SCANDENT SOLUTIONS CORPORATION LIMITED
(formerly SCANDENT NETWORK PRIVATE LIMITED)

FINANCIAL STATEMENTS – SEPTEMBER 30, 2004
TOGETHER WITH AUDITORS' REPORT

Auditors' Report

To the Board of Directors of
Scandent Solutions Corporation Limited (formerly Scandent Network Private Limited),

1. We have audited the accompanying Balance Sheet of Scandent Solutions Corporation Limited (formerly Scandent Network Private Limited) ('the Company') as at September 30, 2004, and the Profit and Loss Account and the Cash Flow Statement for the six-month period then ended, prepared in accordance with accounting principles generally accepted in India. 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 generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.

3. Without qualifying our opinion, we draw attention to Note 2 to the financial statements relating to the accounting of assets and liabilities of the software development and information technology business of SSI Limited ('SSIIT') pursuant to the Scheme of arrangement for de-merger ('the Scheme') of SSIIT to and in the Company. Based on the Transfer Balance Sheet provided by SSI Limited ('SSI') as of July 1, 2004 (the day immediately preceding the Appointed Date), duly approved by the Board of Directors of SSI and audited by a Firm of Chartered Accountants, the Company took over net assets of Rs 1,340.85 million, which were reflected as Share capital pending allotment (Rs 134.68 million) and General Reserves (Rs 1,206.17 million). The Company adjusted the book values of these assets and liabilities of SSIIT for it to reflect its underlying fair value and, accordingly, recorded it on July 2, 2004 ('the Appointed Date') in its books of accounts. Based on a legal opinion, the adjustments arising therefrom, have been adjusted against the General Reserve transferred from SSIIT.

4. Without qualifying our opinion, we draw attention to Note 2.4 and Note 4.3 to the financial statements relating to the adjustment of net book value of intangible assets as on July 2, 2004 to the General Reserve in accordance with the terms of the Scheme. In accordance with the generally accepted accounting principles, the intangible assets should have been amortised over their estimated useful lives.

5. On the basis of the information and explanations given to us, we are of the opinion that these financial statements, give a true and fair view in conformity with the accounting principles generally accepted in India:

   a. in the case of the Balance Sheet, of the state of affairs of Scandent Solutions Corporation Limited, as at September 30, 2004;

   b. in the case of the Profit and Loss Account, of the profit of the Scandent Solutions Corporation Limited, for the six-month period ended September 30, 2004; and

   c. in the case of Cash Flow Statement, of the cash flows for the six-month period ended September 30, 2004.

6. The report has been furnished solely for the purposes of listing of the Company's equity shares in the Indian stock exchanges pursuant to clause 8.3.5.4 of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

For S. R. BATLIBOI & ASSOCIATES
Chartered Accountants

per Prashant Singhal
Partner
Membership No 93283

Bangalore
February 28, 2005

SCANDENT SOLUTIONS CORPORATION LIMITED
formerly SCANDENT NETWORK PRIVATE LIMITED

BALANCE SHEET AS AT SEPTEMBER 30, 2004

(All amounts in Indian Rupees)

	Notes	As at September 30, 2004	As at March 31, 2004 (Note 31)
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital (including Share capital pending allotment)	5	287,322,760	328,444,630
Reserves and surplus	6	478,464,371	182,461,304
		765,787,131	510,905,934
Loan Funds			
Secured loans	7	164,122,384	68,937,356
Unsecured loans	8	197,582,985	186,012,753
		361,705,369	254,950,109
TOTAL		**1,127,492,500**	**765,856,043**
APPLICATION OF FUNDS			
Fixed Assets	9		
Gross block		208,123,351	54,638,416
Less: Accumulated depreciation		126,605,939	21,308,041
Net block		81,517,412	33,330,375
Capital advances		5,350,000	350,000
		86,867,412	33,680,375
Intangible Assets, net	10	24,830	143,750,620
Investments	11	479,080,943	4,521,000
Current Assets, Loans & Advances			
Sundry debtors	12	556,718,585	373,426,841
Cash and bank balances	13	95,300,007	2,456,014
Loans and advances	14	400,465,747	136,554,241
		1,052,484,339	512,437,096
Less: Current Liabilities & Provisions			
Current liabilities	15	488,876,955	140,364,317
Provisions	16	16,028,069	3,676,685
		504,905,024	144,041,002
Net Current Assets		547,579,315	368,396,094
Miscellaneous Expenditure (to the extent not written off or adjusted)	17	13,940,000	16,400,000
Profit & loss account		-	199,107,954
TOTAL		**1,127,492,500**	**765,856,043**

The accompanying notes 1 to 31 form an integral part of this balance sheet.

As per our report of even date

S. R. Batliboi & Associates
Chartered Accountants

Prashant Singhal
Partner
Membership No. 93283
Place : Bangalore
Date : February 28, 2005

For and on behalf of the Board of Directors

Dilip Keshu
Managing Director
Place : New Jersey

Satyen Patel
Director

Ramesh Vangal
Director
Place : Bangalore
Date : February 28, 2005

Pradeep Chaudhry
Chief Finance Officer

V Viswanathan
Company Secretary

SCANDENT SOLUTIONS CORPORATION LIMITED
(formerly SCANDENT NETWORK PRIVATE LIMITED)

PROFIT AND LOSS ACCOUNT FOR THE SIX MONTH PERIOD FROM APRIL 1, 2004 TO SEPTEMBER 30, 2004

(All amounts in Indian Rupees)

	Notes	April 1, 2004 to September 30, 2004	April 1, 2003 to March 31, 2004 (Note 31)
Income			
Revenues	18	546,343,462	464,383,241
Other income	19	11,786,197	4,855,337
		558,129,659	**469,238,578**
Expenditure			
Employee costs	20	142,826,456	191,572,735
Other operating costs	21	316,939,085	124,140,822
Finance costs	22	16,840,785	27,192,785
Depreciation	9	17,029,971	21,792,820
Amortisation	10	33,586,033	86,767,386
		527,222,330	**451,466,548**
Profit for the period/year before prior period expense and tax		**30,907,329**	**17,772,030**
Prior period expense	23	5,890,749	-
Profit for the period/year before tax		**25,016,580**	**17,772,030**
Provision for tax - current & deferred tax	24	-	-
Profit for the period/year after tax		**25,016,580**	**17,772,030**
Profit/(loss), at the beginning of the year		(199,107,954)	(216,879,984)
Capital reduction pursuant to the Scheme	2.1	196,855,010	-
Transfer from general reserve pursuant to the Scheme	2.4	2,252,944	
		-	**(216,879,984)**
Profit available for appropriation		**25,016,580**	**-**
Appropriation towards Debenture redemption reserve	6	(25,016,580)	-
Profit/(Loss), end of the period/year		**-**	**(199,107,954)**
Earnings per share (Equity shares, par value Rs 10 each)	25		
Basic		1.21	3.51
Diluted		1.19	3.50
Weighted average number of equity shares used in computing Earnings per share	25		
Basic		20,661,462	5,068,987
Diluted		21,070,549	5,075,693

The accompanying notes 1 to 31 form an integral part of the profit and loss account.

As per our report of even date

S. R. Batliboi & Associates
Chartered Accountants

Prashant Singhal
Partner
Membership No. 93283
Place : Bangalore
Date : February 28, 2005

For and on behalf of the Board of Directors

Dilip Keshu — **Managing Director**
Satyen Patel — **Director**
Place : New Jersey

Ramesh Vangal — **Director**
Pradeep Chaudhry — **Chief Finance Officer**
V Viswanathan — **Company Secretary**
Place : Bangalore
Date : February 28, 2005

SCANDENT SOLUTIONS CORPORATION LIMITED
(formerly SCANDENT NETWORK PRIVATE LIMITED)

