write back of Outstanding Liabilities | **107,685** | 2,816,786 |
| | Interest and other income | **-** | 8,239 |
| | | **48,110,399** | 82,907,002 |

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

### 18. Prior year comparatives

Prior year figures have been reclassified to conform to current year's presentation.

**For Trigyn Technologies Limited**

| | | |
|---|---|---|
| | **Ramkrishna Bhagwat**<br>**Director** | **Tushar Vaidya**<br>**Director** |
| Place: Mumbai<br>Date: June 29, 2005 | **Y. V. Gopalam**<br>**Finance Controller** | **Samir Kamat**<br>**Company Secretary** |

### Balance Sheet abstract and Company's general business

**I Registration Details**

| | | | |
|---|---|---|---|
| Registration No. | 39341 | State Code | 11 |
| Balance sheet date | 31 (Date) 03 (Month) 2005 (Year) | | |

**II Capital raised during the year (Amount in Rs Thousands )**

| | | | |
|---|---|---|---|
| Public Issue | NIL | Rights Issue | NIL |
| Bonus Issue | NIL | Private placement (including share application money) | NIL |

**III Position of mobilization and deployments of funds ( Amount in Rs Thousands)**

| | | | |
|---|---|---|---|
| Total Liabilities | 7106808 | Total assets | 7106808 |
| ***Source of funds*** **:** | | | |
| Paid-up capital (Incl. Share Application Money) | 198896 | Reserves and surplus | 6541140 |
| Secured loans | 233485 | Unsecured loans | NIL |
| ***Application of funds :*** | | | |
| Net Fixed Assets | 6728 | Investments | 479423 |
| Net Current Assets | – 57035 | Misc. expenditure | 773 |
| Accumulated loss | 6543632 | | |

**IV Performance of Company (Amount in Rs Thousands)**

| | | | |
|---|---|---|---|
| Turnover (Including Other Income) | 71007 | Total Expenditure | 129212 |
| +/- [+] Profit Before Tax | 65607 | +/- [+] Profit for the year | 65607 |

*(Please tick appropriate box + for Profit, - for Loss)*

| | | | |
|---|---|---|---|
| Earning per Share in Rs. | 4.42 | Dividend Rate % | NIL |

**V Generic names of three principal products / Services of Company)** (As per Monetary Terms)

| | | | |
|---|---|---|---|
| Item Code no ( ITC code) | 8,524.9 | Product description | Computer Software |

## DIRECTORS' REPORT

The Directors are pleased to present their report along with the audited statement of accounts of Trigyn Technologies (India) Private Limited for the year ended March 31, 2005.

### Financial Results

Financial Results for the period ended March 31, 2005 are given below:

( Rs. In lakhs)

| | Year ended March 31, 2005 | Year ended March 31, 2004 |
|---|---|---|
| **Income** | | |
| From Operations | **186.42** | 577.75 |
| Other Income | **244.59** | 275.58 |
| Total Revenue | **431.01** | 853.33 |
| **Expenditure** | | |
| Depreciation | **62.52** | 68.36 |
| Operating and Other Expenses | **348.97** | 940.98 |
| Total Expenditure | **411.49** | 1009.34 |
| Profit / (Loss) before Tax and Exceptional Items | **19.52** | (156.01) |
| Provision for Taxation (for earlier years) | **0.25** | - |
| Exceptional Items | **(94.85)** | - |
| Profit / (Loss) after Tax and Exceptional Items | **(75.58)** | (156.01) |
| Loss brought forward | **3217.75** | 3061.74 |
| Loss carried forward | **3293.33** | 3217.75 |

### Review of Operations

During the year under review the Company has achieved a turnover of Rs. 431.01 lakhs as against Rs. 853.33 lakhs for the previous year. The Company posted a profit before tax of 19.52 lakhs as against a loss of Rs.156.01 lakhs for the previous year. However no dividend has been recommended by the Directors for the year in view of accumulated losses. Further during the course of the year, the branch office at United Kingdom has been closed down whereas the operations at the Bangalore Software Development Centre have been temporarily suspended due to certain business exigencies.

### Regulatory Events after Balance Sheet date

The Company received a Show Cause Notice from the Office of the Enforcement Directorate, New Delhi asking to show cause as to why adjudication proceedings, as contemplated under certain provisions of the Foreign Exchange Management Act, 1999 and Rules thereunder should not be held against the Company for purported failure to realise software proceeds to the tune of USD 267,955 and Euro 149,210 from various foreign entities. This Show Cause Notice was based on the complaint filed by the Assistant Director, Directorate of Enforcement, Bangalore based on the reference of the Reserve Bank of India ("RBI") / Authorised Dealer, to whom the Company had earlier made applications seeking permission for extension of date of receipt of export proceeds, which were outstanding beyond the period permitted by the aforesaid Act / Rules. The Company thereafter successfully represented its case before the Office of the Enforcement Directorate, New Delhi and based on the submissions advanced during the proceedings and the documentary evidence produced, the charges against the Company have since been dropped.

### Directors responsibility statement

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

i) In the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.

ii) Appropriate accounting policies have been selected and applied consistently and judgements and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31,2005 and of the profit & loss account for the year ended March 31,2005.

iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and detecting fraud and other irregularities.

iv) The annual accounts have been prepared on a going concern basis.

## Directors

Mr. Nitin Palekar and Mr. Anil Kale were appointed as Non-Executive / Independent Directors on the Board of Directors of the Company w.e.f. March 18, 2005.

In accordance with the provisions of the Companies Act, 1956, Mr. Tushar Vaidya and Mr. Sanjay Patkar retire by rotation, and being eligible, offer themselves for reappointment.

## Employees

Information as required under the provisions of Section 217 (2A) of the Companies Act, 1956 and the Rules framed there under 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 the Members, excluding the statement of particulars of employees under Section 217 (2A) of the act. Any Members desirous of obtaining a copy of the said statement may write to the Company at its registered office.

## Auditors

M/s. RSM & 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.

## Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The information required under the above heads in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 are given in Annexure to this Report.

## Acknowledgements

The Board of Directors place on record their appreciation for the support provided by the Company's Bankers, Customers, Vendors as well as all the Employees towards the Company.

**On behalf of the Board of Directors**

Place : Mumbai  
Date : June 29, 2005

**Ramkrishna Bhagwat**  
**Director**

## 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, 2005.

**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 | : | N.A. |
| g. | Statement of Expenditure/Earning incurred in foreign currency | | |
| | Outgo | : | Rs. 2,08,79,493 |
| | Income | : | Rs. 3,14,55,362 |

## AUDITORS' REPORT

## To the members of Trigyn Technologies (India) Private Limited

1. We have audited the attached Balance Sheet of Trigyn Technologies (India) Private Limited ('the Company') as at March 31, 2005, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date (together referred to as 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, ('the said Order'), issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 (the Act), and on the basis of such checks of the books and records as we considered necessary and appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. *Attention is invited to Note 2.1 (c) to schedule 15 in the financial statements. These financial statements have been prepared assuming the Company will continue as going concern despite temporary ceasation of software operations in the current year and negative networth. In our opinion, these factors, along with other matters set forth in the above note, raise substantial doubt that the company will be able to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that might results should the company be unable to continue as a going concern.*
5. Further to our comments in the Annexure referred to above, we report that:
   a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 appears from our examination of those books ;
   c. the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
   d. in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow statement comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
   e. on the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2005 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
   f. except for the adjustments, if any, required to the carrying amount of assets and the classification of liabilities that might result should the Company be unable to continue as a going concern as stated in paragraph 4 above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet and profit and loss account give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
      i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2005;
      ii. in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and,
      iii. in case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**For RSM & Co.**
***Chartered Accountants***

**Vijay N. Bhatt**
**Partner (F-36647)**

Place : Mumbai
Date : June 29, 2005

## Annexure to Auditors' Report
## (Referred to in our Report of even date)

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The Company has carried out a physical verification of fixed assets. We are informed that no material discrepancies were noticed on such verification.

(c) The Company has not disposed off substantial part of fixed assets during the year.

(ii) The Company is in the business of providing software services, hence provisions of clause (ii) (a), (b) and (c) of the said Order does not applicable.

(iii) (a) According to information and explanations given to us, the Company has granted interest free unsecured loans to three companies covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was Rs. 28.96 lacs and the year-end balance of loans granted to such parties was Rs. 28.96 lacs.

(b) In our opinion, the terms and conditions of the loans given by the Company are not, prima facie, prejudicial to the interest of the Company.

(c) Since there is no stipulation as to the time period for recovery of the principal amount of unsecured loans given, we are unable to comment on the regularity of the same.

(d) According to the information and explanations given to us, reasonable steps have been taken by the Company for recovery of the principal amount of the loans.

(e) According to information and explanations given to us, the Company has taken interest free unsecured loan from two companies covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was Rs. 2,249.41 lacs and the year end balance of loans taken these companies was Rs. 2,215.45 lacs.

(f) In our opinion, the terms and conditions of the loans taken by the Company are not, prima facie, prejudicial to the interest of the Company.

(g) Since there is no stipulation as to the time period for repayment of the principal amount of unsecured loans taken, we are unable to comment on the regularity of the same.

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system. We are informed that the nature of Company's business does not involve purchase of inventory and sale of goods.

(v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Act have been so entered.

(b) In our opinion and according to the information and explanations given to us, in respect of the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Act and exceeding the value of rupees five lacs in respect of any party during the year, the prices cannot be compared as transactions of similar nature have not been made with other parties.

(vi) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public as per the directives issued by the Reserve Bank of India and the provisions of section 58A, section 58AA and any other relevant provisions of the Act and the rules framed there under. No order has been passed by the National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.

(vii) The Company does not have an internal audit system.

(viii) The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Act for any of the activities of the Company.

(ix) (a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, custom duty and any other statutory dues with the appropriate authorities and there were no such outstanding dues as at March 31, 2005 for a period exceeding six months from the date they became payable. As explained to us, the investors education and protection fund, wealth tax, excise duty, service tax and cess are presently not applicable to the Company.

(b) According to the information and explanations given to us, there are no disputed dues of income tax, custom duty, wealth tax, excise duty, service tax and cess remaining unpaid as at the year end except for the following:

| Name of the statute | Nature of Dues | Amount(Rs.) | Period | Forum |
|---|---|---|---|---|
| Delhi Sales Tax 1975 | Sales Tax Liability | 1,179,273 | 2000-2001 | The Deputy Act, Commissioner of Sales Tax-IV |

(x) In our opinion and according to the information and explanations given to us, the Company's accumulated losses exceed 50% of its net worth at the end of the financial year under reporting; and the Company has not incurred cash losses in the financial year under report and in the immediately preceding financial year.

(xi) As the Company has not borrowed any loans from financial institutions, banks and debenture holders, provisions of paragraph 4(xi) of the said Order is not applicable.

(xii) As the Company has not granted any loans or advances against security, provisions of paragraph 4 (xii) of the said Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund, or a nidhi, mutual benefit funds/societies, accordingly, the provisions of paragraph 4 (xiii) of the said Order is not applicable.

(xiv) On the basis of our examination and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) According to the information and explanations given to us, the Company has not taken any term loans.

(xvii) In our opinion and according to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the Company has not used the fund borrowed on short term basis during the year for long term investments.

(xviii) In our opinion and according to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.

(xix) The Company has not issued debentures or made any public issue during the year and accordingly provisions of paragraph 4 (xix) and (xx) of the said Order, are not applicable.

(xx) To the best of our knowledge and according to the information and explanations given to us, there have been no cases of fraud on or by the Company noticed or reported during the year.

**For RSM & Co.**
***Chartered Accountants***

**Vijay N. Bhatt**
**Partner (F-36647)**

Place : Mumbai
Date : June 29, 2005

**Balance sheet at March 31, 2005**
(Currency: Indian Rupee)

| | Schedule | 2005 | 2004 |
|---|---|---|---|
| **SOURCES OF FUNDS** | | | |
| **Shareholders' funds** | | | |
| Share capital | 1 | **147,104,400** | 147,104,400 |
| **Loan funds** | | | |
| Unsecured loans | 2 | **221,545,160** | 224,941,464 |
| | | **368,649,560** | 372,045,864 |
| **APPLICATION OF FUNDS** | | | |
| **Fixed assets** | 3 | | |
| Gross block | | **91,635,958** | 91,929,861 |
| Less: Accumulated depreciation | | **73,520,801** | 67,542,399 |
| Net block | | **18,115,157** | 24,387,462 |
| **Investments** | 4 | **-** | 485,600 |
| **Current assets, loans and advances** | | | |
| Unbilled receivables | 5 | **16,890** | - |
| Sundry debtors | 6 | **21,875,856** | 32,727,571 |
| Cash and bank balances | 7 | **8,848,109** | 6,153,775 |
| Loans and advances | 8 | **10,892,741** | 13,045,740 |
| | | **41,633,596** | 51,927,086 |
| **Less: Current liabilities and provisions** | | | |
| Current liabilities | 9 | **18,121,812** | **24,050,100** |
| Provisions | 10 | **2,311,458** | 2,479,535 |
| | | **20,433,270** | 26,529,635 |
| **Net current assets** | | **21,200,326** | 25,397,451 |
| **Miscellaneous Expenditure** | 11 | - | **-** |
| **Profit and loss account** | | **329,334,077** | 321,775,351 |
| | | **368,649,560** | 372,045,864 |
| Notes to Accounts | 15 | | |

As per our report of even date attached.

**For RSM & Co.**
***Chartered Accountants***

**For Trigyn Technologies (India) Private Limited**

**Vijay N. Bhatt**
**Partner (F-36647)**

**Ramkrishna Bhagwat**
**Director**

**Tushar Vaidya**
**Director**

Place: Mumbai
Date: June 29, 2005

**Profit and loss account for the year ended March 31, 2005**
(Currency: Indian Rupee)

| | Schedule | 2005 | 2004 |
|---|---|---|---|
| **Income** | | | |
| Software development services, projects and professional services | | **18,641,970** | 57,774,968 |
| Other income | 12 | **24,458,963** | 10,376,826 |
| Provision for doubtful debts no longer required, written back | | **-** | 17,181,038 |
| | | **43,100,933** | 85,332,832 |
| **Expenditure** | | | |
| Personnel costs | 13 | **7,176,110** | 32,628,114 |
| Depreciation | 3 | **6,251,950** | 6,835,834 |
| Operating and administration expenses | 14 | **27,720,717** | 44,494,916 |
| Amortisation of software development expenses | | - | 16,975,335 |
| | | **41,148,777** | 100,934,199 |
| **Profit / (Loss) for the year before tax and exceptional items** | | **1,952,156** | (15,601,367) |
| Provision for taxation for earlier years | | **25,448** | - |
| **Profit / (Loss) for the year after tax and before exceptional items** | | **1,926,708** | (15,601,367) |
| **Exceptional items (refer note 3 to schedule 15)** | | **(9,485,434)** | - |
| **Net loss for the year after tax and exceptional items** | | **7,558,726** | 15,601,367 |
| **Add loss brought forward from the previous year** | | **321,775,351** | 306,173,984 |
| **Balance carried forward** | | **329,334,077** | 321,775,351 |
| **Basic and diluted earnings per share before exceptional item** | | **1.31** | (10.61) |
| **Basic and diluted earnings per share after exceptional item** | | **(5.14)** | (10.61) |
| **Number of shares (face value of Rs. 100 each)** | | **1,471,044** | 1,471,044 |
| Notes to Accounts | 15 | | |

As per our report of even date attached.

**For RSM & Co.**
***Chartered Accountants***

**For Trigyn Technologies (India) Private Limited**

**Vijay N. Bhatt**
**Partner (F-36647)**

**Ramkrishna Bhagwat**
**Director**

**Tushar Vaidya**
**Director**

Place: Mumbai
Date: June 29, 2005

**Cash flow statment for the year ended March 31, 2005**
(Currency: Indian Rupee)

**Cash flow from operating activities**

| | | | |
|---|---|---|---|
| | | | **2005** |
| Profit / (Loss) after tax, prior period adjustments and exceptional items | | | **(7,558,726)** |
| **Adjustments for:** | | | |
| Dimunition other than temporary in value of investments | | **485,600** | |
| Interest income | | **(196,042)** | |
| Provision for doubtful debts/advances to debtors / subsidiaries | | **9,981,326** | |
| Depreciation and amortization | | **6,251,950** | |
| Unrealised foreign exchange (gain) / loss | | **(3,109,809)** | |
| Loss / (profit) on sale of assets, net | | **(46,643)** | **13,366,382** |
| **Operating (loss)/profit before working capital changes** | | | **5,807,656** |
| **Changes in:** | | | |
| Sundry Debtors | | **6,881,156** | |
| Loans and advances | | **(1,542,054)** | |
| Current Liabilities and Provisions | | **(6,120,615)** | **(781,513)** |
| **Cash (used in) / generated from operations** | | | **5,026,143** |
| Income taxes refund , net | | | **798,991** |
| **Net cash (used in) / generated from operations** | **(A)** | | **5,825,134** |
| **Cash flow from investing activities** | | | |
| Proceeds from sale of fixed assets | | | **66,999** |
| Interest Received | | | **196,042** |
| **Net cash used in investing activities** | **(B)** | | **263,041** |
| **Cash flow from financing activities** | | | |
| Loans to subsidiaries (net) | | | **2,463** |
| Repayment of loans | | | **(3,396,304)** |
| **Net Cash (used in) / generated from financing activities** | **(C)** | | **(3,393,841)** |
| **Decrease in cash and cash equivalents** | **(A + B + C)** | | **2,694,334** |
| **Cash and cash equivalents at the beginning of year** | | | **6,153,775** |
| **Cash and cash equivalents at the end of year *** | | | **8,848,109** |

* Includes unrealised exchange gain of Rs.195,094

As per our report of even date attached.

**For RSM & Co.**
***Chartered Accountants***

**Vijay N. Bhatt**
**Partner (F-36647)**

**For Trigyn Technologies (India) Private Limited**

**Ramkrishna Bhagwat**
**Director**

**Tushar Vaidya**
**Director**

Place: Mumbai
Date: June 29, 2005

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005**
(Currency: Indian Rupee)

| | **2005** | 2004 |
|---|---|---|
| **Schedule 1. Share capital** | | |
| **Authorised** | | |
| 1,500,000 (2004: 1,500,000) equity shares of Rs 100 each. | **150,000,000** | 150,000,000 |
| | **150,000,000** | 150,000,000 |
| **Issued, subscribed and paid-up** | | |
| 1,471,044 (2004: 1,471,044) equity shares of Rs 100 each fully paid up. | **147,104,400** | 147,104,400 |
| | **147,104,400** | 147,104,400 |

The entire shareholding of 1,471,044 shares are held by eCapital (Mauritius) Limited and its nominees.

## Schedule 2. Unsecured loan

| | 2005 | 2004 |
|---|---|---|
| (Short term interest free loan) | | |
| Loan from Trigyn Technologies Limited | | |
| Loan from Trigyn Technologies Inc. | **221,454,943** | 224,853,110 |
| | **90,217** | 88,354 |
| | **221,545,160** | 224,941,464 |

## Schedule 3.Fixed assets

| Particulars | Cost as at 1 April 2004 | Additions during the year | Deductions during the year | Cost as at 31 March 2005 | Accumulated depreciation as at 1 April 2004 | Depreciation charge for the year | Accumulated depreciation on deductions | Accumulated depreciation as at 31 March 2005 | Net book value as at 31 March 2005 | Net book value as at 31 March 2004 |
|---|---|---|---|---|---|---|---|---|---|---|
| Leasehold improvements | 39,120,061 | - | - | **39,120,061** | 16,973,907 | 40,98,290 | - | **21,072,197** | **18,047,864** | 22,146,154 |
| Computers & peripherals | 34,923,194 | - | 176,763 | **34,746,431** | 33,049,390 | 1,838,831 | 156,408 | **34,731,813** | **14,618** | 1,873,804 |
| Software | 9,917,607 | - | - | **9,917,607** | 9,912,054 | 5,553 | - | **9,917,607** | - | 5,553 |
| Office Equipment | 5,749,778 | - | 117,140 | **5,632,638** | 5,401,847 | 305,808 | 117,140 | **5,590,515** | **42,123** | 347,931 |
| Furniture and fixtures | 2,219,221 | - | - | **2,219,221** | 2,205,201 | 3,468 | - | **2,208,669** | **10,552** | 14,020 |
| | 91,929,861 | **-** | 293,903 | **91,635,958** | 67,542,399 | 6,251,950 | 273,548 | **73,520,801** | **18,115,157** | 24,387,462 |
| Previous year | 91,996,619 | 1,05,192 | 1,71,950 | **91,929,861** | 60,844,456 | 6,835,834 | 1,37,892 | **67,542,399** | **24,387,462** | |

## Schedule 4. Investments (at cost, unquoted)

| | 2005 | 2004 |
|---|---|---|
| 100,000 shares of $0.01 each of Empowertel Systems, each fully paid up.(2004: 100,000) | **485,600** | 485,600 |
| Less: Provision for decline other than temporary in the value of investment | **485,600** | - |
| | - | 485,600 |

The company was allotted these shares as part of the consideration for the services provided in the year 2001.

## Schedule 5. Unbilled debtors

| | 2005 | 2004 |
|---|---|---|
| (Unsecured, considered good) | | |
| Debts less than six months | **16,890** | **-** |
| | **16,890** | **-** |

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*

(Currency: Indian Rupee)

| **Schedule 6. Sundry debtors** | **2005** | 2004 |
|---|---|---|
| (Unsecured) | | |
| Debts over six months | | |
| -considered good | **18,111,546** | 29,729,738 |
| -considered doubtful | **124,112,857** | 117,027,591 |
| Others debts | | |
| -considered good | **3,764,310** | 2,997,833 |
| | **145,988,713** | 149,755,162 |
| Less: Provision for doubtful debts | **124,112,857** | 117,027,591 |
| | **21,875,856** | 32,727,571 |

| **Schedule 7. Cash and bank balances** | | |
|---|---|---|
| Cash on hand | **391** | 36,848 |
| Balances with scheduled banks | | |
| -on current account | **5,882,176** | 91,179 |
| -on deposit account | **2,700,883** | 2,616,423 |
| Balances with non-scheduled banks | | |
| -on current account | **264,659** | 3,409,325 |
| | **8,848,109** | 61,53,775 |
| Maximum balance outstanding during the year in respect of non-scheduled bank ( Barclays Bank ) | **6,164,132** | 8,250,996 |

| **Schedule 8. Loans and advances** | | |
|---|---|---|
| (Unsecured, considered good) | | |
| Loans to subsidiaries | - | 2,893,599 |
| Advances recoverable in cash or in kind or for value to be received | **3,207,253** | 1,547,687 |
| Security Deposits | **7,108,530** | 7,228,505 |
| Tax deducted at source | **576,958** | 1,375,949 |
| | **10,892,741** | 13,045,740 |
| (Unsecured, considered doubtful) | | |
| Loans to subsidiaries | **2,896,060** | - |
| Less: Provision for doubtful loans and advances | **2,896,060** | - |
| | - | - |
| | **10,892,741** | 13,045,740 |

Loans to subsidiaries comprise amounts due from eCapital Solutions (Bermuda) Limited Rs. 2,739,880 (2004: Rs. 2,739,880), eCapital Solutions (Mauritius) Limited Rs. 36,980 (2004: 36,980) and Trigyn Technologies Limited UK Rs. 119,200 (2004: 116,739). The above amounts also represent the maximum amounts due at any time during the year.

| **Schedule 9. Current liabilities** | | |
|---|---|---|
| Sundry creditors | **3,507,484** | 2,080,645 |
| Creditors for capital goods | **-** | 300,000 |
| Security Deposits | **14,381,700** | 13,114,257 |
| Accrued expenses and other liabilities | **232,628** | 8,555,198 |
| | **18,121,812** | 24,050,100 |

At 31 March 2005 and 31 March 2004, the Company had no amounts due to small-scale industrial undertakings.

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

| **Schedule 10. Provisions** | **2005** | 2004 |
|---|---|---|
| Taxation | **2,302,500** | 2,302,500 |
| Gratuity and leave encashment | **8,958** | 177,035 |
| | **2,311,458** | 2,479,535 |

| **Schedule 11. Miscellaneous expenditure** | | |
|---|---|---|
| *(to the extent not written off or adjusted)* | | |
| Opening Balance | - | 16,975,335 |
| Less: written off during the year | - | 16,975,335 |
| | - | - |

| **Schedule 12. Other income** | | |
|---|---|---|
| Interest on loans and deposits with banks | | |
| (Tax Deducted at Source Rs. 11,746) .( 2004: Rs. 15,921) | **96,206** | 95,312 |
| Interest received on income tax refund | **99,836** | - |
| Foreign Exchange gain, net | **3,265,935** | - |
| Lease rental income | **15,724,272** | 9,744,619 |
| Non technical consulting income including VAT | **3,538,209** | - |
| Profit on sale of fixed assets | **46,643** | - |
| Miscellaneous income | **444,455** | 536,895 |
| Sundry balances written back (net) | **1,243,407** | - |
| | **24,458,963** | 10,376,826 |

| **Schedule 13. Personnel costs** | | |
|---|---|---|
| Salaries and bonus | **6,085,952** | 30,108,353 |
| Contribution to provident and other funds | **596,349** | 2,004,128 |
| Gratuity and leave encashment costs | **(44,881)** | 257,252 |
| Staff welfare | **538,690** | 258,381 |
| | **7,176,110** | 32,628,114 |

| **Schedule 14. Operating and Administration Expenses** | | |
|---|---|---|
| Consultancy charges | **12,485,945** | 9,452,537 |
| Travel and conveyance costs | **1,016,548** | 2,362,664 |
| Legal and professional charges | **1,114,442** | 593,207 |
| Rent, rates and taxes | **8,080,929** | 8,509,306 |
| Power and fuel | **159,704** | 1,889,901 |
| Communication expenses | **493,308** | 607,247 |
| Insurance | **264,377** | 224,104 |
| Repairs and maintenance | | |
| - Plant and machinery | **60,874** | - |
| - Others | **86,232** | 65,400 |
| Exchange loss net | **-** | 17,095,576 |
| Provision for foreseeable losses on contracts | **-** | (4,703,060) |
| Provision for doubtful debts | **981,492** | - |
| VAT expenses on revenues | **2,372,270** | 4,976,869 |
| Miscellaneous Expenses | **604,596** | 3,421,165 |
| | **27,720,717** | 44,494,916 |

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*

(Currency: Indian Rupee)

## Schedule 15. Notes to Accounts

### 1. Background

Trigyn Technologies (India) Private Ltd ("TTIPL or the Company") was originally incorporated as Fabulous Trading and Investment Private Limited. On January 14, 1999, the Company changed its name to eCapital Solutions (India) Private Limited. Subsequently, on August 3, 2000, the Company's name was changed to Trigyn Technologies (India) Private Ltd. The Company is primarily engaged in carrying on the business of executing software development services, projects and professional services and is part of the eCapital Solutions and Trigyn Technologies Worldwide Group, which has operations in the United States of America, United Kingdom, Germany and India. The Company provides information technology consultancy and software development services, in addition to developing and servicing its own product for customers in the convergent marketplace.

On February 26, 2001, the Company allotted 1,471,024 equity shares of Rs 100 each at par to eCapital Solutions (Mauritius) Limited, a 100% subsidiary of eCapital Solutions (Bermuda) Limited, which in turn is a subsidiary of Trigyn Technologies Limited, a Public Company.

During the year, the Company has closed down its branch office at United Kingdom whereas the operations at the Bangalore Software Development Centre have been temporarily suspended. The major source of income in the following periods would be the lease rent income on the assets leased at Bangalore.

### 2. Principal accounting policies

#### 2.1 Basis of preparation of financial statements

a. The financial statements are prepared under the historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by the Institute of Chartered Accountants of India ("ICAI").

b. The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements.

c. These financial statements have been prepared assuming the Company will continue as a going concern despite temporary ceasation of software operations in the current year and negative net worth. Management believes that the Company will be able to finance its operations and meet its commitments and also commitments given by the ultimate holding company to support its subsidiaries and from internal cash generation in the foreseeable future, given the various options it is perusing in this regard. Accordingly, the financial statements do not include any adjustments regarding the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

#### 2.2 Revenue recognition

The Company derives its revenues primarily from software development services, projects and professional services. Revenues from software development services and projects comprise income from time and material contracts. Revenue from time and material contracts is recognized on the basis of software developed and billed in accordance with the terms of the contracts and accepted by the customers. 'Unbilled revenues' included in current assets represents revenues earned in excess of amounts billed to clients as at the balance sheet date.

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

### 2.3 Fixed assets and depreciation

Fixed assets are stated at the cost of acquisition or construction less accumulated depreciation. Direct costs related to acquisition/ installation are capitalized until assets are ready for use. These costs include the borrowing costs related to the acquisition or construction of qualifying assets for the period up to the completion of construction or installation of such assets and preoperative expenses incurred during the construction period. Capital work-in-progress includes advances paid to acquire fixed assets and the cost of assets not put to use before the balance sheet date.

Depreciation is provided on straight line basis at higher of the rates based on useful lifes of the fixed assets as estimated by the management and those stipulated in Schedule XIV to the Companies Act, 1956.

The useful lives of fixed assets as estimated by the management are:

| Asset | Useful life (in years) |
|---|---|
| Leasehold improvements / Assets taken on lease | Over the term of the lease or the estimated useful life of the asset which ever is shorter |
| Buildings | 20 years |
| Office equipment | 3-4 years |
| Computers and peripherals | 3 years |
| Furniture and fixtures | 4 years |
| Motor vehicles | 4 years |
| Goodwill | 1 year |

### 2.4 Retirement benefits

Contributions payable to the recognized provident fund, which is a defined contribution scheme, are made monthly at predetermined rates to the appropriate authorities and charged to the profit and loss account in the year in which contributions are made.

Provisions for gratuity are as per the actuarial balances provided by LIC and the provisions for leave encashment are determined by the Management based on the leave balances as on balance sheet date and provided on the basis of an accrual valuation at the balance sheet date.

### 2.5 Income tax

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

### 2.6 Leases

Assets acquired on finance leases after March 31, 2001, including assets acquired on hire purchase, have been recognised as an asset and a liability at the inception of the lease, at an amount equal to the lower of the fair value of the leased asset or the present value of the future minimum lease payments. Such leased assets are depreciated over the lease term or its estimated useful life whichever is shorter. Further, the payment of minimum lease payments have been apportioned between finance charges, which are debited to the profit and loss account and reduction in lease obligations recorded at the inception of the lease.

Assets given under operating lease are reflected in the financial statements under fixed assets. Further, lease income from such operating lease arrangements have been recognised in the statement of profit and loss on a straight line basis over the lease term.

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*

(Currency: Indian Rupee)

**2.7 Foreign currency transactions**

Indian operations

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of the respective transactions. Foreign currency monetary assets and liabilities at the date of the balance sheet are translated at the rate of exchange prevailing on that date.

The Company recognizes all transaction / translation gains and losses in the profit and loss account except those relating to liabilities incurred for the acquisition of fixed assets, which are adjusted to the carrying cost of the respective assets.

