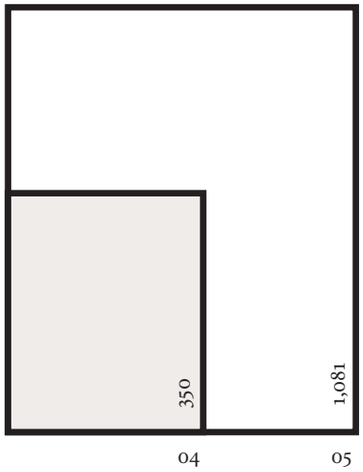
8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 1

MAKING IT HAPPEN

05 Scandent Solutions
ANNUAL REPORT

Scandent Solutions
Growing. Together.

8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 2



Employee Growth

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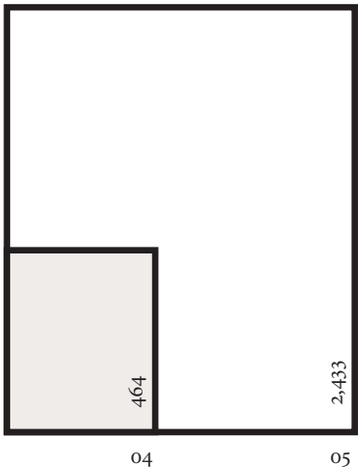
COMMITMENT

1,081

NUMBER OF EMPLOYEES: Scandent Solutions is committed to hiring and retaining outstanding people for the benefit of its clients.

8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 2



Revenue Growth

(RS MIL)

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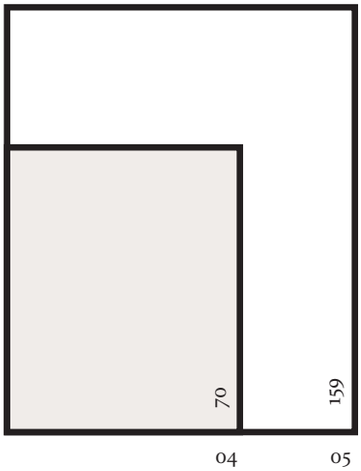
PRODUCTIVITY

69.8%

INCREASE IN REVENUE PER EMPLOYEE: Scandent Solutions' productivity is measured in terms of its revenue growth per employee.

8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 4



Client Growth

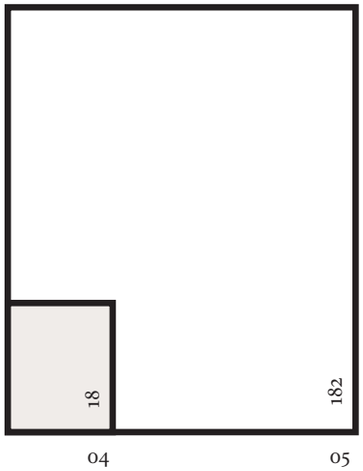
8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 5

OPPORTUNITY

89

NEW CUSTOMERS: With a growing reputation for providing superior services, Scandent Solutions experienced a 127% increase in new client engagement opportunities in '05.

8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 6



Net Profit Growth

(RS MIL)

8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 7

PROFIT ABILITY

924%

INCREASE IN NET PROFIT: Scandent Solutions strives to improve its profitability margin year over year for the benefit of its shareholders.

8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 8

2005 WAS AN OUTSTANDING YEAR FOR SCANDENT SOLUTIONS.

WE CONTINUED TO DELIVER ON THE PROMISE OF GROWTH – BUILDING SCALE, INCREASING CAPABILITIES AND IMPROVING PERFORMANCE IN EVERY AREA OF OUR BUSINESS.

HOW?

8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 9

BY ADDING TANGIBLE VALUE TO THE BUSINESS OF OUR CLIENTS IN EVERY ENGAGEMENT.

BY INNOVATING AND EXECUTING.

BY STAYING TRUE TO OUR PROCESSES.

BY STAYING FOCUSED ON HIRING AND RETAINING OUTSTANDING PEOPLE.

WE'RE MAKING IT HAPPEN – FOR OUR CUSTOMERS, PARTNERS, EMPLOYEES AND INVESTORS.

8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 10

TABLE OF CONTENTS

11 Chairman's Communiqué to Shareholders
13 Scandent Solutions Company Profile
18 Board of Directors
19 Management Team
20 Global Operations
21 Sample List of Customers
22 Results at a Glance
27 Directors' Report
35 Corporate Governance Report
47 Auditors' Report
53 Financial Statements – Indian GAAP
97 Consolidated Financial Statements – Indian GAAP
135 Management Discussion & Analysis
145 Notice and Proxy Form
165 Shareholder Information

8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 11

Dear Shareholder,

Scandent comes from Latin and Sanskrit words. It means rising, ascending. I am pleased to release the fourth Annual Report of Scandent Solutions Corporation Ltd., which demonstrates the ascension of Scandent.

It has been a landmark year for our company. First, we became a listed entity on several Indian stock exchanges, giving the market broader access to us and vice versa. This action raised all of our performance benchmarks and brought in process discipline, stringent disclosure, risk mitigation and assessment rigor at all levels of the company.

Second, following the acquisitions of Intiqua International Inc., a small services company in the US in April, and the equal-sized information technology services business of SSI Technologies in July, we ran the consolidated, integrated firm using high performance metrics confirming that our acquisitions were indeed successful. Both of these acquisitions have since been consummated and we are now in the process of realizing numerous related synergies – cross selling, operating leverage, an extended repertoire of intellectual property and reusable frameworks, and geographic diversification.

Third, we achieved CMMi 5 and PCMM 3 certifications during the year while simultaneously optimizing our operating margins and introducing new offerings, proving to the market that we could grow organically. The expanded footprint of the company now includes a strong, differentiated offering in the government sector (mainly in the United States) as well as banking, financial services and insurance (or BFSI) markets.

We also did well financially. Here are some of the highlights:

- Our revenues for FY 2004-05 were Rs. 243.28 crores while our Operating Income was Rs. 29.44 crores (12.1 % of revenue),
- Out Profit After Taxes (PAT) was Rs.18.2 crores (7.4% of revenue), and
- We reported a basic EPS of Rs.7.37 per share while our diluted EPS was Rs.7.25 per share.

In addition, we added 17 clients in every quarter, demonstrating our core competency in sales. We also realized a significant increase in revenue on projects from existing clients indicating our ability to deliver customer satisfaction.

In sum, we feel good about our performance and achievements last year, but ascending is all about continuing to push hard and staying ahead of the winds of change.

During the coming year we will focus on a few key areas to increase our strength and keep us ahead of the competition to include:

- Optimizing operating margins,
- Widening our client base,
- Looking at inorganic acquisitions to expand our offerings and geographic presence, and
- Increasing the quality of our differentiation in terms of solution innovation and execution.

This kind of focus, coupled with our proven capability to integrate acquisitions, gives us impetus to work towards the objectives that we have set for ourselves in the coming year and continue to fulfill the vision of our name.

Thank you for all the confidence you have placed in Scandent.

Onwards. Upwards.

Christopher Sinclair
CHAIRMAN

8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 13

SCANDENT SOLUTIONS COMPANY PROFILE

8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 14

Overview

Scandent Solutions Corporation Ltd. (SSCL) is a broad-based information technology solutions firm. The firm is a growing, highly respected company with the vision to be a preferred, trusted and successful long-term partner to its stakeholders, clients, partners, associates and employees.

SSCL was incorporated by the Scandent Group as a private limited company under the name of Scandent Network Pvt. Ltd. on 1st February 2002.

SSCL started out in the IT space by providing consulting services in engineering, enterprise solutions, end-to-end business process management and infrastructure management. Today it provides business solutions to customers all over the world. It focuses on helping companies achieve their strategic objectives through the use of information technology solutions. It simplifies complex problems through the use of enabling technology and services that are delivered with specialized domain expertise in sectors such as manufacturing, logistics, healthcare, insurance, banking, capital markets, other financial services, technology management, government, education, travel, media and entertainment among others.

SSCL converted from a Private Limited Company to a Public Limited Company vide a special resolution passed by the shareholders of the Company at an Extraordinary General Meeting held on 1st October, 2004. SSCL acquired the demerged IT division of SSI Technologies Ltd. during July, 2004 and gained automatic listing (Clause 8.3.5.1 of SEBI DIP Guidelines). It was listed on the stock exchanges in March, 2005.