CASH FLOW STATEMENT FOR THE SIX MONTH PERIOD FROM APRIL 1, 2004 TO SEPTEMBER 30, 2004

	April 1, 2004 to September 30, 2004	April 1, 2003 to March 31, 2004 (Note 31)
A. Cash flow from operating activities		
Net profit / (Loss) before taxation	25,016,580	17,772,030
Adjustments for:		
Depreciation	17,029,971	21,792,820
Amortisation	33,586,033	86,767,386
Amortisation of Miscellaneous expenditure (included in Finance costs)	2,460,000	4,920,000
(Profit) / Loss on sale of fixed assets	4,062	(5,797,499)
Foreign exchange gain/(loss) (net) - unrealised	2,790,265	(13,253,794)
Interest income	(18,740)	(938,862)
Write back of Interest on Deferred Credit	-	(3,666,667)
Write back of liability	(11,767,457)	-
Deferred employee compensation cost	12,528,284	-
Interest expense	13,661,302	21,650,654
Operating profit before working capital changes	**95,290,300**	**129,246,068**
Movements in working capital :		
Decrease / (Increase) in sundry debtors	(152,765,879)	(239,070,816)
Decrease / (Increase) loans and advances	(358,290,745)	(63,334,445)
Increase / (Decrease) in current liabilities & provisions	217,851,899	29,145,787
Net cash used in operating activities (A)	**(197,914,425)**	**(144,013,406)**
B. Cash flows from investing activities		
Purchase of fixed assets	(16,227,756)	(21,920,969)
Proceeds from sale of fixed assets	48,221	10,011,563
Purchase of investments	-	(4,521,000)
Interest received	957,602	-
Net cash used in investing activities (B)	**(15,221,933)**	**(16,430,406)**
C. Cash flows from financing activities		
Proceeds from issue of share capital	270,000,000	16,500,000
Share Issuance Expense	(5,820,000)	-
Proceeds from short-term borrowings	77,634,787	101,301,328
Repayment of short-term borrowings	(96,672,690)	(60,604,625)
Proceeds from long-term borrowings	82,032,730	104,121,413
Repayment of long-term borrowings and finance lease obligation	(484,534)	(3,470,228)
Interest paid	(24,344,495)	(5,124,968)
Net cash from financing activities (C)	**302,345,798**	**152,722,920**
Net increase in cash and cash equivalents (A + B + C)	**89,209,440**	**(7,720,892)**
Cash and cash equivalents at the beginning of the year	2,456,014	10,176,906
Cash and cash equivalents as at July 2, 2004 transferred pursuant to the Scheme [Refer Note 2.3]	3,634,553	
Cash and cash equivalents at the end of the year	**95,300,007**	**2,456,014**
Components of cash and cash equivalents [Refer Note 13]		
Cash	90,963	11,110
With banks		
on current account	92,202,793	2,094,904
on deposit account	3,006,251	350,000
	95,300,007	**2,456,014**

Note:
(i) The de-merger of software development and information technology business of SSI Limited and its merger to and in the Company is a non-cash transaction [also, refer Note 2].

As per our report of even date

S. R. Batliboi & Associates
Chartered Accountants

Prashant Singhal
Partner
Membership No. 93283
Place : Bangalore
Date : February 28, 2005

For and on behalf of the Board of Directors

Dilip Keshu
Managing Director
Place : New Jersey

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Ramesh Vangal
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Place : Bangalore
Date : February 28, 2005

Pradeep Chaudhry
Chief Finance Officer

V Viswanathan
Company Secretary

SCANDENT SOLUTIONS CORPORATION LIMITED
(formerly SCANDENT NETWORK PRIVATE LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2004

1 Background

1.1 Incorporation and History

Scandent Solutions Corporation Limited, ('Scandent' or 'the Company'), formerly Scandent Network Private Limited, was incorporated on February 1, 2002 and is a part of Scandent Group. The Scandent Group is promoted by individual investors and venture capital investors and is engaged in rendering software development and related services and information technology enabled services. Scandent Group has operations principally in India, Singapore, United States of America ('USA'), United Kingdom ('UK'), Germany, Singapore, Malaysia and Japan.

On August 1, 2002, Scandent Group Inc, USA ('Scandent USA') entered into an agreement to acquire the contract rights to provide software development and related services (both onsite in the USA and offshore from India) to a customer in the USA. The contract with the customer is committed for a period of 42 months from August 1, 2002 and has a commitment for a minimum level of business. Simultaneously, on August 1, 2002, the Company acquired the contract rights to provide the offshore portion of the software development and related services as referred in the above agreement with the customer ('acquired contract') from an existing Indian software company for a consideration of Rs 250 million together with incidental direct costs of Rs 33 million. The consideration was discharged through down payment of Rs 50 million, Rs 50 million payable after a year together with 11 per cent interest, and 11 per cent debentures of Rs 150 million repayable on July 31, 2007. During the year ended March 31, 2003, based on an independent fair valuation, the difference between the fair value and the face value of the Debentures had been recorded as Deferred Interest and reflected under Miscellaneous Expenditure, and is amortized pro-rata over the period from August 1, 2002 upto the maturity of the 11 per cent Debentures.

The Company, until March 31, 2004, was essentially providing software development services to its associates on a cost plus margin basis.

1.2 Agreement with SSI and consequential restructuring

On December 29, 2003, Scandent entered into a definitive agreement with SSI Limited ('SSI') for merger of the Information Technology division of SSI into Scandent. As a part of the arrangement and pursuant to Scandent Group strategy to consolidate its operations in India; Scandent USA, Scandent Network Europe Limited, UK ('Scandent UK'), Scandent Group Pte Limited, Singapore ('Scandent Singapore'), Scandent Group GmbH, Germany ('Scandent Germany') and Crescent Infosystems Private Limited ('Crescent'), were transferred as subsidiaries from Scandent Group Ltd, Mauritius ('Scandent Mauritius') to the Company during the year ended March 31, 2004.

Accordingly, effective April 1, 2004, the Company revised its billing arrangements with its subsidiaries to take cognizance of the risks and rewards of the significant contracts vesting in India. Consequentially, the customer rights pertaining to certain significant contracts in Scandent USA and Scandent UK valued at Rs 54.9 million (based on net book value) and Rs 40.8 million (based on independent fair value), respectively, have been transferred to the Company on April 1, 2004.

2 Merger of the Information Technology division of SSI into Scandent

The Scheme of arrangement for de-merger ('the Scheme') of the software development and information technology business of SSI ('SSIIT') and its merger in the Company, was sanctioned by the Honourable High Court of Judicature at Karnataka and the Honourable High Court of Judicature at Madras and delivered to the Company on September 20, 2004 and September 22, 2004, respectively, which was then filed with the Registrar of Companies on September 23, 2004. Pursuant to the Scheme, the assets and liabilities of SSIIT were transferred to and vested in the Company with effect from July 2, 2004, the Appointed Date. The Scheme has, accordingly, been given effect to in these financial statements and pursuant to the terms of the Scheme:

2.1 the share capital of Scandent has been reduced from Rs 328 million to Rs 131 million and the capital reduction of Rs 197 million has been utilised to adjust the debit balance of equivalent amount in the Profit and loss Account of Scandent as at March 31, 2004. The reduction has been effected by cancelling Rs 5.9936 per equity share of the face value of Rs 10 each held by the shareholders and thereafter consolidating 2.4960 equity share of the face value of Rs 4.0064 each into one equity share of Rs 10 each.

2.2 one fully paid equity share of Rs 10 each of the Company is to be issued for every fully paid equity share of Rs 10 each held in SSI. Accordingly, 13,467,880 equity shares are to be issued by the Company to the shareholders of SSI. The Company has allotted these shares on October 27, 2004, accordingly, as on September 30, 2004, Rs 134.68 million being the aggregate value of 13,467,880 equity shares of Rs 10 each pending allotment, has been disclosed under Share capital as Share capital pending allotment;

2.3 the values of the assets and liabilities of SSIIT were initially accounted at the book values as appearing in the books of accounts of SSI (based on financial statements as on July 1, 2004, audited by a firm of Chartered Accountants and submitted by SSI) ('the Transfer Balance Sheet') resulting in excess of net assets over the shares to be issued to the shareholders of SSI ('Net assets'), amounting to Rs 1,206 million. The book value of assets and liabilities taken over are as follows:

Particulars	Amount (Rs million)
Fixed assets (including intangible assets), net	193.10
Investments, net	381.78
Current assets	
Sundry debtors	274.91
Cash and bank balance	3.63
Other current assets	23.03
Loans and advances	764.90
	1,066.47
Current liabilities and provisions	125.20
Net current assets	941.27
Total assets	**1,516.15**
Secured loan	40.30
Unsecured loan	135.00
Total liabilities	**175.30**
Excess of assets over liabilities, represented by:	**1,340.85**
Share capital, pending allotment	134.68
General reserves	1,206.17

The Company has, however, recorded assets and liabilities of SSIIT at the values considered by it to be reflective of the underlying fair value. The adjustments, as discussed below, arising therefrom, based on a legal opinion, have been adjusted with the general reserve transferred from SSIIT:

Particulars	Amount (Rs million)
Provision for advances considered doubtful of recovery from subsidiary companies	741.38
Provision for debtors considered doubtful of recovery from subsidiary companies	208.42
Write down of Intangible assets (net) not considered to have any enduring benefit	105.29
Write down of fixed assets of SSIIT due to change in estimated useful lives Rs 23.42 million, [Refer Note 4.2(ii)] and shortages arising on physical verification of fixed assets (Rs 6.92 million) undertaken by the management on the Appointed Date.	30.34
Write back of provision for diminution in value of long-term investments, as not considered necessary by the management	(92.78)
Others	5.00
Total	**997.65**

2.4 Based on the Scheme, Scandent needs to adjust its intangible assets and debit balance of the profit and loss account with the General reserve transferred from SSIIT. Accordingly, it has adjusted customer rights and other intangible assets of net book value Rs 196.63 million (net-off the write back of liability for professional charges of Rs 9.63 million, which was capitalised as a direct cost for acquisition of customer rights) and debit balance of Rs 2.25 million in the Profit and loss account as at March 31, 2004 (debit balance in the Profit and loss account after capital reduction as discussed in paragraph 2.1 above) with the General reserve transferred from SSIIT.