UK Branch office operations

Revenue items other than depreciation costs are translated into the reporting currency at the monthly average exchange rates. Foreign currency denominated current assets and current liabilities at year-end are translated at the year-end exchange rates. Fixed assets are translated at exchange rates on the date of the transaction and depreciation on fixed assets is translated at the exchange rates used for translation of the underlying fixed assets. Net exchange difference resulting from translation of items in the financial statements of the foreign Branch is recognised in the profit and loss account.

**2.8 Earnings per share**

The basic earnings per share is computed by dividing the profit/ loss after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding during the reporting period.

**2.9 Income Tax**

The Company has not made any provision for taxation in the financial statements, in view of brought forward tax losses and in view of the huge accumulated losses, the company has informed the Income Tax Department that it has exercised its option to withdraw from the Section 10 A benefits.

**2.10 Segment information**

In accordance with Accounting Standard 17 "Segment Reporting", issued by the Institute of Chartered Accountants of India, if the Company's single financial report contains both consolidated financial statements and the separate financial statements of the parent, segment information need be presented only on the basis of the consolidated financial statements. Accordingly, the Company has chosen to present segment information only in its consolidated financial statements.

**2.11 Provision and contingent liabilities**

Provisions are recognized when the Company has present legal or constructive obligation, a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. Contingent liabilities, if any, are disclosed by way of notes to the Balance Sheet.

## 3. Exceptional Items

**Provision for decline other than temporary in the value of investments**

In June 2002, the Company was allotted 100,000 shares of Common Stock of empowerTel Networks, Inc. of USD 0.01. In view of adverse performance of this company, the entire investment amount of Rs.485,600 has been provided in the books of the Company.

**Provision for loan given to associate companies**

In view of absence of any chances of recoverability of loan given to eCapital Solutions (Bermuda) Limited, eCapital Solutions (Mauritius) Limited and Trigyn Technologies Limited UK, these loans have been provided fully amounting to Rs. 2,896,060.

**Provision for dues from associate company**

In view of absence of any chances of recoverability of dues from eVector (India) Private Limited they have been provided fully to the extent of Rs. 6,103,774 in the current year in addition to Rs. 600,000 in the previous years.

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

### 4. Earnings per share

Details of numerator and denominator used for the purposes of computing earnings per share are summarized below:

| | **2005** | 2004 |
|---|---|---|
| Profit / (loss) for the year | **(7,558,726)** | (15,601,367) |
| Less: Exceptional adjustment | **9,485,434** | **-** |
| **Profit / (loss) for the year before exceptional adjustment** | **1,926,708** | (15,601,367) |
| Weighted average number of shares used in computing earning per share | **1,471,044** | 1,471,044 |
| Earnings per share basic and diluted for profit / (loss) | | |
| - before exceptional adjustment | **1.31** | (10.61) |
| - after exceptional adjustment | **(5.14)** | (10.61) |

### 5. Deferred Taxes

In view of the losses incurred by the company, deferred tax assets on carry forward business losses and unabsorbed depreciation have not been created.

### 6. Leases

The Company has entered into operating lease arrangements, for leasing office premises in India. The Company received received and recognized (included in miscellaneous income) sub-lease rentals in the profit and loss account for the year amounted to Rs. 15,724,272 (2004: Rs. 9,744,619).

Fixed assets include the following assets leased in relation to the above sub-leased premises:

| | **Year ended March 31, 2005** | Year ended March 31, 2004 |
|---|---|---|
| Gross block | **46,971,920** | 47,089,060 |
| Less: Accumulated depreciation | **28,871,381** | 24,580,955 |
| Net Block | **18,100,539** | 22,508,105 |

The entire assets above are part of the sub-lease to a third party.

The future minimum sublease payment receivable in respect of above non-cancellable operating lease as at March 31, 2005 are summarized below:

| | **2005** | 2004 |
|---|---|---|
| Amount due within one year from the balance sheet date | **7,862,136** | 13,119,715 |
| Amount due in the period between one year and five years | **22,208,412** | - |
| Amount due after five years | - | - |

The future minimum lease payments in respect of such non-cancellable operating leases as at March 31, 2005 are summarized below:

| | **2005** | 2004 |
|---|---|---|
| Amount due within one year from the balance sheet date | **7,241,484** | 7,241,484 |
| Amount due in the period between one year and five years | **16,584,529** | 23,826,013 |
| Amount due after five years | - | - |

### 7. Regulatory matters

During the year, the Company received a Show Cause Notice from the Office of the Enforcement Directorate, New Delhi asking to show cause as to why adjudication proceedings, as contemplated under certain provisions of the Foreign Exchange Management Act, 1999 and Rules thereunder should not be held against the

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*

(Currency: Indian Rupee)

Company for purported failure to realise software proceeds to the tune of USD 267,955 and Euro 149,210 from various foreign entities. This Show Cause Notice was based on the complaint filed by the Assistant Director, Directorate of Enforcement, Bangalore based on the reference of the Reserve Bank of India (“RBI”) / Authorised Dealer, to whom the Company had earlier made applications seeking permission for extension of date of receipt of export proceeds, which were outstanding beyond the period permitted by the aforesaid Act / Rules. The Company thereafter has successfully represented its case before the Office of the Enforcement Directorate, New Delhi and based on the submissions advanced during the proceedings and the documentary evidence produced, the charges against the Company have since been dropped.

The Company has regularized the collections in respect of its associates except for the associate in Germany, which is also being improved upon.

## 8. Provisions, Contingent liabilities and Contingent assets

The details of provisions as required by the provisions of the Accounting Standard 29 “ Provisions, Contingent liabilities and Contingent assets” are as under:

| Nature of Provision | Provision for doubtful debts | Provision for advances / loans | Provision for investments |
|---|---|---|---|
| Opening balance | 117,027,591 | - | - |
| Addition in provision | 7,085,266 | 2,896,060 | 485,600 |
| Reduction in provision | - | - | - |
| **Closing balance** | **124,112,857** | **2,896,060** | **485,600** |

## 9. Related party transactions

Details of related parties including summary of transactions entered into by the Company during the year ended 31 March 2005 are summarized below:

**Holding company**
ECapital Solutions (Mauritius) Limited
**Ultimate Holding company**
Trigyn Technologies Limited
**Fellow associate companies**
Applisoft Inc.
ECapital Solutions (Bermuda) Limited
Leading Edge Infotech Limited
Trigyn Technologies Europe GmbH
Trigyn Technologies Inc
EVector (Cayman) Limited
EVector Inc.
EVector (India) Private Limited
EVector (UK) Limited
Trigyn Technologies Limited, UK

**Whole-time directors of the Company**
Tushar Vaidya
Ramakrishna Bhagwat

Particulars of related party transactions during the year ended 31 March 2005

| Nature of transactions | Transactions with related parties |
|---|---|
| **Transactions during the year** | |
| Services rendered by the Company | **2,724,664** |
| Expenses incurred by the Company | **502,160** |
| Expenses incurred on behalf of the Company | **827,592** |
| Loans repaid by the Company | **3,500,000** |
| Provision for doubtful loans | **2,896,060** |
| Provisions for doubtful debts/advances | **6,784,404** |
| **Year-end balances** | |
| Gross amounts due as loans | **221,545,160** |
| Gross amounts receivable as debts | **137,196,317** |
| Gross amounts receivable as loans | **2,896,060** |
| Provisions for doubtful debts | **119,084,770** |
| Provisions for doubtful loans | **2,896,060** |

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

## 10. Contingent Liabilities

I. During the previous years, one of the clients eTender.com Limited filed an injunction in the High Court of Delhi against the company in relation to the software developed by the Company for them. The Company has filed its responses and submitted adequate documentary proof to the honourable High Court, refuting the claims made by the client. Given the strong documentary evidence in Company's favour, the management is of the opinion that the claims of the client are not tenable and hence the Company is of the view that there would not arise any contingent liability on this account. The Company has spent efforts many times more than the revenues realized from the client and has adequate documentary evidence to substantiate its claims.

II. Sales tax claim against the Company amounting to Rs. 1,310,303 against which the Company has gone into appeal by paying margin of Rs. 131,030.

## 11. Supplementary statutory information

| | | 2005 | 2004 |
|---|---|---|---|
| (i) | Legal and professional fees include auditors' remuneration: | | |
| | -statutory audit fees | **110,200** | 108,000 |
| | -taxation audit fees | **110,200** | 108,000 |
| | -other services | **277,700** | 94,500 |
| | | **498,100** | 310,500 |
| (ii) | Expenditure in foreign currency: | | |
| | Personnel costs | **5,008,918** | 13,144,156 |
| | Consultancy Charges | **12,385,112** | 9,452,537 |
| | Travel and conveyance | **71,818** | 1,449,792 |
| | Legal and professional fees | **477,572** | - |
| | Others | **2,936,073** | 7,408,877 |
| | | **2,0879,493** | 31,455,362 |
| (iii) | Earnings in foreign currency: | | |
| | Software development services | **18,641,970** | 57,687,279 |
| | Interest and other income | **3,538,210** | - |
| | | **22,180,180** | 57,687,279 |

## 12. Technical collaboration with Indian Institute of Technology, New Delhi (IITD)

The Company had entered into a technical collaboration agreement IITD for the establishment of a research and development center as a Technology Business Incubation Unit in Delhi, effective February 1, 1999. In respect of the above, IITD was to be issued 25,000 equity shares of eCapital Solutions (Bermuda) Limited (a group company incorporated under the laws of Bermuda) with a buyback guarantee given by TTIPL. The shares were to be issued after obtaining the necessary approvals from the Reserve Bank of India. As per the terms of the buyback guarantee, the Institute had an option whereby, it required TTIPL to buy back the shares on January 31, 2002 at a buyback price of Rs 9,021,715 in the event that the market value of the shares is lower than this amount. As at March 31, 2001, since it was not possible to reasonably assess whether TTIPL would suffer any loss on the exercise of the buyback option by IITD, there was no provision created in the financial statements.

On May 9, 2001, it was decided that TTIPL would vacate the IITD premises due to non-fulfillment of obligations under the contract. Consequently, the company negotiated the final settlement (based on the memorandum of understanding between IITD and TTIPL). The final amount payable to IITD was fixed at Rs 7,636,584 on September 27, 2001 and has been included in the rent expense for the year 2001.

## 13. Bank guarantees

The current Company's software development centre in India is 100% Export Oriented ('EOU') / Software Technology Park ('STP') Units under the STP guidelines issued by the Government of India. Bank guarantees provided to the Customs Authorities in this regard aggregate to Rs 2,500,000 as at March 31, 2005 (March 31, 2004: Rs 2,500,000).

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

### 14. Prior year comparatives

The previous years figures have been reclassified / regrouped wherever necessary, to conform to current year's presentation.

**For Trigyn Technologies (India) Private Limited**

| | | |
|---|---|---|
| Place: Mumbai | **Ramkrishna Bhagwat** | **Tushar Vaidya** |
| Date: June 29, 2005 | **Director** | **Director** |

**Balance Sheet abstract and Company's general business**

**I Registration Details**

| | | | |
|---|---|---|---|
| Registration No. | 100198 | State Code | 11 |
| Balance sheet date | 31 (Date) 03 (Month) 2005 (Year) | | |

**II Capital raised during the year (Amount in Rs Thousands )**

| | | | |
|---|---|---|---|
| Public Issue | NIL | Rights Issue | NIL |
| Bonus Issue | NIL | Private placement (including share application money) | NIL |

**III Position of mobilization and deployments of funds ( Amount in Rs Thousands)**

| | | | |
|---|---|---|---|
| Total Liabilities | 389083 | Total assets | 389083 |
| ***Source of funds*** **:** | | | |
| Paid-up capital (Incl. Share Application Money) | 147104 | Reserves and surplus | NIL |
| Secured loans | NIL | Unsecured loans | 221545 |
| ***Application of funds :*** | | | |
| Net Fixed Assets | 18115 | Investments | NIL |
| Net Current Assets | 21200 | Misc. expenditure | NIL |
| Accumulated loss | 329334 | | |

**IV Performance of Company (Amount in Rs Thousands)**

| | | | |
|---|---|---|---|
| Turnover (Including Other Income) | 43101 | Total Expenditure | 41149 |
| +/- [+] Profit Before Tax and exceptional items | 1952 | +/- [+] Profit for the year | 7559 |

*(Please tick appropriate box + for Profit, - for Loss)*

| | | | |
|---|---|---|---|
| Earning per Share in Rs. | -5.14 | Dividend Rate % | NIL |

**V Generic names of three principal products / Services of Company)** (As per Monetary Terms)

| | | | |
|---|---|---|---|
| Item Code no ( ITC code) | 8,524.9 | Product description | Computer Software |

## DIRECTORS' REPORT

The Directors are pleased to present their report along with the audited statement of accounts of Leading Edge Infotech Limited for the year ended March 31, 2005.

### Financial Results

Financial Results for the period ended March 31, 2005 are given below:

( Rs. In lakhs)

| | **Year ended March 31, 2005** | Year ended March 31, 2004 |
|---|---|---|
| **Income** | | |
| From Operations | **42.03** | 39.93 |
| Other Income | **0.22** | 8.64 |
| Total Revenue | **42.25** | 48.57 |
| **Expenditure** | | |
| Depreciation | **-** | 0.08 |
| Operating and Other Expenses | **42.82** | 49.54 |
| Total Expenditure | **42.82** | 49.62 |
| Profit / (Loss) before Tax | **(0.57)** | (1.05) |
| Tax Adjustments of earlier years | **-** | (8.44) |
| **Profit / (Loss) after Tax** | **(0.57)** | (9.49) |
| Loss brought forward | **287.86** | 278.38 |
| Loss carried forward | **288.43** | 287.87 |

### Review of Operations

During the year under review the company has achieved a total turnover of Rs. 42.25 lakhs as against Rs. 48.57 lakhs for the previous year.

However despite highly competitive conditions prevailing in the domestic market in India and existing level of overheads, the loss before tax for the year reduced to Rs. 0.57 lakhs as against the loss of Rs.1.05 lakhs for the previous year. In view of loss the Directors do not recommend any dividend for the year.

### Directors responsibility statement

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

i) In the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.

ii) Appropriate accounting policies have been selected and applied consistently and judgements and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31,2005 and of the profit & loss account for the year ended March 31,2005.

iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and detecting fraud and other irregularities.

iv) The annual accounts have been prepared on a going concern basis.

### Directors

In accordance with the provisions of the Companies Act, 1956, Mr. Sanjay Patkar retires by rotation, and being eligible, offers himself for reappointment.

### Employees

Information as required under the provisions of section 217 (2A) of the Companies Act, 1956 and the rules framed thereunder 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 the Members, excluding the statement of particulars of employees under section 217 (2A) of the Act. Any Members desirous of obtaining a copy of the said statement may write to the Company at its registered office.

### Auditors

M/s. RSM & 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.

**Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The information required under the above heads in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 are given in Annexure to this Report.

**Acknowledgements**

The Board of Directors place on record their appreciation for the support provided by the Company's Bankers, Customers, Vendors as well as all the Employees towards the Ccompany.

**On behalf of the Board of Directors**

Place : Mumbai
Date : June 29, 2005

**Ramkrishna Bhagwat**
**Director**

**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 31st March 2005.

**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 | : | N.A. |
| g. | Statement of Expenditure/Earning incurred in foreign currency | | |
| | Outgo | : | Rs. Nil |
| | Income | : | Rs. Nil |

## AUDITORS' REPORT

### To the members of Leading Edge Infotech Limited

1. We have audited the attached Balance Sheet of Leading Edge Infotech Limited ('the Company') as at March 31, 2005, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date (together referred to as 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, ('the said Order'), issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 (the Act), and on the basis of such checks of the books and records as we considered necessary and appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. *Attention is invited to Note 2.1 (c) to schedule 12 in the financial statements. These financial statements have been prepared assuming the Company will continue as going concern despite negative networth and negative cash losses. In our opinion, these factors, along with other matters set forth in the above note, raise substantial doubt that the Company will be able to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that might results should the Company be unable to continue as a going concern.*
5. Further to our comments in the Annexure referred to above, we report that:
   a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 appears from our examination of those books ;
   c. the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
   d. in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow statement comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
   e. on the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2005 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
   f. except for the adjustments, if any, required to the carrying amount of assets and the classification of liabilities that might result should the Company be unable to continue as a going concern as stated in paragraph 4 above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet and profit and loss account give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
      i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2005;
      ii. in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and,
      iii. in case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**For RSM & Co.**
***Chartered Accountants***

**Vijay N. Bhatt**
**Partner (F-36647)**

Place : Mumbai

Date : June 29, 2005

## Annexure to Auditors' Report
## (Referred to in our Report of even date)

(i) The Company does not have any fixed assets during the year. According, the provisions of paragraph 4 (i) (a) to (c) of the said Order are not applicable

(ii) The Company is in the business of providing software services, hence provisions of paragraph 4 (ii) (a), (b) and (c) of the said Order are not applicable.

(iii) (a) According to information and explanations given to us, the Company had not granted any loans, secured or unsecured to companies, firms, or other parties listed in the register maintained under section 301 of the Act. Accordingly, provisions of paragraph 4(iii)(b) to (d) of the said Order relating to rate of interest and other terms and conditions of loans, regularity of receipt of principal and interest and steps for recovery of overdue amount in excess of rupees one lakh are not applicable.

(b) According to information and explanations given to us, the Company had taken interest free unsecured loan from a holding company covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was Rs. 252.85 lacs and the year end balance of loans taken from holding company was Rs. 252.85 lacs.

(c) In our opinion, the terms and conditions of the loans taken by the Company are not, prima facie, prejudicial to the interest of the Company.

(d) Since there is no stipulation as to the time period for repayment of the principal amount of unsecured loans taken, we are unable to comment on the regularity of the same.

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system. We are informed that the nature of Company's business does not involve purchase of inventory and sale of goods.

(v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Act have been so entered.

(b) In our opinion and according to the information and explanations given to us, in respect of the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Act and exceeding the value of rupees five lacs in respect of any party during the year, the prices cannot be compared as transactions of similar nature have not been made with other parties.

(vi) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public as per the directives issued by the Reserve Bank of India and the provisions of section 58A, section 58AA and any other relevant provisions of the Act and the rules framed there under. No order has been passed by the National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.

(vii) In our opinion, the Company does not have a paid-up capital and reserves exceeding Rs. 50 lacs as at the commencement of the financial year concerned nor have an average annual turnover exceeding five crores rupees for a period of three consecutive financial years immediately preceding the financial year concerned. Accordingly, provisions of paragraph 4 (vii) of the said Order is not applicable to the Company.

(viii) The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Act for any of the activities of the Company.

(ix) (a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax and any other statutory dues with the appropriate authorities and there were no such outstanding dues as at March 31, 2005 for a period exceeding six months from the date they became payable. As explained to us, the investors education and protection fund, wealth tax, custom duty, excise duty, service tax and cess are presently not applicable to the Company.

(b) According to the information and explanations given to us, there are no disputed dues of income tax, sales tax, wealth tax, custom duty, service tax, excise duty and cess remaining unpaid as at the year end.

(x) In our opinion and according to the information and explanations given to us, the Company's accumulated losses exceed 50% of its net worth at the end of the financial year under reporting; and the Company has incurred cash losses in the financial year under report and in the immediately preceding financial year.

(xi) As the Company has not borrowed any loans from financial institutions, banks and debenture holders, provisions of paragraph 4(xi) of the said Order is not applicable.

(xii) As the Company has not granted any loans or advances against security, provisions of paragraph 4 (xii) of the said Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund, or a nidhi, mutual benefit funds/societies, accordingly, the provisions of paragraph 4 (xiii) of the said Order is not applicable.

(xiv) On the basis of our examination and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) According to the information and explanations given to us, the Company has not taken any term loans.

(xvii) In our opinion and according to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the Company has not used the fund borrowed on short term basis during the year for long term investments.

(xviii) In our opinion and according to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.

(xix) The Company has not issued debentures or made any public issue during the year and accordingly provisions of paragraph 4 (xix) and (xx) of the said Order, are not applicable.

(xx) To the best of our knowledge and according to the information and explanations given to us, there have been no cases of fraud on or by the Company noticed or reported during the year.

**For RSM & Co.**
***Chartered Accountants***

**Vijay N. Bhatt**
**Partner (F-36647)**

Place : Mumbai
Date : June 29, 2005

**Balance sheet at March 31, 2005**
(Currency: Indian Rupee)

| | Schedule | 2005 | 2004 |
|---|---|---|---|
| **SOURCES OF FUNDS** | | | |
| **Shareholders' funds** | | | |
| Share capital | 1 | **5,000,000** | 5,000,000 |
| **Loan funds** | | | |
| Unsecured loan from holding company 'Trigyn Technologies Limited' | | **25,284,702** | **23,570,659** |
| | | **30,284,702** | **28,570,659** |
| **APPLICATION OF FUNDS** | | | |
| **Fixed assets** | 2 | | |
| Gross block | | **-** | - |
| Less: Accumulated depreciation | | **-** | - |
| | | - | - |
| **Investments** | 3 | **50,000** | 50,000 |
| **Current assets, loans and advances** | | | |
| Sundry debtors | 4 | **418,300** | 357,500 |
| Cash and bank balances | 5 | **1,498,512** | 687,712 |
| Loans and advances | 6 | **1,138,610** | 947,962 |
| | | **3,055,422** | 1,993,174 |
| **Less: Current liabilities and provisions** | | | |
| Current liabilities | 7 | **1,281,662** | 1,882,130 |
| Provisions | 8 | **387,322** | 386,897 |
| | | **1,668,984** | 2,269,027 |
| **Net current Assets/ (Liabilities)** | | **1,386,438** | (275,853) |
| **Miscellaneous expenditure** (to the extent not written off or adjusted) | | **5,000** | 9,995 |
| **Profit and loss account** | | **28,843,264** | 28,786,517 |
| | | **30,284,702** | 28,570,659 |
| Notes to the accounts | 12 | | |

As per our report of even date attached.

**For RSM & Co.**
***Chartered Accountants***

**Vijay N. Bhatt**
**Partner (F-36647)**

**For Leading Edge Infotech Limited**

**Tushar Vaidya**
**Director**

**Ramkrishna Bhagwat**
**Director**

Place: Mumbai
Date: June 29, 2005

**Profit and loss account for the year ended March 31, 2005**
(Currency: Indian Rupee)

| | Schedule | 2005 | 2004 |
|---|---|---|---|
| **Income** | | | |
| Software development services (Local) | | **4,203,446** | 3,993,222 |
| Other income | 9 | **22,000** | 863,459 |
| | | **4,225,446** | 4,856,681 |
| **Expenditure** | | | |
| Personnel Costs | 10 | **3,652,496** | 4,280,996 |
| Administrative and other expenses | 11 | **624,702** | 667,480 |
| Depreciation | 2 | **-** | 8,208 |
| Preliminary expenses written off | | **4,995** | 4,995 |
| | | **4,282,193** | 4,961,679 |
| **Loss for the year before tax adjustments** | | **56,747** | 104,998 |
| **Less: Income tax adjustments of earlier years** | | **-** | (843,991) |
| **Loss for the year after tax adjustments** | | **56,747** | 948,989 |
| **Loss brought forward from previous year** | | **287,86,517** | 27,837,528 |
| **Loss carried forward** | | **288,43,264** | 28,786,517 |
| **Earning per share (basic and diluted)** | | **(0.11)** | (1.90) |
| Number of shares of face value Rs. 10 each | | **500,000** | 500,000 |
| Notes to the accounts | 12 | | |

As per our report of even date attached.

**For RSM & Co.**
***Chartered Accountants***

**Vijay N. Bhatt**
**Partner (F-36647)**

**For Leading Edge Infotech Limited**

**Tushar Vaidya**
**Director**

**Ramkrishna Bhagwat**
**Director**

Place: Mumbai
Date: June 29, 2005

**Cash Flow Statement for the year ended 31 March 2005**

| | | | 2005 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit before tax adjustments | | | (56,747) |
| **Adjustments for:** | | | |
| Interest income | | (15,000) | |
| Income from Trade Investments | | (7,000) | |
| Depreciation and amortization | | 4,995 | (17,005) |
| **Operating profit before working capital changes** | | | (73,752) |
| **Changes in:** | | | |
| Sundry Debtors | | (60,800) | |
| Loans and advances | | (4,060) | |
| Current Liabilities and Provisions | | (600,043) | (664,903) |
| **Cash used in operations** | | | (738,655) |
| Income taxes paid, net | | | (186,588) |
| **Net cash used in operations** | (A) | | (925,243) |
| **Cash flow from investing activities** | | | |
| Interest Received | | | 15,000 |
| Dividend Received | | | 7,000 |
| **Net cash generated from investing activities** | (B) | | 22,000 |
| **Cash flow from financing activities** | | | |
| Loans from holding company (net) | | | 1,714,043 |
| **Net cash flow generated from financing activities** | (C) | | 1,714,043 |
| Increase in cash and cash equivalents | (A + B + C) | | s 810,800 |
| **Cash and cash equivalents at the beginning of year** | | | 687,712 |
| **Cash and cash equivalents at the end of year** | | | 1,498,512 |

As per our report of even date attached.

**For RSM & Co.**
***Chartered Accountants***

**For Leading Edge Infotech Limited**

**Vijay N. Bhatt**
**Partner (F-36647)**

**Tushar Vaidya**
**Director**

**Ramkrishna Bhagwat**
**Director**

Place: Mumbai
Date: June 29, 2005

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005**

(Currency: Indian Rupee)

| | 2005 | 2004 |
|---|---|---|
| **Schedule 1. Share capital** | | |
| **Authorised** | | |
| 500,000 (2004: 500,000) equity shares of Rs 10 each. | **5,000,000** | 5,000,000 |
| **Issued, subscribed and paid-up** | | |
| 500,000 (2004: 500,000) equity shares of Rs 10 each fully paid up. (the entire share capital is held by Trigyn Technologies Limited, the holding company) | **5,000,000** | 5,000,000 |
| | **5,000,000** | 5,000,000 |

**Schedule 2. Fixed assets**

| Particulars | Cost as at 1st April 2004 | Additions During the year | Deductions During the year | Cost as at 31 March 2005 | Accumulated Depreciation as at 1st April 2004 | Depreciation Charges for the year | Accumulated Depreciation on deductions | Accumulated Depreciation as at 31st March 2005 | Net Book value as at 31st March 2005 | Net Book value as at 31st March 2004 |
|---|---|---|---|---|---|---|---|---|---|---|
| Office Renovation | - | - | - | - | - | - | - | - | - | - |
| Computers & peripherals | - | - | - | - | - | - | - | - | - | - |
| Office equipment | - | - | - | - | - | - | - | - | - | - |
| Furniture and fixtures | - | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | | |
| Previous year | 4,235,497 | - | 4,235,497 | - | 4,227,289 | 8,208 | 4,235,497 | - | - | - |

| | 2005 | 2004 |
|---|---|---|
| **Schedule 3. Investments** | | |
| Long-term, non - trade and unquoted | | |
| 5,000 (2004: 5,000) equity shares of Rs 10 each fully paid-up in North Kanara GSB Co operative Bank Limited | **50,000** | 50,000 |
| | **50,000** | 50,000 |
| **Schedule 4. Sundry debtors** | | |
| ***(Unsecured, considered good)*** | | |
| Debts less than six months | **418,300** | 357,500 |
| | **418,300** | 357,500 |
| **Schedule 5. Cash and bank balances** | | |
| Cash on hand | **100** | 3,475 |
| Balances with scheduled banks | | |
| - on current account | **1,248,412** | 434,237 |
| - on deposit account (pledged with bank towards guarantee) | **250,000** | 250,000 |
| | **1,498,512** | 687,712 |
| **Schedule 6. Loans and advances** | | |
| (Unsecured, considered good) | | |
| Advances recoverable in cash or in kind or for value to be received | **400,560** | 397,500 |
| Deposits and prepaid expenses | **10,500** | 9,500 |
| Advance income taxes | **727,550** | 540,962 |
| | **1,138,610** | 947,962 |

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

| **Schedule 7. Current liabilities** | **2005** | 2004 |
|---|---|---|
| Sundry creditors | **253,634** | 477,945 |
| Advance from customers | **888,320** | 1,043,566 |
| Other liabilities | **139,708** | 360,619 |
| | **1,281,662** | 1,882,130 |

At 31 March 2005 and 31 March 2004, the Company had no amounts due to small-scale industrial undertakings and the Investor Education and Protection Fund.

| **Schedule 8. Provisions** | | |
|---|---|---|
| Provision for leave encashment and gratuity costs | **387,322** | 386,897 |
| | **387,322** | 386,897 |

| **Schedule 9. Other income** | | |
|---|---|---|
| Interest received on deposits with banks (TDS Rs. 3,137 (2004: Rs. 5,566)) | **15,000** | 845,834 |
| Profit on sale of fixed assets | **-** | 3,375 |
| Miscellaneous income | **7,000** | 14,250 |
| | **22,000** | 863,459 |

| **Schedule 10. Personnel costs** | | |
|---|---|---|
| Salaries, bonus and other allowances | **3,408,572** | 3,232,438 |
| Contribution to provident and other funds | **178,834** | 178,398 |
| Gratuity and leave encashment costs | **45,918** | 89,817 |
| Staff welfare | **6,056** | 175 |
| Software development services | **13,116** | 780,168 |
| | **3,652,496** | 4,280,996 |

| **Schedule 11. Administrative and other expenses** | | |
|---|---|---|
| Travel and conveyance costs | **778** | 6,803 |
| Legal and professional fees | **226,736** | 196,715 |
| Communication expenses | **-** | 20,166 |
| Bad debts written off | **195,000** | 375,000 |
| Sales Tax Expenses | **174,165** | 30,384 |
| Miscellaneous | **28,023** | 38,412 |
| | **624,702** | 667,480 |

**Schedule 12. Notes to Accounts**

**1. Background**

Leading Edge Infotech Limited ('LEIL' or 'the Company') was incorporated on 16 July 1996.

LEIL is engaged primarily in providing software services for the financial services market in India.

In 1997 – 98, the company became a wholly owned subsidiary of Trigyn Technologies Limited ('TTL') (formerly known as Leading Edge Systems Limited), who have subscribed to the total share holding of the company.

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*

(Currency: Indian Rupee)

**2. Principal accounting policies**

**2.1 Basis of preparation of financial statements**

(a) The financial statements have been prepared under the historical cost convention, on the accrual basis of accounting, and in accordance with the provisions of the Companies Act, 1956. All income and expenditure having a material bearing on the financial statements are recognised on accrual basis.

(b) The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reported period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements.

(c) These financial statements have been prepared assuming the Company will continue as a going concern despite cash loss and negative net worth in the current year. Management believes that the Company will be able to finance its operations and meet its commitments (and also commitments given by its holding company and) from internal cash generation in the foreseeable future, given the various options it is perusing in this regard. Accordingly, the financial statements do not include any adjustments regarding the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

**2.2 Revenue recognition**

Income from annual maintenance is accounted for on accrual basis as and when the services are rendered.