Mission

Scandent Solutions' mission is to add tangible value to the business of its clients in every engagement. It does this through innovation and efficient execution. It works hard on consistency so that its stakeholders are not blindsided by unpleasant surprises. The firm believes that there are several core attributes that underpin success:

- Be driven by market need.
- Innovate to move clients ahead.
- Stay focused.
- Be true to processes that have been laid down.
- Hire and retain outstanding people and acquire or build differentiated products.
- Be fair and ethical at all times.
- Assess progress through the satisfaction of stakeholders.
- Achieve teamwork with the goal of congruence at all levels.
- Build strong partnerships with other vendors of merit.

All over the world, enterprises buy technology for competitive advantage – or at the minimum, parity with others. Whatever the compulsion, making technology work and optimizing business processes are not always easy because one lives in a change continuum – of people, processes and products – each propagating the very phenomenon they strive to control.

Change presents opportunity and so it is not surprising that the world is full of new applications, technologies, processes, methods and resources created by enlightened people and companies. Getting all the pieces to work together as one coherent solution is not an easy task.

This is what Scandent does well – it is the firm's basic value proposition: we pull all the pieces of a solution together to create, where possible, a differentiated offering.

8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 15

Services

The Company's core offerings range from business consulting to application maintenance/support through software development, application implementation services and comprehensive business process outsourcing. Other services include process improvement, integration, customizations, end user services, training, documentation, quality assurance, testing and legacy application migrations.

CORE OFFERINGS

- Business Consulting: high level roadmaps, technology strategy, solutions design.
- Packaged Software Implementation Support: support of best of breed packages and off the shelf software suites.
- Software Engineering: on and off site custom solution design and development.
- Maintenance and Outsourcing: Service level agreements, on site and offshore, maintenance of IT systems, outsourced development and support; training and education, performance support systems.
- Re-usable Assets: Scandent sometimes provides its clients several products/objects/frameworks that it has built to enhance Scandent's differentiation, where relevant.
- Business Process Outsourcing.
- ITES (IT enabled services)/Call Centers.

Focus

The Company focuses on two main areas – one within the "firewall" of a company (intra-enterprise applications or processes) and one outside (extra-enterprise applications or processes). Typically, the latter pertains to buy and sell side applications; or those that firms use when dealing with their clients and suppliers or partners.

INTRA-ENTERPRISE APPLICATIONS

- Core Applications

  Banking, financial services and insurance applications: corporate, retail and consumer systems, claims, portfolio management, transaction management, treasury, back end settlement systems, analytics and wealth management.

  Manufacturing, retail, CPG and logistics applications, such as enterprise resource planning: finance, HR, procurement, sales, materials, capacity, planning, engineering, marketing, and logistics. The firm also has expertise in CAD, CAM, CAE and PLM solutions.

  Enterprise portals.

  Commodity market applications: exchanges, trading platforms, and brokerage systems.

  Government applications: human health, courts, education, and environment.

  More specialized applications in retail, media, entertainment, telecoms, energy, utilities, and hi tech.
- Knowledge services: DBMS, enterprise portals, warehousing, content management, cataloguing, business intelligence, and learning management systems.
- EAI: inter application integration.

EXTRA-ENTERPRISE APPLICATIONS

- Sell side applications: Customer relationship management, sales force automation, personalization, analytics, and trading portals.
- Buy side applications: procurement, logistics, and supply chain enablement.
- Horizontal applications: cataloguing, payment gateways, security, delivery, track and trace, portals, and creative design.
- B2Bi: business to enterprise application integration.
- Marketplaces: public marketplaces, private exchanges, and metamediaries / hybrids.

8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 16

Differentiators

The Company has entered a mature, large and growing market (IT services industry). It has done extremely well, growing above industry average on account of its unique differentiated offerings that are highly scaleable. In addition, the Company's board and executive management are well regarded for having run large, successful companies before.

1. Experience of management: SSCL's management team is comprised of personnel that have demonstrated experience and expertise in building and leading large business corporations.

2. Focus on three key verticals: SSCL's business model is clearly focused on offering unique solutions within several verticals but with a main focus on three – manufacturing and logistics (M&L), banking, financial services and insurance (BFSI) and government. The revenues are well distributed among the verticals with no major concentration and exposure to any single vertical. The solutions provided in each of the verticals are differentiated because SSCL offers services around intellectual property that it owns (as in the government vertical where the average size of deal is US $15m and in the financial services market) or around flagship products of companies that have a close and long term relationship with SSCL.

3. Reusable frameworks: SSCL is a services company but it provides its clients in all of its three core verticals with reusable frameworks to increase its differentiation, command premium billing rates and add tangible value to its clients. These frameworks are specialized product suites that the company owns. In the case of the government vertical, SSCL offers a case eligibility, rules and workflow engine for human health services called @vantage. The solution sells for an average of US $15 million and has a growing track record with installations in the US states of Massachusetts, Minnesota, and Wyoming. In the case of the BFSI vertical, SSCL offers frameworks for capital markets (equities) with a product called TESA which was built for Nasdaq Japan among several other products like SecuraBTS, Net Commex and Edifice (for brokerages, commodities trading and wealth management respectively).

4. Strong delivery systems: SSCL has very a strong and proven delivery mechanism which is evidenced by the substantial growth over the years in all of its key markets. SSCL is both ISO 9001 and CMMi 5 Certified (SEI's Capability Maturity Model – Level 5 being the highest rank).

5. Integration: The ability of SSCL to identify the right companies for acquisition, and more importantly the ability of the top management to quickly and properly integrate processes, people, and operations has been a key strength of the Company. The last acquisition SSCL made was three quarters ago. During this period SSCL has shown the market that it can grow the firm at a rate that is above industry average.

6. Geographical presence: SSCL has presence in North America, Europe and Asia Pacific. The offshore centers are based in Bangalore, Chennai and Singapore. Singapore also houses the disaster recovery center. Non-Asia onshore centers are in Atlanta and London.

Track Record

SSCL was incorporated on 1 February 2002, as a small IT company with a far reaching vision to become a specialized and differentiated IT services company in select domains. Since then SSCL has grown to become a preferred IT services company for many large Fortune 500 enterprises and state governments across the globe.

SSCL started its operation with the provision of technology consulting to a few clients. It added domain consulting services to its portfolio along the way and is now a provider of a full range of IT services including business process consulting, enterprise solutions implementation, software engineering (custom development) and application maintenance. Today SSCL operates in all major markets in the world, and provides a host of services within the entire value chain to its clients.

8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 17

SSCL has not only grown organically, but also acquired IT businesses from other established IT companies. SSCL acquired the IT division of SSI technologies to gain a strong foothold in other markets (especially the government and BFSI verticals) thereby diversifying its portfolio. SSCL also acquired another broad based IT services company, Intiqua International, Inc, to grow further in the manufacturing domain.

Together with these acquisitions, accompanied by sound organic growth, SSCL is now a company with annual revenues of more than 240 crores after beginning from a small base of a few crores in 2002.

The list below underpins the company's claim that it is a growth emergent.

- Over 1,100 employees.
- 175% growth in revenues with a solid PAT turnaround.
- Commands above industry average bill rates.
- Low staff attrition.
- Strong delivery methodology called Scandent/Methodix.
- Large portfolio of reusable frameworks which differentiate the company.
- Approved vendor to large companies as well as several state governments.
- Long term, multi-year relationships with principal software vendors and strong partnership model called Scandent/Weave.
- Among top 20 companies in the Indian Information Technology industry.
- CMMi 5 Certified (SEI's Capability Maturity Model – Level 5 is the highest rank) in three centers, one of them being in Singapore.
- ISO 9001 certified.
- Certified as a People Developer by Government of Singapore.

8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 18

Chris Sinclair

CHAIRMAN

Chris Sinclair is a founder and chairman of Scandent Group and chairman of both Scandent Solutions and Cambridge Integrated Services. Mr. Sinclair was instrumental in building PepsiCo's international franchise as chairman and chief executive officer of Pepsi-Cola Company, as well as PepsiCo Food and Beverage International. Through his various executive roles at PepsiCo, from 1984 to the mid 1990s, he orchestrated the global brand success, building significant shareholder value and increasing market share.