2.5 The Company, on June 3, 2004, had advanced Rs 135 million to SSI as inter-corporate loan. The loan was settled through the credit of Rs 135 million lying in the books of SSIIT towards SSI for funding the operations of SSIIT as on the date of merger. The Net Assets amounting to Rs 1,206 million as discussed in paragraph 2.3 above, are net of such amounts [also refer Note 5(iii)].

3 Shareholding pattern

As at September 30, 2004, Scandent Mauritius holds 79.6 per cent of equity of the Company. The percentage of holding of Scandent Mauritius has dropped to 42.3 per cent, post allotment of shares to SSI and its shareholders, as a result of merger of SSIIT into the Company. The following table details the number of shares and the percentage of shareholding of the Company pre and post merger of SSI IT:

Name of the Share holders	March 31, 2004	September 23, 2004*		September 30, 2004 (including Share capital pending allotment)
		Prior to capital reduction	Post capital reduction	
Scandent Mauritius	30,334,463 (92.36%)	30,334,463 (86.80%)	12,153,344 (79.62%)	12,153,344 (42.30%)
UTI India Technology Venture Unit Scheme	-	1,052,717 (3.01%)	1,052,717 (6.90%)	1,052,717 (3.66%)
SSI	-	1,052,717 (3.01%)	1,052,717 (6.90%)	1,052,717 (3.66%)
Shareholders of SSI**	-	-	-	13,467,880 (46.87%)
Others	2,510,000 (7.64%)	2,510,000 (7.18%)	1,005,618 (6.58%)	1,005,618 (3.51%)
Total	**32,844,463 (100%)**	**34,949,897 (100%)**	**15,264,396 (100%)**	**28,732,276 (100%)**

* On September 23, 2004, the Company filed the order received from the High court to sanction the Scheme with the Registrar of Companies [refer Note 2].

** Allotment has been effected on October 27, 2004. These shares are reflected as shares pending allotment as of September 30, 2004.

4 Significant Accounting Policies

4.1 Basis of preparation

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and to comply in all material respects with the generally accepted accounting principles in India including the mandatory accounting standards issued by the Institute of Chartered Accountants of India ('ICAI') to reflect the financial position and the results of operations of Scandent. These financial statements are prepared on a stand alone basis.

Further, the financial statements are presented in the general format specified in Schedule VI to the Companies Act, 1956 ('the Act'). However, as these financial statements are not statutory financial statements, full compliance with the above Act is not required and so they do not reflect all the disclosure requirements of the Act.

4.2 Fixed assets and depreciation

i. Fixed assets are stated at cost of acquisition less accumulated depreciation and impairment losses. The cost of fixed assets comprises their purchase price and any other directly attributable costs of bringing the assets to their working condition for intended use.

The carrying amounts are reviewed at each balance sheet date when required to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

Based on the useful life estimated by the management, depreciation is provided under the straight line method at the rates mentioned below. For assets taken on lease, refer Note 4.4 below.

	Rate (percent)
Computers	33.33
Vehicles	20
Office equipment	20
Furniture and fixtures	20

Leasehold improvements are depreciated over the primary lease period, on a straight-line basis. Assets individually costing less than Rs 5,000 are fully depreciated in the year of acquisition.

ii. The Company, pursuant to merger of SSIIT into the Company, recorded the fixed assets pertaining to SSIIT at the book values as appearing in the books of account of SSI. Such assets were being depreciated on the basis of rates prescribed under Schedule XIV to the Companies Act, 1956. Effective July 2, 2004, the Appointed Date, the Company revised the estimate of useful life of such assets on the basis of the useful lives of its existing assets and has, accordingly, provided depreciation on such assets over the revised remaining useful life. Due to this change, depreciation on fixed assets for the six month period ended September 30, 2004 is higher by Rs 5.34 million and the profit after tax are lower by the same extent. Depreciation on fixed assets amounting to Rs 23.42 million, where the revised useful life has expired on the Appointed Date have been adjusted with the general reserve transferred by SSI on merger as discussed under Note 2.3.

4.3 Intangible Assets

Intangible assets comprise of computer software held for use in business/administrative purposes and customer rights. Computer software is amortized over an estimated useful life of two years, while customer rights are amortized over an estimated useful life of twenty to forty two months.

The carrying value of intangible assets is reviewed for impairment annually when events or changes in circumstances indicate that the carrying value may not be recoverable. If the expected future discounted cash flows are less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and carrying value of the asset.

The intangible assets (net) of Rs 206.26 million as of July 2, 2004 were set-off against the general reserves in accordance with the Scheme [Refer Note 2.4].

4.4 Leases

i. Finance Leases

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term on a straight-line basis.

ii. Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and loss account on a straight-line basis over the lease term.

4.5 Revenue recognition

i. Fixed price contracts

Revenue is recognised by reference to the stage of completion. Stage of completion is measured by reference to the time/cost incurred to date as a percentage of total estimated time/cost for each contract. Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent of the expenses recognised, which are recoverable.

ii. Time and material contracts

Revenue from software development and related services is recognized when the services are delivered, on an accrual basis as per the terms of the agreement entered into by the Company with its customers.

iii. Maintenance contracts

Revenue from maintenance contracts are recognized ratably over the term of the maintenance contract on a straight-line basis.

4.6 Project work expense

Project work expenses represent amounts charged by subsidiaries for the software development and related services and marketing services for the contracts. Until year ended March 31, 2004, the Company operated on a cost-plus basis, however, effective April 1, 2004 it moved to direct billing basis resulting into recognition of Project work expenses [refer Note 21].

4.7 Foreign currency transactions

i. *Initial Recognition*

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

ii. *Conversion*

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

iii. *Exchange Differences*

Exchange differences arising on the settlement of monetary items or on the Company's monetary items at rates different from those at which they were initially recorded during the period/year, or reported in previous financial statements, are recognised as income or as expenses in the period/year in which they arise.

Exchange differences arising on conversion of monetary items pertaining to acquisition of fixed and intangible assets denominated in foreign currencies are adjusted to the cost of the assets.

Exchange differences arising on a monetary item that, in substance, form part of the Company's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognised as income or as expenses.

4.8 Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in the value is made to recognise a decline other than temporary in the value of the investments.

4.9 Retirement benefits

The Company contributes the employer's share of the Provident Fund and the Employees' Pension Scheme with the Regional Provident Fund Commissioner and charges all such amounts to the Profit and loss account on an accrual basis.

Liability towards gratuity and leave encashment benefits is provided based on an actuarial valuation performed as at the balance sheet date and is unfunded as at September 30, 2004.

4.10 Income taxes

Tax expense comprises both current and deferred taxes. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

4.11 Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

4.12 Earning per share

Basic earning per share is calculated by dividing the net profit or loss for the period/year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period/year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period/year. The weighted average number of equity shares outstanding during all the periods/years, presented, is adjusted for capital reduction.

For the purpose of calculating diluted earning per share, the net profit/loss for the period/year attributable to equity shareholders and the weighted average number of shares outstanding during the period/year are adjusted for the effects of all dilutive potential equity shares.

4.13 Segment reporting

Identification of segments:

The Company's operating businesses are organized and managed separately according to the nature of services rendered. The analysis of geographical segments is based on the geographical location of the Company's customer.

Allocation of common costs:

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items:

The Other segment includes general corporate income and expense items which are not allocated to any business segment.

4.14 Miscellaneous expenditure

Miscellaneous expenditure comprises of Deferred interest on 11 per cent Debentures and is amortized pro-rata over the period from August 1, 2002 to the maturity of the 11 per cent Debentures, ie January 31, 2007.

	September 30, 2004	March 31, 2004
5 Share capital (including share capital pending allotment)		
Authorised capital		
35,000,000 (March 31, 2004 - 35,000,000) Equity shares of Rs 10 each	350,000,000	350,000,000
Issued, subscribed and paid-up capital		
15,264,396 (March 31, 2004 - 32,844,463) Equity shares of Rs 10 each fully paid up	152,643,960	328,444,630
Share capital pending allotment		
13,467,880 (March 31, 2004 - Nil) equity shares of Rs 10 each fully paid up	134,678,800	-
	287,322,760	**328,444,630**

(i) Of the above, as at September 30, 2004, 12,153,344 (March 31, 2004 - 30,334,463) equity shares are held by Scandent Mauritius constituting 79.6 per cent of equity of the Company. The percentage holding of Scandent Mauritius has dropped to 42.3 per cent, post allotment of shares to SSI and its share holders, as a result of the Merger of SSIIT into the Company [Refer Note 2.2 & Note 3]. On January 14, 2004, the Company had allotted 22,807,663 equity shares of Rs 10 each at a premium of Rs 8 per share by way of conversion of unsecured loan received from Scandent Mauritius.