**2.3 Retirement benefits**

Contributions to the provident fund, which is a defined contribution scheme, are charged to the profit and loss account in the year in which the contributions are due. Leave encashment costs are provided for as at the balance sheet date. Gratuity costs, which are defined benefits, are provided as at the balance sheet date on an arithmetical basis.

**2.4 Investments**

Long-term investments are carried at cost, and provision is made when in the management's opinion there is a decline, other than temporary, in the carrying value of such investments. Current investments are carried at lower of cost and fair value, and provision is made to recognise any decline in the carrying value.

**2.5 Miscellaneous expenditure**

Preliminary expenditure comprising expenditure for formation of company has been written off on a straightline basis over a period of ten years.

**2.6 Income tax**

Current tax provision is made annually based on the tax liability computed after considering tax allowances and exemptions. Further, deferred tax liability or asset is recognized for timing differences between the profits/losses offered for income taxes and profits/losses as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized, other than deferred tax assets in respect of unabsorbed depreciation and carry forward tax losses, which are recognised only to the extent that there is virtual certainty that they will be realized. The deferred tax assets are reviewed at each balance sheet date for the appropriateness of their carrying values.

**2.7 Earnings per share**

The basic earnings per share is computed by dividing the profit/ loss after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding during the reporting period.

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

**2.8 Segment information**

In accordance with Accounting Standard 17 "Segment Reporting", issued by the Institute of Chartered Accountants of India, if the Company's single financial report contains both consolidated financial statements and the separate financial statements of the parent, segment information need be presented only on the basis of the consolidated financial statements. Accordingly, the Company has chosen to present segment information only in its consolidated financial statements.

**2.9 Provision and contingent liabilities**

Provisions are recognized when the Company has present legal or constructive obligation, a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. Contingent liabilities, if any, are disclosed by way of notes to the Balance Sheet.

**3. Deferred Taxes**

In view of the losses incurred by the company, deferred tax assets on carry forward business losses and unabsorbed depreciation have not been created.

**4. Contingent Liabilities**

Counter guarantees on behalf of the company Rs. 1,000,000 (2004: Rs. 1,000,000), given by the parent to the Banks which have provided these Bank Guarantees for and on behalf of the Company.

**5. Related party transactions**

Details of related parties including summary of transactions entered into by the Company during the year ended 31 March 2005 are summarized below:

| | |
|---|---|
| **Holding company** | **Whole-time directors of the Company** |
| Trigyn Technologies Limited | Tushar Vaidya |
| **Fellow associate companies** | Ramakrishna Bhagwat |
| Applisoft Inc. | |
| ECapital Solutions (Bermuda) Limited | |
| ECapital Solutions (Mauritius) Limited | |
| Trigyn Technologies (India) Private Limited | |
| Trigyn Technologies Europe GmbH | |
| Trigyn Technologies Inc | |
| EVector (Cayman) Limited | |
| EVector Inc. | |
| EVector (India) Private Limited | |
| EVector (UK) Limited | |
| Trigyn Technologies Limited, UK | |

**6. Related party transactions (continued)**

Particulars of related party transactions during the year ended 31 March 2005

| Nature of transactions | Transactions with related parties |
|---|---|
| | **2005** |
| **Transactions during the year** | |
| Expenses incurred by the Company | **2,335,776** |
| Expenses incurred on behalf of the Company | **4,863,348** |
| Loans from related parties | **582,691** |
| Loans repaid to related parties | **1,396,220** |
| **Year-end balances** | |
| Gross amounts due as loans | **25,284,702** |
| Guarantees given on behalf of the Company (refer note 4 to schedule 12) | **1,000,000** |
| **Transactions with Directors** | **-** |

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

**7. Supplementary statutory information**

| | 2005 | 2004 |
|---|---|---|
| Legal and professional fees include: | | |
| Auditor's remuneration: | | |
| - statutory audit fees | **110,200** | 108,000 |
| - tax audit fees | **55,100** | 54,000 |
| - other services | **1,100** | 12,000 |
| | **166,400** | 174,000 |

**8. Prior year comparatives**

Prior year figures have been reclassified / regrouped to conform to current year's presentation.

**For Leading Edge Infotech Limited**

Place : Mumbai
Date : June 29, 2005

**Ramkrishna Bhagwat**
**Director**

**Tushar Vaidya**
**Director**

**Balance Sheet abstract and Company's general business**

**I Registration Details**

| | | | |
|---|---|---|---|
| Registration No. | 101095 | State Code | 11 |
| Balance sheet date | 31 (Date) 03 (Month) 2005 (Year) | | |

**II Capital raised during the year (Amount in Rs Thousands )**

| | | | |
|---|---|---|---|
| Public Issue | NIL | Rights Issue | NIL |
| Bonus Issue | NIL | Private placement (including share application money) | NIL |

**III Position of mobilization and deployments of funds ( Amount in Rs Thousands)**

| | | | |
|---|---|---|---|
| Total Liabilities | 31954 | Total assets | 31954 |
| ***Source of funds*** **:** | | | |
| Paid-up capital (Incl. Share Application Money) | 5000 | Reserves and surplus | NIL |
| Secured loans | NIL | Unsecured loans | 25285 |
| ***Application of funds :*** | | | |
| Net Fixed Assets | NIL | Investments | 50 |
| Net Current Assets | 1386 | Misc. expenditure | 5 |
| Accumulated loss | 28843 | | |

**IV Performance of Company (Amount in Rs Thousands)**

| | | | |
|---|---|---|---|
| Turnover (Including Other Income) | 4225 | Total Expenditure | 4282 |
| +/- [-] Profit Before Tax | 57 | +/- [-] Profit for the year | 57 |

*(Please tick appropriate box + for Profit, - for Loss)*

| | | | |
|---|---|---|---|
| Earning per Share in Rs. | -0.11 | Dividend Rate % | NIL |

**V Generic names of three principal products / Services of Company)** (As per Monetary Terms)

| | | | |
|---|---|---|---|
| Item Code no ( ITC code) | 8,524.9 | Product description | Computer Software |

## AUDITORS' REPORT
## To the members of Trigyn Technologies Inc.

1. We have audited the attached balance sheet of Trigyn Technologies Inc. (the 'Company') as at March 31, 2005 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended March 31, 2005 annexed thereto (collectively referred to as 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As stated in note 2.1(b) to schedule 13, these financial statements have been prepared by the Company for the purposes of attaching to the financial statements of its ultimate holding company, Trigyn Technologies Limited, as prescribed under Section 212 of the Companies act, 1956.
4. As required by the Companies (Auditor's Report) Order, 2003, ('the said Order'), issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 (the Act), and on the basis of such checks of the books and records as we considered necessary and appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extend applicable to the Company.
5. *We draw attention to note 2.1 (d) to schedule 13 in the financial statements. These financial statements have been prepared assuming the Company will continue as going concern despite negative networth and reduce sales. In our opinion, these factors, along with other matters set forth in the above note, raise substantial doubt that the Company will be able to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that might results should the company be unable to continue as a going concern.*
6. We report that:
   a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 appears from our examination of those books;
   c. the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
   d. in our opinion, the financial statements comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
   e. on the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2005 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
   f. except for the adjustments, if any, required to the carrying amount of assets and the classification of liabilities that might result should the Company be unable to continue as a going concern as stated in paragraph 5 above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet and profit and loss account give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      (i) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2005;
      (ii) in the case of the profit and loss account, of the profit of the Company for the year ended March 31, 2005; and,
      (iii) in case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**For RSM & Co.**
***Chartered Accountants***

**Vijay N. Bhatt**
**Partner (F-36647)**

Place : Mumbai
Date : June 29, 2005

## Annexure to Auditors' Report
## (Referred to in our Report of even date)

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The Company has a carried out a physical verification of fixed assets. We are informed that no material discrepancies were noticed on such verification.

(c) The Company has not disposed off substantial part of fixed assets during the year.

(ii) The Company is in the business of providing software services, hence provisions of paragraph 4 (ii) (a), (b) and (c) of the said Order are not applicable.

(iii) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system. We are informed that the nature of Company's business does not involve purchase of inventory and sale of goods.

(iv) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public as per the directives issued by the Reserve Bank of India and the provisions of section 58A, section 58AA and any other relevant provisions of the Act and the rules framed there under. No order has been passed by the National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.

(v) The Company does not have an internal audit system.

(vi) (a) According to the information and explanations given to us, the Company has been regular in depositing undisputed employee benefits fund dues with the appropriate authorities during the year. There are no arrears as on March 31, 2005 exceeding six months from the date they became payable.

(b) There are no disputed amounts pending with the relevant Appellate Authorities.

(vii) In our opinion and according to the information and explanations given to us, the Company's accumulated losses exceed 50% of its net worth at the end of the financial year under reporting; and the Company has not incurred cash losses in the financial year under report. The Company has incurred cash losses in the immediately preceding financial year.

(viii) As the Company has not borrowed any loans from financial institutions, banks and debenture holders, provisions of paragraph 4(xi) of the said Order is not applicable.

(ix) As the Company has not granted any loans or advances against security, provisions of paragraph 4 (xii) of the said Order is not applicable.

(x) In our opinion and according to the information and explanations given to us, the Company is not a chit fund, or a nidhi, mutual benefit funds/societies, accordingly, the provisions of paragraph 4 (xiii) of the said Order is not applicable.

(xi) On the basis of our examination and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xii) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xiii) According to the information and explanations given to us, the Company has not taken any term loans.

(xiv) In our opinion and according to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the Company has not used the fund borrowed on short term basis during the year for long term investments.

(xv) The Company has not issued debentures or made any public issue during the year and accordingly provisions of paragraph 4 (xix) and (xx) of the said Order, are not applicable.

(xvi) To the best of our knowledge and according to the information and explanations given to us, there have been no cases of fraud on or by the Company noticed or reported during the year.

**For RSM & Co.**
***Chartered Accountants***

**Vijay N. Bhatt**
**Partner (F-36647)**

Place : Mumbai
Date : June 29, 2005

**Balance sheet as at March 31, 2005**
(Currency: Indian Rupee)

| | Schedule | 2005 | 2004 |
|---|---|---|---|
| **SOURCES OF FUNDS** | | | |
| **Shareholders' funds** | | | |
| Share capital | 1 | **486** | 486 |
| Reserves and surplus | 2 | **71,129,818** | 74,402,065 |
| Unsecured loans | 3 | **9,414,850** | 9,352,500 |
| | | **80,545,154** | 83,755,051 |
| **APPLICATION OF FUNDS** | | | |
| **Fixed assets** | 4 | | |
| Gross block | | **9,324,701** | 8,636,059 |
| Less: Accumulated depreciation | | **8,751,983** | 8,421,774 |
| Net block | | **572,718** | 214,285 |
| **Current assets, loans and advances** | | | |
| Sundry debtors | 5 | **53,180,728** | 64,161,350 |
| Unbilled receivables | | **4,533,543** | 3,614,676 |
| Cash and bank balances | 6 | **22,241,878** | 6,764,525 |
| Loans and advances | 7 | **1,970,052** | 2,598,324 |
| | | **81,926,201** | 77,138,875 |
| **Current liabilities and provisions** | | | |
| Current liabilities | 8 | **192,966,964** | 260,169,987 |
| Provisions | 9 | **1,490,900** | 3,140,182 |
| | | **194,457,864** | 263,310,169 |
| **Net current assets / (liabilities)** | | **(112,531,663)** | (186,171,294) |
| **Profit and loss account** | | **192,504,099** | 269,712,060 |
| | | **80,545,154** | 83,755,051 |
| Notes to Accounts | 13 | | |

As per our report of even date.

**For RSM & Co.**
***Chartered Accountants***

**Vijay N. Bhatt**
**Partner (F-36647)**

**For Trigyn Technologies Inc.**

**Tushar Vaidya**
**Director**

**Ramkrishna Bhagwat**
**Director**

Place: Mumbai
Date: June 29, 2005

**Profit and loss account for year ended March 31, 2005**
(Currency: Indian Rupee)

| | Schedule | 2005 | 2004 |
|---|---|---|---|
| **Income** | | | |
| Software and consultancy services | | **323,245,417** | 356,589,269 |
| Other income | 10 | **18,633,702** | 1,064,775 |
| Excess provision no longer required, written back | | **2,727,974** | 3,142,974 |
| | | **344,607,093** | 360,797,018 |
| **Expenditure** | | | |
| Personnel costs | 11 | **168,089,117** | 177,677,225 |
| Consultancy charges | | **139,714,043** | 162,500,561 |
| Depreciation | 4 | **281,259** | 663,816 |
| Other costs | 12 | **32,800,565** | 25,778,823 |
| | | **340,884,984** | 366,620,425 |
| **Profit / (loss) for the year before prior period adjustments and extraordinary income** | | **3,722,109** | (5,823,407) |
| **Prior period expense (refer note 3 to schedule 13)** | | **(3,895,145)** | - |
| **Profit / (loss) for the year after prior period adjustments and before extraordinary income** | | **(173,036)** | (5,823,407) |
| **Extraordinary income (refer note 4 to schedule 13)** | | **77,380,997** | - |
| **Net profit / (loss) for the year** | | **77,207,961** | (5,823,407) |
| **Accumulated loss, brought forward** | | **269,712,060** | 263,888,653 |
| **Accumulated loss, carried forward** | | **192,504,099** | 269,712,060 |
| **Basic and diluted earnings per share before extraordinary income** | | **(173.04)** | (5,823.41) |
| **Basic and diluted earnings per share after extraordinary income** | | **77,207.96** | (5,823.41) |
| Number of shares of face value USD 0.01 each | | **1,000** | 1,000 |
| Notes to Accounts | 13 | | |

As per our report of even date attached.

**For RSM & Co.**
***Chartered Accountants***

**Vijay N. Bhatt**
**Partner (F-36647)**

**For Trigyn Technologies Inc.**

**Tushar Vaidya**
**Director**

**Ramkrishna Bhagwat**
**Director**

Place: Mumbai
Date: June 29, 2005

**Cash Flow Statement for the year ended March 31, 2005**
(Currency: Indian Rupee)

| | | | |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| | | | **2005** |
| Profit after tax, prior period adjustments and exceptional items | | | **77,207,961** |
| **Adjustments for :** | | | |
| Interest income | | **(185,493)** | |
| Provision for doubtful debts/advances | | **(1,168,176)** | |
| Depreciation and amortization | | **281,259** | **(1,072,410)** |
| **Operating profit before working capital changes** | | | **76,135,551** |
| **Changes in:** | | | |
| Sundry Debtors | | **9,771,981** | |
| Loans and advances | | **602,877** | |
| Current Liabilities and Provisions | | **(68,852,305)** | **(58,477,447)** |
| **Cash generated from operations** | | | **17,658,104** |
| Income taxes refund , net | | | **-** |
| **Net cash generated from operations** | | **(A)** | **17,658,104** |
| **Cash flow from investing activities** | | | |
| Purchase of fixed assets | | | **(639,692)** |
| Interest Received | | | **185,493** |
| Loan repayment from subsidiaries (net) | | | **984,498** |
| **Net cash generated from investing activities** | | **(B)** | **530,299** |
| **Cash flow from financing activities** | | | |
| Acceptance on unsecured loans from subsidiaries (net) | | | **62,350** |
| **Net Cash generated from financing activities** | | **(C)** | **62,350** |
| **Increase in cash and cash equivalents** | | **(A + B + C)** | **18,250,753** |
| Adjustment on account of currency translation reserve | | | **(2,773,400)** |
| **Cash and cash equivalents at the beginning of year** | | | **6,764,525** |
| **Cash and cash equivalents at the end of year** | | | |
| | | | **22,241,878** |

As per our report of even date attached.

**For RSM & Co.**
***Chartered Accountants***

**For Trigyn Technologies Inc.**

**Vijay N. Bhatt**
**Partner (F-36647)**

**Tushar Vaidya**
**Director**

**Ramkrishna Bhagwat**
**Director**

Place: Mumbai
Date: June 29, 2005

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005**

(Currency: Indian Rupee)

| **Schedule 1. Share capital** | **2005** | 2004 |
|---|---|---|
| **Authorised share capital** | | |
| 1,000 (2004: 1,000) equity shares of par value Rs 0.48 (equivalent USD 0.01) each. | **486** | 486 |
| **Issued, subscribed and paid-up share capital** | | |
| 1,000 (2004: 1,000) shares of par value Rs 0.48 (equivalent USD 0.01) each, fully paid up. | **486** | 486 |

All the above shares are held by eCapital Solutions (Bermuda) Limited, the holding company.

| **Schedule 2. Reserve and surplus** | | |
|---|---|---|
| Share premium account | **29,135,514** | 29,135,514 |
| Capital reserve | **22,915,901** | 22,915,901 |
| Foreign currency translation reserve | **19,078,403** | 22,350,650 |
| | **71,129,818** | 74,402,06 |

| **Schedule 3. Unsecured loans, interest free** | | |
|---|---|---|
| Holding company | **5,254,800** | 5,220,000 |
| Others | **4,160,050** | 4,132,500 |
| | **9,414,850** | 9,352,500 |

**Schedule 4. Fixed assets**

| | Cost | | | | Accumulated depreciation | | | | Net book value | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Particulars** | **As at 1 April 2004** | **Additions during the year** | **Deletions/ Adjustments during the year** | **As at 31 March 2005** | **As at 1 April 2004** | **Deprecia-tion for the year** | **Deletions/ Adjustments during the year** | **As at 31 March 2005** | **As at 31 March 2005** | **As at 31 March 2004** |
| Computers and peripherals | 4,286,059 | 454,023 | (28.574) | **4,768,656** | 4,071,774 | 266,725 | 20,321 | **4,358,820** | **409,836** | 214,285 |
| Software | 4,350,000 | - | (29,000) | **4,379,000** | 4,350,000 | - | 29,000 | **4,379,000** | **-** | - |
| Furniture & Fittings | - | 177,045 | - | **177,045** | - | 14,534 | (371) | **14,163** | **162,882** | - |
| **Total** | 8,636,059 | 631,068 | 57,574 | **9,324,701** | 8,421,774 | 281,259 | 48,950 | **8,751,983** | **572,718** | 214,285 |
| Previous year figures | 9,459,959 | - | 823,900 | **8,636,059** | 8,538,034 | 663,816 | 780,076 | **8,421,774** | **214,285** | - |

| **Schedule 5. Sundry debtors** | | |
|---|---|---|
| (Unsecured) | | |
| Debts over six months | | |
| -Considered good | **7,051,822** | 5,086,687 |
| -Considered doubtful | **37,161,301** | 36,871,527 |
| Other debts | | |
| -Considered good | **46,128,906** | 59,074,663 |
| | **90,342,029** | 101,032,877 |
| Less: Provision for doubtful debts | **37,161,301** | 36,871,527 |
| | **53,180,728** | 64,161,350 |

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*

(Currency: Indian Rupee)

| **Schedule 6. Cash and bank balances** | **2005** | 2004 |
|---|---|---|
| Balances with non-scheduled banks: | | |
| in current account | | |
| - Wachovia bank | **2,320,196** | 5,133,307 |
| In fixed deposit | | |
| - Wachovia bank | **19,921,682** | 1,631,218 |
| | **22,241,878** | 6,764,525 |
| Maximum balance held during the year with above banks | | |
| - Wachovia bank | **28,224,949** | 30,982,268 |

| **Schedule 7. Loans and advances** | | |
|---|---|---|
| (Unsecured, considered good) | | |
| Loans to fellow subsidiaries | **106,530** | 105,825 |
| Prepaid expenses | **826,145** | 1,569,761 |
| Loans and advances to employees | **118,233** | 452,619 |
| Deposits | **419,180** | 313,174 |
| Advances recoverable in cash or in kind or for value to be received | **499,964** | 156,945 |
| | **1,970,052** | 2,598,324 |
| (Unsecured, considered doubtful) | | |
| Loans to fellow subsidiaries | **28,583,707** | 29,568,911 |
| Other loans | **3,941,100** | 3,915,000 |
| Less: Provision for doubtful debts | **32,524,807** | 33,483,911 |
| | **-** | - |
| | **1,970,052** | 2,598,324 |

Loans and advances to fellow subsidiaries include amounts due from Trigyn Technologies Limited, UK Rs 24.21 million (equivalent USD 552,866) (2004: Rs 24.05 million (equivalent USD 552,866)), Applisoft, Inc., Rs 4.37 million (equivalent USD 99,879) (2004: Rs 5.52 million (equivalent USD 126,879)), and Trigyn Technologies (India) Private Limited (UK Branch) Rs 0.11 million (equivalent USD 2,433) (2004: Rs 0.11 million (equivalent USD 2,433)), which are companies under the same management as defined under section 370(1B) of the Indian Companies Act, 1956.

Maximum amount outstanding during the year from Trigyn Technologies Limited, UK Rs 24.21 million (equivalent USD 552,866) (2004: 26.34 million (equivalent USD 552,866)), Applisoft, Inc. Rs 5.52 million (equivalent USD 126,879) (2004: Rs 9.30 million (equivalent USD 195,160)) and Trigyn Technologies (India) Private Limited (UK Branch) Rs 0.11 million (equivalent USD 2,433) (2004: Rs 2.89 million (equivalent USD 60,730).

| **Schedule 8. Current liabilities** | | |
|---|---|---|
| Sundry creditors | **184,921,406** | 245,260,043 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | **3,971,341** | 4,240,391 |
| Other liabilities | **4,074,217** | 10,669,553 |
| | **192,966,964** | 260,169,987 |

| **Schedule 9. Provisions** | | |
|---|---|---|
| Provision for leave encashment costs | **1,490,900** | 3,140,182 |
| | **1,490,900** | 3,140,182 |

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

| **Schedule 10. Other income** | **2005** | **2004** |
|---|---|---|
| Interest received | **185,493** | 37,343 |
| Royalty income | **4,539,919** | - |
| Sundry balance written back | **13,766,317** | - |
| Miscellaneous income | **141,973** | 1,027,431 |
| | **18,633,702** | 1,064,774 |

| **Schedule 11. Personnel costs** | | |
|---|---|---|
| Salaries and bonus | **143,669,973** | 150,626,741 |
| Payroll taxes | **11,162,700** | 11,525,234 |
| Leave encashment | **1,933,867** | 249,732 |
| Staff insurance and benefits | **6,432,923** | 12,076,624 |
| Sales commissions | **4,889,654** | 3,198,894 |
| | **168,089,117** | 177,677,225 |

| **Schedule 12. Other costs** | | |
|---|---|---|
| Provision for doubtful debts | **1,559,798** | 1,271,961 |
| Communication costs | **2,228,282** | 2,467,973 |
| Legal and professional fees | **4,808,053** | 3,776,582 |
| Statutory audit fees | **202,215** | 184,120 |
| Travel and conveyance costs | **9,375,141** | 6,542,903 |
| Insurance | **2,692,657** | 2,763,421 |
| Staff recruitment costs | **2,828,516** | 70,104 |
| Rent, rates and taxes | **4,911,725** | 7,273,917 |
| Repairs and maintenance | **85,880** | 87,110 |
| Interest costs | **166,817** | 194,877 |
| Miscellaneous expenses | **3,941,481** | 1,145,855 |
| | **32,800,565** | 25,778,823 |

**Schedule 13. Notes to Accounts**

**1. Background**

Trigyn Technologies, Inc. ('TTI' or 'the Company') formerly known as eCapital Solution Inc was incorporated in the state of Delaware, USA on 9 April 1999 as a wholly owned subsidiary of eCapital Solutions (Bermuda) Limited ('EB'). In April 2000, Trigyn Technologies Limited ('TTL'), a company listed on the Mumbai stock exchange acquired EB, thereby becoming the ultimate holding company of TTI.

The Company is engaged in the business of providing information technology consultancy and software development services.

**2. Principal accounting policies**

**2.1 Basis of preparation of financial statements**

(a) These financial statements have been prepared under the historical cost convention, on the accrual basis of accounting, and in accordance with the provisions of the Companies Act, 1956 as applicable to bodies corporate.

(b) These financial statements have been prepared for the purpose of compliance with the provisions of section 212 of the Indian Companies Act, 1956 by the ultimate holding company i.e. TTL. Accordingly, these financial statements will be attached to the financial statements of TTL as prescribed under Section 212 of the Indian Companies Act, 1956. The Balance Sheet and Profit and Loss Account of the Company have been drawn up in terms of US dollars representing the functional currency of the Company. However, for purposes of compliance with the requirements of section 212 of the Indian

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*

(Currency: Indian Rupee)

Companies Act 1956, these financial statements have been translated into Indian Rupees in accordance with the methodology prescribed for conversion of financial statements of a non-integral operation in the revised Accounting Standard 11 on Accounting for the effects of changes in foreign exchange rates.

(c) The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements.

(d). These financial statements have been prepared assuming the Company will continue as a going concern despite reduced sales, current liabilities exceeds current assets and negative net worth. Management believes that the Company will be able to finance its operations and meet its commitments and also commitments given by the ultimate holding company to support its subsidiaries, and from internal cash generation in the foreseeable future, given the various options it is perusing in this regard. Accordingly, the financial statements do not include any adjustments regarding the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

**2.2 Revenue recognition**

Revenues from software development services comprise income from time and material and fixed price contracts. Revenue from 'time and material' contracts is recognized as related services are performed and accepted by the customer. Revenue from fixed price contracts is recognized using the percentage of completion method of accounting, under which the sales value of performance, including the profit thereon, is determined by relating the actual man hours of work performed to date to the estimated total man hours for each contract. Provision for estimated losses on uncompleted contracts are recorded in the period in which such losses become probable, based on current contract estimates. The revenue allocated to post-contract customer support is recognized ratably over the term of the support and revenue allocated to service elements such as training, installation and customization is recognized as the services are performed.

Unbilled receivables represent costs incurred and revenues recognized on contracts, to be billed in subsequent periods as per the terms of the contract. Amounts received in advance of meeting the revenue recognition criteria are deferred and reflected as 'Billings in excess of costs and estimated earnings on uncompleted contracts'.

**2.3 Fixed assets and depreciation**

Fixed assets are stated at cost less accumulated depreciation. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the fixed assets. Depreciation on fixed assets is provided based on the straight-line method over its estimated useful life. Depreciation on additions and disposals is provided pro-rata for the period of use.

The useful life of fixed assets being followed by the Company is shorter than those prescribed under Schedule XIV to the Companies Act, and are summarised below:

| **Asset** | **Useful life (in years)** |
|---|---|
| Computers and peripherals | 3 |
| Software | 3 |
| Furniture & Fittings | 4 |

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

**2.4 Retirement benefits**

The Company provides leave encashment costs based on leave balance to the credit of the employees at the year-end, at the prevalent salary rates.

**2.5 Income tax**

Current taxes comprise state and federal taxes in the United States. In view of tax losses, the Company has not made provision for current taxes. The Company has made provision for the minimum state taxes for the year ended March 31, 2005.

**2.6 Earnings per share**

The basic and diluted earnings per share is computed by dividing the loss after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding during the reporting period.

**2.7 Segment information**

In accordance with Accounting Standard 17 "Segment Reporting", issued by the Institute of Chartered Accountants of India, if the Company's single financial report contains both consolidated financial statements and the separate financial statements of the parent, segment information need be presented only on the basis of the consolidated financial statements. Accordingly, the Company has chosen to present segment information only in its consolidated financial statements.

**2.8 Provision and contingent liabilities**

Provisions are recognized when the Company has present legal or constructive obligation, a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. Contingent liabilities, if any, are disclosed by way of notes to the Balance Sheet.

**3. Prior period income**

Prior period income consists of a write back of consultancy cost amounting to Rs. 3,073,130 and expenses incurred of Rs. 230,507 that includes personnel costs Rs. 153,162 and other costs Rs. 77,345.

**4. Extraordinary Item**

During the year, Rs. 7.74 crores (USD 1.72 million) were received as business consideration from i –flex Group towards payment in full on account of transaction involving transfer of a material business / contract. The proceeds from this transaction would be used for reducing the debt burden and also infuse the much needed working capital for the business growth.

**5. Earnings per share**

Details of numerator and denominator used for the purposes of computing earnings per share are summarized below:

| | **2005** | 2004 |
|---|---|---|
| Profit / (Loss) for the year after tax | **77,207,961** | (5,823,407) |
| Less : Extraordinary income | **77,380,997** | - |
| | **(173,036)** | (5,823,407) |
| Weighted average number of shares used in computing earning per share | **1,000** | 1,000 |
| Basic and diluted earnings per share for profit / (loss) | | |
| - before extraordinary income | **(173.04)** | (5,823,407) |
| - after extraordinary income | **77,207.96** | (5,823.41) |

**6. Leases**

The Company has entered into operating lease arrangements, for leasing office premises in USA. The office premises has been taken under a non-cancelable lease for a period of 5 years, which was renewable at the option of the Company.

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

The future minimum lease payments in respect of non-cancelable operating lease in the US as at 31 March 2005 are summarized below:

| | 2005 |
|---|---|
| Amount due within one year from the balance sheet date | 2,580,939 |
| Amount due in the period between one year and five years | 9,033,288 |
| Amount due after five years | - |
| | 11,614,227 |

**7. Provisions, Contingent liabilities and Contingent assets**

The details of provisions as required by the provisions of the Accounting Standard 29 " Provisions, Contingent liabilities and Contingent assets" are as under:

| Nature of Provision | Provision for doubtful debts | Provision for advances / loans |
|---|---|---|
| Opening balance | 36,871,527 | 33,483,911 |
| Addition in provision | 1,415,950 | - |
| Reduction in provision | 1,514,684 | 1,213,291 |
| Adjusted in foreign currency translation reserve | 283,412 | 254,187 |
| Closing balance | 37,056,205 | 32,524,807 |

**8. Related party transactions**

Details of related parties including summary of transactions entered into by the Company during the year ended 31 March 2005 are summarized below:

**Holding company**
ECapital Solutions (Bermuda) Limited
**Ultimate Holding company**
Trigyn Technologies Limited
**Fellow associate companies**
Applisoft Inc.
ECapital Solutions (Mauritius) Limited
Leading Edge Infotech Limited
Trigyn Technologies Europe GmbH
Trigyn Technologies (India) Private Limited
EVector (Cayman) Limited
EVector Inc.
EVector (India) Private Limited
EVector (UK) Limited
Trigyn Technologies Limited, UK

**Whole-time directors of the Company**
Tushar Vaidya
Ramakrishna Bhagwat

Particulars of related party transactions during the year ended 31 March 2005

| Nature of transactions | Transactions with related parties |
|---|---|
| **Transactions during the year** | |
| Cost of services rendered to the Company | 41,472,784 |
| Expenses incurred by the Company | 17,993,543 |
| Expenses incurred on behalf of the Company | 2,885,318 |
| **Year-end balances** | |
| Gross amounts payable to creditors | 156,111,302 |
| Gross amounts receiveable as loans | 28,690,237 |
| Gross amounts receiveable as debts | 1,234,443 |
| Provision for doubtful loans | 28,583,707 |
| Provision for doubtful debts | 245,706 |
| Transaction with directors (Refer note 9(i) to schedule 13) | |

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

| **9. Supplementary statutory information** | **2005** | 2004 |
|---|---|---|
| (i) Personnel costs includes managerial remuneration paid to the whole-time directors of the Company as follows: | | |
| - Salaries and bonus | **7,442,917** | 7,733,040 |
| - Others | **611,420** | - |
| | **8,054,337** | 7,733,040 |

**10. Prior year comparatives**

Prior year figures have been appropriately reclassified / regrouped to conform to current year's presentation.