Following his tenure at PepsiCo, Mr. Sinclair was president and chief executive officer of Quality Food, Inc. (NYSE), a U.S. west coast supermarket chain backed by Sam Zell's Equity Group. Through Mr. Sinclair's 18-month acquisition / growth strategy, Quality Food expanded rapidly and was successfully sold to Fred Meyer, Inc. More recently, Mr. Sinclair also led the financial restructuring of Caribiner International, Inc. (NYSE) as chairman and CEO of this Warburg Pincus sponsored global business communications company. Mr. Sinclair currently serves as a board member of Mattel, Inc., Footlocker, Inc. and eMerge Interactive, Inc.

Dilip Keshu

CHIEF EXECUTIVE OFFICER

Dilip Keshu is the chief executive officer of Scandent Solutions. He was the founder of xchange21 (which became known as INTIQUA International, Inc and was acquired by Scandent Group); former president of DACG Asia Pacific; far east vice president and managing director of Baan Asia Pacific, and managing director of Cincom Systems in Asia.

Ramesh Vangal

DIRECTOR

Ramesh Vangal is founder of Scandent Group, and a director of both Scandent Solutions and Cambridge Integrated Services Group. He is also the founder and CEO of Katra Group, a diversified group with interests in alcoholic beverages, agroproducts, healthcare and marine services. Mr. Vangal was the former Seagram Asia-Pacific chairman, former president Asia-Pacific for PepsiCo Foods International, former member of the Worldwide Executive Council of PepsiCo and former executive of Procter & Gamble.

Satyen Patel

DIRECTOR

Satyen Patel is a founder and vice chairman of Scandent Group, director of Scandent Solutions, and vice chairman of Cambridge Integrated Services. Mr. Patel was the former managing director of Nike / South East Asia, former director international business development for Pepsi-Cola International, director strategic business development for Grand Met / Pillsbury in Minneapolis and a former board member of 3i plc Asia Pacific.

Shobhan Thakore

DIRECTOR

Mr. Thakore has advised in the establishment of several leading Indian companies on corporate law and related legislations and technology agreements for more than three decades. He is currently a senior partner with AZB & Partners and has held positions at Bhaishanker Kanga & Girdharlal and Advocates & Solicitors. Mr. Thakore is a solicitor, Supreme Court of England and Wales; solicitor, High Court, Bombay; advocate, India.

Kunal Kashyap

DIRECTOR

Mr. Kashyap was ex-managing partner of Arthur Andersen and CFO (APAC) of Digital Corporation. He has more than 15 years of experience in building and managing large organizations. Mr. Kashyap is a member of the board for major Companies such as, GlaxoSmithKline, Metlife India, Duphar Interfran, and Corporate Voice Shandwick. He has expertise in corporate finance and the Indian tax and legal system. Mr. Kashyap has been involved in key transactions for Metlife, Biocon, Alstom, Nicholas, and GlaxoSmithKline.

Sunil K. Kolangara

DIRECTOR

Mr. Kolangara has over 12 years of professional experience in the areas of asset management and capital markets. He is currently a director with UTI Ventures, working with them for eight years where he was responsible for project finance, credit rating, primary market investments, equity research and as an offshore fund manager of the "India IT Fund". He was previously with Infosys Technologies, where he was a principal consultant in the financial securities domain.

8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 19

Dilip Keshu

CHIEF EXECUTIVE OFFICER, SCANDENT SOLUTIONS CORPORATION LIMITED

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Pradeep Chaudhry

CHIEF FINANCIAL OFFICER, SCANDENT SOLUTIONS CORPORATION LIMITED

Pradeep Chaudhry is the chief financial officer of Scandent Solutions. Mr. Chaudhry brings significant experience in the areas of planning, pricing, fund raising, mergers and acquisitions, legal, tax and regulatory issues. Prior to joining Scandent Solutions, he was the CFO of Ind-Telesoft Private Limited and was also a part of the core team that set up and grew IBM's Global Services in India.

Pallab Bandyopadhyay

VICE PRESIDENT HUMAN RESOURCES, SCANDENT SOLUTIONS CORPORATION LIMITED

Pallab Bandyopadhyay is the vice president of Human Resources of Scandent Solutions. Dr. Bandyopadhyay has nearly 20 years of professional experience in the areas of institution, organization and human resources development. Before joining Scandent Solutions, he was instrumental in creating Sasken Communication Technologies, a leading telecom software company. In 2003, Dr. Bandyopadhyay was bestowed with the Super Achiever's Award instituted by the Center for Change Management and the India Group of Institutions for his achievements in the area of human resources development.

Rob Marchant

PRESIDENT, GOVERNMENT DIVISION, SCANDENT SOLUTIONS CORPORATION LIMITED

Rob Marchant is a member of the Executive Council of Scandent Solutions and the president of Scandent Albion, Scandent Solution's government division. Mr. Marchant began his career at Rolls Royce and in 1994 co-founded Albion International. He has grown the Albion division from a small start-up to a systems integration company that can compete and win against the largest global integrators.

8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 20

Locations

- USA†
  Atlanta, Boston, Chicago, Denver, Foster City, Minneapolis, New Jersey, New York, San Jose, Washington DC
- Germany
  Munich
- France
  Lyon
- UK†
  Ascot, London
- India*
  Bangalore, Chennai
- Singapore†*
- Malaysia
- Japan

The firm has distinguished itself in international markets

Malaysian operations have obtained Multimedia Super Corridor Status (MSC status)

Economic Development Board of Singapore grants Scandent International Headquarters Status

† Development Centers

* Offshore Centers

8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 21

Financial Services
Banking

- State Bank of India
- ING Bank
- Citibank
- Central Bank of Sri Lanka
- Southern Bank Barhad

Capital Markets

- JP Morgan
- Pacific Stock Exchange
- NASDAQ
- NASDAQ Europe
- Dhaka Stock Exchange
- Cognotec

Insurance

- Liberty Mutual

Government

- Department of Transitional Assistance, Massachusetts
- Ministry of Manpower
- Department of Human Services, Minnesota
- Department of Family Services, Wyoming
- The State of New Mexico, USA

Manufacturing

- Pepsi
- John Deere
- Dell
- GE
- Nokia

Distribution and Logistics

- Exel Logistics
- Bax Global
- Nippon Express
- Cargo 200

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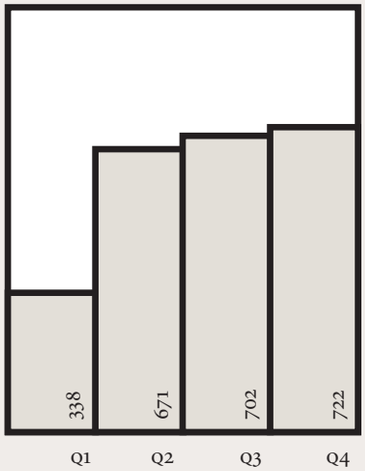
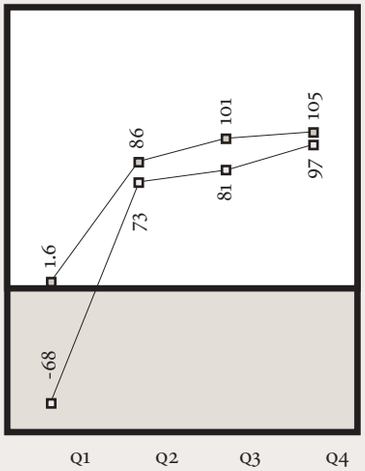
RESULTS AT A GLANCE (FISCAL YEAR 2004-05)



Revenue Performance

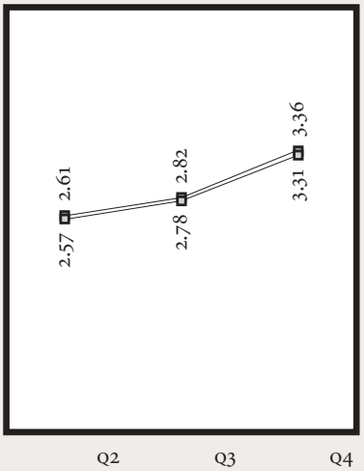
(RS MIL)



Profit Performance

(RS MIL)

OPERATING PROFIT
NET PROFIT



EPS Quarterly Performance

(RS)