(ii) Pursuant to the Scheme, the issued, subscribed and paid-up capital of the Company of Rs 328,444,630 has been reduced to Rs 131,589,620 comprising of 13,158,962 equity shares of Rs 10 each.

(iii) During the six month period, the Company has allotted 1,052,717 (post reduction of equity shares pursuant to the Scheme) equity shares of Rs 10 each at a premium of Rs 118.24 per share to each of the two parties ie UTI India Technology Venture Unit Scheme and SSI.

(iv) Share capital pending allotment represents equity shares to be issued to the shareholders of SSI as on the record date pursuant to the Scheme. [Refer Note 2.2]

	September 30, 2004	March 31, 2004
6 Reserves and surplus		
Capital reserve	5,700,900	-
Debenture Redemption Reserve [Refer Note (iii) below]	25,016,580	-
Securities premium		
Balance, beginning of the period/year [Refer Note 5(i)]	182,461,304	-
Received during the period/year [Refer Note 5(iii)]	248,945,660	182,461,304
Less: Share issue expense [Refer Note (ii) below]	(5,820,000)	-
Balance, end of the period/year	425,586,964	182,461,304
General Reserve [Refer Note 2]		
Excess of net assets recorded by Scandent on the basis of book values of assets and liabilities as appearing in the books of SSI over the shares issued to the shareholders of SSI pursuant to the Scheme	1,206,173,777	-
Less : Adjustments made to the book values of SSI [Refer Note 2.3]	(997,650,937)	-
Less : Adjustments made to the intangible assets of Scandent [Refer Note 2.4]	(196,638,253)	-
	11,884,587	-
Less : Transferred to Profit & loss account [Refer Note 2.4]	(2,252,944)	-
Balance, end of the period/year	9,631,643	-
Stock compensation adjustment [Refer Note 29]		
Additions during the period/year	28,636,080	-
Less: Deferred employee stock compensation expense	(16,107,796)	-
	12,528,284	-
	478,464,371	**182,461,304**

(i) Deferred employee stock compensation expense [Refer Note 29]		
Stock compensation expense outstanding	28,636,080	-
Stock compensation expense amortised during the period/year	(12,528,284)	-
Closing balance of deferred employee stock compensation expense	16,107,796	-

(ii) The share issue expenses for issuance of 1,052,717 equity shares to UTI India Technology Venture Unit Scheme have been adjusted with the premium received on the allotment.

(iii) As discussed in Note 1.1 and Note 8(i), on August 1, 2002, the Company had issued 11 per cent Debentures amounting to Rs 150 million repayable at par at the end of 5 years from the date of issuance. In the prior year, the Company had incurred losses, hence, in accordance with the clarification of Department of Company Affairs vide Circular No. 6/3/2001 - CL.V, the Company had not created Debenture redemption reserve. In the current period, the Company had earned a net profit of Rs 25.01 million and, accordingly, has appropriated fully the profit for the period towards Debenture redemption reserve.

	September 30, 2004	March 31, 2004
7 Secured loans		
Finance lease obligation	4,174,465	5,854,628
Loans for purchase of fixed assets	2,931,002	1,054,443
Packing credit loan from Export-Import Bank of India ('EXIM Bank')	77,016,917	62,028,285
Term loan from a Bank	80,000,000	-
	164,122,384	**68,937,356**

(i) The Company obtained vehicles, computers and office equipment on finance lease. These leases range for a period of two to three years and are secured by the assets acquired under these leases. A sum of Rs 1,343,718 (March 31, 2004 - Rs 1,412,453), net of deposit of Rs 1,761,557 (March 31, 2004 - Rs 2,556,371) is, repayable within one year from September 30, 2004.

(ii) The Company has obtained vehicles and computers under a financing arrangement. The loan is repayable over one to three years and are secured by assets taken against these loans. A sum of Rs 1,343,718 (March 31, 2004 - Rs 374,711) is payable within one year from September 30, 2004.

(iii) On November 11, 2003, the Company entered into a pre-shipment cum post-shipment dollar loan agreement with EXIM Bank. As per the terms of the agreement, EXIM bank will provide revolving credit upto limits of US$ 2 million to meet its pre-shipment and post-shipment credit requirements for export of Information Technology services. The credit is secured by a first charge of hypothecation of current assets and moveable fixed assets, both the present and future, escrow of receivables, irrecoverable and unconditional personal guarantee of a Director, corporate guarantee by Scandent USA, and also an Export Credit Guarantee Corporation packing credit guarantee. As at September 30, 2004, the Company has availed the credit facility of Rs 77,016,917 (USD 1,670,241) (March 31, 2004 - Rs 62,028,285 (USD 1,427,250)) at an interest rate of the prevailing LIBOR plus 75 basis points which is subsequently paid in January 2005.

(iv) On May 20, 2004, the Company entered into a term loan agreement with UTI Bank Limited ('UTI Bank'). As per the terms of the agreement, UTI Bank has sanctioned a term loan facility of Rs 85 million for the Company to meet its operating and capital expenditure. The loan is repayable in 24 equal monthly installments of Rs 3.5 million each commencing from May 2005. The loan is secured by a second charge of hypothecation of moveable assets, both present and future, escrow of receivables and collateral security by way of unconditional personal guarantee of two directors and corporate guarantee of Scandent UK and Scandent Mauritius. Further, the Company is required to maintain a liquidity reserve equivalent to three months of principal loan installments as a fixed deposit with the UTI Bank, at the Bank's standard interest rate for the residual period of the loan. The liquidity reserve is to be created out of the cash flows within one year from May 20, 2004. As of September 30, 2004, the Company has availed Rs 80 million at an interest rate of 11.25 percent per annum. A sum of Rs 14,166,667 is repayable within one year from September 30, 2004.

	September 30, 2004	March 31, 2004
8 Unsecured loans		
1,500,000, 11 per cent Debentures of Rs 100 each	150,000,000	150,000,000
Interest accrued and due	2,399,707	-
	152,399,707	150,000,000
Term loan from Bank	40,300,000	-
Interest accrued and due	710,540	-
	41,010,540	-
Deferred credit	-	18,583,750
Loans from Directors	4,172,738	17,429,003
	197,582,985	**186,012,753**

(i) On August 1, 2002, the Company issued 11 per cent debentures pursuant to the agreement entered into for acquisition of rights to a contract to render software services for a specified term to a particular customer. The debentures are repayable at par at the end of five years from the date of issuance [Refer Note 1.1]. Interest on the debentures is payable at annual rests.

(ii) Deferred credit represents amount payable by the Company pursuant to the agreement entered into by the Company for acquisition of rights to render software services [Refer Note 1.1]. As per the terms of the agreement, the Deferred credit amount along with the interest at the rate of 11 per cent was to be repaid on August 1, 2003. Post the due date, the lender has consented for waiver of interest payable, amounting to Rs 0.3 million (March 31, 2004 - Rs 5.5 million) as per the terms of the agreement. As on September 30, 2004, the Company has repaid the full principal amount.

(iii) Loans from directors are interest free and repayable on or before March 31, 2005.

(iv) Pursuant to the Scheme, the Company took over the loan from Union Bank of India ('UBI') of Rs 40,300,000 related to SSIIT. This loan amount is secured by term deposit of Rs 45,000,000 placed with the UBI by SSI. This loan carries an interest rate of 5.75 per cent per annum payable at the end of every month. This loan is repayable on June 3, 2005, which is also the date of maturity of the said term deposit. Further, the Company is in the process of obtaining the transfer of loan, presently in the name of 'SSI Limited A/C SSI Tech', in its own name. However, the loan account is being operated by authorised representative of Scandent.

9. Fixed assets

	Gross Block					Depreciation						Net Block	
	As at April 1, 2004	**Additions**	**Additions pursuant to the Scheme [Refer Note (ii)]**	**Deletions / adjustments [Refer Note (ii)]**	**As at September 30, 2004**	**As at April 1, 2004**	**Additions pursuant to the Scheme [Refer Note (ii)]**	**Additions [Refer Note (iii)]**	**For the Period**	**Deletions / adjustments [Refer Note (ii)]**	**As at September 30, 2004**	**As at September 30, 2004**	**As at March 31, 2004**
Leasehold Improvements	13,619,641	967,200	48,485,051	-	63,071,892	3,174,917	14,818,534	-	5,460,240	-	23,453,691	39,618,201	10,444,724
Computers	20,613,433	3,894,705	80,798,466	11,949,830	93,356,774	12,013,044	50,292,516	22,720,959	4,918,235	7,492,169	82,452,585	10,904,189	8,600,389
Vehicles	4,081,262	2,244,825	4,390,513	-	10,716,600	1,002,137	1,806,319	156,559	1,559,791	-	4,524,806	6,191,794	3,079,125
Office Equipment	7,317,514	694,652	24,080,452	3,235,281	28,857,337	2,849,814	4,750,244	97,333	3,916,729	718,737	10,895,383	17,961,954	4,467,700
Furniture and fixtures	9,006,566	-	3,114,182	-	12,120,748	2,268,129	1,388,052	448,317	1,174,976	-	5,279,474	6,841,274	6,738,437
Total	**54,638,416**	**7,801,382**	**160,868,664**	**15,185,111**	**208,123,351**	**21,308,041**	**73,055,665**	**23,423,168**	**17,029,971**	**8,210,906**	**126,605,939**	**81,517,412**	**33,330,375**
Prior year	**32,871,280**	**29,497,088**	**-**	**7,729,952**	**54,638,416**	**2,531,739**	**-**	**-**	**21,792,820**	**3,016,518**	**21,308,041**	**33,330,375**	**30,339,541**

(i) Computers, office equipment and vehicles include assets taken under finance lease. The gross book value and net book value of such assets have been disclosed in table below.