**For Trigyn Technologies Inc.**

| | | |
|---|---|---|
| Place : Mumbai | **Ramkrishna Bhagwat** | **Tushar Vaidya** |
| Date : June 29, 2005 | **Director** | **Director** |

## Balance Sheet abstract and Company's general business

**I Registration Details**

| | | | |
|---|---|---|---|
| Registration No. | N A | State Code | N A |
| Balance sheet date | 31 (Date) 03 (Month) 2005 (Year) | | |

**II Capital raised during the year (Amount in Rs Thousands )**

| | | | |
|---|---|---|---|
| Public Issue | N I L | Rights Issue | N I L |
| Bonus Issue | N I L | Private placement (including share application money) | N I L |

**III Position of mobilization and deployments of funds ( Amount in Rs Thousands)**

| | | | |
|---|---|---|---|
| Total Liabilities | 2 7 5 0 0 3 | Total assets | 2 7 5 0 0 3 |
| ***Source of funds*** **:** | | | |
| Paid-up capital (Incl. Share Application Money) | 0 . 4 8 6 | Reserves and surplus | 7 1 1 3 0 |
| Secured loans | N I L | Unsecured loans | 9 4 1 5 |
| ***Application of funds :*** | | | |
| Net Fixed Assets | 5 7 3 | Investments | N I L |
| Net Current Assets | ( 1 1 2 5 3 2 ) | Misc. expenditure | N I L |
| Accumulated loss | 1 9 2 5 0 4 | | |

**IV Performance of Company (Amount in Rs Thousands)**

| | | | |
|---|---|---|---|
| Turnover (Including Other Income) | 3 4 4 6 0 7 | Total Expenditure | 3 4 0 8 8 5 |
| +/- [+] Profit/Loss Before Tax | 7 7 2 0 8 | +/- [+] Profit/Loss for the year | 7 7 2 0 8 |

*(Please tick appropriate box + for Profit, - for Loss)*

| | | | |
|---|---|---|---|
| Earning per Share in Rs. | 7 7 2 0 8 | Dividend Rate % | N I L |

**V Generic names of three principal products / Services of Company)** (As per Monetary Terms)

| | | | |
|---|---|---|---|
| Item Code no ( ITC code) | 8,524.9 | Product description | Computer Software |

## AUDITORS' REPORT
## To the members of Applisoft Inc.

1. We have audited the attached balance sheet of Applisoft Inc. (the 'Company') as at March 31, 2005 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended March 31, 2005 annexed thereto (collectively referred to as 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As stated in note 2.1(b) to schedule 14, these financial statements have been prepared by the Company for the purposes of attaching to the financial statements of its ultimate holding company, Trigyn Technologies Limited, as prescribed under Section 212 of the Companies act, 1956.

4. As required by the Companies (Auditor's Report) Order, 2003, ('the said Order'), issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 (the Act), and on the basis of such checks of the books and records as we considered necessary and appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extend applicable to the Company.

5. *We draw attention to note 2.1 (d) to schedule 14 in the financial statements. These financial statements have been prepared assuming the Company will continue as going concern despite negative networth and reduce sales. In our opinion, these factors, along with other matters set forth in the above note, raise substantial doubt that the Company will be able to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that might results should the company be unable to continue as a going concern.*

6 We report that:

   a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 appears from our examination of those books;
   c. the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
   d. in our opinion, the financial statements comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
   e. on the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2005 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
   f. except for the adjustments, if any, required to the carrying amount of assets and the classification of liabilities that might result should the Company be unable to continue as a going concern as stated in paragraph 5 above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet and profit and loss account give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2005;

      (ii) in the case of the profit and loss account, of the profit of the Company for the year ended March 31, 2005; and,

      (iii) in case of the Cash Flow Statement, of the cash flows of the Companyfor the year ended on that date.

**For RSM & Co.**
***Chartered Accountants***

**Vijay N. Bhatt**
**Partner (F-36647)**

Place : Mumbai
Date : June 29, 2005

## Annexure to Auditors' Report
## (Referred to in our Report of even date)

(i) The Company does not have any fixed assets during the year. According, the provisions of paragraph 4(i)(a) to (c) of the said Order are not applicable

(ii) The Company is in the business of providing software services, hence provisions of paragraph 4 (ii) (a), (b) and (c) of the said Order are not applicable.

(iii) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system. We are informed that the nature of Company's business does not involve purchase of inventory and sale of goods.

(iv) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public as per the directives issued by the Reserve Bank of India and the provisions of section 58A, section 58AA and any other relevant provisions of the Act and the rules framed there under. No order has been passed by the National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.

(v) The Company does not have an internal audit system.

(vi) (a) According to the information and explanations given to us, the Company has been regular in depositing undisputed employee benefits fund dues with the appropriate authorities during the year. There are no arrears as on March 31, 2005 exceeding six months from the date they became payable.

(b) There are no disputed amounts pending with the relevant Appellate Authorities.

(vii) In our opinion and according to the information and explanations given to us, the Company's accumulated losses exceed 50% of its net worth at the end of the financial year under reporting; and the Company has not incurred cash losses in the financial year under report and in the immediately preceding financial year.

(viii) As the Company has not borrowed any loans from financial institutions, banks and debenture holders, provisions of paragraph 4 (xi) of the said Order is not applicable.

(ix) As the Company has not granted any loans or advances against security, provisions of paragraph 4 (xii) of the said Order is not applicable.

(x) In our opinion and according to the information and explanations given to us, the Company is not a chit fund, or a nidhi, mutual benefit funds/societies, accordingly, the provisions of paragraph 4 (xiii) of the said Order is not applicable.

(xi) On the basis of our examination and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xii) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xiii) According to the information and explanations given to us, the Company has not taken any term loans.

(xiv) In our opinion and according to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the Company has not used the fund borrowed on short term basis during the year for long term investments.

(xv) The Company has not issued debentures or made any public issue during the year and accordingly provisions of paragraph 4 (xix) and (xx) of the said Order, are not applicable.

(xvi) To the best of our knowledge and according to the information and explanations given to us, there have been no cases of fraud on or by the Company noticed or reported during the year.

**For RSM & Co.**
***Chartered Accountants***

**Vijay N. Bhatt**
**Partner (F-36647)**

Place : Mumbai
Date : June 29, 2005

**Balance sheet at March 31, 2005**

(Currency: Indian Rupee)

| | Schedule | 2005 | 2004 |
|---|---|---|---|
| **SOURCES OF FUNDS** | | | |
| **Shareholders' funds** | | | |
| Share capital | 1 | **728,400** | 728,400 |
| Reserves and surplus | 2 | **4,238,950** | 5,653,953 |
| **Loan funds** | | | |
| Secured loans | 3 | **-** | 40,502,535 |
| Unsecured loans | 4 | **10,912,557** | 8,752,289 |
| | | **15,879,907** | 55,637,177 |
| **APPLICATION OF FUNDS** | | | |
| **Fixed assets** | 5 | | |
| Gross block | | **-** | - |
| *Less:* Accumulated depreciation | | **-** | - |
| Net block | | **-** | - |
| **Current assets, loans and advances** | | | |
| Sundry debtors | 6 | **3,088,071** | 6,675,538 |
| Unbilled Receivables | | **-** | 172,173 |
| Cash and bank balances | 7 | **1,052,748** | 2,054,688 |
| Loans and advances | 8 | **-** | 478,500 |
| | | **4,140,819** | 9,380,899 |
| **Current liabilities and provisions** | | | |
| Current liabilities | 9 | **2,195,236** | 9,835,226 |
| Provisions | 10 | **-** | 243,567 |
| | | **2,195,236** | 10,078,793 |
| **Net current assets / (liabilities)** | | **1,945,583** | (697,894) |
| **Profit and loss account** | | **13,934,324** | 56,335,071 |
| | | **15,879,907** | 55,637,177 |
| Notes to Accounts | 14 | | |

As per our report of even date attached.

**For RSM & Co.**
***Chartered Accountants***

**Vijay N. Bhatt**
**Partner (F-36647)**

**For Applisoft Inc.**

**Tushar Vaidya**
**Director**

**Ramkrishna Bhagwat**
**Director**

Place: Mumbai
Date: June 29, 2005

**Profit and Loss account for the year ended March 31, 2005**
(Currency: Indian Rupee)

| | Schedule | 2005 | 2004 |
|---|---|---|---|
| **Income** | | | |
| Software consultancy services | | **18,581,955** | 48,357,015 |
| Other income | 11 | **2,983,417** | 326,034 |
| | | **21,565,372** | 48,683,049 |
| **Expenditure** | | | |
| Personnel costs | 12 | **8,936,615** | 37,330,213 |
| Consultancy Charges | | **6,874,026** | 7,381,177 |
| Depreciation | 5 | **-** | 163,354 |
| Other costs | 13 | **3,427,492** | 6,390,207 |
| | | **19,238,133** | 51,264,951 |
| **Profit / (Loss) for the year before prior period adjustments and extraordinary item** | | **2,327,239** | (2,581,902) |
| **Prior period adjustments (refer note 3 to schedule 14)** | | **(780,188)** | - |
| **Profit / (Loss) for the year after prior period adjustments but before extraordinary item** | | **1,547,051** | (2,581,902) |
| **Extraordinary item (refer note 4 to schedule 14)** | | **40,853,696** | - |
| **Profit / (Loss) for the year after prior period adjustments and extraordinary item** | | **42,400,747** | (2,581,902) |
| **Accumulated loss, brought forward** | | **(56,335,071)** | (53,753,169) |
| **Accumulated loss, carried forward** | | **(13,934,324)** | (56,335,071) |
| **Basic and diluted earnings per share before extraordinary item** | | **103.14** | (172.13) |
| **Basic and diluted earnings per share after extraordinary item** | | **2,826.72** | (172.13) |
| Number of shares of face value USD 1.00 each | | **15,000** | 15,000 |
| Notes to Accounts | 14 | | |

As per our report of even date attached.

**For RSM & Co.**
***Chartered Accountants***

**Vijay N. Bhatt**
**Partner (F-36647)**

Place: Mumbai
Date: June 29, 2005

**For Applisoft Inc.**

**Tushar Vaidya**
**Director**

**Ramkrishna Bhagwat**
**Director**

**Cash Flow Statement for the year ended March 31, 2005**
(Currency: Indian Rupee)

| | | |
|---|---|---|
| **Cash flow from operating activities** | | **2005** |
| Profit after tax, prior period adjustments and exceptional items | | **42,400,747** |
| **Adjustments for:** | | |
| Interest income | **(5,208)** | |
| Provision for doubtful debts | **2,219,469** | **2,214,261** |
| **Operating profit before working capital changes** | | **44,615,008** |
| **Changes in:** | | |
| Sundry Debtors | **1,521,364** | |
| Loans and advances | **478,500** | |
| Current Liabilities and Provisions | **(7,883,556)** | **(5,883,692)** |
| **Cash generated from operations** | | **38,731,316** |
| Income taxes refund, net | | **-** |
| **Net cash generated from operations** | **(A)** | **38,731,316** |
| **Cash flow from investing activities** | | |
| Interest Received | | **5,208** |
| **Net cash generated from investing activities** | **(B)** | **5,208** |
| **Cash flow from financing activities** | | |
| Repayment of loans | | **(37,209,545)** |
| Repayment of loans to associate companies | | **(1,132,722)** |
| **Net cash used in financing activities** | **(C)** | **(38,342,267)** |
| **Decrease in cash and cash equivalents** | **(A + B + C)** | **394,257** |
| Adjustment on account of currency translation reserve | | **(1,396,197)** |
| **Cash and cash equivalents at the beginning of year** | | **2,054,688** |
| **Cash and cash equivalents at the end of year** | | **1,052,748** |

As per our report of even date attached.

| | | |
|---|---|---|
| **For RSM & Co.** | | **For Applisoft Inc.** |
| ***Chartered Accountants*** | | |
| **Vijay N. Bhatt** | **Tushar Vaidya** | **Ramkrishna Bhagwat** |
| **Partner (F-36647)** | **Director** | **Director** |

Place: Mumbai
Date: June 29, 2005

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005**
(Currency: Indian Rupee)

| | 2005 | 2004 |
|---|---|---|
| **Schedule 1. Share capital** | | |
| **Authorised share capital** | | |
| 1,000,000 (2004:1,000,000) shares of par value Rs 48.56 (equivalent US$ 1.00) each. | **48,560,000** | 48,560,000 |
| **Issued, subscribed and paid-up share capital** | | |
| 15,000 (2004:15,000) shares of par value Rs 48.56 (equivalent US$ 1.00) each, fully paid up. | **728,400** | 728,400 |

All the above equity shares of the Company are held by Trigyn Technologies Limited, the holding company.

| | 2005 | 2004 |
|---|---|---|
| **Schedule 2. Reserves and surplus** | | |
| Foreign currency translation reserve | **4,238,950** | 5,653,953 |
| **Schedule 3. Secured loans** | | |
| Loan from ex-officer of the Company | - | 40,502,535 |

A Settlement Agreement was signed between the Company and the ex-officer of the Company from whom the loan was availed in the year 2004 – 2005. As per the terms of the above agreement, the Company has agreed to pay USD 100,000 in full satisfaction of any debts owed to the said Officer. In the current year, the Company has already paid USD 25,000 as per the schedule set forth in the above agreement. The balance USD 75,000 are to paid equally in the years 2005 – 2006 and 2006 – 2007 and has been disclosed as unsecured loan as the same are free from any security.

| | 2005 | 2004 |
|---|---|---|
| **Schedule 4. Unsecured loans (interest free)** | | |
| From holding company/Associates | **6,308,475** | 7,441,197 |
| From Director | **1,319,832** | 1,311,092 |
| From ex-officer of the Company (refer note to schedule 3 above) | **3,284,250** | - |
| | **10,912,557** | 8,752,289 |

**Schedule 5. Fixed assets**

| Particulars | Cost | | | | Accumulated Depreciations | | | | Net Book Value | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 1 April, 2004 | Addtions during the year | Deletions Adjustments during the year | As at 31 March, 2005 | As at 1 April, 2004 | Depreciation for the year | Deletions/ adjustments during the year | As at 31 March, 2005 | As at 31 March, 2005 | As at 1 April, 2004 |
| Computers and peripherals | - | - | - | - | - | - | - | - | - | - |
| Office equipment | - | - | - | - | - | - | - | - | - | - |
| Furniture and fixture | - | - | - | - | - | - | - | - | - | - |
| **Total** | - | - | - | - | - | - | - | - | - | - |
| Previous Year | 4,308,650 | 2,060 | 4,310,710 | - | 3,529,889 | 163,354 | 3,693,243 | - | - | - |

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

| Schedule 6. Sundry debtors | 2005 | 2004 |
|---|---|---|
| (Unsecured) | | |
| Debts over six months | | |
| - Considered good | **53,599** | 619,903 |
| - Considered doubtful | **13,050,203** | 11,316,388 |
| Other debts | | |
| - Considered good | **3,034,472** | 6,055,635 |
| - Considered doubtful | **504,461** | - |
| | **16,642,735** | 17,991,926 |
| Less: Provision for doubtful debts | **13,554,664** | 11,316,388 |
| | **3,088,071** | 6,675,538 |

**Schedule 7. Bank balances**

| | | |
|---|---|---|
| Balances with non-scheduled banks | | |
| -In current Account | **1,052,748** | 2,054,688 |
| | **1,052,748** | 2,054,688 |
| Maximum balance held during the year with the above bank (Wachovia Bank) | **4,129,645** | 4,250,210 |

**Schedule 8. Loans and advances**

| | | |
|---|---|---|
| (Unsecured, considered good) | | |
| Advances recoverable in cash or in kind for value to be received | **-** | 478,500 |
| | **-** | 478,500 |

**Schedule 9. Current liabilities**

| | | |
|---|---|---|
| Sundry creditors | **2,085,761** | 2,314,111 |
| Other liabilities | **109,475** | 7,521,115 |
| | **2,195,236** | 9,835,226 |

**Schedule 10. Provisions**

| | | |
|---|---|---|
| Provision for leave encashment costs | **-** | 243,567 |
| | **-** | 243,567 |

**Schedule 11. Other income**

| | | |
|---|---|---|
| Interest received | **5,208** | - |
| Miscellaneous income | **404,944** | 326,034 |
| Sundry balance written back | **2,573,265** | - |
| | **2,983,417** | 326,034 |

**Schedule 12. Personnel costs**

| | | |
|---|---|---|
| Salaries and bonus | **8,441,087** | 32,890,643 |
| Contribution to provident and other funds | **301,712** | 2,542,566 |
| Leave encashment costs | **(251,611)** | (605,135) |
| Medical and health insurance and benefits | **382,516** | 2,074,551 |
| Sales commission | **62,911** | 248,967 |
| Vehicle expenses | **-** | 178,620 |
| | **8,936,615** | 37,330,213 |

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

| Schedule 13. Other costs | 2005 | 2004 |
|---|---|---|
| Provision for bad and doubtful debts | **2,219,470** | 2,851,910 |
| Rent, rates and taxes | **-** | 1,194,860 |
| Travel and conveyance costs | **-** | 108,196 |
| Legal and professional fees | **1,099,998** | 1,006,859 |
| Communication | **-** | 160,844 |
| Interest Costs | **1,438** | 9,248 |
| Taxation | **(155,824)** | - |
| Miscellaneous expenses | **262,410** | 1,058,290 |
| | **3,427,492** | 6,390,207 |

## Schedule 14. Notes to Accounts

### 1. Background

Applisoft, Inc. ('the Company') was incorporated on 6 September 1991 in San Jose, CA, USA in the name of TRG Inc. Subsequently, on 20 January 1996, the Company changed its name to Applisoft Inc. The Company is primarily engaged in the business of providing information technology and software consultancy services.

On 1 January 2001, Trigyn Technologies Limited ('TTL'), a company listed on the Stock exchange, Mumbai, India acquired 100% equity stake in the Company for consideration in cash aggregating Rs 421.6 million (equivalent USD 9 million).

### 2. Principal accounting policies

#### 2.1 Basis of preparation of financial statements

(a) These financial statements have been prepared under the historical cost convention, on the accrual basis of accounting, and in accordance with the provisions of the Companies Act, 1956 as applicable to bodies corporate.

(b) These financial statements have been prepared for the purpose of compliance with the provisions of section 212 of the Indian Companies Act, 1956 by the holding company i.e. TTL. Accordingly, these financial statements will be attached to the financial statements of TTL as prescribed under Section 212 of the Indian Companies Act, 1956. The Balance Sheet and Profit and Loss Account of the Company have been drawn up in terms of US dollars representing the functional currency of the Company. However, for purposes of compliance with the requirements of section 212 of the Indian Companies Act 1956, these financial statements have been translated into Indian Rupees in accordance with the methodology prescribed for conversion of financial statements of a non-integral operation in the revised Accounting Standard 11 on Accounting for the effects of changes in foreign exchange rates. No representation is made, that the US dollar amounts have been, could have been or could be converted in to Indian Rupees at such an exchange rate.

(c) The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements.

(d) These financial statements have been prepared assuming the Company will continue as a going concern despite reduced sales and negative net worth. Management believes that the Company will be able to finance its operations and meet its commitments and also commitments given by the ultimate holding company to support its subsidiaries and from internal cash generation in the foreseeable future, given the various options it is perusing in this regard. Accordingly, the financial statements do not include any adjustments regarding the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

### 2.2 Revenue recognition

Revenue from software consultancy services comprises income from time and material contracts, which is recognized as related services are performed and accepted by the customers.

### 2.3 Income tax

Current taxes comprise state and federal taxes in the United States. In view of the tax losses, the Company has not made provision for current taxes. Further, deferred tax liability or asset is recognized for timing differences between the profits/losses offered for income taxes and profits/losses as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognized only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized, other than deferred tax assets in respect of unabsorbed depreciation and carry forward tax losses, which are recognized only to the extent that there is virtual certainty that they will be realized. The deferred tax assets are reviewed at each balance sheet date for the appropriateness of their carrying values.

In view of significant losses incurred by the Company till the current period, deferred tax assets have not been recognized in the financial statements as at 31 March 2005. At each balance sheet date, such unrecognized deferred tax assets would be re-assessed and recorded in the financial statements when the realization of such assets become reasonably certain or virtually certain, as the case maybe.

### 2.4 Earnings per share

The basic and diluted earnings per share is computed by dividing the loss after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding during the reporting period.

### 2.5 Retirement benefits

Provisions for leave encashment are determined by the Management based on the leave balances as on balance sheet date and provided on the basis of an actual valuation at the balance sheet date.

### 2.6 Segment information

In accordance with Accounting Standard 17 “Segment Reporting”, issued by the Institute of Chartered Accountants of India, if the Company’s single financial report contains both consolidated financial statements and the separate financial statements of the parent, segment information need be presented only on the basis of the consolidated financial statements. Accordingly, the Company has chosen to present segment information only in its consolidated financial statements.

### 2.7 Provision and contingent liabilities

Provisions are recognized when the Company has present legal or constructive obligation, a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. Contingent liabilities, if any, are disclosed by way of notes to the Balance Sheet.

## 3. Prior Period Adjustment

Prior period adjustment consists of legal fees paid for the earlier years amounting to Rs. 668,744 and sales commission paid for the year 2003 – 2004 amounting to Rs. 111,444.

## 4. Extraordinary Item

A Settlement Agreement was signed between the Company and the erstwhile shareholder / ex-officer of the Company from whom the loan was availed in the earlier years. As per the terms of the above agreement, the Company has agreed to pay USD 100,000 in full satisfaction of any debts owed (net of any recoverable) to the said erstwhile shareholder / ex-officer . In the current year, the Company has already paid USD 25,000 as per the schedule set forth in the above agreement. The balance USD 75,000 are to paid equally in the years 2005 – 2006 and 2006 – 2007. The amount of Rs. 40,853,696 (USD 909,139) which is now not payable as per the terms of the above agreement has been treated as an extraordinary income.

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

## 5. Earnings per share

Details of numerator and denominator used for the purposes of computing earnings per share are summarized below:

| | 2005 | 2004 |
|---|---|---|
| Profit / (loss) for the year after tax | **42,400,747** | (2,581,902) |
| Less : Extraordinary income | **40,853,747** | - |
| Profit / (loss) for the year before extraordinary item | **1,547,051** | 2,581,902 |
| Weighted average number of shares used in computing earning per share | **15,000** | 15,000 |
| Basic and diluted earnings per share for profit / (loss) | | |
| - before extraordinary income | **103.14** | (172.13) |
| - after extraordinary income | **2,826.72** | (172.13) |

## 6. Provisions, Contingent liabilities and Contingent assets

The details of provisions as required by the provisions of the Accounting Standard 29 “Provisions, Contingent liabilities and Contingent assets” are as under:

| Nature of Provision | Provision for doubtful debts |
|---|---|
| Opening balance | 11,316,388 |
| Addition in provision | 2,219,470 |
| Adjusted in foreign currency translation reserve | 18,806 |
| Closing balance | 13,554,664 |

## 7. Related party transactions

Details of related parties including summary of transactions entered into by the Company during the year ended 31 March 2005 are summarized below:

**Holding company**
Trigyn Technologies Limited

**Fellow associate companies**
Trigyn Technologies (India) Private Limited
ECapital Solutions (Bermuda) Limited
ECapital Solutions (Mauritius) Limited
Leading Edge Infotech Limited
Trigyn Technologies Europe GmbH
Trigyn Technologies Inc
EVector (Cayman) Limited
EVector Inc.
EVector (India) Private Limited
EVector (UK) Limited
Trigyn Technologies Limited, UK

**Whole-time directors of the Company**
Tushar Vaidya
Ramakrishna Bhagwat

Particulars of related party transactions during the year ended 31 March 2005

| Nature of transactions | Transactions with related parties |
|---|---|
| **Transactions during the year** | |
| Expenses incurred by the Company | **503,291** |
| Expenses incurred on behalf of the Company | **9,941,356** |
| Loans repaid by the Company | **1,182,330** |
| **Year-end balances** | |
| Gross amounts payable as loans | **6,308,475** |
| Gross amounts payable as debts | **2,085,761** |
| Gross amounts due to directors | **1,319,832** |

## 8. Supplementary statutory information

| | 2005 | 2004 |
|---|---|---|
| (i) Legal and professional fees include: | | |
| Auditor’s remuneration: | | |
| - audit fees | **112,342** | 115,075 |
| | **112,342** | 115,075 |

**Schedules annexed to and forming part of accounts for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

| | 2005 | 2004 |
|---|---|---|
| (ii) Other cost include: | | |
| Amount paid to the Chief Executive Officer of the Company: | | |
| - Perquisites | - | 178,621 |
| - Rent | - | 980,899 |
| | - | 1,159,520 |

## 9. Prior year comparatives

Prior year figures have been appropriately reclassified / regrouped to conform to current year's presentation.

**For Applisoft Inc.**

Place : Mumbai
Date : June 29, 2005

**Ramkrishna Bhagwat**
**Director**

**Tushar Vaidya**
**Director**

**Balance Sheet abstract and Company's general business**

**I Registration Details**

| | | | |
|---|---|---|---|
| Registration No. | NA | State Code | NA |
| Balance sheet date | 31 (Date) 03 (Month) 2005 (Year) | | |

**II Capital raised during the year (Amount in Rs Thousands )**

| | | | |
|---|---|---|---|
| Public Issue | NIL | Rights Issue | NIL |
| Bonus Issue | NIL | Private placement (including share application money) | NIL |

**III Position of mobilization and deployments of funds ( Amount in Rs Thousands)**

| | | | |
|---|---|---|---|
| Total Liabilities | 18075 | Total assets | 18075 |
| ***Source of funds*** **:** | | | |
| Paid-up capital (Incl. Share Application Money) | 728 | Reserves and surplus | 4239 |
| Secured loans | NIL | Unsecured loans | 10913 |
| ***Application of funds :*** | | | |
| Net Fixed Assets | NIL | Investments | NIL |
| Net Current Assets | 1946 | Misc. expenditure | NIL |
| Accumulated loss | 13934 | | |

**IV Performance of Company (Amount in Rs Thousands)**

| | | | |
|---|---|---|---|
| Turnover (Including Other Income) | 21565 | Total Expenditure | 19238 |
| +/- + Profit / Loss Before Tax | 42401 | +/- + Profit/Loss for the year | 42401 |

*(Please tick appropriate box + for Profit, - for Loss)*

| | | | |
|---|---|---|---|
| Earning per Share in Rs. | 2826.72 | Dividend Rate % | NIL |

**V Generic names of three principal products / Services of Company** (As per Monetary Terms)

| | | | |
|---|---|---|---|
| Item Code no ( ITC code) | 8524.9 | Product description | Computer Software |

**Annual Financial Statements of eCapital Solutions (Bermuda) Limited for the year 2004-05 (Unaudited)**

## Balance sheet at March 31, 2005

(Currency: Indian Rupee)

| | Note | 2005 | 2004 |
|---|---|---|---|
| **SOURCES OF FUNDS** | | | |
| **Shareholders' funds** | | | |
| Share capital | 3 | **151,312,960** | 151,312,960 |
| Reserves and surplus | 4 | **272,423,733** | 272,423,733 |
| | | **423,736,693** | 423,736,693 |
| **APPLICATION OF FUNDS** | | | |
| **Investments** | 5 | **-** | - |
| **Current assets, loans and advances** | | | |
| Cash and bank balances | 6 | **92,568** | 92,568 |
| Loans and advances | 7 | **28,948,869** | 28,948,869 |
| | | **29,041,437** | 29,041,437 |
| **Current liabilities and provisions** | | | |
| Current liabilities | 8 | **4,847,319** | 4,847,319 |
| **Net current assets** | | **24,194,118** | 24,194,118 |
| **Profit and loss account** | | **399,542,575** | 399,542,575 |
| | | **423,736,693** | 423,736,693 |

The accompanying notes form an integral part of the financial statements.

## Profit and Loss Account for the year ended March 31, 2005

(Currency: Indian Rupee)

| | Note | 2005 | 2004 |
|---|---|---|---|
| **INCOME** | | | |
| Interest income | | **-** | - |
| Other income | 9 | **-** | - |
| | | **-** | - |
| **EXPENDITURE** | | | |
| Operating costs | 10 | **-** | 410,257 |
| **Loss for the year before exceptional items** | | **-** | 410,257 |
| **Exceptional items** | 11 | **-** | 10,219,497 |
| **Loss after exceptional items** | | - | 10,629,754 |
| **Accumulated losses, brought forward** | | **3,99,542,575** | 388,912,821 |
| **Accumulated losses, carried forward** | | **399,542,575** | 399,542,575 |
| **Basic and diluted earnings per share** | | **-** | (1.45) |
| **Number of shares used in computing basic and diluted earnings per share** | | **7,350,000** | 7,350,000 |

The accompanying notes form an integral part of the financial statements.

**For eCapital Solutions (Bermuda) Limited**

Place : Mumbai
Date: June 29, 2005

**Tushar Vaidya**
Director

**Ramkrishna Bhagwat**
Director

**Notes to the financial statements for the year ended March 31, 2005**
(Currency: Indian Rupee)

## 1 Background

eCapital Solutions (Bermuda) Limited ('EB'), was incorporated in Bermuda in December 1998 as a 100 % subsidiary of eCapital Holdings (Bermuda) Limited ('EH'). On 12 April 2000, EH sold its 100% interest in EB, to Trigyn Technologies Limited ('TTL'), a public limited company incorporated in India, as a result of which EB became a wholly owned subsidiary of TTL. The primary objective of EB is to hold investments in its majority owned subsidiaries.

The majority owned subsidiaries of EB are primarily engaged in the business of providing software solutions and consultancy services in India, United States of America and Europe.

On 1 October 2001, EB acquired balance 49% equity stake representing 29,400 equity shares in its subsidiary Trigyn Technologies U.K ('TTUK') for consideration aggregating GBP 1 resulting in TTUK becoming a wholly owned subsidiary of EB. On 16 April 2002 the management of TTUK decided to wind up its operations and filed for liquidation.

On 30 May 2002, the Board of Directors of eVector (Cayman) Limited (EVCL), a wholly owned subsidiary of the Company, together with EVCL's preference shareholder and the Company decided to wind up EVCL and its subsidiaries' operations (refer note 11).

## 2 Principal accounting policies

### 2.1 Basis of preparation of financial statements

(a) These financial statements have been prepared under the historical cost convention, on the accrual basis of accounting, and in accordance with the provisions of the Indian Companies Act, 1956 as applicable to bodies corporate.