BASIC
DILUTED

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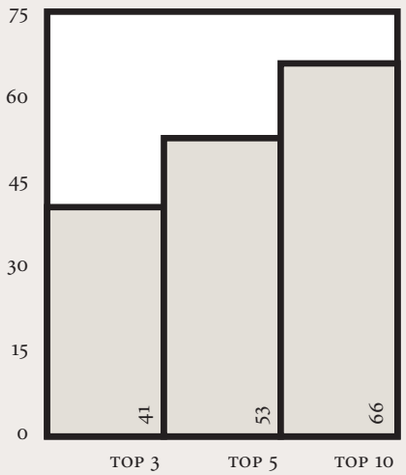
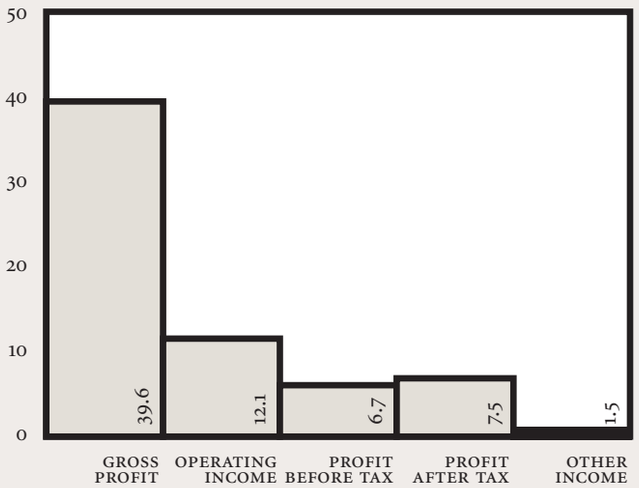


Client Concentration

(% REVENUE)



Key Performance Ratios

(% REVENUE)

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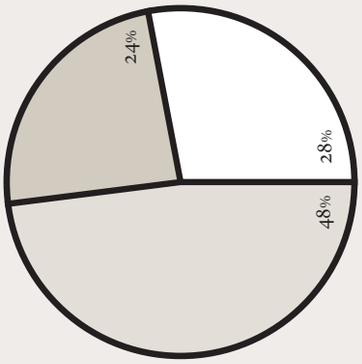
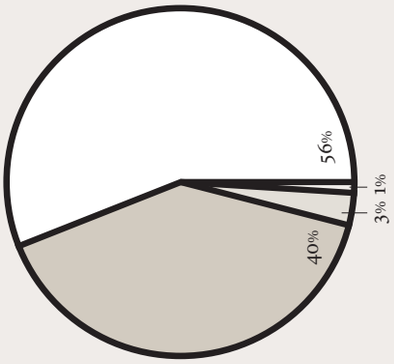
RESULTS AT A GLANCE (FISCAL YEAR 2004-05)



Vertical Revenue (%)

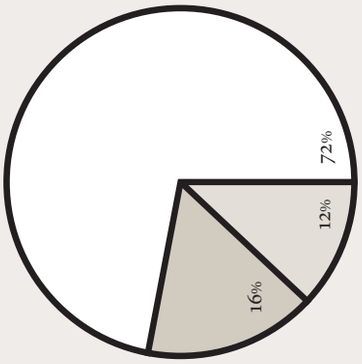
- BFSI
- GOVERNMENT
- MANUFACTURING



Type of Contracts as % of Revenue

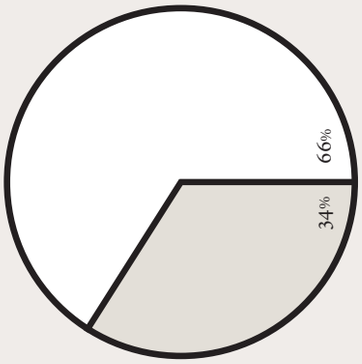
- TIME & MATERIAL CONTRACTS
- FIXED PRICE CONTRACTS
- ANNUAL MAINTENANCE CONTACTS
- LICENSE SALES

8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 25



Geographic Revenue Split (%)

USA
EUROPE
REST OF THE WORLD



Revenue Mix by Location (%)

ONSITE
OFFSHORE

8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 26

SCANDENT SOLUTIONS CORPORATION LIMITED
FORMERLY SCANDENT NETWORK PRIVATE LIMITED

BOARD OF DIRECTORS

Christopher A Sinclair (Non-Executive Chairman)

Dilip Keshu (CEO & Managing Director)

Ramesh Vangal (Non-Executive Director)

Satyen Patel (Non-Executive Director)

Sunil Kolangara (Independent Director)

Shobhan Thakore (Independent Director)

Kunal Kashyap (Independent Director)

COMPANY SECRETARY

V. Viswanathan

STATUTORY AUDITORS

S.R. Batliboi & Associates

Divyashree Chambers

'A' Wing, 2nd Floor

Langford Road

Bangalore – 560 025

REGISTERED OFFICE

"Coconut Grove"

No. 33 1st 'A' Cross, 18th Main

6th Block, Koramangala

Bangalore – 560 095

Tel : 080 51105000

Fax : 080 25527805

www.scandentsolutions.com

BANKERS

UTI Bank Ltd

Chinatrust Commerical Bank

Export Import Bank of India

HSBC Ltd

State Bank of Mauritius Ltd

Union Bank of India

REGISTRAR AND TRANSFER AGENT

Karvy Comuputershare Private Limited

No. 51/2, T.K.N. Complex, Vanivilas Road

Opp. National College, Basavanagudi

Bangalore – 560 004

Phone Number : 080 26621184/92/93

Fax Number : 080 26621169

Email : kannans@karvy.com / prasannak@karvy.com

Website : www.karvy.com

Director's Report 083005 1308 8/30/05 8:50 PM Page 27

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the Fourth Annual Report and the Audited Statement of Accounts of the Company for the financial year ended March 31 2005.

Financial Results

The performance of the Company for the financial year ended 31st March 2005 is summarized below:

Particulars	March 31, 2005 (Rupees in Lacs)
Sales & Other Income	12,980
Total Expenditure	11,002
Profit before Interest Depreciation and Tax	1,978
Finance Costs	434
Depreciation & Amortisation	753
Profit before Tax	791
Income Tax (including deferred tax)	(280)
Profit after Tax	1,071

Results of operations

Your Company experienced rapid growth during the year under review on all fronts. Total income was Rs. 12,980 lacs as against Rs. 4,692 lacs during the previous year, showing a growth of 175 %. Profit after Tax grew to Rs. 1,071 lacs from Rs. 178 lacs in the previous year, which is 500% growth year on year.

Dividend

Your Company is not proposing to declare any dividend this year.

Scheme of Arrangement

Your Company concluded the Scheme of Arrangement with SSI Limited, approved by Hon'ble Madras High Court and the Hon'ble Karnataka High Court vide their order dated September 22, 2004 and September 20, 2004 respectively, whereby IT Services Business of SSI Limited ("SSI") was demerged into, your Company with effect from July 2, 2004. Pursuant to this Scheme of Arrangement, your Company has also reorganized its equity share capital.

Your Directors are optimistic of creating higher value for its shareholders by way of creating synergies between the domain strength and strong offshore delivery capability of the Companies and this will enable the Company to compete successfully across various verticals, segments and geographies.

Share Capital

Pursuant to the Scheme of Arrangement, the issued, subscribed and paid-up equity share capital of your Company of Rs. 32,84,44,630 comprising of 3,28,44,463 equity shares of the face value of Rs. 10 each fully paid-up was reduced to Rs. 13,15,89,620 comprising of 1,31,58,962 equity shares of the face value of Rs. 10/ – each fully paid-up. Further, for every share held in SSI Ltd., one share of your Company was issued to the shareholders of SSI Ltd. and the issued, subscribed and paid-up capital of your Company has been restructured as follows:

Details of shareholding	Shares held Pre – Demerger		Shares held Post – Demerger
	Pre–Reduction	Post–Reduction	
Shareholding subject to reduction	3,28,44,463	1,31,58,962	1,31,58,962
Shareholding not subject to reduction	21,05,434	21,05,434	21,05,434
Shareholders of SSI			1,34,67,880
Grand Total	3,49,49,897	1,52,64,396	2,87,32,276

Conversion to Public Company and Change of Name

Subsequent to the Scheme of Arrangement your Company changed its name and also got converted into a Public Limited Company and thus was renamed as Scandent Solutions Corporation Limited from Scandent Network Private Limited.