	Gross block		Net block	
	As at September 30, 2004	**As at March 31, 2004**	**As at September 30, 2004**	**As at March 31, 2004**
Computers	4,505,966	4,505,966	2,177,370	2,924,243
Vehicles	4,081,262	4,081,262	2,389,845	3,079,125
Office Equipments	808,300	808,300	645,755	726,806
	9,395,528	9,395,528	5,212,970	6,730,174

(ii) Pursuant to the Scheme, fixed assets with gross book value and net book value of Rs 160,868,664 and Rs 87,812,999 respectively, were transferred to the Company. On July 2, 2004, the Company had performed a physical verification of assets acquired from SSIIT and noted that assets of gross value and net book value of Rs 15,103,250 and Rs 6,921,922, respectively were not existing. Accordingly, these amounts have been disclosed in the adjustments column in schedule above. [Refer Note 2.3].

(iii) As more fully discussed in Note 4.2(ii), the Company has revised the estimated useful lives of fixed assets transferred pursuant to the Scheme on the basis of the useful lives of its existing assets, accordingly, provided depreciation on such assets over its revised remaining useful life.

(iv) As at September 30, 2004, assets taken on loan basis amount to Rs 8,828,785 (March 31, 2004 - Rs 320,000), including assets amounting to Rs 8,091,019 received by SSIIT on a loan basis from its customers .

10. Intangible assets

	Gross Block					Amortisation					Net Block	
	As at April 1, 2004	Additions	Additions pursuant to the Scheme [Refer Note (i)]	Adjustments [Refer Note (i) & (ii)]	As at September 30, 2004	As at April 1, 2004	Additions pursuant to the Scheme [Refer Note (i)]	For the Period	Adjustments [Refer Note (i) & (ii)]	As at September 30, 2004	As at September 30, 2004	As at March 31, 2004
Computer Software	26,582,100	450,909	125,950,054	152,957,153	25,910	18,240,522	20,662,422	3,125,358	42,027,222	1,080	24,830	8,341,578
Customer Rights	258,508,171	95,679,230	-	354,187,401	-	123,099,129	-	30,460,675	153,559,804	-	-	135,409,042
Total	**285,090,271**	**96,130,139**	**125,950,054**	**507,144,554**	**25,910**	**141,339,651**	**20,662,422**	**33,586,033**	**195,587,026**	**1,080**	**24,830**	**143,750,620**
Prior year	**281,191,419**	**3,898,852**	**-**	**-**	**285,090,271**	**54,572,265**		**86,767,386**	**-**	**141,339,651**	**143,750,620**	**226,619,154**

(i) Pursuant to the Scheme , the Company acquired software with gross book value and net book value of Rs 125,950,054 and Rs 105,287,632, respectively. The management believes that there is no enduring benefits from the software transferred, accordingly, has adjusted the amount to the General reserve. [Refer Note 2.3].

(ii) On April 1, 2004, the Company acquired customer rights from its subsidiaries, ie Scandent USA and Scandent UK amounting to Rs 54,890,144 and Rs 40,789,086, respectively. The net book value of the entire customer rights as on July 1, 2004 has been adjusted with General reserve in accordance with the terms of Scheme.

(iii) Upto July 1, 2004, the Company has capitalised Rs 4,441,223 (March 31, 2004 - Nil) which represents exchange difference arising on conversion of foreign currency payable for acquisition of intangible assets.

(iii) Amortisation has been charged only for the period April 1, 2004 to July 1, 2004, as subsequently, pursuant to the Scheme, the intangible assets have been adjusted with the General reserve [refer Note 2.4].

	September 30, 2004	March 31, 2004
11 Investments (Unquoted, at cost, fully paid-up)		
Non-trade (Long term):		
215,000 (March 31, 2004 - 215,000) Equity Shares of Rs 10 each in Globsyn Technologies Ltd	8,600,000	8,600,000
Less : Diminution in value of investment	(8,600,000)	(8,600,000)
	-	-
In Subsidiary companies (Long term):		
Euro 25,600 (March 31, 2004 - Euro 25,600) share capital in Scandent Group GmbH, Germany ('Scandent Germany')	452,100	452,100
2,300,000 (March 31, 2004 - 2,300,000) Ordinary shares of Singapore Dollar 1 each in Scandent Group Pte Limited, Singapore ('Scandent Singapore')	678,150	678,150
1 (March 31, 2004 - 1) Ordinary share of GBP 1 each in Scandent Network Europe Limited, United Kingdom ('Scandent UK')	1,356,297	1,356,297
1,010,000 (March 31, 2004 - 1,010,000) Common stock of USD 0.001 each in Scandent Group Inc., USA ('Scandent USA')	2,034,453	2,034,453
200,000 (March 31, 2004 - Nil) Shares of no par value in ClientSoft Inc, USA ('Clientsoft') [Refer Note (iii) below]	7,779,150	-
8,073,267 (March 31, 2004 - Nil) Shares of USD 1 each in Albion Inc, USA (formerly SSIT North America Inc., USA) ('SSIT NA') [Refer Note (iii) below]	810,629,786	-
12,000 (March 31, 2004 - Nil) Common shares of USD 1 each in Indigo Market Ltd. Bermuda. ('IM Bermuda') [Refer Note (iii) below]	109,620,316	-
	932,550,252	4,521,000
Provision for diminution in value of investment in subsidiaries [Refer Note (iv) & (v) below]	(453,469,309)	-
	479,080,943	4,521,000
In Subsidiary companies (Current):		
79,990 (March 31, 2004 - 79,990) Equity shares of Rs 10 each in Crescent Infosystems Private Limited ('Crescent') [Refer Note (i) below]	-	-
	479,080,943	4,521,000

(i) The Company has received 79,990 equity shares of Crescent as a gift from Scandent Mauritius. Considering that there were no operations undertaken by Crescent, in October 2004, the Company has transferred its investment at Re 1.

(ii) The Company has investments in the share capital of Scandent USA, Scandent UK, and Scandent Germany, wholly owned subsidiaries, where the accumulated losses exceeded their respective paid-up share capital as at September 30, 2004. With the merger of the Company with SSIIT and restructuring of the operations, the management is confident that the subsidiaries would make sufficient profits in the near future. Accordingly, management considers such diminution to be temporary in nature and has not provided for the diminution in the value of investments.

(iii) Pursuant to the Scheme, the investment in Clientsoft, SSIT NA and IM Bermuda has been transferred to the Company. However, the Company is in the process of registering the shares of these companies in its name.

(iv) Investment in Clientsoft has been fully provided for diminution in the value of investment. With respect to investment in SSIT NA, the Company has assessed the future business growth and provided for Rs 445.7 million for diminution in the value of investments. [Also Refer Note 2.3]. With respect to investment in IM Bermuda, though there is negative net worth, the management considers the diminution to be temporary in nature and has not provided for diminution in the value of investments. As at September 30, 2004, the Company has a payable of Rs 41.2 million to IM Bermuda. The management is confident of generating greater business and improving their profitability by utilising off shore work force.

(v) Pursuant to the Scheme, provision for dimunition in the value of investments amounting to Rs 546.25 million has been transferred to the Company. Of this amount Rs 92.78 million has been written back, as not considered necessary by the management [also, refer Note 2.3].

	September 30, 2004	March 31, 2004
12 Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	9,062,088	3,587,186
Considered doubtful	139,414,244	-
Other debts		
Considered good	547,656,497	369,839,655
Considered doubtful	69,008,312	-
	765,141,141	373,426,841
Less : Provision for doubtful debts	(208,422,556)	-
	556,718,585	**373,426,841**
Dues from related parties		
Scandent UK	127,378,605	58,887,987
Scandent USA	314,640,015	307,731,882
Scandent Germany	8,993,394	-
Scandent Singapore	6,131,661	6,338,360
Intiqua International Inc. ('Intiqua')	10,428,460	-
Indigo Markets Singapore Pte Ltd ('IM Singapore')	50,815,578	-
Indigo Markets Europe Ltd ('IM Europe')	43,764,614	-
SSIT NA	191,350,201	-
	753,502,528	372,958,229
Less : Provision for doubtful debts	(208,422,556)	**-**
	545,079,972	**372,958,229**

(i) During the six month period, the Company has provided for doubtful debts amounting to Rs 208.42 million (March 31, 2004 - Nil).