(b) These financial statements have been prepared for the purpose of compliance with the provisions of section 212 of the Indian Companies Act, 1956 by the holding company i.e. TTL. Accordingly, these financial statements will be attached to the financial statements of TTL as prescribed under Section 212 of the Indian Companies Act, 1956. The balance sheet and profit and loss account of the Company have been drawn up in terms of US dollars representing the functional currency of the Company. However, for purposes of compliance with the requirements of section 212 of the Indian Companies Act 1956, these financial statements have been translated into Indian Rupees in accordance with the methodology prescribed for conversion of financial statements of a non-integral operation in the revised Accounting Standard 11 on Accounting for the effects of changes in foreign exchange rates. No representation is made, that the US dollar amounts have been, could have been or could be converted in to Indian Rupees at such an exchange rate.

(c) The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements.

(d) The Company has made a net loss, before exceptional items, of Rs NIL (equivalent NIL USD ) (2004: loss of Rs 10.63 million (equivalent USD 0.24 million)) for the year ended 31 March 2005 and has accumulated deficit aggregating Rs 399.54 million (equivalent USD 8.60 million) (2004: Rs 399.54 million (equivalent USD 8.60 million)) as at 31 March 2005. In the event, the Company is required to assume the liabilities of its subsidiary TTE, there exists significant uncertainty that the Company will be able to continue as a going concern and, therefore may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments regarding the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

### 2.2 Interest income

Interest on deployment of surplus funds is recognised using the time proportion method based on the underlying interest rates.

**Notes to the financial statements for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

### 2.3 Investments

Long-term investments are carried at cost, and provision is made when in the management's opinion there is a decline, other than temporary, in the carrying value of such investments.

### 2.4 Provision for taxation

The Company is incorporated in Bermuda where no taxes are payable. Accordingly, the Company has not made provision for taxes in the financial statements.

### 2.5 Earnings per share

The basic and diluted earnings per share is computed by dividing the loss after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding during the reporting period.

### 3 Share capital

| | 2005 | 2004 |
|---|---|---|
| **Authorised share capital** | | |
| 9,435,174 (2004: 9,435,174) equity shares of Rs 20 (equivalent USD 0.42) with voting rights | **194,240,000** | 194,240,000 |
| 7,076,380 (2004: 7,076,380) equity shares of Rs 21 (equivalent USD 0.44) without voting rights | **145,680,000** | 145,680,000 |
| | **339,920,000** | 339,920,000 |
| **Issued, subscribed and paid-up share capital** | | |
| 6,049,804 (2004: 6,049,804) equity shares of Rs 20 (equivalent USD 0.42) with voting rights each, fully paid up. | **124,546,105** | 124,546,105 |
| 1,300,196 (2004: 1,300,196) equity shares of Rs 20 (equivalent USD 0.42) without voting rights each, fully paid up. | **26,766,855** | 26,766,855 |
| | **151,312,960** | 151,312,960 |

The above equity shares data is presented subsequent to stock consolidation carried out by the Company in March 2001, whereby 31,160,000 outstanding equity shares of the Company were consolidated into 7,350,000 equity shares in a 4.24: 1 ratio.
All the above equity shares of the Company are held by the holding company i.e. TTL.
Of the above, 117,940 (2004: 117,940) equity shares of Rs. 20 (equivalent USD 0.42) each fully paid with a premium of Rs 38 (equivalent USD 0.79) have been allotted for consideration other than cash for acquiring 2 equity shares (representing 100% of issued and paid up share capital) of Trigyn Technologies Europe, GmbH.
Refer note 12 for employee stock options issued by the Company.

### 4 Reserves and surplus

| | 2005 | 2004 |
|---|---|---|
| Share premium balance | **281,009,437** | 281,009,437 |
| Foreign currency translation reserve | **(8,585,704)** | (8,585,704) |
| | **272,423,733** | 272,423,733 |

### 5 Investments

| | 2005 | 2004 |
|---|---|---|
| ***Long term investments*** | | |
| *Trade (unquoted) investment in subsidiaries* | | |
| 5,500 (2004: 5,500) equity shares of Rs 47.65 (equivalent USD 1) each fully paid in eCapital Solutions (Mauritius) Limited | **253,157** | 253,157 |
| 1,000 (2004: 1,000) equity shares of Rs 0.48 (equivalent USD 0.01) each fully paid in Trigyn Technologies Inc. USA. | **27,617,100** | 27,617,100 |
| 60,000 (2004: 60,000) equity shares of Rs 0.75 (equivalent GBP 0.01) each fully paid up in | | |

**Notes to the financial statements for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

| | | 2005 | 2004 |
|---|---|---|---|
| | Trigyn Technologies Limited, U.K. | **60,528,260** | 60,528,260 |
| | 2 (2004: 2) equity shares of Rs 550,750 (equivalent DM 25,000) each fully paid up in Trigyn Technologies Europe, GmbH | **9,882,089** | 9,882,089 |
| | 15,000,000 (2004: 15,000,000) equity shares of Rs 0.48 (equivalent USD 0.01) each fully paid up in Vector Cayman Limited | **6,904,275** | 6,904,275 |
| | | **105,184,881** | 105,184,881 |
| | Less: provision for decline other than temporary in the value of investments. (refer note 11) | **105,184,881** | 105,184,881 |
| | | **-** | - |
| **6** | **Cash and bank balances** | | |
| | Balances with non scheduled banks | | |
| | - In current account | | |
| | The Bank of Bermuda Limited | **92,568** | 92,568 |
| | | **92,568** | 92,568 |
| | Maximum balance held during the year with above banks | | |
| | - In current account | | |
| | Lloyds TSB | **-** | - |
| | The Bank of Bermuda Limited | **92,568** | 5,661,506 |
| | - In deposit account | | |
| | The Bank of Bermuda Limited | **-** | - |
| **7** | **Loans and advances** | | |
| | *(unsecured, considered good)* | | |
| | Advances for investment in subsidiaries, pending allotment of equity shares | | |
| | - eCapital Solution (Mauritius) Limited | **14,899,563** | 14,899,563 |
| | Loans/advances to subsidiaries | **14,049,306** | 14,049,306 |
| | | **28,948,869** | 28,948,869 |
| | *(unsecured, considered doubtful)* | | |
| | Advances for investment in subsidiaries, pending allotment of equity shares | | |
| | - eCapital Solution (Mauritius) Limited | **146,994,506** | 146,994,506 |
| | - Trigyn Technologies Europe GmbH | **25,282,045** | 25,282,045 |
| | Loans/advances to subsidiaries | **83,279,150** | 83,279,150 |
| | | **255,555,701** | 255,555,701 |
| | Less: Provision for doubtful loans/advances (refer note 11) | **255,555,701** | 255,555,701 |
| | | **-** | - |
| | | **28,948,869** | 28,948,869 |

Loans and advances to subsidiaries includes amount due from Trigyn Technologies Limited, UK aggregating Rs 43,248,747 (equivalent USD 939,608) (2004: Rs 43,248,747 (equivalent USD 939,608)) and amount due from Trigyn Technologies Inc. Rs 52,971,213 (equivalent USD 1,150,835) (2004: Rs 52,971,213 (equivalent USD 1,150,835)), which are companies under the same management as defined under section 370(1B) of the Indian Companies Act, 1956. Maximum amount outstanding from Trigyn Technologies Limited, UK aggregated Rs 43,248,747 (equivalent USD 939,608) (2004: Rs 43,248,747 (equivalent USD 939,608)) and from Trigyn Technologies Inc. aggregated Rs 62,304,392 (equivalent USD 1,207,687) (2004: Rs 62,304,392 (equivalent USD 1,207,687)

**Notes to the financial statements for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

| **8** | **Current liabilities** | **2005** | 2004 |
|---|---|---|---|
| | Sundry creditors | **4,824,305** | 4,824,305 |
| | Others | **23,014** | 23,014 |
| | | **4,847,319** | 4,847,319 |

Sundry creditors include Rs NIL (2004: Rs 12,492,543 (equivalent USD 262,173) payable to erst while Director.

As at 31 March 2005, the Company had no amounts due to small-scale industrial undertakings.

## 9 Other income

| | | | |
|---|---|---|---|
| | Exchange gain (net) | **-** | - |

| **10** | **Operating costs** | | |
|---|---|---|---|
| | Legal and professional fees | **-** | 330,552 |
| | Bank charges | **-** | 3,610 |
| | Travel and conveyance costs | **-** | - |
| | Miscellaneous | **-** | 76,125 |
| | | **-** | 410,257 |

## 11 Exceptional items

*Provision for decline other than temporary in the value of investments in subsidiaries*

On the basis of the preliminary evaluation, done in previous years and based on the diminution provided in the investment value of the parent Company, the Company has made a further provision of aggregating Rs 10.22 million (equivalent USD 0.22 million) for 'decline other than temporary' in the carrying value of its investments in its subsidiaries eCapital (Mauritius) Limited ('EM') and Trigyn Technologies, Inc ('TTI'), Trigyn Technologies GmBH and Trigyn Technologies Ltd., UK (put into liquidation). The primary reasons for such decline are attributed to the general downturn in the software services and products business, which may result in loss of certain perceived business synergies. The Company is in the process of performing a detailed evaluation to ascertain whether adjustments are required to record a further decline other than temporary in the carrying value of these investments.

Company's investment in eVector Cayman Limited ('EVCL') aggregate Rs 7,284,000 (equivalent USD 150,000) as at 31 March 2002. On 30 May 2002, the Company, the Board of Directors of EVCL and the EVCL's preference shareholders decided to wind up operations of EVCL and its subsidiaries. In this regard, the Company has entered into a settlement agreement with EVCL and preference shareholder of EVCL, whereby the Company would receive Rs 6.07 million (equivalent USD 125,000) towards Company's contributed share capital in EVCL. Based on the above, the Company has provided for decline other than temporary in respect of the balance investment value aggregating Rs 1.21 million (equivalent USD 25,000) as on March 31, 2002.

*Provision for advances made to subsidiaries pending allotment of equity shares*

Advances for investment in subsidiaries represents amount pending allotment of equity shares in TTE and EM aggregating Rs 26.67 million (equivalent USD 0.55 million) and Rs 181.96 million (equivalent USD 3.74 million) respectively. In respect of advances to TTE, the Company had made provision on March 31, 2002 in respect of the entire amount paid towards subscription of equity share capital aggregating Rs 26.67 million (equivalent USD 0.55 million). Further, in respect of advances to EM, based on preliminary evaluation, the Company had made a provision of 26% aggregating Rs 47.53 million (equivalent USD 0.98 million). During the year 2003, the Company's Management made an internal valuation of the underlying investments in EM and Trigyn Technologies Inc, USA and decided to make an additional provision in respect of the advances to EM and TTI, aggregating Rs. 162.50 million (USD 0.34 million).

*Provisions for doubtful loans and advances*

Due to adverse financial conditions of its subsidiary TTI and the winding up of TTUK operations, there exists uncertainty as to realisibility of loans and advances balance due from these subsidiaries. Accordingly, the Company had made provision for doubtful loans and advances during 2003, due from these subsidiaries aggregating Rs 87.86 million (USD 1.81 million).

**Notes to the financial statements for the year ended 31 March 2005** *(Continued)*
(Currency: Indian Rupee)

| | Note | 2005 | 2004 |
|---|---|---|---|
| **12 Supplementary statutory information** | | | |
| (i) Operating costs include auditors remuneration: | | | |
| - Statutory audit fees | | **-** | **32,625** |

**13 Prior year comparatives**

Prior year figures have been appropriately reclassified to conform to current year's presentation.

**For eCapital Solutions (Bermuda) Limited**

Place : Mumbai
Date: June 29, 2005

**Tushar Vaidya**
Director

**Ramkrishna Bhagwat**
Director

**Balance Sheet abstract and Company's general business profile**

**I Registration Details**

| | | | |
|---|---|---|---|
| Registration No. | NA | State Code | NA |
| Balance sheet date | 31 (Date) 03 (Month) 2005 (Year) | | |

**II Capital raised during the year (Amount in Rs Thousands )**

| | | | |
|---|---|---|---|
| Public Issue | NIL | Rights Issue | NIL |
| Bonus Issue | NIL | Private placement (including share application money) | NIL |

**III Position of mobilization and deployments of funds ( Amount in Rs Thousands)**

| | | | |
|---|---|---|---|
| Total Liabilities | 428584 | Total assets | 428584 |
| ***Source of funds :*** | | | |
| Paid-up capital (Incl. Share Application Money) | 151313 | Reserves and surplus | 272423 |
| Secured loans | NIL | Unsecured loans | NIL |
| ***Application of funds :*** | | | |
| Net Fixed Assets | NIL | Investments | NIL |
| Net Current Assets | 29042 | Misc. expenditure | NIL |
| Accumulated loss | 399542 | | |

**IV Performance of Company (Amount in Rs Thousands)**

| | | | |
|---|---|---|---|
| Turnover (Including Other Income) | | Total Expenditure | |
| +/- - Profit/Loss Before Tax | NIL | +/- - Profit / Loss for the year | NIL |
| Earning per Share in Rs. | NIL | Dividend Rate % | NIL |

*(Please tick appropriate box + for Profit, - for Loss)*

**V Generic names of three principal products / Services of Company)** (As per Monetary Terms)

| | | | |
|---|---|---|---|
| Item Code no ( ITC code) | Not Applicable | Product description | Investment Company |

**Annual Financial Statements of eCapital Solutions (Mauritius) Limited for the year 2004-05 (Unaudited)**

**Balance sheet as March 31, 2005**

(Currency: Indian Rupee)

| | Note | 2005 | 2004 |
|---|---|---|---|
| **SOURCES OF FUNDS** | | | |
| **Shareholders' funds** | | | |
| Share capital | 3 | **267,080** | 267,080 |
| Share application money | | **161,894,064** | 161,894,064 |
| Foreign currency translation reserve | | **6,584,252** | 6,584,252 |
| | | **168,745,396** | 168,745,396 |
| **APPLICATION OF FUNDS** | | | |
| **Investments** | 4 | **-** | **-** |
| **Current assets, loans and advances** | | | |
| Cash and bank balances | 5 | **17,342** | 17,342 |
| Loans and advances | 6 | **1,674,701** | 1,674,701 |
| | | **1,692,043** | 1,692,043 |
| **Current liabilities and provisions** | | | |
| Current liabilities | 7 | **574,044** | 574,044 |
| **Net current assets** | | **1,117,999** | 1,117,999 |
| **Profit and loss account** | | **167,627,397** | 167,627,397 |
| | | **168,745,396** | 168,745,396 |

**Profit and Loss Account for year ended 31, 2005**

(Currency: Indian Rupee)

| | Note | 2005 | 2004 |
|---|---|---|---|
| **INCOME** | | | |
| Other income | 8 | - | - |
| | | **-** | - |
| **EXPENDITURE** | | | |
| Operating costs | 9 | **-** | 99,680 |
| Loan written off (refer note 6) | | **-** | - |
| Provision for diminution in value if investments (refer note 10) | | **-** | - |
| | | **-** | 99,680 |
| **Profit / (Loss) for the year before prior year adjustments** | | **-** | 99,680 |
| Prior year adjustment (refer note 6) | | **-** | - |
| **Net profit / (loss) after exceptional and prior-period items** | | **-** | 99,680 |
| **Exceptional items, diminution in value of investments** | | **-** | 119,696,800 |
| **Accumulated losses, brought forward** | | **(167,627,397)** | (47,830,917) |
| **Accumulated losses, carried forward** | | **(167,627,397)** | (167,627,397) |
| **Basic and diluted earnings per share** | | - | (21,781.12) |
| **Number of shares used in computing basic and diluted earnings per share** | | **5,500** | 5,500 |

The accompanying notes form an integral part of the financial statements.

**For eCapital Solutions (Mauritius) Limited**

Date: June 29, 2005 *Director* *Director*

**Annual Financial Statements of Trigyn Technologies Europe GmbH for the year 2004-05 (Unaudited)**

## 1 Background

eCapital Solutions (Mauritius) Limited ('EM'), was incorporated in Mauritius in December 1998 as a 100 % subsidiary of eCapital Solutions (Bermuda) Limited ('EB'). The primary objective of EM is to hold investments in its majority owned subsidiaries.

The majority owned subsidiary of EM is primarily engaged in the business of providing software solutions and consultancy services in India.

## 2 Principal accounting policies

### *2.1 Basis of preparation of financial statements*

(a) These financial statements have been prepared under the historical cost convention, on the accrual basis of accounting, and in accordance with the provisions of the Indian Companies Act, 1956 as applicable to bodies corporate.

(b) These financial statements have been prepared for the purpose of compliance with the provisions of section 212 of the Indian Companies Act, 1956 by the holding company i.e. TTL. Accordingly, these financial statements will be attached to the financial statements of TTL as prescribed under Section 212 of the Indian Companies Act, 1956. The balance sheet and profit and loss account of the Company have been drawn up in terms of US dollars representing the functional currency of the Company. However, for purposes of compliance with the requirements of section 212 of the Indian Companies Act 1956, these financial statements have been translated into Indian Rupees in accordance with the methodology prescribed for conversion of financial statements of a non-integral operation in the revised Accounting Standard 11 on Accounting for the effects of changes in foreign exchange rates. No representation is made, that the US dollar amounts have been, could have been or could be converted in to Indian Rupees at such an exchange rate.

(c) The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements.

(d) The Company has made a net loss of Rs NIL (equivalent NIL USD ) (2004: loss of Rs 119.79 million (equivalent USD 2.75 million)) for the year ended 31 March 2005 and has accumulated deficit aggregating Rs 167.63 million (equivalent USD 3.85 million) (2004: Rs 167.63 million (equivalent USD 3.85 million)) as at 31 March 2005. In order to support its operation, the Company requires external financial support, in absence of which there exists a significant uncertainty that the Company will be able to continue as a going concern and, therefore may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments regarding the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

### *2.2 Interest income*

Interest on deployment of surplus funds is recognised using the time proportion method based on the underlying interest rates.

### *2.3 Investments*

Long-term investments are carried at cost, and provision is made when in the management's opinion there is a decline, other than temporary, in the carrying value of such investments.

### *2.4 Provision for taxation*

The Company is incorporated in Mauritius where no taxes are payable. Accordingly, the Company has not made provision for taxes in the financial statements.

### *1.4 Earnings per share*

The basic and diluted earnings per share are computed by dividing the profit/loss after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding during the reporting period.

**Notes to the financial statements for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

| | | **2005** | 2004 |
|---|---|---|---|
| **3** | **Share capital** | | |
| | Authorised share capital | | |
| | 100,000 ordinary shares of Rs. 47.65 | | |
| | (equivalent USD 1) each | **4,856,000** | 4,856,000 |
| | | **4,856,000** | 4,856,000 |
| | Issued, subscribed and paid-up share capital | | |
| | 5,500 ordinary equity shares of Rs. 47.65 | | |
| | (equivalent USD 1) each fully paid up | **267,080** | 267,080 |
| | | **267,080** | 267,080 |
| | All the above equity shares of the Company are held by the holding company i.e. EB. | | |
| **4** | **Investments** | | |
| | ***Long term investments*** | | |
| | ***Trade (unquoted) investment in subsidiary*** | | |
| | 1,471,024 equity shares of Rs. 100 each (equivalent USD 2.10 each (2004: USD 2.10 each) fully paid up in Trigyn Technologies (India) Private Limited | **162,010,000** | 162,010,000 |
| | Less: Provision for decline other than temporary in the value of investments. (refer note 10) | **162,010,000** | 162,010,000 |
| | | **-** | - |
| **5** | **Cash and bank balances** | | |
| | Balances with non scheduled banks | | |
| | - In current account | | |
| | HSBC Limited | **17,342** | 17,342 |
| | | **17,342** | 17,342 |
| | Maximum balance held during the year with above banks | | |
| | - In current account | | |
| | HSBC Limited | **17,342** | 92,921 |
| **6** | **Loans and advances** | | |
| | *(unsecured, considered good)* | | |
| | Advances recoverable in cash or in kind or for value to be received | **1,674,701** | 1,674,701 |
| | | **1,674,701** | 1,674,701 |

Advance recoverable includes amount recoverable from holding company. Maximum amount outstanding during the year aggregated Rs. 1,674,701 (equivalent USD 36,384) (2004: Rs. 1,674,701(equivalent USD 36,384)

| | | **2005** | 2004 |
|---|---|---|---|
| **7** | **Current liabilities** | | |
| | Sundry creditors | **261,253** | 261,253 |
| | Others | **312,791** | 312,791 |
| | | **574,044** | 574,044 |

As at 31 March 2005, the Company had no amounts due to small-scale industrial undertakings.

**Notes to the financial statements for the year ended March 31, 2005** *(Continued)*
(Currency: Indian Rupee)

| | 2005 | 2004 |
|---|---|---|
| **8 Other income** | | |
| Exchange gain (net) | - | - |
| **9 Operating costs** | | |
| Legal and professional fees | - | 98,375 |
| Bank charges | - | 1,305 |
| | - | 99,680 |

**10 Exceptional items**

Provision for decline other than temporary in the value of investments in subsidiaries

In the year 2001-2002, on the basis of a preliminary evaluation, the Company had made provision of 26% aggregating Rs 42.31 million (equivalent USD 0.89 million). During the previous year, the Company evaluated the underlying investments and based on the independent valuation of the underlying at the Ultimate Holding Company level, the carrying value of the assets have been subject to further diminution and been fully provided for (2004: Rs 42.31 million (equivalent USD 0.89 million)) for 'decline other than temporary' in the carrying value of its investments in its subsidiary Trigyn Technologies (India) Pvt. Ltd. ('TTIPL'). The primary reasons for such decline are attributed to the general downturn in the software services and products business, which may result in loss of certain perceived business synergies. The Company is also considering various restructuring options.

**11 Taxation**

The Company was incorporated prior to 1 July 1998 and is subject to tax under the Income Tax Act 1974, as amended. The chargeable income of the Company is subject to income tax in Mauritius at the rate of 0% unless it elects to pay tax at specified rate not exceeding 35%. In the previous year, the Company has not made such an election.

As from the year of Assessment commencing 1 July 2003, the Company will be liable to income tax in Mauritius on its chargeable income at 15%. It will however be entitled to a tax credit equivalent to the higher of the actual foreign tax suffered and 80% of the Mauritius Tax on its foreign source income.

**12 Supplementary statutory information**

| | 2005 | 2004 |
|---|---|---|
| Operating costs include auditors remuneration: | | |
| -Statutory audit fees | - | 43,500 |

**13 Prior year comparatives**

Prior year figures have been appropriately reclassified to conform to current year's presentation.

**For eCapital Solutions (Mauritius) Limited**

Date : June 29, 2005

*Director* *Director*

(Currency: Indian Rupee)

**Balance Sheet abstract and Company's general business**

**I Registration Details**

| | | | |
|---|---|---|---|
| Registration No. | NA | State Code | NA |
| Balance sheet date | 31 (Date) 03 (Month) 2005 (Year) | | |

**II Capital raised during the year (Amount in Rs Thousands )**

| | | | |
|---|---|---|---|
| Public Issue | NIL | Rights Issue | NIL |
| Bonus Issue | NIL | Private placement (including share application money) | NIL |

**III Position of mobilization and deployments of funds ( Amount in Rs Thousands)**

| | | | |
|---|---|---|---|
| Total Liabilities | 169319 | Total assets | 169319 |
| ***Source of funds :*** | | | |
| Paid-up capital (Incl. Share Application Money) | 162161 | Reserves and surplus | 6584 |
| Secured loans | NIL | Unsecured loans | NIL |
| ***Application of funds :*** | | | |
| Net Fixed Assets | NIL | Investments | NIL |
| Net Current Assets | 1118 | Misc. expenditure | NIL |
| Accumulated loss | 167627 | | |

**IV Performance of Company (Amount in Rs Thousands)**

| | | | |
|---|---|---|---|
| Turnover (Including Other Income) | NIL | Total Expenditure | NIL |
| +/- [ - ] Profit/Loss Before Tax | NIL | +/- [ - ] Profit/Loss for the year | NIL |

*(Please tick appropriate box + for Profit, - for Loss)*

| | | | |
|---|---|---|---|
| Earning per Share in Rs. | NIL | Dividend Rate % | NIL |

**V Generic names of three principal products / Services of Company** (As per Monetary Terms)

| | | | |
|---|---|---|---|
| Item Code no ( ITC code) | Not applicable | Product description | Investment company |

**Annual Financial Statements of Trigyn Technologies Europe GmbH for the year 2004-05 (Unaudited)**

## A. Basic conclusions

## I. Significant comments on the annual financial statements

### Development of earnings and performance

The financial year 2004/2005 closed with a net profit of T• 52 compared to a net loss of T• 52 in the fiscal year 2003/2004 (1.4.03-31.3.04). Drastic restructuring of the number of personnel, implemented in the previous financial year, and two new short project orders eliminated the deficit, and achieved the turnaround in the fiscal year 2004/2005. This year's drop in sales is significantly similar to that in the previous year in absolute value and its impact was completely offset by reduction of costs, especially personnel expenses, but also administration and sales expenses.

### Net assets development

Despite the net profit for the year of T• 52, the deficit not covered by shareholder's equity could not be completely closed, it reduced from T• 1,092 to T• 1,040

The balance sheet total has decreased compared to the fiscal year 1.4.2004-31.3.2004, including also a changed structure (composition). The changed composition of the balance sheet total can be seen in "C. III. Balance sheet position" of this financial report.

### Development in financial position

The decrease in trade accounts payable as well as trade accounts receivable contributed to a positive cash flow of T• 10 from operating activities. Compared to the previous year, however, this appears to be a very positive development. The previous year had a negative Cashflow of T• 38 in this respect.

## II. Circumstances hindering the development and continued existence of the company

At the balance sheet date the company is showing a deficit not covered by shareholder's equity and, consequently, discloses an overindebtedness. In the previous year (31.03.2004), the excess balance sheet debt amounted to • 1,091,791.73 and this year, as of 31.03.2005, has decreased by • 51,667.72 to • 1,040,123.86. The parent company, eCapital Solutions (Bermuda) Ltd., has refused to guarantee the company's accounts payable to Trigyn Technologies (India) Pvt. Ltd. Bangalore, any further. This could lead to a potential dissolution of the Company under the German Insolvency Law, in view of the overindebtedness.

On account of a positive future prognosis the going concern values have been used in the Balance sheet rather than liquidation based values. For the same reason and keeping in view that 97% of the overall liabilities are to Group companies, the Managing director has agreed, that he, after careful consideration of all circumstances, despite knowledge of the formal legal obligation, in the interest of the company, does not see himself in a position to file for insolvency. In conjunction with the assumptions of debts by the shareholder, inability to pay creditors is neither the case presently nor expected and the debt overload of •72713,84 not actually covered by the declarations of the mother company can be expected to be overcome in the financial year 2005/2006 and 2006/2007 as per the positive prognosis of continued existence.

## I. Misstatements and violations of accounting rules and other legal provisions

These annual financial statements do not reveal any misstatement or violations of legal provisions as understood in § 321 (1) clause 3 of the HGB (German Commercial Code).

## B. Orderliness of the accounting

### I. Accounting records and other documents

The company's accounting records and supporting vouchers are properly maintained. They fulfill the requirements of documenting the business transactions. It is concluded that the accounting records and other documents comply with German legal regulations. The books have been maintained in EURO.

### II. Annual Financial Statements

The annual financial statements for the financial year from 1st April 2004 to 31st March 2005 have been properly drawn up from the company's accounting records and other essential documentation.

The balance sheet and income statement have been prepared in accordance with the regulations in German commercial law governing accounting applicable to limited liability companies. The notes to the annual financial statements contain all information required.

## C. Explanatory comments on the annual financial statements

### I. Summary statement

The annual financial statements give a true and fair view of the company's net assets, financial position and earnings situation in accordance with German principles of proper accounting.

### II. Earnings

We set out hereunder an analysis by operational activity of the company's earnings.

| | | 1.4.2004-31.3.2005 | | 1.4.2003-31.3.2004 | |
|---|---|---|---|---|---|
| | | T• | % | T• | % |
| Sales | (1) | **679** | **89,3** | 1151 | 93,8 |
| Other operating income | (2) | **81** | **10,7** | 76 | 6,2 |
| **Total operating income** | | **760** | **100,0** | 1227 | 100,0 |
| Material costs | (3) | **129** | **17,0** | 310 | 25,3 |
| Personnel costs | (4) | **442** | **58,2** | 781 | 63,7 |
| Scheduled depreciation of tangible assets | | **4** | **0,5** | 5 | 0,4 |
| Other operating expenses | (5) | **0** | **0,0** | 3 | 0,1 |
| Administrative expenses | (6) | **102** | **13,4** | 125 | 10,1 |
| Selling expenses | (7) | **30** | **3,9** | 53 | 4,3 |
| Taxes other than on income | | **1** | **0,1** | 1 | 0,0 |
| **Total operating expenses** | | **708** | **93.2** | 1279 | 104,2 |
| **Result of operations** | | **52** | **6,8** | -51 | -4,2 |
| Interest, Net | | **0** | **0,0** | 0 | 0,0 |
| **Result from ordinary activities** | | **52** | **6,8** | -51 | -4,2 |
| Items relating to other accounting periods, net | (8) | **0** | **0,0** | -1 | 0,0 |
| **Net Profit / Loss for the year** | | **52** | **6,8** | -52 | -4,3 |

### (1) Sales

The sales in the financial year relate exclusively to services provided in the IT sector and sales of software licenses.

### (2) Other operating income

Other operating income consists of following:

| | 1.4.2004 - 31.3.2005 | 1.4.2003 - 31.3.2004 |
|---|---|---|
| | T • | T • |
| Employee remuneration in kind | **1** | 7 |
| Group cross charges | **0** | 0 |
| Employee withholdings for rent | **51** | 51 |
| Foreign exchange gains | **0** | 0 |
| Other | **29** | 18 |
| | **81** | **76** |

**(3) Material costs**

The material cost ratio (material costs as a percentage of sales) stands at 17,0% (as compared to 25,3% of last year's period) and displays a downward trend. However, it should be considered that strong fluctuations are always possible, as depending on the order format, higher or lower material costs (procurement of services) could become necessary. The effect of currency fluctuations have worked favorably in this year. Much of the third party and related party services were bought in US Dollars which had a prolonged weak spell against the euro in this financial year.

**(4) Personnel costs**

On account of the intensive efforts to streamline the personnel costs the personnel costs as a percentage of sales sank more sharply in this Financial year than the sales themselves. Furthermore, it is still to be noted that, as explained for the material costs, fluctuations in percentage can also occur in the personnel costs, depending on the type of order, where sometimes a high material percentage (outside purchasing) may be required or only personnel may be deployed. Depending on the composition of the various order contents, fluctuations in these costs will arise as measured by the percentage of total sales and will hence also lead to deviations from last year's situation.