Listing of Shares

Pursuant to the Scheme of Arrangement, an application for relaxation under Rule 19(2)(b) of Securities Contract Regulation Act, 1956, was made by your Company under Clause 8.3.5.1 of SEBI (Disclosure and Investor Protection) Guidelines, 2000 to SEBI with regard to listing of its shares in four stock exchanges, where SSI Ltd. shares were listed viz., National Stock Exchange, The Stock Exchange, Mumbai, Madras Stock Exchange and The Stock Exchange, Ahmedabad. Subsequent to the receipt of approvals from all the above said stock exchanges, the Company's shares have got listed on March 9, 2005.

Subsidiary Companies

Your Company has subsidiaries namely, Scandent Group Inc, USA, Client Soft Inc., USA, Albion Inc., USA, Indigo Markets Ltd., Bermuda, Scandent Group GmbH, Germany, Scandent Network Europe Ltd, UK, Indigo Markets Europe Limited, UK, Scandent Group Pte Ltd., Singapore, Indigo Markets Singapore Pte Ltd. Singapore, Scandent Group Sdn, BHD, Malaysia, MatrixOne India Limited, India.

Your Company presents the audited consolidated accounts of the Company and its subsidiaries in the annual report. However, the stand alone reports of the subsidiaries are not attached and are available at the Registered Office of the Company.

Employee Stock Option Plans

SCANDENT SOLUTIONS CORPORATION LIMITED EMPLOYEE STOCK OPTION PLAN 2004:

Your Company had announced an Employee Stock Option Plan (ESOP), i.e., Scandent Solutions Corporation Limited Employee Stock Option Plan (ESOP), 2004 (hereinafter referred to as "ESOP 2004"), in due compliance with SEBI (ESOS & ESPS) Guidelines, 1999 and any amendment thereto, which was approved by the shareholders by way of postal ballot.

SCANDENT SSI IT SERVICES EMPLOYEE STOCK OPTION PLAN 2004:

In pursuance of the Scheme of Arrangement for demerger of the IT Services Business of SSI Limited and Scandent Solutions Corporation Limited, your Company has introduced the Scandent SSI IT Services – Employee Stock Option Plan 2004, in due compliance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and any amendment thereto, which was approved by the shareholders by way of postal ballot.

All the above schemes are administered by the Remuneration Committee, constituted as per SEBI Regulations. Pursuant to Clause 12.1 of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, the details of options granted under the above schemes are given in Annexure 1.

Fixed Deposits

Your Company has not accepted any fixed deposits under Section 58A of the Companies Act, 1956 and as such no amount of principal or interest was outstanding as of the balance sheet date.

Directors

Mr. Satyen Patel retires by rotation and being eligible offers himself for re-appointment.

Mr. Christopher A Sinclair, Mr. Dilip Keshu and Mr. Shobhan Thakore, were appointed as Additional Directors on the Board of Directors meeting held on November 10, 2004. Mr. Kunal Kashyap was appointed as an Additional Director on May 23, 2005, by way of a circular resolution. The Board has received a notice from its members with regard to their appointment as the Directors of the Company and it is proposed to re-appoint them at the ensuing Annual General Meeting of the Company.

Mr. Suresh Kalpathi and Mr. Mukesh Bhutani were appointed as Directors on November 10, 2004 and they vacated their office on November 24, 2004 and December 01, 2004 respectively. Further Mr. Jairaj, Director, vacated his office on September 30, 2004.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, the Directors, based on the representation received from the Operating Management, hereby confirm that:

1. In the preparation of the annual accounts, the accounting standards have been followed and that there are no material departures;

2. They have, in selection of accounting policies consulted by the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2005 and of the profit or loss of the Company for the year ended on that date;

3. They have taken proper and sufficient care, to their best of knowledge and ability, 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 for preventing and detecting frauds and other irregularities;

4. They have prepared the annual accounts of the company on a going concern basis;

Auditors

M/s. S. R. Batliboi & Co., Chartered Accountants, Statutory Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if reappointed.

Particulars of employees

Particulars of employees as required under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this report. However, in pursuance to Section 219(1)(b)(iv) of the Companies Act, 1956, this report is being sent to all the members of the Company excluding the aforesaid information and the said particulars are made available at the Registered Office of the Company. The members desirous of obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

Conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo

Information as per Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in Report of the Board of Directors) Rules, 1988, is given in the Annexure 2 included in this report.

Awards & Recognition

Your Company has a very strong and proven delivery mechanism which is evidenced by the fact that it has managed to substantially grow its key clients over the years. Your Company is both ISO 9001 and CMMi 5 Certified (SEI's Capability Maturity Model – Level 5 being the highest rank). The offshore development centers of your Company are based in Bangalore, Chennai and Singapore and your Company believes that it is the first company to be certified at CMMi 5 at a development center in Singapore.

Corporate Governance Report

The importance of Corporate Governance Report has always been recognized by your Company. Your Company is following the Corporate Governance like optimum combination of Executive and Non-Executive Directors, Independent Directors, constitution of Committees like Audit Committee, Investor Grievance Committee, etc.

A detailed Corporate Governance Report in line with the requirements of Clause 49 of the listing agreement regarding the Corporate Governance practices followed by the Company and the Practicising Company Secretary's Certificate indicating compliance of mandatory requirements along with Management Discussion and Analysis Report, are given as part of the Annual Report.

Acknowledgements

Your Directors thank the Company's clients, vendors, investors and bankers for their support during the year. Your Directors place on record their appreciation of the contribution made by employees at all levels.

Your Directors thank the Government of India particularly the Ministry of Communication and Information Technology, the Customs and Excise Departments, the Software Technology Parks – Bangalore and Chennai, the Reserve Bank of India, the State Governments, and other Government Agencies for their support, and look forward to their continued support in the future.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS,

CHAIRMAN

Date: 24th May 2005
Place: Bangalore

Director's Report 083005 1308 8/30/05 8:50 PM Page 32

Annexure 1

Scandent Solutions Corporation Limited Employee Stock Option Plan 2004

Description	Details
(a) No of options granted	4,77,268 Options
(b) Exercise Price	Rs. 10/ – per share
(c) Options Vested	3,57,951 Options
(d) Options Exercised	Nil
(e) Total shares arising as a result of exercise of option.	Nil
(f) Options lapsed	11,050 Options
(g) Variation of terms of options	Nil
(h) Money realized by exercise of options	Nil
(i) Total Number of options in force	4,66,218 Options
(j) Employee-wise details of options granted to	
(i) Senior Managerial Personnel	Please refer Table 1
(ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	Nil
(iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of your company at the time of grant.	Nil
(k) Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of option.	Rs. 4.27

Table 1

Sl. No.	Employee	ESOP 2004 – No of Options
1	Alok K. Sinha	23,500
2	K. Jayakumar	29,000
3	Pradeep Chaudhry	40,000
4	Pallab Bandyopadhyay	29,000

Table 2

Impact of employee compensation cost calculated as difference between Intrinsic Value and Fair Market Value in accordance with SEBI Guidelines on ESOP, on Net Profit, and EPS

	Year ended 31.03.2005 (In Rupees)
Net Income as reported	10,70,97,486
Net Income available for Equity Shareholders	10,70,97,486
Add: Stock based employee compensation expenses included in reported income	2,44,76,445
Less: Stock based employee compensation expenses determined under Fair Value based method net of tax effects	(2,09,59,996)
Proforma Net Income	11,06,13,935
Reported Earnings per Share	
Basic	4.34
Diluted	4.27
Proforma Earnings per share	
Basic	4.48
Diluted	4.41

Director's Report 083005 1308 8/30/05 8:50 PM Page 33

Table 3

Assumptions used to calculate Fair Market Value in accordance with SEBI Guidelines on ESOP	
Dividend Yield	0.00%
Expected Life	3 – 4 years
Riskfree Interest Rate	4.88 – 4.91%
Volatility	0.00%
Market Price	0.00%

Scandent SSI IT Services Employee Stock Option Plan 2004

Description	Details
(a) No of options granted	70,892 Options
(b) Exercise Price	Rs. 128.75 / – per share
(c) Options Vested	70,892 Options
(d) Options Exercised	Nil
(e) Total shares arise as a result of exercise of option.	Nil
(f) Options lapsed	Nil
(g) Variation of terms of options	Nil
(h) Money realized by exercise of options	Nil
(i) Total Number of options in force	70,892 Options
(j) Employee-wise details of options granted to	
(i) Senior Managerial Personnel	NA
(ii) any other employees who receives a grant in any one year of option amounting to 5%or more of option granted during that year	Nil
(iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of your company at the time of grant.	Nil
(k) Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of option	4.27