	September 30, 2004	March 31, 2004
13 Cash and bank balances		
Cash on hand	90,963	11,110
Balances with scheduled banks		
- Current accounts	92,202,793	2,094,904
- Fixed deposit account	3,006,251	350,000
	95,300,007	**2,456,014**

(i) Fixed deposits represents Rs 350,000 (March 31, 2004 - Rs 350,000) kept as margin money for the guarantee extended by a bank in favour of the Assistant Commissioner of Customs to procure capital assets without payment of duty and Rs 2,656,251 (March 31, 2004 - Nil) maintained as liquidity reserve as per the terms of the loan agreement with UTI Bank [Refer Note 7(iv)].

(ii) As at September 30, 2004, the Company has Rs. 87,222,628 (March 31, 2004 - Rs 178,970) in an Escrow account maintained for the facility provided by EXIM Bank [Refer Note 7(iii)].

(iii) The Company is in the process of transferring a current account of SSIIT, which is currently in the name of 'SSI Limited A/c SSI Tech', to Scandent. However, this account is being operated by the authorised representatives of Scandent. As at September 30, 2004, the account has a balance of Rs 62,315.

	September 30, 2004	March 31, 2004
14 Loans and advances (Unsecured)		
Considered good		
Dues from related parties		
Loans and advances	327,640,450	95,562,304
Interest receivable	-	938,862
Expenses receivable	24,880,281	27,929,929
	352,520,731	124,431,095
Advances recoverable in cash or kind or for value to be received	10,347,146	5,942,545
Other deposits	35,377,416	5,298,901
Other receivables	1,776,685	522,020
Advance tax, net	443,769	359,680
	400,465,747	136,554,241
Considered doubtful		
Dues from related parties		
Loans and advances	741,375,287	
Less: Provision for doubtful loans & advances	(741,375,287)	-
	-	-
	400,465,747	**136,554,241**

Dues from related parties:		
Atindia Management Services Private Limited ('Atindia')	4,639,993	5,839,993
ProcessMind Services Private Limited ('ProcessMind')	113,988,885	68,733,585
ValueBridge Services Private Limited ('ValueBridge')	-	3,145,339
MatrixOne India Private Limited ('MatrixOne')	5,504,993	4,315,304
Scandent UK	-	5,988,293
Scandent USA	183,800,365	8,078,853
Scandent Singapore	10,797,673	9,547,479
IM Europe	6,572	-
Clientsoft	91,760,000	-
SSIT NA	649,615,287	-
Seabulk Software India Private Limited	33,716,064	18,716,063
Dues from a director	66,186	66,186
	1,093,896,018	**124,431,095**
Less : Provision for doubtful loans & advances	(741,375,287)	-
	352,520,731	**124,431,095**

(i) Loans due from related parties include Rs 175.2 million repayable within a period of three years ending on June 12, 2007.

(ii) During the six month period, the Company has provided for doubtful loans & advances amounting to Rs 741.38 million (March 31, 2004 - Nil).

	September 30, 2004	March 31, 2004
15 Current liabilities		
Sundry creditors	56,286,100	103,157,693
Dues to related parties		
Advances received	40,251,507	643,034
Expenses payable	368,263,162	4,578,807
Interest accrued but not due		
on 11 per cent debentures	6,512,005	20,806,730
on loans	741,179	-
Advance from customers	10,091,413	320,000
Other liabilities	6,731,589	10,858,053
	488,876,955	**140,364,317**

(i) Dues to related parties include the following		
Scandent USA	224,868,871	2,334,468
Scandent Singapore	1,531,592	1,357,002
Scandent Germany	15,429,807	643,034
Scandent UK	113,001,628	393,537
Intiqua	9,944,068	-
IM Europe	556,614	-
IM Singapore	1,407,464	-
IM Bermuda	41,274,769	-
J & A Consulting Private Limited	499,856	493,800
	408,514,669	**5,221,841**

16 Provisions		
Provision for gratuity	8,982,604	2,020,387
Provision for leave encashment	7,045,465	1,656,298
	16,028,069	**3,676,685**

(i) Pursuant to the Scheme, provision for gratuity and leave encashment transferred from SSIIT amounted to Rs 4,851,282 and Rs 6,350,076, respectively.

(ii) During the period, the Company has used provision for leave encashment and gratuity amounting to Rs 1,078,639 and Rs 206,886, respectively.

	September 30, 2004	March 31, 2004
17 Miscellaneous expenditure		
(to the extent not written off or adjusted)		
Deferred interest on 11 per cent debentures [Refer Note 1.1]	16,400,000	21,320,000
Less: Amortized during the period [Refer Note 22]	2,460,000	4,920,000
	13,940,000	**16,400,000**

	April 1, 2004 to September 30, 2004	April 1, 2003 to March 31, 2004
18 Revenues		
Revenue from software development and related services		
- Time and material contracts	460,885,900	464,383,241
- Fixed price contracts	72,940,673	-
- Annual maintenance contracts	12,516,889	-
	546,343,462	**464,383,241**
19 Other income		
Write back of interest on deferred credit [Refer Note 8(ii)]	-	3,666,667
Write back of liability	11,767,457	-
Interest Income (Gross of Tax deducted at Source of Rs 3,842 (March 31, 2004 - Rs 242,097)	18,740	1,188,670
	11,786,197	**4,855,337**
20 Employee costs		
Salaries, allowances and bonus	114,079,715	176,290,639
Contribution to provident fund	6,794,642	8,385,675
Gratuity and leave encashment charge/(write back)	2,435,551	(2,062,985)
Employee stock compensation expense [Refer Note 29]	12,528,284	-
Staff welfare	3,713,650	4,815,253
Recruitment and relocation	3,274,614	4,144,153
	142,826,456	**191,572,735**
21 Other operating costs		
Project work expense	255,818,139	-
Travel	28,962,123	57,449,358
Rent	14,818,200	25,813,663
Communication	8,338,575	14,806,857
Power and fuel	5,321,795	4,833,019
Insurance	86,698	378,656
Rates and taxes	979,519	1,917,437
Repairs and maintenance		
- Computer equipment	478,475	1,675,645
- Others	3,777,843	1,103,039
Legal & professional	12,196,053	26,695,328
Printing & stationery	803,230	1,653,410
Business promotion	155,479	1,247,024
Exchange loss /(gain), net	(16,900,329)	(13,253,794)
(Profit) /loss on sale of fixed assets	4,062	(5,797,499)
Miscellaneous	2,099,223	5,618,679
	316,939,085	**124,140,822**
22 Finance costs		
Interest on 11 per cent debentures	8,250,000	16,500,000
Amortization of deferred interest on 11% debentures [Refer Note 17]	2,460,000	4,920,000
Interest - others	5,411,302	5,150,654
Bank charges	719,483	622,131
	16,840,785	**27,192,785**
23 Prior period expense		
Travel	5,890,749	-

This amount represents travel cost incurred by a subsidiary on behalf of the Company during the year ended March 31, 2004.

24. Provision for tax

(i) Current Taxes

The Company does not have taxable income for the period as per the provisions of the Income-tax Act, 1961 ('IT Act'). Accordingly, no provision for current income-tax has been made in the books of account.

With respect to the SSIIT, the Company is in the process of obtaining income-tax records from SSI. However, the Company has not considered any liability on account of period prior to July 2, 2004 pertaining to SSIIT since, based on a legal opinion, the Company is not liable for these liabilities. [Also, refer Note 27(iii)].

(ii) Deferred taxes

The Company operates two units at Bangalore and Chennai. The Bangalore unit is registered with the Software Technology Parks of India, Bangalore and is eligible to claim tax holiday for 10 years (upto the financial year 2008-09) under section 10A of the IT Act, whereas the income from the Chennai facility is taxable under the IT Act.

The Company has, during the six month period ended September 30, 2004, earned book profits of Rs 25 million. However, the Company has a carry forward tax loss and unabsorbed depreciation as of April 1, 2004 of Rs 79.59 million and Rs 139.45 million, respectively and it has not recognised the deferred tax asset resulting from the above as at September 30, 2004 in accordance with its accounting policy.