**(5) Other operating expenses**

| | 1.4.2004 - 31.3.2005 | 1.4.2003 - 31.3.2004 |
|---|---|---|
| | T • | T • |
| Personnel search cost | **0** | 0 |
| Other | **0** | 3 |
| The Netherlands expenses assumed | **0** | 0 |

**(6) Administrative expenses**

Administrative expenses comprise the following:

| | 1.4.2004 - 31.3.2005 | 1.4.2003- 31.3.2004 |
|---|---|---|
| | T• | T• |
| Legal and professional fees | **7** | 17 |
| Rent | **74** | 79 |
| Telephone and telefax | **10** | 11 |
| Bookkeeping costs | **7** | 10 |
| Office supplies, printed matter | **3** | 2 |
| Other | **1** | 6 |
| | **102** | 125 |

**(7) Selling expenses**

Selling expenses are analysed below:

| | 1.4.2004 - 31.3.2005 | 1.4.2003- 31.3.2004 |
|---|---|---|
| | T• | T• |
| Travelling expenses | **19** | 20 |
| Motor vehicle expenses | **10** | 33 |
| Representation cost and advertising | **1** | 0 |
| Transfer to specific provision for bad and doubtful debts | **0** | 0 |
| Foreign exchange losses | **0** | 0 |
| Receivables written off | **0** | 0 |
| Transfer to the general provision for bad and doubtful debts | **0** | 0 |
| | **30** | **53** |

The travelling expenses include costs incurred by both sales personnel and Indian engineers.

**(8) Items relating to other accounting periods, net**

| | 1.4.2004 - 31.3.2005 | 1.4.2003 - 31.3.2004 |
|---|---|---|
| | T • | T • |
| **Income** | | |
| Income from the reduction in the general provision | **0** | 1 |
| Income from the reduction in the specific provision | **0** | 0 |
| Income from the release of accruals | **0** | 0 |
| Income from the disposal of fixed assets | **0** | 0 |
| | **0** | 1 |
| **Expenses** | | |
| Losses on the disposal of fixed assets | **0** | 0 |
| Expenses unrelated to accounting period | **0** | 0 |
| | **0** | 0 |

**III. Balance Sheet Situation**

In the following balance sheet summary, individual line items are grouped together to reflect economic and financial aspects.

| | | 31.3.2005 | | 31.3.2004 | | Change |
|---|---|---|---|---|---|---|
| | | T • | % | T • | % | T • |
| **Assets** | | | | | | |
| **Fixed assets** | **(1)** | | | | | |
| Tangible assets | | **2** | **1,1** | 5 | 2,7 | -3 |
| Financial assets | | **77** | **40,**7 | 67 | 36,2 | +10 |
| | | **79** | **41,8** | 72 | 38,9 | +7 |
| **Current assets** | **(2)** | | | | | |
| Inventories | | **0** | **0,0** | 0 | 0,0 | 0 |
| Trade accounts receivable | | **68** | **36,0** | 85 | 45,9 | -17 |
| Amounts receivable from affiliated companies | | **4** | **2,1** | 4 | 2,2 | 0 |
| Other assets | **(2A)** | **11** | **5,8** | 5 | 2.7 | +5 |
| Liquid funds | | **25** | **13,2** | 15 | 8,1 | +10 |
| | | **108** | **51,1** | 109 | 58,9 | -2 |
| **Prepaid expenses** | | **2** | **1,1** | 3 | 1,6 | -1 |
| **Total assets** | | **189** | **100,0** | 185 | 100,0 | +4 |
| **Shareholder's equity and liabilities** | | | | | | |
| **Shareholder's equity** | **(3)** | | | | | |
| Subscribed capital and reserves | | **635** | **336,0** | 635 | 343,2 | 0 |
| Retained losses | | **-1727** | **-913,8** | -1676 | -906 | -51 |
| Profit / Loss for the year | | **52** | **27,5** | -52 | -28,1 | +104 |
| | | **-1040** | **550,3** | -1093 | -590,8 | +53 |
| **Long-term external financing** | | | | | | |
| Pension provisions | (4) | **117** | **61,9** | 105 | 56,8 | 12 |
| **Short-term external financing** | | | | | | |
| Provisions for taxation | | **0** | **0,0** | 0 | 0,0 | 0 |
| Other provisions and accruals | (5) | **15** | **8,0** | 29 | 15,7 | -14 |
| Advance Payments received | | **0** | **0,0** | 0 | 0,0 | 0 |
| Trade accounts payable | | **11** | **5,9** | 11 | 5,9 | 0 |
| Amounts due to affiliated companies | (6) | **1074** | **572,8** | 1098 | 593,5 | -24 |
| Other payables | (7) | **12** | **6,4** | 34 | 18,4 | -22 |
| | | **1112** | **588,8** | 1172 | 633,5 | -60 |
| **Total external financing** | | **1229** | **650,3** | 1278 | 690,8 | -49 |
| **Total capital & liabilities** | | **189** | **100,8** | 185 | 100,0 | +4 |

**(1) Fixed assets**

The financial assets comprise the reinsurance cover asset value. This has increased as compared to the previous year due to the accrual of value of the course of the year.

**(2) Current assets**

The slight decrease in current assets is mainly the result of decreases in trade account receivables by T• 1 offset almost fully by increases in liquid funds and other assets.

**(2A) Other assets are made up as follows:**

| | 31.3.2005 | 31.3.2004 |
|---|---|---|
| | T• | T• |
| **Claims against tax authorities** | | |
| withheld, reclaimable corporate income tax and solidarity levy 2002 | **0** | 1 |
| withheld, reclaimable corporate income tax and solidarity levy 2003 | **3** | 0 |
| withheld, creditable corporate income tax and solidarity levy 2004 | **0** | 3 |
| | **3** | **4** |
| **Other claims** | | |
| VAT claims | **5** | 0 |
| Claims against personnel | **1** | 0 |
| Security deposits | **2** | 1 |
| | **11** | 5 |

The increase in liquid funds is explained below under "Financial position".

**(3) Shareholder's equity**

Due to the net profit for the year, the deficit **not covered by shareholder's equity** declined by T• 52 to T• 1.040.

**(4) Pension provisions**

The increase in pension provisions is due to accrual of value though the payment of the premia.

**(5) Movements in other provisions and accruals are set out below:**

| | 1.4.2004 | Consumption | Provision | 31.3.2005 |
|---|---|---|---|---|
| | T• | T• | T• | T• |
| Leave due | 3 | 3 | 0 | **0** |
| Invoices not received | 0 | 0 | 1 | **1** |
| Costs of year closing | 13 | 13 | 6 | **6** |
| Employer's liability insurance | 5 | 5 | 4 | **4** |
| Other - suppliers bills still due | 8 | 8 | 4 | **4** |
| | 29 | 29 | 15 | **15** |

**(6) Amounts due to affiliated enterprises**

Amounts due to affiliated companies represent trading accounts and are payable to the following companies: Trigyn Technologies (India) Pvt. Ltd., Bangalore, T• 1032 Trigyn Technologies Limited, - Mumbai T• 6 and eVector (India) Pvt. Ltd., Bangalore, T• 36. These dues -result out of flows of services delivered in present and past financial years.

**(7) Other payables** are summarized below:

| | 31.3.2005 | 31.3.2004 |
|---|---|---|
| | T• | T• |
| **Taxes payable :** | | |
| Value added tax | **0** | 5 |
| Payroll and church taxes including solidarity levy | **4** | 10 |
| | **4** | 15 |
| **Social security payable :** | | |
| Social security contributions | **7** | 13 |
| Customer overpayments | **0** | 0 |
| Salaries and Wages Due | **0** | 6 |
| Miscellaneous | **0** | 0 |
| | **0** | 6 |
| | **11** | 34 |

## IV. Financial position

The following statement, prepared in accordance with DRS 2, shows the sources and applications of liquid funds:

| | 1.4.2004-31.3.2005 | 1.4.2003-31.3.2004 |
|---|---|---|
| | T • | T • |
| Net loss/profit for the year | **52** | -52 |
| Amortisation/depreciation of fixed assets | **4** | 5 |
| Increase/ Decrease in provisions and accruals | **-3** | 17 |
| Increase in inventories, trade accounts receivable from sales and services as well as other assets, not allocated to investing and financing activities | **3** | 204 |
| Decrease (previous year: increase) in trade accounts payable for goods and services as well as other liability items not allocated to investing and financing activities | **-46** | -212 |
| **Cash flow from operating activates** | **10** | -38 |
| **Cash flow from investing activities** | **0** | 0 |
| **Cash flow from financing activities** | **0** | 0 |
| Change in liquid funds | **10** | -38 |
| Liquid funds at the beginning of the year | **15** | 53 |
| **Liquid funds at the end of the year** | **25** | 15 |

The increase in the financial fund being less than the total profit in the year, was made possible through the almost equal reduction of the trade receivables and payables as well as the incoming payments resulting from the other receivables and assets.

The mere marginal decrease in the financial fund, despite the present significant deficit, is mainly due to increases in trade accounts payable for goods and services.

In addition, the unaudited annual financial statements, in our opinion, gives a true and fair view of the company's net assets, financial position and earnings situation in accordance with German principles of proper accounting.

Pforzheim, 31st July, 2005

Anup Roy
Financial Controller

Bhaskar Sanyal
Managing Director

## Balance Sheet at 31st March 2005 by accounts

## Trigyn Technologies Europe GmbH Unternehmensberatung, Pforzheim

**Assets**

| | | Euro | Financial year Euro | Prior year Euro |
|---|---|---|---|---|
| | **Office Equipment** | | | |
| 690 | Office Assets | | **1,901.00** | 4,777.00 |
| | **Other financial assets** | | | |
| 990 | Buyback value of Pension insurance | | **76,840.00** | 66,838.54 |
| | **Debtors and other current asset** | | | |
| 1200 | Debtors | 68,878.34 | **85,816.44** | |
| 1248 | Lumpsum debtors Provsion | -674.00 | **68,204.34** | -740.00 |
| | **Debts of related parties** | | | |
| 1260 | Open debts of Related parties | | **3,703.95** | 3,703.95 |
| | **Other Current Assets** | | | |
| 1340 | Claims recoverable from employees | 800.00 | | 300.00 |
| 1350 | Caution deposits | 1,595.71 | | 675.71 |
| 1401 | VAT 7% deductible | 61.88 | | 0.00 |
| 1405 | VAT 16% deductible | 20,635.45 | | 0.00 |
| 1450 | Corporate Income tax claimable | 3,264.70 | | 4,161.52 |
| 3300 | Liabilities to Trade Suppliers | 0.00 | | 85.36 |
| 3805 | VAT outwards 16% | -40,570.12 | | 0.00 |
| 3820 | VAT Advance | 20,533.33 | | 0.00 |
| 3830 | Umsatzsteuervorauszahlungen 1/11 | 4,451.00 | **10,771.95** | 0.00 |
| | **Cash, Bank, Checks** | | | |
| 1600 | Cash | 21.08 | | 7.30 |
| 1840 | Dresdner Bank Main Account | 24,876.16 | **24,897.24** | 14,598.77 |
| | **Prepaid expenses** | | | |
| 1900 | Prepaid expenses | | **1,924.27** | 2,588.27 |
| | **Loss not covered by equity** | | **1,040,123.86** | 1,091,791.58 |
| **Total of Assets** | | | **1,228,366.61** | 1,274,604.44 |

**Liabilities & Capital**

| | | Euro | Financial year Euro | Prior year Euro |
|---|---|---|---|---|
| | **Registered Capital** | | | |
| 2900 | Registered Capital | | **25,564.59** | 25,564.59 |
| | **Capital Reserves** | | | |
| 2928 | Capital Reserves | | **609,321.51** | 609,321.51 |
| | **Loss Carried forward** | | | |
| 2978 | Loss Carried forward | | **-1,726,677.68** | -1,674,914.83 |
| | **Profit for the Year** | | | |
| | Profit for the Year | | **51,667.72** | -51,762.85 |
| | **Loss not covered by equity** | | **1,040,123.86** | 1,091,791.58 |
| | **Provisions** | | | |
| 3010 | Pension Provision | | **117,181.01** | 104,513.48 |
| | **Other provisions** | | | |
| 3070 | Other costs provided for | 9,288.00 | | 29,484.00 |
| 3095 | Provision for Audit | 5,500.00 | **14,788.00** | 0.00 |
| | **Liabilities** | | | |
| 3300 | Liabilities to Trade Suppliers | | **10,784.35** | 11,244.99 |
| | **Liabilities to related cos.** | | | |
| 3400 | Liabilities to Trigyn Bangalore | 1,032,283.06 | | 1,061,887.51 |
| 3401 | Liabilities to Trigyn mumbai | 5,730.88 | | 0.00 |
| 3402 | Liabilities to e-vector | 35,931.52 | **1,073,945.46** | 35,931.52 |
| | **Other Liabilities** | | | |
| 1370 | Suspense/clearing | 491.43 | | 0.00 |
| 1400 | Vat deductible | 0.00 | | -276.73 |
| 1401 | VAT 7% deductible | 0.00 | | -14.41 |
| 1405 | VAT 16% deductible | 0.00 | | -36,672.13 |
| 1409 | VAT 16% deductible EU Supplies | 0.00 | | -6,377.18 |
| 3730 | Liabilities on acc of Income Tax | 4,034.04 | | 9,572.16 |
| 3740 | Liabilities Social insurance | 7,090.62 | | 13,076.40 |
| 3790 | Liabilities - payroll | 51.7 | | 6333.67 |
| 3805 | VAT outwards 16% | 0.00 | | 188,515.46 |
| 3820 | VAT Advance | 0.00 | | -112,972.48 |
| 3830 | VAT Netherlands | 0 | | -36019 |
| 3836 | VAT on EU supplies | 0 | **11,667.79** | 6377.18 |
| **Total of Capital and Liability** | | | **1,228,366.61** | 1,274,604.44 |

**Profit and Loss statement for the period from 1st April 2004 to 31st March 2005** **Appendix 2**

**(last year's period: 1 April 2003 to 31st March 2004)**

| | | 1.4.2004 – 31.3.2005 | | 1.4.2003 – 31.3.2004 | |
|---|---|---|---|---|---|
| | | Euro | Euro | Euro | Euro |
| 1. | Sales | | **679120,91** | | 1163552,74 |
| 2. | Increase / reduction in work-in process inventory | | **0** | | -12738,63 |
| | | | **679120,91** | | 1150814,11 |
| 3. | Other operating income | | **80500,70** | | 77508,79 |
| | | | **759621,61** | | 1228322,90 |
| 4. | Material costs | | | | |
| | a. Cost of raw materials and supplies and of purchased goods | **0** | | 0,00 | |
| | b. Cost of purchased services | **128549,80** | **128549,80** | 310166,37 | 310166,37 |
| 5. | Personnel expenses | | | | |
| | a. Wages and salaries | **356498,99** | | 654998,64 | |
| | b. Social security and expenses for pension -of which for pensions Euro 10502,23 ( Euro 12.457,80 ) | **85143,63** | **441642,62** | 125523,11 | 780521,75 |
| 6. | Depreciation of tangible fixed assets | | **4318,14** | | 5360,00 |
| 7. | Other operating expenses | | **132361,31** | | 183788,29 |
| | | | **52749,74** | | -53031,45 |
| 8. | Interest and similar income | | **169,82** | 1797,02 | |
| 9. | Interest and similar charges - none of which due to affiltd cos. | | **446,84** | 87,42 | 1709,60 |
| **10.** | **Result from ordinary activities** | | **52472,72** | | -51321,85 |
| 11. | Other taxes | | **-805** | | -441 |
| **12.** | **Net loss for the year** | | **51667,72** | | -51762,85 |

## Preliminary comments

"Under the terms of a declaration dated 12th April 2002, the sole shareholder - eCapital Solutions (Bermuda) Ltd. - agreed to guarantee the company's dues payable to Trigyn Technologies (India) Pvt. Ltd., Bangalore, amounting to • 967,410,02 to prevent an overindebtedness in the sense of insolvency law. Furthermore, all amounts due by the company to the sole shareholder, at the present time and at any time in the future, are placed behind the claims of all the company's other creditors. As of balance sheet date, the shareholder currently has no dues from Trigyn Technologies Europe GmbH, Pforzheim." This comment included in last year's report and in that of the foregoing 3 years is still valid, with the exception of the preliminary comment "to prevent an overindebtedness in the sense of insolvency law ", as despite the assumption of the debts, a case of debt overload under insolvency law is still applicable (ref. Other Information).

## Accounting and valuation principles; foreign currency conversion

Tangible fixed assets are stated at acquisition cost less scheduled depreciation. The reducing-balance depreciation method has been applied insofar as this is permissible for taxation purposes.

Depreciation is calculated in accordance with the tax simplification rule R 44(2) EStR (German Income Tax Regulations), partly using the reducing-balance method and partly using the straight-line method, on the basis of the German income tax depreciation tables. Minor value assets are depreciated in full in the year of acquisition.

The financial assets represent the reinsurance cover asset value advised by the insurance company.

Receivables and other assets are stated at their nominal value less provisions as required. A general provision for bad and doubtful debts has been recorded in respect of trade accounts receivable to cover overall credit risks.

Pension provisions have been determined in accordance with § 6a EStG (German Income Tax Law) on the basis of an actual valuation, assuming that the company is a going concern and using an interest rate of 6%.

Other provisions and accruals take into account all uncertain liabilities, losses and risks in respect of the financial year, which became known up to the time of preparation of the annual financial statements

Payables are stated at the amounts to be paid.

Receivables and payables in foreign currency are recorded at the rate of exchange on the date of transaction. Exchange losses arising upto the balance sheet date that would have to be considered in terms of a permanent impairment of value, were not applicable.

**Explanatory comments on the balance sheet**

**1. Fixed assets**

The composition and the development of the fixed assets in the financial year 2003/2004 are set out in the appendices to these notes.

**2. Receivables**

All receivables and other assets fall due in less than one year. Amounts due from affiliated companies consist exclusively of trade accounts receivable.

**3. Payables**

All payables fall due in less than one year. The general reservation of ownership applies to some portion of the trade accounts payable. Amounts due to affiliated companies consist exclusively of trade accounts payable.

**Other information**

**Information for a better understanding of the net worth, financial and earnings position**

The balance sheet, statement of loss and gain and appendices, as per legal regulations, reflect the actual economic situation of the company.

The balance sheet based on the going concern principle is justified by the positive future Prognosis despite the overindebtedness according to the Insolvency law since a reevaluation according to liquidation based accounts would only change 2 positions therein with barely any major consequence (ref. earlier comment).

**Managing Director**

Dr. Bhaskar Sanyal, Keltern

**Management Declaration** **Appendix 3**

The company's financial statements are included in the consolidated financial statements of Trigyn Technologies Limited, Mumbai, India,( top level consolidation) and before that will be included in the consolidated financial statements (intermediate level company consolidation) of eCapital Solutions (Bermuda) Ltd.; these consolidations are prepared in accordance with the generally accepted accounting principles of the United States of America (US-GAAP) in Mumbai, (India) and Hamilton (Bermuda) respectively.

Pforzheim, 31st July 2005

Trigyn Technologies Europe GmbH, Pforzheim

The Management

**Economic status of the company** **Appendix 4**

The company's business consists of selling of software licenses and providing services in the IT sector.

The software licenses are acquired by Trigyn from Trigyn Technologies Limited, Mumbai or Trigyn Technologies (India) Pvt. Ltd., Bangalore, for sale. These licenses relate to telecommunications and e-commerce software. The two most important software products are: Appollo, a billing and customer care solution in the telecommunication area and Akcelo, an e-commerce software development tool.

The company's services consist, on one hand, of IT personnel resources services and, on the other hand, the company produces customer-specific software. The company in connection with the personnel resources services mostly engages Indian IT engineers.

On 1st January 2000 and 1st April 2000 framework contracts were signed with Trigyn Technologies (India) Pvt. Ltd. (formerly eCapital Solutions, India Pvt. Ltd.):

a) Trigyn Technologies (India) Pvt. Ltd. will, on demand, make its own personnel available to the company at short notice.

b) Under the terms of the framework contract, the company sub-contracts software production to Trigyn Technologies (India) Pvt. Ltd.

Similar contracts were signed with Triygn Technologies Limited in April 2004 for equivalent services as an alternate to Trigyn Bangalore.

The relevant costs for both services have been included in the purchased services.

The company had 5 employees at the balance sheet date. Four of these employees were Indian engineers in the personnel resource division.

The company conducts its business in rented offices in Pforzheim.

**Legal status of the company** **Appendix 5**

| | |
|---|---|
| **Formation** | 20th February 1995 (as d+s consult Dreller und SanyalUnternehmensberatungs-GmbH) |
| **Name** | Trigyn Technologies Europe GmbH |
| **Registered Office** | Pforzheim |
| **Articles of Association** | The currently valid articles of association are dated 11th September 2000 |
| **Commercial Register** | Pforzheim, department B, reference number 3752. |
| **Objectives** | Research, development, construction, industrial manufacture, particularly in the capacity of general contractor whereby manual work is carried out by third parties, and the sales of communication-technological products of every kind (hard-ware and software), especially software technology, software development, system integration and business consultancy of all types, insofar as this does not require any special legal permit, for the most part in Europe. |
| **Financial year** | In connection with the amendment of 11th September 2000 to the articles of association, the financial year was changed. The financial year starts on 1st April and ends on 31st March. |
| **Subscribed capital** | DM 50000,00 = • 25564,59 |
| **Share capital ownership** | The company is a 100% subsidiary of eCapital Solutions (Bermuda) Limited, Hamilton, Bermuda. |
| **Proposed appropriation** | Management will propose at the shareholders' meeting that the retained losses amounting to • 1675009,96 as of 31st March 2005 are carried forward to the next financial year. |
| **Last year's financial statements** | At the shareholder's meeting on 22nd May 2004 |
| **Company's size** | The company is a small company as defined in § 267 (1)HGB. |
| **Affiliated companies** | The company is included via its sole shareholder eCapital Solutions (Bermuda) Limited, Hamilton, Bermuda, in the consolidated financial statements of Trigyn Technologies Limited, Mumbai. |
| **Managing Directors** | The composition of management is set out in the company's notes to the annual financial statements. The notes include the information required by § 285 No. 10 HGB. The information required by § 285 No. 9 HGB has not yet been disclosed as permitted by § 286 (4) HGB. |
| **Tax status** | The company has not yet been subject to an external audit by the tax authorities. |

**Consolidated Balance Sheet (Unaudited) at March 31, 2005**
(Currency: Indian Rupee)

| | Note | 2005 | 2004 |
|---|---|---|---|
| **SOURCES OF FUNDS** | | | |
| **Shareholders' funds** | | | |
| Share capital | 3 | **198,498,750** | 198,498,750 |
| Share application money | 4 | **397,500** | 397,500 |
| Reserves and surplus | 5 | **6,608,467,741** | 6,641,689,525 |
| | | **6,807,363,991** | 6,840,585,775 |
| **Minority interest** | 6 | **347,106,880** | 347,106,880 |
| **Loan funds** | 7 | | |
| Secured loans | | **233,485,411** | 368,043,915 |
| Unsecured loans | | **8,764,132** | 12,277,961 |
| | | **242,249,543** | 380,321,876 |
| | | **7,396,720,414** | 7,568,014,531 |
| **APPLICATION OF FUNDS** | | | |
| **Goodwill** | 8 | **479,423,600** | 479,423,600 |
| **Fixed assets** | 9 | | |
| Gross block | | **287,859,225** | 318,562,125 |
| Less: Accumulated depreciation | | **258,588,100** | 277,667,360 |
| Net block | | **29,271,125** | 40,894,764 |
| Add: Capital work in progress | | **-** | - |
| | | **29,271,125** | 40,894,764 |
| **Investments** | 10 | **4,449,670** | 589,200 |
| **Current assets, loans and advances** | | | |
| Unbilled receivables | | **4,550,433** | 4,009,149 |
| Sundry debtors | 11 | **63,320,310** | 102,171,806 |
| Cash and bank balances | 12 | **132,143,130** | 78,972,101 |
| Loans and advances | 13 | **21,909,014** | 41,151,918 |
| | | **221,922,887** | 226,304,974 |
| **Less: Current liabilities and provisions** | | | |
| Current liabilities | 14 | **198,139,613** | 197,815,581 |
| Provisions | 15 | **5,193,396** | 27,204,753 |
| | | **203,333,009** | 225,020,334 |
| **Net current assets** | | **18,589,878** | 1,284,640 |
| **Miscellaneous expenditure** | | | |
| ***(to the extent not written off or adjusted)*** | 16 | **778,000** | 1,092,195 |
| **Profit and loss account** | | **6,864,208,141** | 7,044,730,131 |
| | | **7,396,720,414** | 7,568,014,531 |

The accompanying notes form an integral part of this consolidated Balance Sheet.

**For Trigyn Technologies Limited and its subsidiaries**

**Ramkrishna Bhagwat**
**Director**

**Tushar Vaidya**
**Director**

**Y. V. Gopalam**
**Finance Controller**

**Samir Kamat**
**Company Secretary**

Place: Mumbai
Date: June 29, 2005

**Consolidated profit and loss account (Unaudited) for the year ended March 31, 2005**

(Currency: Indian Rupee)

| | Note | 2005 | 2004 |
|---|---|---|---|
| **Income** | | | |
| Software and consultancy services | | **407,114,173** | 509,398,068 |
| Other income | 17 | **75,279,862** | 73,718,220 |
| | | **482,394,035** | 583,116,288 |
| **Expenditure** | | | |
| Personnel costs | 18 | **242,477,042** | 461,201,770 |
| Amortisation of goodwill | 8 | **-** | 169,210,945 |
| Depreciation | 9 | **12,684,378** | 31,113,042 |
| Amortisation of software development costs | 16 | **314,195** | 17,428,135 |
| Interest costs | 19 | **67,924,929** | 80,072,498 |
| Other costs | 20 | **206,330,914** | 184,473,095 |
| | | **529,731,458** | 943,499,485 |
| **Profit / ( Loss) for the year before tax and exceptional items** | | **(47,337,423)** | 360,383,197 |
| Provision for taxation | | **71,484** | (2,581,902) |
| **Profit / ( Loss) for the year after tax and before exceptional items** | | **(47,408,907)** | (357,801,295) |
| Exceptional items | 21 | **236,914,135** | - |
| Prior Period Taxes | 22 | **-** | (9,261,186) |
| Prior Period expenses | 23 | **(8,983,238)** | 22,718,025 |
| **Profit/ (Net Loss) for the year after tax and exceptional items** | | **180,521,990** | (371,258,134) |
| **Accumulated Loss, brought forward** | | **7,044,730,131** | 6,673,471,998 |
| **Accumulated Loss, carried forward** | | **6,864,208,141** | 7,044,730,131 |
| **Basic and diluted earnings per share** | 24 | **5.16** | (31.99) |

The accompanying notes form an integral part of this consolidated Profit and Loss Account.

**For Trigyn Technologies Limited and its subsidiaries**

**Ramkrishna Bhagwat**
**Director**

**Tushar Vaidya**
**Director**

Place: Mumbai
Date: June 29, 2005

**Y. V. Gopalam**
**Finance Controller**

**Samir Kamat**
**Company Secretary**

**Cash Flow Statement for the year ended on March 31, 2005**
**Trigyn Technologies Limited and its Subsidiaries**

| | | 2005 |
|---|---|---|
| **Cash flow from operating activities** | | |
| **Profit / (Loss) after tax, prior period adjustments and exceptional items** | | **180,521,990** |
| **Adjustments for:** | | |
| Dimunition other than temporary in the value of investment | 485,600 | |
| Interest income | (603,474) | |
| Income from trade investments | (14,000) | |
| Provision for doubtful debts and advances to subdiaries / staff | 14,603,393 | |
| Depreciation, amortisation and foreign currency translation reserve | (20,517,825) | |
| Unrealised foreign exchange gain/loss | - | |
| Loss / (profit) on sale of assets / investments | (151,264) | |
| Interest cost | 67,924,929 | 61,727,358 |
| **Operating profit before working capital changes** | | 242,249,348 |
| **Changes in:** | | |
| Sundry debtors | 22,543,156 | |
| Loans and advances | 18,152,620 | |
| Current liabilities and provisions | (83,118,522) | (42,422,746) |
| **Cash generated/(used in) from operations** | | 199,826,602 |
| Income taxes refunded/(paid), net | | 2,346,720 |
| **Net cash (used in)/ generated from operations** | | 202,173,322 |
| **Cash flow from investing activities** | | |
| Proceeds from sale of fixed assets | | 405,304 |
| Purchase of fixed assets | | (1,020,163) |
| Investment in subsidiaries | - | |
| Purchase of other investments | | (4,346,070) |
| Sale of other Investments | - | |
| Interest received | | 510,701 |
| Dividend received | | 14,000 |
| Loans to subsidiaries (net) | - | |
| **Net cash used for from investing activities** | | (4,436,228) |
| **Cash flow from financing activities** | | |
| Issues of equity share capital including share premium | - | |
| Issues of equity prefrence share capital including share premium | - | |
| Dividend paid (including dividend tax) | - | |
| Interest paid | | (6,493,732) |
| Repayment of Secured and unsecured loans | | (138,072,333) |
| **Net cash from financing activities** | | (144,566,065) |
| **(Decrease) / Increase in cash and cash equivalents** | | 53,171,029 |
| **Cash and cash equivalents at the beginning of year after unrealised exchange gain** | | 78,972,101 |
| **Cash and cash equivalents at the end of year after unrealised exchange gain** | | 132,143,130 |

**For Trigyn Technologies Limited and its subsidiaries**

**Ramkrishna Bhagwat**
**Director**

**Tushar Vaidya**
**Director**

Place: Mumbai
Date: June 29, 2005

**Y. V. Gopalam**
**Finance Controller**

**Samir Kamat**
**Company Secretary**

**Notes to the unaudited consolidated financial statements**

(Currency: Indian Rupee)

## 1 Background

Trigyn Technologies Limited (TTL or 'the Company' or 'the Parent Company') was incorporated on March 25, 1986 under the Indian Companies Act, 1956, with its registered office in Mumbai, India. The Company made an initial public offering in India in January 1995 and is presently listed on the Mumbai, National, and Ahmedabad Stock Exchanges. TTL is the Holding company of the Trigyn Group of companies.

TTL is primarily engaged in the development of customised applications and client server custom engineered solutions, principally for customers in the banking and financial services, telecommunications and e-business segments.

TTL has a software development centre in Mumbai, India ('the Head Office') and branch offices at New Jersey, United States of America and Singapore. ('the Branches'). In 1997, the Company established a wholly owned subsidiary, Leading Edge Infotech Limited ('LEI'), which is engaged primarily in providing software services for the financial services market in India.

In April 2000, the Company allotted 7,350,000 equity shares of Rs 10 each to eCapital Holding (Bermuda) Limited ('EH'), in consideration for acquiring 7,350,000 equity shares of eCapital Solutions (Bermuda) Limited ("EB"), which became a wholly owned subsidiary of TTL. EB through its various subsidiaries is engaged in the business of developing software products and providing software solutions in the areas of telecommunication and financial services. EB through its subsidiaries has direct business and operational presence in United Kingdom, Germany, United States of America and India.