Table 1

Impact of employee compensation cost calculated as difference between Intrinsic Value and Fair Market Value in accordance with SEBI Guidelines on ESOP, on Net Profit, and EPS

	Year ended 31.03.2005 (In Rupees)
Net Income as reported	10,70,97,486
Net Income available for Equity Shareholders	10,70,97,486
Add:Stock based employee compensation expenses Included in reported income	2,44,76,445
Less:Stock based employee compensation expenses determined under Fair value based method net of tax effects	(2,09,59,996)
Proforma Net Income	11,06,13,935
Reported Earnings per Share	
Basic	4.34
Diluted	4.27
Proforma Earnings per share	
Basic	4.48
Diluted	4.41

Director's Report 083005 1308 8/30/05 8:50 PM Page 34

Table 2

Assumptions used to calculate Fair Market Value in accordance with SEBI Guidelines on ESOP	
Dividend Yield	0.00%
Expected Life	3.35 years
Riskfree Interest Rate	6.80%
Volatility	0.00%
Market Price	0.00%

For and on behalf of the Board of Directors,

Chairman
Date: 24th May 2005
Place: Bangalore

Annexure 2

1. PARTICULARS PURSUANT TO COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A. Conservation of Energy

The operations of your Company are not energy intensive. However, adequate measures have been taken to reduce energy consumption by using energy efficient computer terminals.

B. Technology Absorption

As your Company progresses, necessary R & D activities will be initiated to meet the technology requirements for the future.

C. Foreign Exchange Earnings and Outgo

Total Foreign Exchange Earnings and Outgo

	2005 (in Rupees)	2004 (in Rupees)
(i) Total Foreign Exchange earned	94,03,23,425	46,27,87,526
(ii)Total Foreign Exchange used	89,28,36,203	2,37,84,719

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS,

CHAIRMAN

Date: 24th May 2005
Place: Bangalore

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2004 – 05

(as required under Clause 49 of the Listing Agreement entered into with Stock Exchanges)

1. Company's Philosophy on Corporate Governance:

The Company is committed to the highest standards of corporate governance in all its activites and its processes. The Company believes that good corporate governance practices enable the management to direct and control the affairs of the Company in an efficient manner and to achieve the Company's goal of maximizing value for its shareholders. The Company believes that good corporate governance lies not merely in drafting a code of corporate governance but in practicing it.

The Company has put in place good corporate governance and confirms its compliance as contained in Clause 49 of the Listing Agreement.

2. Board of Directors:

a. Composition of Board of Directors:

The Board of Directors as on 31.03.2005 comprises of six Directors of which five are Non-Executive. The Chairman is Non-Executive and the number of Independent Directors i.e. those who do not have any material pecuniary relationship with the Company is two. The number of Non-Executive Directors is five, which is more than 50% of the total number of Directors. The composition is as under:

Name of the Director	Position	Category
Christopher A Sinclair	Chairman	Non-Executive Director
Dilip Keshu	Managing Director	Executive Director
Ramesh Vangal	Director	Non-Executive Director
Satyen Patel	Director	Non-Executive Director
Sunil Kolangara	Director	Non-Executive Independent Director
Shobhan Thakore	Director	Non-Executive Independent Director

b. Meeting and Attendance of each Director:

Eight meetings of the Board were held on the following dates during the year ended 31st March 2005:

1. 12.05.2004
2. 02.06.2004
3. 12.06.2004
4. 21.09.2004
5. 07.10.2004
6. 27.10.2004
7. 10.11.2004
8. 11.01.2005

Corporate Governance 083005 1334 8/30/05 8:51 PM Page 37

The attendance record of the Directors at the Board Meetings held during the year ended 31st March 2005 and the details of other Directorships and Committee Chairmanships and Memberships held by the Directors of the Company are given below:

Name of the Director	Attendance Particulars	No of Directorships and Committee Membership/Chairmanship		
	Board Meetings	Other Directorships in public companies	* Committee Memberships	* Committee Chairmanships
Through out the year				
Mr. Ramesh Vangal	8	1	–	–
Mr. Satyen Patel	3	1	–	–
Part of the year				
Mr. Christopher A Sinclair (Appointed w.e.f 10.11.2004)	1	–	3	3
Mr. Dilip Keshu (Appointed w.e.f 10.11.2004)	1	–	–	–
Mr. Sunil Kolangara (Appointed w.e.f 12.06.2004)	2	–	–	–
Mr. Shobhan Thakore (Appointed w.e.f 10.11.2004)	–	4	2	2
Mr. Mukesh Bhutani (Appointed w.e.f 10.11.2004 & resigned on 01.12.2004)	–	–	–	–
Mr. Suresh Kalpathi (Appointed w.e.f 10.11.2004 and resigned on 24.11.2004)	–	2	–	–
Mr. Jairaj (Resigned w.e.f 30.09.2004)	4	–	–	–

* Only two committees, namely Audit Committee, Shareholders/Investors Grievance Committee have been considered.

3. Audit Committee:

i. The Audit Committee was constituted on November 10, 2004 in line with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

ii. The Company got listed on March 09, 2005. No meeting was conducted for the period 2004 – 05.

iii. The broad terms and references of Audit Committee are as follows:

The powers and role of the Audit Committee are as laid down under Clause 49 (II) (C) & (D) of the Listing Agreement and Section 292A of the Companies Act, 1956 and as described under Audit Committee Charter are as follows:

- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the credible information is disclosed.
- Recommending the appointment and removal of Statutory Auditors and fixation of their Audit fees and fees for other services rendered.
- Review of Statutory Audit Firm and discussion with Statutory Auditors before the audit commences, the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- Review of performance of Statutory Auditors.
- Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - Any change in accounting policies and practices.
  - Disclosure of related party transactions.
  - Matters to be included in the Directors Responsibility Statement to be included in the Directors Report.
  - Qualifications in the draft audit report, if any.
  - Compliance with listing and other legal requirements relating to financial statements.
  - Going concern assumption.
  - Compliance with accounting standards.
  - Significant adjustments to financial statements arising out of audit findings.
  - Major accounting entries involving estimates based on the exercise of judgment by the management.
- Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing the adequacy of internal audit function and discussion with regard to any significant audit findings and follow-ups thereon.
- Review of the findings of any internal investigations by the internal auditors into matters, where there is a fraud or irregularity.
- Review of performance of Internal Auditors.
- Looking into the reasons for substantial defaults in the payment to the depositors, debentureholders, shareholders (incase of non-payment of declared dividends) and creditors.

Corporate Governance 083005 1334 8/30/05 8:51 PM Page 39

iv. The Audit Committee has been constituted in accordance with Clause 49 (II)(A) of the Listing Agreement and the following are the details of the members of the Audit Committee:

Sl. No	Name of the Director	Category
1.	Christopher A Sinclair	Non-Executive Director
2.	Sunil Kolangara	Independent Director
3.	Shobhan Thakore	Independent Director

v. The last Annual General Meeting of the Company was held on September 22, 2004 (prior to the listing of the Company's shares on Stock Exchanges) and therefore, this report does not cover the attendance of the Chairman of the Audit Committee Meeting at the Annual General Meeting.

4. Remuneration Committee:

i. The Company constituted a Remuneration Committee vide its Board of Directors Meeting on November 10, 2004 with majority of its members being Independent Directors.

ii. The broad terms and reference of the Committee are as follows:

a. To determine and recommend to the Board, the amount of remuneration payable to the Directors of the Board.

b. The recruitment and remuneration of senior officers just below the board level.

c. To administer the Company's Stock Option Plans including the review of grant of options to eligible employees under various Stock Option Plans in due compliance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

d. Such other matters, as the Board may from time to time request the Remuneration Committee to examine and recommend/approve.

iii. The composition of the Remuneration Committee and details of meeting attended by the Directors are as follows:

Sl. No	Name of the Director	Category	No of Meetings during the Period	
			Held	Attended
1.	Christopher A Sinclair	Non-Executive Director	1	–
2.	Sunil Kolangara	Independent Director	1	1
3.	Shobhan Thakore	Independent Director	1	1

iv. Remuneration of Directors:

None of the Directors are in receipt of any remuneration for the Financial Year 2004 – 05.