25. Earnings per share

	September 30, 2004	March 31, 2004
Weighted average number of equity shares in calculating basic Earnings per share ('EPS') - (A)	20,661,462	5,068,987
Weighted average number of potential equity shares under option during the period/year - (B)	409,087	6,706
Weighted average number of equity shares in calculating diluted EPS - (A+B)	21,070,549	5,075,693

i. Pursuant to the Scheme, the Company has reduced the share capital by Rs 196.85 million [Refer Note 2.1]. Accordingly, the basic and diluted earnings per share are restated for the year ended March 31, 2004.

ii. Pursuant to the Scheme, the Company has allotted 13,467,880 equity shares to the shareholders of SSI on October 27, 2004. For the purpose of computing the weighted average number of shares, the appointed date ie July 2, 2004 is considered to be the date of issue of such shares.

26 Related Party Disclosures

S No.	Name of the related party	Relationship	Nature of transaction	April 1, 2004 to September 30, 2004	Receivable /(payable) As at September 30, 2004	April 1, 2003 to March 31, 2004	Receivable /(payable) As at March 31, 2004
(i)	Processmind Services Private Limited	Fellow subsidiary company	Reimbursement for use of office facilities and other office services such as maintenance, communication expenses, etc. (net balance)	(6,889,484)	-	(12,475,275)	-
			Unsecured loan given	55,717,381	-	76,888,554	-
			Payments received against loan and advances	(3,572,597)	-	-	-
			Interest income	-	-	1,180,959	-
			Interest receivable	-	-	-	938,862
			Loans & advances	-	113,988,885	-	67,794,723
(ii)	Valuebridge Services Private Limited	Company in which a director of the Company is also a director	Payments received against loan	(3,308,499)	-	-	-
			Unsecured loan given	163,160	-	157,943	-
			Loans & advances	-	-	-	3,145,339
(iii)	Atindia Management Services Private Limited	Company in which a director of the Company is also a director	Payments received against loan	(1,200,000)	-	(63,390)	-
			Loans & advances	-	4,639,993	-	5,839,993
(iv)	Matrixone India Private Limited	Subsidiary company	Charge for common cost incurred	4,313,689	-	9,534,406	-
			Expenses receivable	-	5,504,993	-	4,315,304
(v)	Crescent Infosystems Private Limited	Subsidiary company	Payments made / adjustments for loan taken	-	-	688,375	-
(vi)	Scandent Group Inc.	Subsidiary company	Project work expenses	(156,973,355)	-	(2,334,468)	-
			Reimbursement of travel expenses	(7,935,775)	-	-	-
			Intangible assets purchased	(52,012,837)	-	-	-
			Unsecured loan given	174,880,000	-	-	-
			Revenue from software development and related services	291,283,946	-	307,731,882	-
			Current liabilities	-	(224,868,871)	-	(2,334,468)
			Debtors	-	314,640,015	-	307,731,882
			Loans & advances	-	175,222,750	-	-
			Expenses receivable	-	8,577,615	-	8,078,853
(vii)	Scandent Network Europe Limited	Subsidiary company	Expenses paid on behalf of the related party	363,785	-	312,027	-
			Intangible assets purchased	(39,225,170)	-	-	-
			Revenue from software development and related services	130,764,051	-	152,304,676	-
			Project work expenses	(71,004,666)	-	(393,537)	-
			Debtors	-	127,378,605	-	58,887,987
			Expenses receivable	-	-	-	5,988,293
			Current liabilities	-	(113,001,628)	-	(393,537)
(viii)	Scandent Group Pte Limited	Subsidiary company	Expenses paid on behalf of the related party	738,931	-	1,576,261	-
			Expenses paid on bahalf of the Company by the related party	(112,750)	-	(1,356,972)	-
			Revenue from software development and related services	-	-	2,751,174	-
			Debtors	-	6,131,661	-	6,338,360
			Expenses receivable	-	10,797,673	-	9,547,479
			Current liabilities	-	(1,531,592)	-	(1,357,002)
ix)	Intiqua International Inc.	Subsidiary company	Revenue from software development and related services	10,297,036	-	-	-
			Project work expenses	(9,818,715)	-	-	-
			Debtors	-	10,428,460	-	-
			Current liabilities	-	(9,944,068)	-	-
(x)	Scandent Group GmbH	Subsidiary company	Revenue from software development and related services	9,514,288	-	-	-
			Project work expenses	(15,033,930)	-	-	-
			Debtors	-	8,993,394	-	-
			Advances received	-	-	-	(643,034)
			Current liabilities	-	(15,429,807)	-	-

S No.	Name of the related party	Relationship	Nature of transaction	April 1, 2004 to September 30, 2004	Receivable /(payable) As at September 30, 2004	April 1, 2003 to March 31, 2004	Receivable /(payable) As at March 31, 2004
(xi)	SSIT North America Inc.	Subsidiary company	Revenue from software development and related services	55,025,340	-	-	-
			Provision for doubtful debts and doubtful advances	(795,260,060)	-	-	-
			Debtors	-	191,350,201	-	-
			Provision for doubtful debts	-	(145,644,773)	-	-
			Loans & advances	-	649,615,287	-	-
			Provision for doubtful loans and advances	-	(649,615,287)	-	-
(xii)	Clientsoft Inc.	Subsidiary company	Loans & advances	-	91,760,000	-	-
			Provision for doubtful loans & advances	(91,760,000)	(91,760,000)	-	-
(xiii)	IndigoMarkets Limited. Bermuda	Subsidiary company	Revenue from software development and related services	2,818,983	-	-	-
			Project work expenses	(1,025,848)	-	-	-
			Current liabilities	-	(1,023,262)	-	-
			Advances received	-	(40,251,507)	-	-
(xiv)	IndigoMarkets Singapore Pte Limited	Subsidiary company	Revenue from software development and related services	5,778,095	-	-	-
			Project work expenses	(1,401,012)	-	-	-
			Debtors	-	50,815,578	-	-
			Provision for doubtful debts	(38,334,343)	(38,334,343)	-	-
			Current liabilities	-	(1,407,464)	-	-
(xv)	IndigoMarkets Europe Limited	Subsidiary company	Revenue from software development and related services	11,212,267	-	-	-
			Project work expenses	(560,613)	-	-	-
			Debtors	-	43,764,614	-	-
			Provision for doubtful debts	(24,443,440)	(24,443,440)	-	-
			Loans & advance	-	6,572	-	-
			Current liabilities	-	(556,614)	-	-
(xvi)	Scandent Group Limited, Mauritius	Holding company	Unsecured loans taken	-	-	(103,015,115)	-
		[Refer Note 5(i)]	Unsecured loans taken, converted into equity	-	-	410,537,934	-
			Purchase of investments	-	-	(4,521,000)	-
(xvii)	Cote D' Or Limited, Mauritius	Company in which a director of the Company is also a director	Unsecured loans repaid	-	-	10,000,000	-
(xviii)	Seabulk Software India Private Limited	Company in which a director of the Company is also a director	Unsecured loans given	15,000,000	-	30,608,563	-
			Loans & advances	-	33,716,064	-	18,716,063
(xix)	Ramesh Vangal	Director	Unsecured loans taken	(500,000)	-	(18,924,003)	-
			Unsecured loans	-	(4,172,738)	-	(17,429,003)
(xx)	S Jairaj	Director (Upto September 30, 2004)	Unsecured loans taken	-	-	(500,000)	-
			Interest on loan taken	-	-	(54,435)	-
			Unsecured loans given	-	-	77,600	-
			Loans & advances	-	66,186	-	66,186
(xxi)	J & A Consulting Private Limited	Company in which relative of a director is a director/ shareholder	Professional services received	(1,043,840)	-	(2,070,300)	-
			Reimbursement of expenses	-	-	(2,194)	-
			Current liabilities	-	(499,856)	-	(493,800)
(xxii)	L Venugopal	Relative of a director	Unsecured loans taken	-	-	(7,500,000)	-
			Interest expense	-	-	(584,010)	-
			Unsecured loans repaid	-	-	8,084,010	-

S No.	Name of the related party	Relationship	Nature of transaction	April 1, 2004 to September 30, 2004	Receivable /(payable) As at September 30, 2004	April 1, 2003 to March 31, 2004	Receivable /(payable) As at March 31, 2004
(xxiii)	PM Pandit	Relative of a director	Unsecured loans taken	-	-	(2,000,000)	-
		(Upto September 30, 2004)	Interest expense	-	-	(217,742)	-
			Unsecured loans repaid	-	-	2,217,742	-

(i) An unconditional, irrevocable, personal guarantee has been given by Ramesh Vangal, a Director and a corporate guarantee has been given by Scandent USA for the packing credit loan of USD 2 million given by Exim Bank of India. [Refer Note 7(iii)].

(ii) An unconditional, irrevocable, personal guarantee has been given by Ramesh Vangal, a director and a corporate guarantee has been given by Scandent UK and Scandent Mauritius for the term loan of Rs 85 million from UTI Bank.