In September 2000, Trigyn Technologies (India) Private Limited, a wholly owned subsidiary of TTL (acquired by TTL as part of the EB acquisition), hived off eVector, a software product, into a separate company eVector (India) Private Limited ('EVIPL'), with eVector (Cayman) Limited ("EVCL") as its holding company. EVCL is presently a wholly owned subsidiary of EB with external investors having subscribed towards preference share capital in this company. EVIPL is engaged in the business of developing and marketing eVector.

On 1 January 2001, TTL acquired 100% equity stake in Applisoft Inc. ('Applisoft'), a company based in California, USA for cash consideration aggregating USD 9 million (Rs 421.6 million). Applisoft is engaged in the business of providing software-consulting services, predominantly focused on clients in the West Coast of United States of America.

In June 2001, EVCL incorporated, eVector UK Limited (EUL) as a 100% subsidiary in Reading, UK. EUL is engaged in the business of marketing eVector and providing software consulting services.

EB held 51% stake in Trigyn Technologies Limited, UK ('TTUK'). In October 2001, EB acquired the balance 49% equity stake in TTUK for consideration in cash aggregating Rs 69.26 (GBP 1), thereby making it a 100% subsidiary. Subsequently on 16 April 2002, TTUK has been referred for voluntary liquidation, since the business under TTUK was not viable and the business of the TTUK has been serviced and further developed by a branch of TTIPL.

On 30 May 2002, the Board of Directors of EVCL together with its equity and preference shareholders decided to wind up the operation of EVCL and its subsidiaries i.e. EVIPL, eVector Inc. ('EI') and EUL.

List of subsidiaries is summarised below:

| **Subsidiaries** | **Country of incorporation and other particulars** | **Percentage of holding (%)** |
|---|---|---|
| eCapital Solutions (Bermuda) Limited, ('EB') | A subsidiary of TTL organised under the laws of Bermuda. | 100 |
| Applisoft, Inc., ('Applisoft') | A subsidiary of TTL organised under the laws of California,USA. | 100 |
| Leading Edge Infotech Limited, ('LEI') | A subsidiary of TTL incorporated under the laws of India. | 100 |
| Trigyn Technologies Inc., ('TTI') | A subsidiary of EB organised under the laws of Delaware, USA. | 100 |
| eCapital Solutions (Mauritius) Limited, ('EM') | A subsidiary of EB organised under the laws of Mauritius. | 100 |
| Trigyn Technologies (India) Private Limited, ('TTIPL') | A subsidiary of EM incorporated under the laws of India. | 100 |
| Trigyn Technologies Europe Gmbh, Pforzheim, Germany ('TTE') | A subsidiary of EB organised under the laws of Germany. | 100 |
| Trigyn Technologies Limited, Reading, UK (TTUK) * | A subsidiary of EB organised under the laws of UK | 100 |
| eVector (Cayman) Limited, ('EVCL') * and its 100% subsidiaries in UK, USA and India. | A subsidiary of EB organised under the laws of Cayman Islands. | 100 |

The TTUK and EVCL and its 100% subsidiaries are being subject to voluntary liquidation. Accordingly these companies financials are prepared under liquidation basis of accounting.

**Notes to the unaudited consolidated financial statements** *(Continued)*

(Currency: Indian Rupee)

## 2 Principal accounting policies

### 2.1 Basis of preparation of consolidated financial statements and principles of consolidation

The consolidated financial statements of TTL and its subsidiaries (as listed in note 1 above), collectively referred to as the "Trigyn Group" or the "Group" have been prepared under the historical cost convention except for the separate financial statements of EVCL and its subsidiaries which have been prepared under liquidation basis of accounting (for details refer note 2.2 below). Trigyn Technologies Limited, UK has been put under voluntary liquidation proceedings and the financials of this subsidiary presented herein have been prepared under liquidation basis of accounting. These consolidated financial statements have been prepared in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India ('ICAI') and on the basis of the separate audited financial statements of TTL and its subsidiaries included in the consolidated financial statements, to the extent mentioned here before as well as EB and EM, which have been relegated to the status of non-performing companies. All income and expenditure having a material bearing on the financial statements are recognised on the accrual basis.

The financial statements of the Parent Company and its subsidiaries have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-Group balances/transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions have also been eliminated unless cost to the Group cannot be recovered. The amounts shown in respect of accumulated losses/reserves comprises the accumulated losses/reserves as per the Balance Sheet of the Parent Company and its share in the post acquisition increase in the relevant accumulated losses/reserves of its subsidiaries.

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying consolidated financial statements.

### 2.2 Going concern

These consolidated financial statements have been prepared assuming that the Trigyn Group will continue as a going concern despite reduced sales, negative cash flows and cash loss in the current year. Management believes that the Parent Company and its subsidiaries will be able to finance their operations and meet the commitments including commitments given to support all its subsidiaries other than TTUK, TTE and Applisoft, from internal cash generation in the foreseeable future, given the various options it is pursuing in this regard. These consolidated financial statements do not include any adjustments regarding the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might result should the Parent Company or any of its subsidiaries be unable to continue as a going concern, except for the separate financial statements of EVCL and its subsidiaries i.e. EVIPL, EI and EUL ('collectively referred to as the eVector Group'), as well as TTUK which have been prepared under liquidation basis of accounting, as the eVector Group is in the process of winding up its operations (for details refer note 21).

TTUK, a 100% subsidiary of EB, has been placed in insolvent voluntary liquidation on 16 April 2002. Accordingly, these consolidated financial statements include the separate financial statements of TTUK prepared under liquidation basis of accounting. The adjustments made to the values of assets and liabilities have been reflected as exceptional item in the consolidated financial statements (For details refer note 21).

### 2.3 Revenue recognition

Revenues from software development services comprise income from time and material and fixed price contracts. Revenue from 'time and material' contracts is recognised, as and when related services are performed. Revenue from fixed price contracts is recognised using the percentage of completion method of accounting, under which the sales value of performance, including the profit thereon, is determined by

**Notes to the unaudited consolidated financial statements** *(Continued)*

(Currency: Indian Rupee)

relating the actual man hours of work performed to date to the estimated total man hours for each contract. Provision for estimated losses on uncompleted contracts are recorded in the period in which such losses become probable, based on current contract estimates.

Unbilled receivables represent costs incurred and revenues recognised on contracts, to be billed in subsequent periods as per the terms of the contract.

Interest on deployment of surplus funds is recognized using the time proportion method based on the underlying interest rates.

**2.4 Goodwill**

The excess of cost to the Parent Company of its investments in subsidiaries over its portion of equity in the subsidiaries at the respective dates on which investment in subsidiaries was made is recognised as goodwill in the consolidated financial statements. The Parent Company's portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment. Goodwill is amortised on a straight-line basis over its estimated useful life as follows:

| | Estimated useful life (in years) |
|---|---|
| Goodwill in relation to acquisition of EB | 4 |
| Goodwill in relation to acquisition of Applisoft | 3 |

Goodwill is reviewed for decline other than temporary, whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Trigyn Group assesses the recoverability of goodwill by reference to the valuation methodology adopted by it on the acquisition date, which included strategic and synergic factors that were expected to enhance the enterprise value. Accordingly, the Group would consider that there would exist a decline other than temporary in the carrying value of goodwill, when, in conjunction with its valuation methodology, its expectations with respect to the underlying acquisitions it has made, deteriorate coupled with adverse market conditions.

The Group has currently reassessed the above circumstances that could indicate that there exists a decline other than temporary in the carrying value of goodwill. As a consequence of such reassessment, management has ascertained that revenue and earnings of the acquired entities have not been in line with its expectations and projections at the time of acquisition and believes that the expected revenues and earnings of acquired entities at the time of acquisition may not be sustainable in the foreseeable future. This has resulted due mainly to the downturn in software services and products business and loss of certain perceived business synergies. Based on these conditions, the Group management has presently based on detailed evaluation reflected goodwill at gross historical cost less a 90% provision for decline other than temporary in its carrying value including scheduled amortisation.

**2.5 Fixed assets and depreciation**

Fixed assets are stated at cost less accumulated depreciation. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the fixed assets. Cost also includes financing costs directly attributable to acquisition of fixed assets. Depreciation on additions and disposals is provided pro-rata for the period of use.

The useful life of fixed assets being followed by the Group is shorter than those prescribed under Schedule XIV to the Companies Act, and are summarised below:

| **Asset** | **Useful life (in years)** |
|---|---|
| Leasehold improvements | Over the term of the lease or the estimated useful life of the asset which ever is shorter |
| Buildings | 20 |
| Office equipment | 3-4 |
| Computers and peripherals | 3 |
| Furniture and fixtures | 3-4 |
| Motor vehicles | 4 |

**Notes to the unaudited consolidated financial statements** *(Continued)*

(Currency: Indian Rupee)

Software purchased along with the related hardware are capitalised and depreciated at the rates applicable to computers and peripherals. Subsequent purchase of software are capitalised and depreciated over an estimated useful life of 2-3 years.

**2.6 Retirement benefits**

In accordance with Indian regulations, TTL, LEI and TTIPL provide for gratuity, a defined benefit retirement plan covering all its eligible employees. Gratuity costs are based on an actuarial valuation carried out by an independent actuary at the balance sheet date.

In accordance with Indian regulations, all employees of TTL, LEI and TTIPL receive benefits from a provident fund, which is a defined contribution retirement plan. Contributions to the provident fund are charged to the profit and loss account in the year in which the contributions are due.

TTL, LEI, and TTIPL provide for leave encashment costs based on an actuarial valuation carried out by an independent actuary at the balance sheet date. Until previous year, TTL and LEI provided leave encashment costs based on leave balances to the credit of the employees at the year-end, at the prevalent salary rates. The above change in the method of estimating leave encashment costs did not have a material impact on the results of the Group for the current year.

Certain subsidiaries within the Group provide for leave encashment costs based on leave balances to the credit of employees at the year-end at the prevalent salary rates.

**2.7 Investments**

Long-term investments are carried at cost, and provision is made when in the management's opinion there is a decline, other than temporary, in the carrying value of such investments.

**2.8 Miscellaneous expenditure**

Miscellaneous expenditure comprises direct expenses such as salaries incurred and certain direct expenses allocated on the basis of man-hours spent on the product development.

Loan origination costs are written off on a straight-line basis over the outstanding period of the loan.

Preliminary expenses incurred by companies within the Group have been written of on a straight-line basis over a period of 5-10 years.

**2.9 Income tax**

EB and EM are incorporated in Bermuda and Mauritius respectively, where no taxes are currently payable and accordingly no provision for taxes is made in the consolidated financial statements.

The Institute of Chartered Accountants of India has issued Accounting Standard 22 'Accounting for taxes of income', which is mandatory for the Group in respect of accounting period commencing 1 April 2001. Income-tax expense comprises current tax expense and deferred tax expense or credit.

Current tax provision is made annually based on the tax liability computed after considering tax allowances and exemptions. Further, deferred tax liability or asset is recognised for timing differences between the profits/losses offered for income taxes and profits/losses as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised, other than deferred tax assets in respect of unabsorbed depreciation and carry forward tax losses, which are recognised only to the extent that there is virtual certainty that they will be realised. The deferred tax assets are reviewed at each balance sheet date for the appropriateness of their carrying values.

Further, profits of TTIPL are exempt from Indian Income taxes being profit from industrial undertakings situated in Software Technology Park. Under this tax holiday scheme, the taxpayer can avail an exemption of profits from income tax for a period of ten consecutive years. TTIPL has opted out of the said provisions of the Income Tax Act, to avail benefit of the business losses carry-forward.

In view of losses incurred by the Company and its subsidiaries, deferred tax assets have not been recognised in the financial statements as at 31 March 2005. At each balance sheet date, such unrecognised deferred tax assets would be re-assessed and recorded in the financial statements when the realisation of such assets becomes reasonably certain or virtually certain, as the case may be.

**Notes to the unaudited consolidated financial statements** *(Continued)*

(Currency: Indian Rupee)

**2.10 Leases**

The Institute of Chartered Accountants of India has issued Accounting Standard 19 'Leases', which is mandatory in respect of assets leased during accounting periods commencing on or after 1 April 2001. Accordingly, assets acquired on finance leases during the current year, including assets acquired on hire purchase, have been recognised as an asset and a liability at the inception of the lease and have been recorded at an amount equal to the lower of the fair value of the leased asset or the present value of the future minimum lease payments. Such leased assets are depreciated over the lease term or its estimated useful life whichever is shorter. Further, the payment of minimum lease payments have been apportioned between finance charges, which are debited to the profit and loss account and reduction in lease obligations recorded at the inception of the lease.

TTI and Applisoft had entered into finance leases prior to 1 April 2001, accordingly these companies have followed the accounting treatment prescribed by the International Accounting Standard-17 on "Accounting for leases" as permitted by the Guidance Note on "Accounting for leases" issued by the Institute of Chartered Accountants of India. This accounting treatment is similar to the Accounting Standard-19 issued by the ICAI.

Assets given under operating lease are reflected in the financial statements under fixed assets. Further, lease income from such operating lease arrangements have been recognised in the profit and loss account on a straight-line basis over the lease term.

**2.11 Foreign currency transactions**

Transactions in foreign currency are recorded at the monthly average exchange rates. Net exchange gain or loss resulting in respect of foreign exchange transactions settled during the year are recognised in the profit and loss account. Foreign currency denominated current assets and current liabilities at year-end are translated at the year-end exchange rates and the resulting net gain or loss is recognised in the profit and loss account.

**2.12 Foreign currency translation**

*Non-Indian operations*

The consolidated financial statements are reported in Indian rupees. The translation of the local currency of each foreign subsidiary including foreign branches within the Group into Indian rupees is performed in respect of assets and liabilities other than fixed assets using the exchange rate in effect at the balance sheet date and for revenue and expense items other than the depreciation costs using a monthly simple average exchange rate for the year. Fixed assets are translated at exchange rates on the date of the transaction and depreciation on fixed assets is translated at exchange rates used for translation of the underlying fixed assets.

Net exchange difference resulting from the above translation of the financial statements of foreign subsidiaries and foreign branches is recognised in the consolidated profit and loss account.

**2.13 Stock based compensation**

TTL being a listed company is required to comply with the 'Employees Stock Option Scheme and Employees Stock Purchase Scheme' guidelines, 1999 issued by Securities and Exchange Board of India ('SEBI') for accounting compensation cost relating to employee stock options granted by the Company. Accordingly, the excess of the market price of the underlying equity share as at the date of grant of the option over the exercise price of the options on the date of grant has been recognised as employee compensation expense and is being amortised on a straight line basis over the vesting period.

Since, SEBI guidelines are not applicable to unlisted companies, compensation cost relating to employee stock options granted by EVCL has not been accounted in the consolidated financials statements.

**2.14 Earnings per share**

The basic and diluted earnings per share is computed by dividing the loss after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding during the reporting period.

**Notes to the unaudited consolidated financial statements** *(Continued)*

(Currency: Indian Rupee)

## 3 Share capital

| | 2005 | 2004 |
|---|---|---|
| Authorised | | |
| 20,000,000 (2004 : 20,000,000)equity shares of Rs 10 each. | **200,000,000** | 200,000,000 |
| 5,000,000(2004 : 5,000,000)preference shares of Rs 10 each. | **50,000,000** | 50,000,000 |
| | **250,000,000** | 250,000,000 |
| **Issued, subscribed and paid-up** | | |
| 14,849,875 (2004 : 14,849,875)equity shares of Rs 10 each fully paid up. | **148,498,750** | 148,498,750 |
| 5,000,000 (2004:5,000,000) cumulative redeemable preference shares of Rs 10 each fully paid up. | **50,000,000** | 50,000,000 |
| | **198,498,750** | 198,498,750 |

Of the above, 5,251,666 (2004: 5,251,666) equity shares of Rs. 10 each fully paid up have been issued as bonus shares by capitalisation of share premium.

Of the above, 7,350,000 (2004: 7,350,000) equity shares of Rs 10 each fully paid with a premium of Rs 815 have been allotted to eCapital Holding (Bermuda) Limited for consideration other than cash for acquiring 7,350,000 equity shares (representing 100% of issued and paid up share capital) of eCapital Solutions (Bermuda) Limited.

Of the above, 5,000,000 (2004: 5,000,000) cumulative redeemable preference shares of Rs 10 each fully paid with a premium of Rs 40 were issued on 30 January 2001 to Global Trust Bank. The cumulative preference shares are redeemable at a premium of Rs 40 with a put and call option as defined below:

10% redeemable at premium of Rs 40 at the end of 24 months from the date of the issue.

20% redeemable at premium of Rs 40 at the end of 36 months from the date of the issue.

35% redeemable at premium of Rs 40 at the end of 48 months from the date of the issue.

35% redeemable at premium of Rs 40 at the end of 60 months from the date of the issue.

All these redemptions are based on Put/Call Options by GTB or the Company respectively, at these dates. As on the balance sheet date, neither the Bank has exercised its put option nor has the Company exercised the Call Option.

In respect of arrears of cumulative preference dividend refer note 30. In respect of Employees Stock Options granted by the Company refer note 24.

## 4 Share application money

| | 2005 | 2004 |
|---|---|---|
| Application money under Employees stock option plan (‘ESOP’). | **397,500** | 397,500 |

## 5 Reserves and surplus

| | 2005 | 2004 |
|---|---|---|
| Share premium account | | |
| - Balance at the beginning of the year | **6,538,364,825** | 6,538,364,825 |
| General reserve | | |
| - Balance at the beginning of the year | **44,133,108** | 44,133,108 |
| - Transfer to the Profit and Loss Account | **44,133,108** | 44,133,108 |
| | - | - |
| Employee stock options outstanding | | |
| -Balance at the beginning of the year | **6,116,170** | 21,253,974 |
| Reversal on forfeiture of stock options | **(3,341,035)** | (15,349,679) |
| | **2,775,135** | 5,904,295 |

**Notes to the unaudited consolidated financial statements** *(Continued)*
(Currency: Indian Rupee)

| | **2005** | 2004 |
|---|---|---|
| *Less*: Deferred employee compensation expense | | |
| - Balance at the beginning of the year | **2,006,097** | 7,372,935 |
| - Reversal on forfeiture of stock options | **(1,549)** | (5,095,031) |
| - Amortisation of deferred employee compensation expense | **(2,004,548)** | (1,598,729) |
| | **-** | 679,175 |
| | **2,775,135** | 5,225,120 |
| Foreign Exchange Translation Reserve | **67,327,781** | 76,863,977 |
| | **6,608,467,741** | 6,641,689,525 |

## 6 Minority interest

*Composition*

At 31 March 2005, minority interest aggregating Rs 347.11 million (equivalent of USD 10 million original investment less the distributions made as on balance sheet date to the holders of the Class A Preferred Stock) represents the interest of the holders of 5 million Class A Preferred Stock issued by EVCL at Rs 0.49 (equivalent USD 0.01) each with a premium of Rs 96.63 (equivalent USD 1.99) per share. The holders of each share of Class A Preferred Stock vote together with the common equity stockholders of EVCL and have the right to those many votes equal to the number of equity stock, which would be issued to the preferred stockholders upon conversion of their stock into common equity stock.

The holders of Class A Preferred Stock are entitled to receive cumulative dividends of Rs 7.76 (equivalent USD 0.16) per share per annum, subject to the profits of EVCL and until such time that EVCL closes a round of financing involving the sale of preferred securities in excess of Rs 291.36 (equivalent USD 6) per share with aggregate subscription amount to be received by EVCL of at least Rs 485,600,000 (equivalent USD 10,000,000).

The Class A Preferred Stock is convertible at the option of the stock holder at any time into such number of fully paid equity shares as is determined by dividing the applicable initial purchase price of Rs 97.12 (equivalent USD 2), by the Class A Preferred Stock Conversion price. The conversion price is to be determined at the time of the conversion subject to adjustments as per formula stipulated in the New Article of Association of EVCL dated 21 December 2000. Initially the Class A Preferred Stock conversion price has been determined at Rs 97.12 (equivalent USD 2) per share.

The Class A Preferred Stock shall automatically convert into common equity share of EVCL at the then effective Class A Preferred Stock conversion price (based on the prescribed formula) upon closing of an underwritten public issue pursuant to an effective registration statement under the US Securities Act of 1933, at a public offering price of at least Rs 291.36 (equivalent USD 6) per share with the gross proceeds to EVCL being in excess of Rs 1,214,000,000 (equivalent USD 25,000,000) or in a similar public offering of equity shares in jurisdiction and on a recognised securities exchange outside of the United Sates.

The holders of at least 66.67% of the Class A Preferred Stock have the right to cause the forced auction of EVCL, in case EVCL does not complete a qualified Initial Public Offering, within three year following the closing, or commits any Protective Provision Breach as stipulated in the Investors Rights Agreement dated 22 December 2000.

Upon liquidation, the Preferred Stock holders are entitled to an amount equal to 150% of the initial purchase price, which is Rs 145.68 (equivalent USD 3) and cumulative dividend unpaid until liquidation ('liquidation preference amount'). The remaining assets would be distributed to equity and preferred stock holders on a pro-rata basis, based on the number of common equity shares held by each shareholder on an 'as converted basis', only after the preferred stockholders receive Rs 291.36 (equivalent USD 6) including the liquidation preference amount mentioned above.

In respect of arrears of cumulative preference dividend refer note 30.

As explained in note 2.2, on 30 May 2002, the Board of Directors of EVCL decided to wind up operations of the eVector Group. Upon conclusion of winding up proceedings, the balance net assets remaining with the

**Notes to the unaudited consolidated financial statements** *(Continued)*

(Currency: Indian Rupee)

eVector Group after meeting its liquidation related expenses, recurring operating expenses for the period from the balance sheet date until the date of liquidation and payment of its outstanding liabilities would be distributed between the equity shareholder i.e. EB and the preference share holders in accordance with the settlement agreement entered into between them. In this regard, in accordance with the settlement agreement, Rs 5.96 million would be paid to EB in relation to EB's contribution towards share capital in EVCL and the balance net assets would be distributed to the preference stockholders of EVCL.

Accordingly, in view of eVector Group's liquidation arrangements, the minority interest has been reduced to Rs. 347.11 million on account of the pay-out to the investors from their invested funds in Preference A Shares. The effect in the minority interest could vary upon the final execution of the Settlement Agreement.

## 7 Secured loans

| | **2005** | 2004 |
|---|---|---|
| **From banks** | | |
| Term loans | **233,485,411** | 327,267,818 |
| **From others** | | |
| Lease obligation in relation to fixed assets acquired under finance lease (refer note 23) | **-** | 273,562 |
| Loan from officer of Applisoft (refer note below). | **8,764,132** | 40,502,535 |
| | **8,764,132** | 40,776,097 |
| | **242,249,543** | 368,043,915 |

Term loans taken by TTL are from Global Trust Bank (since merged with Oriental Bank of Commerce (OBC). The term loans from OBC are secured by the sole charge on all assets of the Company and its subsidiaries in India. In addition, the term loans from OBC are secured by the pledge of the 100% shares of eCapital Solutions (Bermuda) Limited and Applisoft Inc., the two wholly owned subsidiaries of Trigyn Technologies Limited and the pledge of 75 % of the shares owned by the two promoter directors of the Company.

Finance lease obligations are secured against fixed assets acquired under lease. Loan from Officer of Applisoft is secured by a first charge on the fixed and current assets of this subsidiary company. On 1 January 2001, TTL acquired 100% equity interest in Applisoft for purchase consideration in cash aggregating Rs 421.6 million (equivalent USD 9 million). In accordance with the asset purchase agreement entered into with the erstwhile stockholder of Applisoft, TTL acquired net fixed assets less lease obligations aggregating Rs 1.36 million. The balance net assets existing at 1 January 2001 aggregating Rs 53.48 million was to be paid to the erstwhile stockholder as and when those assets would be recovered net of liabilities settled. Accordingly, the Company adjusted the net assets not acquired by TTL aggregating Rs 53.48 million from the opening Profit and Loss account balance as at 1 January 2001 and recorded the unpaid amounts as loan payable to the erstwhile shareholder.

Subsequently, the erstwhile stockholder also disbursed loans to Applisoft aggregating Rs 145.68 million at interest rate of 9%. Of these loans disbursed, Rs 72.84 million had a term of one year. To the extent, such amounts have not yet been repaid to the erstwhile stockholder and are outstanding, these have been reflected above in the financial statements as secured loan. The erstwhile stockholder was the Chief Executive Officer of Applisoft, until June 2003. The Company has negotiated a settlement agreement with the erstwhile shareholder, under which nearly 90% of the outstanding loan due from Applisoft to him would be written off by him.

## 8 Business acquisitions

*Acquisition of EB*

In April 2000, TTL acquired 7,350,000 equity shares of EB representing 100% equity stake in a 1:1 stock swap deal. Accordingly, TTL allotted 7,350,000 equity shares of Rs 10 each at a premium of Rs 815 per equity share aggregating Rs 6,063.75 million. As a result of this acquisition, EB became a wholly owned subsidiary

**Notes to the unaudited consolidated financial statements** *(Continued)*

(Currency: Indian Rupee)

of TTL. The Company incurred direct expenses related to acquisition aggregating Rs 0.97 million, which have been considered as part of the cost of investment in EB.

Equity of EB on the date of acquisition representing the residual interest in the assets of EB after deducting its liabilities aggregated Rs 207.24 million. TTL's cost of investment in EB in excess of EB's equity on the date of investment aggregating Rs 5,857.48 million has been classified as goodwill in the consolidated financial statements. The Company is amortising such goodwill over its estimated useful life of four years on a straight line basis.

*Acquisition of Applisoft*

On 1 January 2001, TTL acquired 100% equity interest in Applisoft, a company primarily engaged in providing software consulting services. The purchase price of Rs 420.69 million (equivalent to USD 9 million) was paid in cash. Further, direct expenses related to acquisition aggregated Rs 0.94 million, which have been considered as part of the cost of investment in Applisoft Inc.

Equity of Applisoft on the date of acquisition representing the residual interest in the assets of Applisoft after deducting its liabilities aggregated Rs 1.36 million. TTL's cost of investment in excess of Applisoft's equity on the date of investment aggregating Rs 420.27 million has been classified as goodwill in the consolidated financial statements. The share purchase agreement specifies, that for a period of three years from the date of acquisition, the seller of Applisoft shall not operate or control similar business. Management believes that this goodwill essentially represents non-compete arrangement with the erstwhile stockholder of Applisoft. Accordingly, goodwill is being amortised over a three-year period on a straight-line basis.

*Acquisition of balance 49% equity stake in TTUK*

EB, a wholly owned subsidiary of TTL, held 51% equity stake in TTUK. In October 2001, EB acquired balance 49% equity stake in TTUK for consideration in cash aggregating Rs 69.26 (equivalent 1 GBP), thereby making TTUK a 100% subsidiary of EB. At the date of acquisition of this balance 49% equity stake in TTUK, the accumulated losses of TTUK exceeded its share capital and reserves. Accordingly, in the consolidated financial statements, TTL has recorded payment of this consideration aggregating Rs 69.26 as goodwill.

The movement in goodwill balances is summarised below:

| | |
|---|---|
| Gross Value of Investment recorded upon acquisition of: | |
| - EB | **6,064,716,375** |
| - Applisoft | **421,629,079** |
| Goodwill recorded upon acquisition of balance 49% equity stake in TTUK | **69** |
| | **6,486,345,523** |
| Less: Accumulated amortisation until 31 March 2003 | **(6,006,921,923)** |
| Balance at 1 April 2004 | **479,423,600** |
| Less: Amortisation during the year, adjustment in value, based on independent valuation (refer note 2.4) | **(169,210,945)** |
| Balance at 31 March 2005 | **479,423,600** |

**Notes to the unaudited consolidated financial statements** *(Continued)*
(Currency: Indian Rupee)

### 9 Fixed assets

| Particulars | Cost as at 1 April 2004 | Additions during the year | Deductions during the year | Cost as at 31 March 2005 | Accumulated depreciation as at 1 April 2004 | Depreciation charge/ (credit) for the year | Accumulated depreciation on deductions | Accumulated depreciation as at 31 March 2005 | Net book value as at 31 March 2005 |
|---|---|---|---|---|---|---|---|---|---|
| Leasehold improvements | 113,610,565 | - | 479,600 | **113,130,965** | 84,996,850 | 8,423772 | 476,103 | **92,944,519** | **20,186,446** |
| Buildings | 6,449,503 | - | - | **6,449,503** | 1,589,305 | 558,640 | - | **2,147,945** | **4,301,558** |
| Office equipment | 21,071,363 | 168,680 | 4,467,652 | **16,772,391** | 18,098,996 | 975,910 | 3,082,236 | **15,992,670** | **779,721** |
| Computers and peripherals | 149,101,737 | 648,838 | 32,976,180 | **116,774,395** | 146,202,459 | 2,275,594 | 34,917,370 | **113,560,683** | **3,213,712** |
| Motor vehicles | 28,282,787 | - | (29,000) | **28,311,787** | 27,777,234 | 5,553 | (29,000) | **27,811,787** | **500,000** |
| Furniture and fixtures | 3,796,628 | - | 2,923,510 | **873,118** | 3,283,484 | 279,455 | 2,689,821 | **873,118** | **-** |
| Software | 11,029,846 | 202,645 | 5,685,425 | **5,547,066** | 10,499,338 | 167,266 | 5,409,225 | **5,257,379** | **289,687** |
| | 333,342,429 | 1,020,163 | 46,503,367 | **287,859,225** | 292,447,666 | 12,686,190 | 46,545,755 | **277,667,360** | **29,271,124** |

Note: Cost includes assets acquired on finance leases, refer note 23 for details.

| | 2005 | 2004 |
|---|---|---|
| **10 Investments** | | |
| Long term/Non trade (unquoted) investments | | |
| 100 equity shares(2004: 100) of Rs 36 each fully paid up in Bombay Mercantile Co operative Bank Limited | **3,600** | 3,600 |
| Buyback Value of Pension Insurance | **4,346,070** | - |
| 10,000 equity shares(2004: 10,000) of Rs 10 each fully paid up in North Kanara GSB Co operative Bank Limited | **100,000** | 100,000 |
| | **4,449,670** | 103,600 |
| 100,000 shares (2004: 100,000)of $0.01 each fully paid up of Empowertel Systems, each fully paid up | **485,600** | 485,600 |
| Less Written off during the year | **485,600** | - |
| Balance | **-** | 485,600 |
| | **479,423,600** | 589,200 |
| **11 Sundry debtors** | | |
| (Unsecured) | | |
| Debts over six months | | |
| - considered good | **6,123,727** | 76,723,225 |
| - considered doubtful | **227,778,433** | 212,471,055 |
| Others debts | | |
| - considered good | **57,674,811** | 25,448,581 |
| - considered doubtful | **542,582** | 676,110 |
| | **292,119,553** | 26,124,691 |
| Less: Provision for doubtful debts | **228,799,243** | 213,147,165 |
| | **63,320,310** | 102,171,807 |

**Notes to the unaudited consolidated financial statements** *(Continued)*

(Currency: Indian Rupee)

| | 2005 | 2004 |
|---|---|---|
| **12 Cash and bank balances** | | |
| Cash balance on hand | **11,011** | 47,955 |
| Cheques in hand | **-** | - |
| Balances with scheduled banks | | |
| -On current account | **25,403,481** | 4,808,746 |
| -On deposit account | **20,791,844** | 3,192,397 |
| Balances with non scheduled banks | | |
| -On current account | **28,610,217** | 11,737,631 |
| -On deposit account | **57,326,577** | 59,185,372 |
| | **132,143,130** | 78,972,101 |

As morefully explained in note 2.2, the eVector Group is in the process of winding up its operations. Accordingly, the above cash and bank balance include amounts held by the eVector Group-aggregating Rs 57,326,577. This balance would be utilised by the eVector Group for meeting its liquidation related expenses, recurring operating expenses for the period from the balance sheet date until the date of liquidation, payment of its outstanding liabilities and payment of Rs 6.07 million to EB in relation to EB's contribution towards share capital in EVCL. The balance cash surplus would be repaid to the preference stockholders of EVCL. As more fully explained in note 2.2, TTUK has been placed in insolvent liquidation. Accordingly, the above cash and bank balance includes amount held by TTUK aggregating Rs 671,563 for the purposes of meeting its liquidation related expenses and payment of outstanding liabilities.

| | 2005 | 2004 |
|---|---|---|
| **13 Loans and advances** | | |
| (Unsecured, considered good) | | |
| Deposits | **7,778,504** | 8,681,221 |
| Prepaid expenses | **-** | 5,240,049 |
| Loans and advances to employees (refer note below) | **4,844,990** | 4,695,859 |
| Advance income taxes | **3,954,611** | 6,301,331 |
| Advances recoverable in cash or in kind for value to be received | **5,330,909** | 7,300,930 |
| Others | **-** | 9,080,710 |
| | **21,909,014** | 41,300,100 |
| (Unsecured considered doubtful) | | |
| Advances recoverable in cash or in kind for value to be received | **-** | 236,561 |
| Loans and advances to employees (refer note below) | **6,300,521** | 1,016,529 |
| Less: Provision made for advances to employees | **6,300,521** | - |
| Others | **-** | 1,740,000 |
| | **-** | 2,993,090 |
| Less: provision for doubtful loans and advances | **-** | 3,141,271 |
| | **-** | - |
| | **21,909,014** | 41,151,919 |

Loans and advances to employees includes advances recoverable from the Directors of the Company and its subsidiaries aggregating Rs NIL. (2004: Rs 28,780,862)

| | 2005 | 2004 |
|---|---|---|
| **14 Current liabilities** | | |
| Sundry creditors | **24,147,982** | 22,206,376 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | **3,971,341** | 4,240,391 |
| Advance from customers | **-** | 1,043,566 |
| Income tax liability on salaries (refer note below) | **-** | 31,630,476 |
| Interest accrued but not due on term loans | **97,500,000** | 65,000,000 |
| Other liabilities | **75,520,290** | 73,694,772 |
| | **198,139,613** | 197,815,581 |

**Notes to the unaudited consolidated financial statements** *(Continued)*

(Currency: Indian Rupee)

In March 2000, TTL had received a demand from the Income tax authorities aggregating Rs 29.56 million, representing the amount of tax not deducted at source by the Company on salaries of certain employees for the five assessment years ended 31 March 1999. As at 31 March 2000, the Company had provided for the entire amount in the financial statements. Further, the Company had filed an appeal contesting this demand, and paid Rs 14.78 million under protest. In March 2001, the above appeal was decided in the favour of the Company and in the current year, the Company has received refund of the above taxes paid including interest aggregating Rs 16.84 million.