(iii) SSI had given a corporate guarantee to State Bank of Mauritius Ltd for loan availed by SSITNA amounting to USD 6.2 million (Rs 286 million). Pursuant to the Scheme, the corporate guarantee has been transferred to the Company. The loan was to be repaid by January 31, 2005, however, the Company is in the process of seeking extension of due date of repayment of loan. In February 2005, SSIT NA has repaid USD 2.5 million to the bank. [Refer Note 27(ii)]

(iv) The accumulated compensation cost as of September 30, 2004 include Rs 13,553,220 (March 31, 2004 - Nil) incurred towards employee compensation cost for options granted to the employees of its subsidiaries. The corresponding compensation cost amortised during the year is Rs 5,929,533 (March 31, 2004 - Nil). The Company has not charged this amortisation to its subsidiaries.

27. Contingent Liabilities and commitments

i. The Company has export obligations under the Software Technology Park (STP) scheme. In accordance with such scheme, the Company procures capital goods without payment of duties, for which, agreements and bonds are executed by the Company in favour of the Government. In case the Company does not fulfill the export obligation**,** it shall be liable to pay, on demand, an amount equal to such duties saved including interest and liquidated damages. As at September 30, 2004, the Company has availed duty benefits amounting to Rs 45.46 million, including the benefit availed by SSIIT amounting to Rs 41.4 million. The Company expects to meet its commitment to earn the requisite revenue in foreign currency as stipulated by the STP regulations.

ii. SSI had given a corporate guarantee to State Bank of Mauritius Ltd for loan availed by SSITNA amounting to USD 6.2 million (Rs 286 million). Pursuant to the Scheme, the corporate guarantee has been transferred to the Company. The loan was to be repaid by January 31, 2005, however, the Company is in the process of seeking extension of due date of repayment of loan. In February 2005, SSIT NA has repaid USD 2.5 million to the bank.

iii. Under the Scheme, the Company shall procure within 90 days of the Effective Date, September 23, 2004, all guarantees and indemnities (including any letter of comfort) issued by the SSI promoters, the Retained Division of SSI and/or its affiliates in respect of loans, lines of credit and/ or any obligations or liabilities of the SSIIT. In effect, the SSI promoters / the Retained Division of SSI and/ or its affiliates would be indemnified by Scandent in respect of the above liabilities.

Further, the Company based on a legal opinion, believes that the liabilities arising out of any statutes namely Income-tax Act, 1961, Foreign Exchange Management Act, 1999 / Reserve Bank of India regulations etc. for the SSIIT with respect to its operations upto July 2, 2004 are not covered in the above indemnification.

Apart from the liabilities included in the Transfer Balance Sheet at July 1, 2004, the Company has, as of September 30, 2004, received no further claims / demands etc from SSI, its retained business or its affiliates with respect to the above.

iv. Capital Commitments

	September 30, 2004	March 31, 2004
The estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided	11,765,527	-

28. Segment reporting

The primary reporting of the Company has been performed on the basis of business segments. The Company has only one business segment, which is providing software development and related services. Accordingly, the amounts appearing in these financial statements relate to this primary business segment.

Secondary segmental reporting is performed on the basis of the geographical location of customers. The management views the North Americas, Europe and Rest of the world as distinct geographical segments.

Following table details the distribution of the Company's revenues by geographical markets.

Geographic location	April 1, 2004 to September 30, 2004	April 1, 2003 to March 31, 2004
North America	356,606,093	307,731,882
Europe	151,490,626	152,304,676
Rest of the World	38,246,743	4,346,683
	546,343,462	**464,383,241**

Fixed assets used in Company's business or liabilities contracted have not been identified to any reportable geographical segments as the fixed assets and services are used interchangeably between segments. Accordingly, no disclosures relating to total segment assets and liabilities are made.

29. Employee Stock Option Plan

(i) During the year ended March 31, 2004, the Board of Directors approved the Employee Stock Option Plan ('ESOP Plan 2004') for the grant of stock options to the employees of the Company, employees of its subsidiary companies and employees of its Holding company. A compensation committee has been constituted to administer the plan and to determine the exercise price.

During the previous year, the Compensation Committee had granted 477,268 options under the ESOP Plan 2004 to be exercised at a grant price of Rs 10. The options will vest with the employees in the following manner
- 75% of the options after twelve months from the grant date; and
- the remaining options after twenty-four months from the grant date.

	September 30, 2004	March 31, 2004
Options outstanding at the beginning of the period/year	477,268	-
Options granted during the period/year	-	477,268
Options granted but not eligible for exercise at period/year end	477,268	477,268
Total employee stock compensation cost as at period/year end	28,636,080	-
Employee stock compensation expense -- Amortised during the period	12,528,284	-

The fair value of the equity shares has been determined by the management on the date of the grant for ESOP 2004 based on a valuation by an independent appraiser. As per the terms of the ESOP Plan 2004, the exercise price equals the face value of the equity shares of Scandent, and accordingly the difference between the fair value and the exercise price has been recorded as compensation cost.

(ii) Pursuant to the Scheme, the Company needs to issue and allot to every holder of options under Employees Stock Option Scheme 1999, Employees Stock Option Scheme 2000 and Employees Equity Option Plan 2001, being an employee of SSIIT, one option for one equity share of Scandent against every option for one equity share of SSI held by him on the record date, aggregating to options for not more than 87,617 equity shares, except that the holder of an option to receive Global Depository Shares ('GDS') of SSI shall be entitled to one option for one equity share of Scandent for every option for 10 GDSs of SSI held by him.

Accordingly, on November 10, 2004, the Board of Directors of Scandent have approved SSI IT Services – Employees Stock Option Plan, 2004 ('ESOP II Plan 2004') for grant of options to the holder of options in SSI as on July 2, 2004, the Appointed Date. The Company has granted 70,892 options under the ESOP II Plan 2004 on November 10, 2004 to be exercised at a price of Rs 128.24, which approximates to the fair value of the options. The validity period of the Scheme shall be for a period 84 months from the date of vesting. Based on the confirmation received from SSI, as at September 30, 2004, the options have been fully vested under the original stock option schemes.

Considering that the exercise price equals the fair value of the equity shares of Scandent, no compensation cost has been recorded by the Company.

30. Leases

i. *Operating leases*

Office and guest house premises are obtained under operating lease. The lease term for these premises is for 11 months to 3 years and the lessee is entitled to renew the lease period for a specified period of time. The lease agreements entail an escalation of lease rent of 15 per cent on renewal.

Rent expense for such operating leases recognized in the Profit and loss Account for the period is Rs 14,818,200 (March 31, 2004 – 25,813,663).

ii. *Finance leases*

The Company has entered into an arrangement for lease of vehicles, office equipment and computer equipment.

The lease arrangement for vehicles and office equipment is for a period of 3 years. Under the terms of the lease, the Company is required to pay a fixed monthly installment over the lease term. In respect of vehicles, on pre-closure of the lease, the Company is liable to compensate the lessor for the losses computed under the terms of the lease arrangement.

The lease arrangement for computer equipment is for a period of over 26 months. Under the terms of the lease, the Company has paid as at September 30, 2004, a deposit of Rs 1,761,557 (March 31, 2004 - Rs 2,928,879) (included under Deposits in Note 14) as collateral security which will be adjusted against the last 13 installments of lease rentals.

The amount payable on account of these finance leases are as follows:

	September 30, 2004	March 31, 2004
Total minimum lease payments*	2,838,348	3,533,330
Less: Interest	425,440	607,581
Present value of minimum lease payments*	2,412,908	2,925,749

* Net of security deposit paid for computers

Future minimum lease payments under finance lease are as under:

	September 30, 2004	
	Minimum lease payments	Present value of minimum lease payments
Payable not later than one year	1,950,700	1,591,180
Payable later than one year and not later than five years	887,648	821,728
Payable later than 5 years	-	-
Total	2,838,348	2,412,908

	March 31, 2004	
	Minimum lease payments	Present value of minimum lease payments
Payable not later than one year	1,836,939	1,412,453
Payable later than one year and not later than five years	1,696,392	1,513,296
Payable later than 5 years	-	-
Total	3,533,331	2,925,749

31. Prior year comparatives

This is the first time that the Company has prepared half-yearly financial statements, accordingly, no comparatives are provided for the prior period. The management believes that it is impracticable to generate the financial results of the preceding period, as the necessary cut-offs were not taken as at September 30, 2003 and for the half year then ended. Further, the financial statements for the current period also include the figures for the SSIIT with effect from the Appointed Date. However, comparatives for the year ended March 31, 2004 have been provided by the management and have been reclassified, where necessary, to conform to the current period classification. Accordingly, the current period figures are not comparable with those of the prior year.

As per our report of even date

S.R. Batliboi & Associates
Chartered Accountants

Prashant Singhal
Partner

Membership No. 93283
Place : Bangalore
Date : February 28, 2005

For and on behalf of the Board of Directors

Dilip Keshu
Managing Director

Satyen Patel
Director

Place : New Jersey

Ramesh Vangal
Director

Pradeep Chaudhry
Chief Finance Officer

V Viswanathan
Company Secretary

Place : Bangalore
Date : February 28, 2005