However, since the tax authorities can appeal against this above order, no adjustments have been made in the financial statements in this regard and the amount received has been reflected above as a liability balance. In the event that the matter is ultimately not decided in the Company's favour, the Company may be contingently liable to pay interest on the amount of demand not paid by it and taxes for subsequent assessment years.

| | 2005 | 2004 |
|---|---|---|
| **15 Provisions** | | |
| Provision for income tax | **2,538,386** | 3,261,845 |
| Provision for leave encashment and gratuity costs | **2,655,010** | 7,325,453 |
| Other Provisions | **-** | 16,617,455 |
| | **5,193,396** | 27,204,753 |
| **16 Miscellaneous expenditure** | | |
| *(to the extent not written off or adjusted)* | | |
| Software development costs balance at the beginning of the year | **18,535,320** | 18,535,320 |
| Add: Capitalised during the year | **-** | - |
| Less: Written off during the year | **18,525.325** | 18,525,325 |
| | **9,995** | 9,995 |
| Loan origination costs balance at the beginning of the year | **1,082,200** | 1,535,000 |
| Less: written off during the year | **314,195** | 452,800 |
| | **768,005** | 1,082,200 |
| Preliminary expenses balance at the beginning of the year | **14,990** | 14,990 |
| Less: written off during the year | **14,990** | 14,990 |
| | **-** | - |
| | **778,000** | 1,092,195 |
| **17. Other income** | | |
| Interest received on deposits with banks (TDS Rs 32,353, 2004: Rs. 13,15,554) | **603,474** | 5,660,641 |
| Lease rental income | **26,861,110** | 19,719,532 |
| Exchange gain, net (refer note below) | **16,453,826** | - |
| Profit on sale of fixed assets | **164,967** | - |
| Dividend from non trade investments | **14,000** | 7,000 |
| Provision for earlier years, no longer required, written back | **2,727,974** | 39,774,025 |
| Miscellaneous income | **28,454,511** | 8,557,022 |
| | **75,279,862** | 73,718,220 |

Exchange gain includes net exchange loss NIL of (2004: Rs 5,448,511) recognised on account of translation of financial statements of foreign subsidiaries for the purpose of preparation of the consolidated financial statements.

**Notes to the unaudited consolidated financial statements** *(Continued)*
(Currency: Indian Rupee)

| | **2005** | 2004 |
|---|---|---|
| **18 Personnel costs** | | |
| Salaries, bonus and overseas allowances | **221,295,316** | 408,392,552 |
| Contribution to provident and other funds | **14,239,406** | 48,860,595 |
| Gratuity and leave encashment costs | **2,428,467** | 2,031,401 |
| Staff welfare | **896,224** | 687,679 |
| Sales commission | **4,952,566** | 2,095,623 |
| Employee stock option costs | **(1,334,938)** | (866,080) |
| | **242,477,042** | 461,201,770 |
| **19 Interest costs** | | |
| On term loans | **67,869,695** | 79,683,936 |
| Others | **55,234** | 388,562 |
| | **67,924,929** | 80,072,498 |
| **20 Other costs** | | |
| Consultancy charges | **126,389,768** | 14,123,810 |
| Provision for doubtful debts/advances | **14,603,393** | 1,271,961 |
| Rent, rates and taxes | **17,635,669** | 32,141,450 |
| Travel and conveyance costs | **13,278,347** | 20,777,285 |
| Legal and professional fees | **12,016,204** | 21,699,587 |
| Communication expenses | **4,132,351** | 8,568,192 |
| Staff recruitment costs | **-** | 70,104 |
| Insurance | **2,784,780** | 3,868,455 |
| Repairs and maintenance | **905,579** | 875,037 |
| Provision for estimated loss on contracts | **-** | (1,851,150) |
| Preliminary expenses written off | **-** | 4,995 |
| Miscellaneous expenses | **14,584,823** | 38,499,298 |
| Forex Loss | **-** | 44,424,071 |
| Less: capitalised as software development costs | **-** | - |
| | **206,330,914** | 184,473,095 |

### 21 Exceptional items

Exceptional items included in the consolidated financial statements are summarised below:

| | **2005** | 2004 |
|---|---|---|
| Sale of business account | **183,915,397** | - |
| Write back of amounts payable to ex-officer | **40,853,696** | - |
| Provision for decline in the value of investments (other than temporary) | **(485,600)** | |
| Others including Prior period taxes written back | **12,630,642** | (9,261,186) |
| | **236,914,135** | (9,261,186) |

**Notes to the unaudited consolidated financial statements** *(Continued)*
(Currency: Indian Rupee)

## 22 Earnings per share

Details of numerator and denominator used for the purposes of computing earnings per share are summarised below:

| | 2005 | 2004 |
|---|---|---|
| Profit / (Loss) for the year after tax and exceptional items | **180,521,990** | (371,258,134) |
| Add: cumulative preference dividend | **103,848,800** | 103,848,800 |
| Profit / (Loss) attributable to equity share holders | **76,673,190** | (475,106,934) |
| Weighted average number of shares used in computing earnings per share | **14,849,875** | 14,849,875 |
| Basic and diluted earnings per share | **5.16** | (31.99) |

## 23 Leases

Fixed assets include the following amounts in relation to the assets taken on finance lease as at 31 March 2005:

| | Vehicles |
|---|---|
| Gross block | 873,118<br>(2004: 2,217,922) |
| Less: accumulated depreciation | 873,118<br>(2004:1,704,778) |
| **Net block** | **-** |

Future there are no minimum lease payments in respect of the above assets as at 31 March 2005, which are due within one year from the balance sheet date and also which are due between one and five years.

The Trigyn Group has entered into operating lease arrangements, for leasing office premises in India, Europe and US.

*TTL*

The lease agreement in Mumbai, India in relation to office premises provides for a cancellation by the Company by giving 180 days notice. The lessor has the option of cancelling the lease by giving 90 days notice, which cannot be given prior to November 2006. The office premises in New Jersey, has been taken under a non- cancellable lease for a period of 36 months, which is renewable at the option of the Lessee.

*TTIPL*

The lease agreement in Bangalore, India, in relation to office premises, provides for cancellation by the company, by giving 3 months notice.

*TTE*

TTE has entered into operating lease arrangements for its office and residential accommodation premises in Germany. The lease agreements have non-cancellable period ranging from one-month up to 21 months.

In July 2001, the Company surrendered a part of its leased office premises. The existing leasehold improvements in these premises were subsequently leased by the Company. Primary period of this lease is 35 months, and can be terminated by the lessee after the first 11 months period. The lease can be further extended by 6 years (3 years at a time) from the end of the primary lease period. These assets are being depreciated over a period of 35 months representing the primary lease period.

In April 2003, the Company surrendered the remaining part of its leased office premises. The existing leasehold improvements in these premises were subsequently leased by the Company. Primary period of this lease is 35 months, and can be terminated by the lessee after the first 11 months period. The lease can be further extended by 6 years (3 years at a time) from the end of the primary lease period. These assets are being

**Notes to the unaudited consolidated financial statements** *(Continued)*

(Currency: Indian Rupee)

depreciated over a period of 35 months representing the primary lease period or the estimated useful life on the date of the agreement whichever is low.

TTIPL has entered into operating lease arrangements, for leasing office premises in India. The Company received received and recognized (included in miscellaneous income) sub-lease rentals in the profit and loss account for the year amounted to Rs. 15,724,272 (2004: Rs. 9,744,619).

Fixed assets include the following amounts in relation to the above leased assets:

| | |
|---|---|
| Gross block of leasehold improvements | 118,631,964 (2004: Rs. 118,631,964) |
| Less: accumulated depreciation | 98,275,703 (2004: Rs. 89,673,351) |
| **Net Block** | **20,239,120** (2004: Rs. 28,958,613) |

The future minimum lease income in respect of the above non-cancelable operating leases as at 31 March 2005 are summarised below:

| | |
|---|---|
| Amount due within one year from the balance sheet date | 15,348,402 (2004: Rs.17,518,007) |
| Amount due in the period between one year and five years | 26,890,050 (2004: Rs. 3,164,754) |
| Amount due after five years | - (2004: Rs. -) |

## 24 Employee Stock Option Plans

TTL - The 1998 Employee stock option plan

The 1998 Employees Stock Option Plan ('the Plan') provides for the issue of options up to 5% of the paid up equity share capital at a minimum exercise price of Rs 265 per equity share, with a vesting period of 36 months from the date of grant of option. In 2002, the Company revised the Plan, whereby the options granted to the employees would vest in four equal installments from the date of the grant of the options.

Presented below is a summary of the Company's 1998 stock option plan activity during the years ended 31 March 2001, 31 March 2002, 31 March 2003, 31 March 2004 and 31 March 2005 :

| | **Number of options** |
|---|---|
| Balance at 1 April 2000 | 31,000 |
| Exercised during the year | (1,875) |
| Forfeited during the year | (3,750) |
| Balance at 31 March 2001 | 25,375 |
| Forfeited during the year 2002 | (4,500) |
| Balance at 31 March 2002 | 20,875 |
| Forfeited during the year 2003 | (5,250) |
| Balance at 31 March 2003 | 15,625 |
| Forfeited during the year 2004 | (8,750) |
| Balance at 31 March 2004 | 6,875 |
| Forfeited during the year 2005 | (500) |
| Balance at 31 March 2005 | 6,375 |

The Securities and Exchange Board of India ("SEBI") issued Employees Stock Option Scheme and Employees Stock Purchase Scheme Guidelines, 1999 ("the Guidelines"), which are effective for all stock option schemes established after 19 June 1999. In accordance with the Guidelines, the excess of the market price of the underlying equity shares as at the date of the grant of the options over the exercise price of the options, including upfront payments, if any, is to be recognised and amortised on a straight line basis over the vesting period.

The Company's 1998 Stock Option Plan was established prior to the Guidelines. Had the stock compensation cost for the plan been determined as per the Guidelines, the Company's reported net loss would have been lower by Rs. 134,775 (2004: Rs. 1,839,359).

**Notes to the unaudited consolidated financial statements** *(Continued)*

(Currency: Indian Rupee)

TTL - The Employee stock option plan 2000

In June 2000 the shareholders of the Company approved the Employees Stock Option Plan 2000 (“the 2000 Plan”), which covers the employees of the Company including its subsidiaries and affiliates. These options would vest equally over a period of four years, with a minimum vesting period of one year from the date of the grant of these options. The Company has reconstituted a compensation committee as prescribed by the SEBI guidelines in March 2005, for the purpose of administering this Plan.

During the year, the Company issued NIL options to employees of its subsidiaries, (2004: 250,150 options, including 350 options to employees of its subsidiaries) under the above Plan at an exercise price equivalent to the market price of the shares, on the date of grant of the options. In the current year in respect of above, NIL options to employees of its subsidiaries (2004: 3,800 options, including 350 options to employees of its subsidiaries) have been forfeited.

Further, during the year ended 31 March 2001, the Company issued 156,050 options including 34,250 options to employees of its subsidiaries, at an exercise price of Rs 380 per option and the prevalent market price of the shares, on the date of grant of these options was Rs 394.3 per share. In the current year, in respect of the above, 12,450 options including 6,750 options to employees of its subsidiaries (2004: 30,450 options, including 5,575 options to employees of its subsidiaries) have been forfeited.

In April 2000, TTL acquired 100% equity interest in eCapital Solutions (Bermuda) Limited and its subsidiaries (collectively referred as EB). The employees of EB had been granted options by eCapital Solutions (Bermuda) Limited. Accordingly, on acquisition of EB, the Company issued 85,850 options to the employees of the Indian subsidiaries of EB in exchange of EB options held by these employees. These options had been issued at an exercise price of Rs 78 per option and the prevalent market price of the shares, on the date of grant of these options was Rs 394.3 per share. These options would vest in the ratio of 50:25:25 over a period of three years, with a minimum vesting period of one year from the date of the grant of these options. In the current year, in respect of the above, 10,000 options (2004: 6,300) have been forfeited.

In the AGM held on 30 December 2003, the Company passed a resolution to grant Mr. Homiyar Panday, President - US Operations and Employee of the Subsidiary Company, Trigyn Technologies Inc., upto a maximum limit of 240,000 stock options convertible into equivalent amount of equity shares in one tranche at an exercise price of Rs.10/- per equity share. These shares, if opted for, are to vest after a lock in period of one year from the date of grant of the said stock options. The Company has accordingly provided the price differential in its books of accounts in terms of the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999. The requisite statutory approvals would be taken at the time of issue of these equity shares to Mr. Homiyar Panday.

During the year the Company has granted stock options to Mr. Thomas A Gordon, Senior Vice President – US Operations and Employee of the Subsidiary Company, Trigyn Technologies Inc., upto a maximum limt of 150,000 stock options convertible into equivalent amount of equity shares at market price during the month of July 2004 in terms of the Employees Stock Options Plan of the Company as applicable to its overseas subsidiaries’ employees These shares, if opted for, are to vest pro rata after a lock in period of one year from the date of grant of the said stock options This grant is subject to the approval of the members of the Company at the forthcoming Annual General Meeting and also other statutory approvals like SEBI, RBI, etc., as may be required.

Presented below is a summary of the Company’s 2000 stock option plan activity during the years ended 31 March 2001, 31 March 2002, 31 March 2003, 31 March 2004 and 31 March 2005:

| | Number of options |
|---|---|
| Balance at 1 April 2000 | - |
| Options granted during the year | 324,050 |
| Balance at 31 March 2001 | 324,050 |
| Options granted during the year | 26,350 |
| Forfeited during the year 2002 | (136,451) |
| Balance at 31 March 2002 | 213,949 |
| Options granted during the year | 17,200 |
| Forfeited during the year | (112,049) |
| Balance at 31 March 2003 | 119,100 |
| Options granted during the year | 250,150 |
| Forfeited during the year | (69,650) |
| Balance at 31 March 2004 | 299,600 |
| Options granted during the year | 150,300 |
| Forfeited during the year | 45,750 |
| Balance at 31 March 2005 | 404,150 |

**Notes to the unaudited consolidated financial statements** *(Continued)*

(Currency: Indian Rupee)

In accordance with the SEBI guidelines, the excess of the market price of the underlying equity share as at the date of grant of the option over the exercise price of the options on the date of grant has been recognized as employee compensation expenses and is being amortised on a straight line basis over the vesting period. Employee stock option Employee Stock Option Plans compensation income for the year ended 31 March 2005 aggregated Rs 1,334,938 (cost for 2004: Rs 1,115,047).

Options granted to employees of the US branch ('Branch')

eCapital Holding Bermuda Limited ('EH'), the principal stockholder in TTL (EH owns 49% equity stake in TTL) has granted options to the employees of the Branch at an exercise price ranging between USD 0.65 (Rs 31.54) and USD 0.08 (Rs 3.88) per option, which would vest over a period of four years from the original date of grant of these options. EH has also issued options to certain employees at an exercise price of USD 0.28 (Rs. 13.59) per option, which would vest over a period of 2 years. Presently, these option entitlements are under review by the Company's attorneys and pending formal approval/adoption by the Board of Directors of EH and the Company. The Company has not accounted employee compensation expense in this regard, as these stock options have been granted by EH and do not represent Company's stock options.Summary of the Company's ESOP plan activity is given below:

| | Number of EH options |
|---|---|
| Options granted during the year 2000 - 2001 | 1,018,024 |
| Forfeited during the year | (3,087) |
| Balance at 31 March 2001 | 1,014,937 |
| Options granted during the year | 27,440 |
| Forfeited during the year | 148,519) |
| Balance at 31 March 2002 | 893,858 |
| Forfeited during the year | (125,023) |
| Balance at 31 March 2003 | 768,835 |
| Forfeited during the year | (172,232) |
| Balance at 31 March 2004 | 596,603 |
| Forfeited during the year | (596,603) |
| Balance at 31 March 2005 | - |

EVCL - Employee Stock Option Plans

EVCL has also granted options to the employees of the E-Vector Group, the details of which are summarised below:

Employee Stock Option Plan-1 ('ESOP plan-1')

During the 7 months period ended 31 March 2001 and in the current financial year ended 31 March 2002, EVCL has granted 1,032,000 options to its employees including employees of its subsidiaries ('eVector Group') under the ESOP plan-1, pending approval of the Board of Directors of EVCL. The options have been granted at an exercise price of Rs 97.12 (equivalent to USD 2) per share with a vesting period of 48 months. These options granted to the employees would vest in four equal installments from the date of grant of the options. In the event of employee resignations, the employee can exercise the vested options up to the date of resignation within 30 days from the date of termination of employment.

Presented below is a summary of EVCL's ESOP plan-1 activity during the current financial year ended 31 March 2005:

| | **Number of options** |
|---|---|
| Balance at 1 April 2001 | **930,500** |
| Granted during the year | **101,500** |
| Lapsed/forfeited during the year | **(467,875)** |
| Balance at 31 March 2002 | **564,125** |
| Exercisable at 31 March 2002 | **124,000** |
| Forfeited during the year | **124,000** |
| Balance as at 31 March 2003 | **-** |
| Balance as at 31 March 2004 | **-** |
| Balance as at 31 March 2005 | **-** |

**Notes to the unaudited consolidated financial statements** *(Continued)*
(Currency: Indian Rupee)

*Employee Stock Option Plan-2 ('ESOP plan-2') and Merger and Acquisition Incentive Program ('M&A plan')*

Further, in April 2002, the management of EVCL has issued option letters to certain employees of the eVector Group informing them of their option entitlements under the ESOP plan-2 and M&A plan. EVCL has granted 832,500 options and 495,000 options under the ESOP Plan-2 and M&A Plan respectively. The vesting period of the options granted under ESOP Plan-2 is 48 months and would vest in four equal installments from the date of grant of the options. In case of options granted under the M&A Plan, the options would vest on successful completion of the M&A process.

Formal communications containing details of exercise price and ESOP agreements in respect of the above option plans was not completed as the Board of Directors of EVCL have yet not adopted these schemes.

ESOPS granted to Senior Management

Additionally, the Company has granted certain options to its whole time Director & Chief Executive Officer and President.

As more fully explained in note 2.2, since EVCL is in the process of winding up its operations, subsequent to the year-end, the company has cancelled all the above outstanding options.

## 25 Related party transactions

Details of related parties including summary of transactions entered into by the Trigyn Group during the year ended 31 March 2005 are summarised below:

*Names of related parties*

| Whole-time Directors | Principal stockholder | Companies in which the directors are interested other than subsidiaries |
|---|---|---|
| Tushar Vaidya | | |
| Ramkrishna Bhagwat | Amos Grove Holdings Limited | INS Experts Inc. |
| Couldip Basant Lala | | |
| Deepak Shahdadpuri | eCapital Holding (Bermuda) Limited | |
| Bhaskar Sanyal | | |
| Kapil Dev Joory | eVector Holdings Limited | |
| | Intel Pacific, Inc | |
| Sarvajit Thakur | Reuter Holdings | |

*Particulars of related party transactions during the year ended 31 March 2005*

| Particulars | Transactions with proposed joint ventures | Transactions with whole-time Directors | Transactions with in which the companies directors are interested |
|---|---|---|---|
| *Transactions during the year* | | | |
| Salary paid to Directors * | NIL(2004:NIL) | | - |
| Other expenses paid | NIL (2004:NIL) | | NIL(2004:NIL |
| Write back of amounts payable to ex-officer | | 40,853,696(2004 :NIL) | |
| Expenses incurred on behalf of the related party | NIL (2004:NIL) | - | NIL( 2004:NIL) |
| Interest paid on loans | NIL (2004:NIL) | NIL(2004: ) | NIL (2004:NIL) |
| Provision for doubtful loans | NIL (2004: NIL) | NIL (2004:NIL) | NIL (2004:NIL) |
| Provision for doubtful debts | NIL (2004:NIL) | NIL (2004:NIL) | NIL (2004:NIL) |
| *Year-end balances* | | | |
| Gross amounts due as debts | NIL (2004:NIL) | NIL (2004:NIL) | NIL( 2004:NIL) |
| Provisions for doubtful debts | NIL (2004:NIL) | NIL (2004:NIL) | NIL (2004:NIL) |
| Gross amounts due as loans and advances | NIL (2004:NIL) | NIL (2004:NIL) | NIL(2004:NIL) |
| Provisions for doubtful loans and advances | NIL (2004:NIL) | NIL (2004:NIL) | NIL(2004:NIL) |
| Loan from officer of the Group | NIL (2004:NIL) | NIL(2004: 40,502,535) | NIL (2004:NIL) |
| Amounts payable | NIL (2004:NIL) | NIL(2004: NIL) | NIL (2004:NIL) |

**Notes to the unaudited consolidated financial statements** *(Continued)*

(Currency: Indian Rupee)

## 26 Segmental reporting

The Institute of Chartered Accountants of India has issued Accounting Standard AS 17, "Segmental Reporting", which is mandatory for TTL, in respect of the accounting period commencing 1 April, 2001. In accordance with the Accounting Standard, if the Company single financial report contains both the consolidated financial statements and the separate financial statements of the parent (i.e., TTL), segment TTL and its subsidiaries' operations predominantly relate to providing software services, which are delivered to clients globally operating in various business segments. Accordingly, TTL had chosen to present segmental information in these consolidated financial statements and made no disclosures in its separate financial statements.

**Trigyn Technologies Group Companies**

**Segmental Reporting for the Year ending March 31, 2005**

| **Industrywise Segments** | **Year ended** | **Ratio March 31, 2005 Trigyn Group** |
|---|---|---|
| IT Service | 110357662 | 27% |
| Finance /Insurance | 112740934 | 28% |
| Government | 46888630 | 12% |
| Manufacturing / Pharma | 137126946 | 34% |
| **Segmental Total Reveune** | **407114173** | **100%** |
| IT Service | 91032909 | 22% |
| Finance /Insurance | 79490898 | 20% |
| Government | 34932057 | 9% |
| Manufacturing / Pharma | 97607825 | 24% |
| **Segmental Total Expense** | **303063689** | **74%** |
| IT Service | 19324753 | 5% |
| Finance /Insurance | 33250036 | 8% |
| Government | 11956573 | 3% |
| Manufacturing / Pharma | 39519121 | 10% |
| **Segmental Gross Profit (+)/Loss (-) before interest & tax** | **104050484** | **26%** |
| Less interest | 67899656 | 17% |
| Less Tax | 46036 | 0% |
| Less unallocable expense net of unallocable income and exceptional item | -144417195 | -35% |
| **Net Profit (+)/ Loss (-) after Tax and prior period adjustment, extraordinary Items and exceptional items** | **180521987** | **44%** |

## 27 Transfer pricing

TTL, and TTIPL have developed a comprehensive system of maintenance of information and documents as required by the newly introduced transfer pricing legislation under sections 92-92F of the Income-tax Act, 1961, which require existence of these records latest by October 2002. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation for the year ended 31 March 2005.

## 28 Regulatory matters

*TTL*

The Company has applied to the concerned regulatory authorities in respect of certain non-compliances, which had been reported on the previous balance sheet date. Most of these non-compliances are a result of the persistent down trend in the software industry, particularly in the United States, which is the largest customer market for the Company. These matters are summarized below:

**Notes to the unaudited consolidated financial statements** *(Continued)*

(Currency: Indian Rupee)

- Assignment with recourse of certain debtors of foreign subsidiaries to the US branch aggregating Rs 2.53 million. 50% of this amount has been received in India in April 2005; and
- Discount cost aggregating Rs 116.83 million representing allowances made by the Company, arising from negotiations and settlement with a certain customer outside India.

The management is confident that the pending applications will be reviewed favourably by the concerned authorities without any significant penalty.

*Other subsidiaries*

During the year, TTIPL received a Show Cause Notice from the Office of the Enforcement Directorate, New Delhi asking to show cause as to why adjudication proceedings, as contemplated under certain provisions of the Foreign Exchange Management Act, 1999 and Rules thereunder should not be held against TTIPL for purported failure to realise software proceeds to the tune of USD 267,955 and Euro 149,210 from various foreign entities. This Show Cause Notice was based on the complaint filed by the Assistant Director, Directorate of Enforcement, Bangalore based on the reference of the Reserve Bank of India ("RBI") / Authorised Dealer, to whom the TTIPL had earlier made applications seeking permission for extension of date of receipt of export proceeds, which were outstanding beyond the period permitted by the aforesaid Act / Rules. TTIPL thereafter has successfully represented its case before the Office of the Enforcement Directorate, New Delhi and based on the submissions advanced during the Enforcement Directorate, New Delhi and based on the submissions advanced during the proceedings and the documentary evidence produced, the charges against the TTIPL have since been dropped.

TTIPL has regularized the collections in respect of its associates except for the associate in Germany, which is also being improved upon. TTIPL has made necessary applications to the RBI seeking RBI's permission to write off the amounts in respect of dues from Trigyn Technologies Ltd., UK since the company has been put into liquidation.

## 29 Capital and other commitments

The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances at 31 March 2005 aggregated Rs. 19,681 (2004: Rs. 1,535,803).

## 30 Contingent liabilities\

TTL :-

Counter guarantees on behalf of Leading Edge Infotech Limited, a wholly owned subsidiary Rs 1,000,000 (2004: Rs. 1,000,000).

TTIPL :-

I. During the previous year, one of the clients eTender.com Limited filed an injunction in the High Court of Delhi against the company in relation to the software developed by the Company for them. The Company has filed its responses and submitted adequate documentary proof to the honourable High Court, refuting the claims made by the client. Given the strong documentary evidence in Company's favour, the management is of the opinion that the claims of the client are not tenable and hence the Company is of the view that there would not arise any contingent liability on this account. The Company has spent efforts many times more than the revenues realized from the client and has adequate documentary evidence to substantiate its claims.

II. Sales tax claim against the Company amounting to Rs. 1,310,303 against which the Company has gone into appeal by paying margin of Rs. 131,030.

The details of provisions as required by the provisions of the Accounting Standard 29 " Provisions, Contingent liabilities and Contingent assets" are as under:

| **Nature of Provision** | **Provision for doubtful debts** |
|---|---:|
| Opening balance | 11,316,388 |
| Addition in provision | 2,219,470 |
| Adjusted in foreign currency translation reserve | 18,806 |
| **Closing balance** | **13,554,664** |

**Notes to the unaudited consolidated financial statements** *(Continued)*
(Currency: Indian Rupee)

TTIPL being unit situated in Software Technology Parks is exempted from customs, central excise and government levies in respect of imported and indigenous capital goods purchased by these units. TTIPL has executed bond to pay customs duty, central excise duty, levies and liquidated damages, if any payable in respect of imported and indigenous capital goods acquired duty free, in the event, certain terms and conditions prescribed by the government authorities is not fulfilled by TTIPL. Accordingly, bank guarantee aggregating Rs 2,500,000 have been given to the Customs Authorities in this regard as at 31 March 2005 (2004: Rs. 2,500,000).

**For Trigyn Technologies Limited and its subsidiaries**

| | | |
|---|---|---|
| | **Ramkrishna Bhagwat**<br>**Director** | **Tushar Vaidya**<br>**Director** |
| Place: Mumbai<br>Date: June 29, 2005 | **Y. V. Gopalam**<br>**Finance Controller** | **Samir Kamat**<br>**Company Secretary** |

# QUALITY POLICY

At Trigyn Technologies Limited, the management and the employees are committed to secure a long term partnership with each customer. We are into the business of providing Custom Engineeered Software Solutions, Product Development, 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 9001:2000 standards

☞ To maintain and continuously improve Quality System based on SEI - CMM Level 4

☞ Introduce / Inculcate TQM culture & Business Excellence to achieve :

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