5. Shareholders/Investors Grievance Committee:

i. The Investors Grievance Committee is constituted on November 10, 2004. The Company got listed on March 09, 2005. No meeting was conducted for the period 2004 – 05.

ii. The Committee has been constituted towards the following:

a. Review the reports submitted by RTA.

b. To redress the Shareholders' complaints.

c. Quarterly status of Shareholders' complaints and the status of their disposal.

iii. The Committee comprises of the following members:

Sl. No	Name of the Director	Category
1.	Sunil Kolangara	Independent Director
2.	Dilip Keshu	Executive Director

Sunil Kolangara, the Non-Executive Independent Director is heading the Committee.

iv. The Company has got listed only on March 09, 2005. Hence, no meeting was conducted.

v. Mr. V. Viswanathan, the Company Secretary is the Compliance Officer. His Contact details are as follows:

Address : No. 33, "Coconut Grove", 18th Main, 1st "A" Cross, 6th Block, Koramangala, Bangalore – 560 095.
Phone: 080 51105000
Fax : 080 25527805
Email : compliance@scandent.com

Details of Complaints received and redressed:

Opening Balance	Received during the year (09.03.2005 to 31.03.2005)	Resolved during the year (09.03.2005 to 31.03.2005)	Closing Balance
Nil	10	10	Nil

6. General Meetings:

6.1 GENERAL MEETING:

No general meeting of the shareholders of the Company was held between March 09, 2005 (being the date on which the shares of the Company were listed on the Stock Exchanges) and March 31, 2005.

6.2 POSTAL BALLOT:

No Postal Ballot was conducted between March 09, 2005 (being the date on which the shares of the Company were listed on the Stock Exchanges) and March 31, 2005.

7. Disclosures:

i. There are no materially significant related party transactions of the Company with key managerial personnel, which have potential conflict with the interest of the Company at large.

ii. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority, on any matter related to capital markets, during the period from 09.03.2005 to 31.03.2005 : NIL

8. Means of Communication:

The quarterly, annual financial results of the Company, are sent to the Stock Exchanges immediately after they are approved by the Board. These are also published in the prescribed format within 48 hours of the conclusion of the Board Meeting, in which they are considered, generally in all the editions of "The Financial Express" The National English daily, circulating in the whole or substantially the whole of India and in "Kannada Prabha", the newspaper published in regional language, where the registered office of the Company is situated.

The details of financial information are also available at www.scandentsolutions.com

All the official news releases are also published on the Company's website. The financial statements and all other information disseminated to analysts/ institutional investors are also posted on Scandent's website.

The following results were published as detailed below:

Financial Results (2004 – 05)	Date of Board Meeting	Date of Publication	Name of the Newspaper
Unaudited quarterly financial results for the quarter ended 31.03.2005	24.05.2005	26.05.2005	"Financial Express" and "Kannada Prabha"
Audited financial results for the year ended 31.03.2005	24.05.2005	26.05.2005	"Financial Express" and "Kannada Prabha"
Audited consolidated financial results for the year ended 31.03.2005	24.05.2005	26.05.2005	"Financial Express" and "Kannada Prabha"

9. General Shareholders Information:

i. Annual General Meeting

Date and Day	29.09.2005 and Thursday
Time	3 pm

ii. Financial Year 2005 – 06

First quarterly results	July 2005
Second quarterly results	October 2005
Third quarterly results	January 2006
Annual results for the Year ending	May, 2006
Financial Year	March
Annual General Meeting	September

iii. Date of Book Closure — September 22, 2005 to September 29,2005 (both days inclusive)

iv. Dividend payment date — NIL

Corporate Governance 083005 1334 8/30/05 8:51 PM Page 42

v. Listing on Stock Exchanges — The National Stock Exchange of India Limited, The Stock Exchange, Mumbai, Madras Stock Exchange, The Stock Exchange, Ahmedabad

vi. Stock Code — The National Stock Exchange of India Limited : SCANDENT
The Stock Exchange, Mumbai : 532616

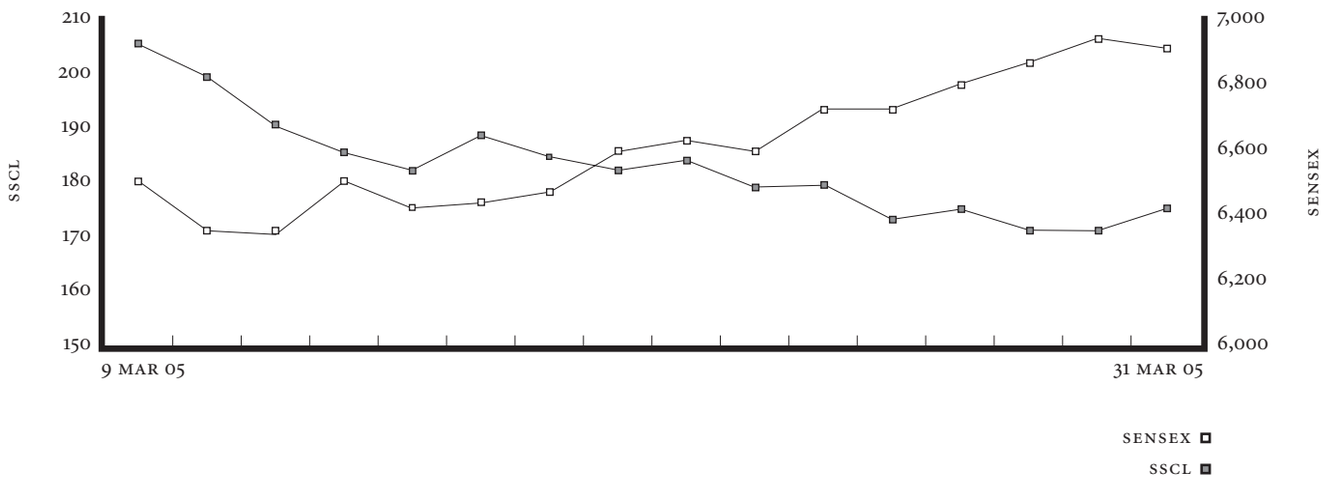
vii. ISIN No. — INE 692G01013

viii. Market Price data

Month 2004 – 05	Quotation at National Stock Exchange		Quotation at The Mumbai Stock Exchange	
	High	Low	High	Low
March 2005	223.80	172	228.00	172.55

ix. The Company has paid the listing fees to each of the above Stock Exchanges, where its securities are listed for the Financial Year 2004 – 05.

x. Performance of share price in comparison to BSE Sensex



xi. Registrars and Transfer Agent:
Karvy Comuputershare Private Limited,
No. 51/2, T.K.N. Complex, Vanivilas Road,
Opp. National College, Basavanagudi,
Bangalore – 560 004
Phone Number : 080 26621184/92/93
Fax Number : 080 26621169
Email : kannans@karvy.com / prasannak@karvy.com
Website : www.karvy.com

Corporate Governance 083005 1334 8/30/05 8:51 PM Page 43

xii. Share Transfer System:

Shares sent for transfer in physical form are normally registered by our Registrars and Share Transfer Agents within 15 days of receipt of the documents, if the same are found in order. Shares under objection are returned within two weeks.

xiii. Distribution of shareholding:

Distribution Schedule as on 31.03.2005

Share holding of Nominal Value of Rs.10/ –	Share Holders		Share Amount Nominal Value	
Category	No of Share Holders	% to Total No of Share Holders	In (Rs.)	% to Total
UPTO – 5000	26820	93.39	22559640.00	7.85
5001 – 10000	938	3.27	7282380.00	2.54
10001 – 20000	546	1.90	7992380.00	2.78
20001 – 30000	151	0.52	3862910.00	1.35
30001 – 40000	65	0.22	2390220.00	0.83
40001 – 50000	45	0.16	2080060.00	0.72
50001 – 100000	68	0.24	5003610.00	1.74
> 100001	86	0.30	236151560.00	82.19
Total	28719	100.00	287322760.00	100.00

Categories of shareholding as on 31.03.2005

Category	No of Shares Held	Percentage of Shareholding
Promoters	12,153,344	42.30
Mutual Funds and UTI	1,072,148	3.73
Banks, Financial Institutions, Insurance Companies	609,300	2.12
FIIs	2,151,708	7.49
Private Corporate Bodies	4,086,422	14.22
Indian Public	8,487,447	29.54
NRIs	171,206	0.60
Trust	701	0.00
Grand Total	28,732,276	100.00

xiv. Dematerialisation of shares and liquidity:

The Company's shares are compulsorily traded in dematerialized form. The Company has arrangements with both National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) for demat facility. 1,32,54,815 Equity Shares aggregating to 46.13% of the total Equity Capital is held in dematerialized form as on 31.03.2005, of which 43% (1,23,55,684 Equity Shares) of total Equity Capital is held with NSDL and 3.13% (8,99,131 Equity Shares) of total Equity Capital with CDSL as on 31.03.2005. The Company's shares are regularly traded on the National Stock Exchange of India Limited and the Stock Exchange, Mumbai.

xv. Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity:

There are no outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity.

xvi. Plant locations:

In view of the nature of the Company's business viz., Information Technology (IT) Services and IT Enabled Services, the Company operates from various offices in India and abroad but does not have any manufacturing plant.

xvii. Address for Correspondence:

Registrar and Transfer Agent:
Karvy Comuputershare Private Limited,
No. 51/2, T.K.N. Complex, Vanivilas Road,
Opp. National College, Basavanagudi,
Bangalore – 560 004
Phone Number : 080 26621184/92/93
Fax Number : 080 26621169

Investor Relation Centre:
Mr. Pradeep Chaudhry / Mr. Rohit Tandon
Scandent Solutions Corporation Limited
No 33, "Coconut Grove", 18th Main,
1st A Cross, 6th Block,
Koramangala,
Bangalore – 560 095

xviii. No. of Shareholders as on 31.03.2005: 28719

xix. No. of shares traded during 2004 – 05:

BSE: 45,79,152 shares
NSE: 95,36,360 Shares

xx. Compliance Certificate by Company Secretary:

The Company has obtained a certificate from the Practicing Company Secretary regarding compliance of conditions of corporate governance as stipulated under Clause 49 of the Listing Agreements executed with Stock Exchanges, which is annexed herewith.

Corporate Governance 083005 1334 8/30/05 8:51 PM Page 45

Compliance Certificate

To the Members,

Scandent Solutions Corporation Limited

I have examined the compliance of conditions of corporate governance by Scandent Solutions Corporation Limited, for the year ended on 31.03.2005, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

In my opinion, and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of corporate governance as stipulated in the above-mentioned Clause of the Listing Agreement.

I state that no grievances of the investors are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/ Investors Grievance Committee

I 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.

Sd/ –

PS.M. CHARI

Company Secretary in whole time Practice
C.P. No. 4503
11, I Floor, 21st Main Road,
5th Cross, J.P. Nagar, II Phase,
Bangalore – 560 078

Date: August 08, 2005

CEO/CFO Certification

We, Dilip Keshu, the Managing Director and Pradeep Chaudhry, the Chief Financial Officer of the Company to the best of our knowledge and belief, certify that:

a. We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:

   (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.

   (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

c. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

d. We have indicated to the auditors and the Audit Committee:

   (i) There are no significant changes in the internal control during the year.

   (ii) There are no significant changes in the accounting policies during the year.

   (iii) There are no instances of significant fraud of which we have become aware.

e. We further declare that all Board members and senior personnel have affirmed compliance with the code of conduct for the current year

Dilip Keshu	Pradeep Chaudhry
Managing Director	Chief Financial Officer

Place : Bangalore
Date : May 24, 2005

AUDITORS' REPORT

Auditors' Report

TO THE MEMBERS OF SCANDENT SOLUTIONS CORPORATION LIMITED (FORMERLY SCANDENT NETWORK PRIVATE LIMITED)

1. We have audited the attached Balance Sheet of Scandent Solutions Corporation Limited (formerly Scandent Network Private Limited) as at March 31, 2005 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. 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. Those 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. 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, as sanctioned by the Honourable High Court of Judicature at Karnataka and the Honourable High Court of Judicature at Madras, to and in the Company. Based on the financial statements provided by SSI Limited ('SSI') as of July 1, 2004 (the day immediately preceding the Appointed Date), as the Transfer Balance Sheet, 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) in the 'Transfer Balance Sheet'. 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. As required by the Companies (Auditors' Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Auditors' Report

6. Further to our comments in the Annexure referred to above, we report that:

   i) 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;

   ii) 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;

   iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

   iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

   v) On the basis of the written representations received from the Directors, as on March 31, 2005, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2005 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

   vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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;

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

      b) in the case of the profit and loss account, of the profit for the year ended on that date; and

      c) in the case of cash flow statement, of the cash flows for the year ended on that date.

FOR S. R. BATLIBOI & ASSOCIATES
CHARTERED ACCOUNTANTS

Prashant Singhal
Partner
Membership No.: 93283
Bangalore
May 24, 2005

Annexure referred to in paragraph 5 of our report of even date Re: Scandent Solutions Corporation Limited.

1. The Company has maintained proper records showing full particulars, including quantitative details of fixed assets *however it is in the process of updating the location for each fixed asset.*

The Company has a regular programme of physical verification of fixed assets in a phased manner such that all categories of fixed assets are physically verified over a period of two years. Accordingly, as discussed below, during the year certain category of fixed assets were physically verified by the Company, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets.

Pursuant to the scheme of merger of Information Technology division of SSI (SSIIT), the fixed assets of SSIIT were transferred to the Company. *The Company performed physical verification of such fixed assets acquired from SSIIT and noted that fixed assets of gross value and net book value of Rs 15.1 million and Rs 6.9 million, respectively, were not existing.* These discrepancies have been adjusted with the general reserves transferred from SSIIT.

There was no substantial disposal of fixed assets during the year.

2. Considering the nature of business of the Company, Clause 4 (ii) of the Companies (Auditors' Report) Order, 2003 (as amended) pertaining to physical verification of inventory and records maintained for inventory are not applicable to the Company.

3. The Company had taken loan from a company and a Director covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs 22.4 million and the year-end balance of loans taken from such parties was Rs 8.9 million. The Company had granted loan to two companies and a Director covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs 126.6 million and the year-end balance of loans given to such parties was Rs 101.56 million.

In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans taken and the terms and conditions of such loans granted are not prima facie prejudicial to the interest of the Company. According to the information and explanations given to us, we are of the opinion that the rate of interest of loans granted by the Company to the companies covered in the register maintained under 301 of the Companies Act, 1956 ('Act') *are prima facie prejudicial to the interest of the Company as it has granted interest-free loans to two companies covered under Section 301 of the Act.* The Company effective October 1, 2004, started charging interest at rates prevailing in the market from one of the two companies and loan from the other company was realised on September 21, 2004.

In respect of loans taken, repayment of the principal amount and interest is as stipulated. The loans granted and the interest thereupon are re-payable on demand. As informed, the Company has not demanded repayment of any such loan or interest thereupon during the year, thus, there has been no default on the part of the parties to whom the money has been lent.

There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets. During the course of our audit, no major weakness has been noticed in the internal controls in respect of this area. *However, as the Company implemented the time reporting system for billing of its services during the year, the internal control system for sale of services were inadequate for part of the year.*

5. According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.

Annexure referred to in paragraph 5 of our report of even date
Re: Scandent Solutions Corporation Limited.

The transactions entered into with parties with whom transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs are in the nature of cost reimbursements. Accordingly, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.

6. The Company has not accepted any deposits from the public.

7. The Company has an internal audit system commensurate with the size and nature of its business.

8. To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.

9. The Company is regular in depositing with appropriate authorities undisputed statutory dues including, employees' state insurance investor education and protection fund, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it. Undisputed statutory dues including provident fund and income tax *have not been regularly deposited with the appropriate authorities as there have been serious delays in large number of cases for provident fund and serious delay in few cases for income tax.*

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

According to the information and explanation given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.

10. The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in such financial year and in the financial year immediately preceding such financial year.

11. Based on our audit procedures and as per the information and explanations given by the management, the Company *has defaulted in payment of interest to debenture holders. Interest on Debentures, amounting to Rs 13.05 million was paid to the debenture holders on the following date, though the due date as per the terms of issue of debenture was August 1, 2004.* The Company has not defaulted in repayment of dues to a financial institution or bank.

Amount (Rs Million)	Date of Payment
5.20	September 30, 2004
0.24	September 23, 2004
2.60	September 1, 2004
2.61	September 14, 2004
2.40	January 1, 2005

12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

Annexure referred to in paragraph 5 of our report of even date
Re: Scandent Solutions Corporation Limited.

15. According to the information and explanations given to us, the Company has given guarantee for loans taken by one of its subsidiary companies in the United States from a bank, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.

16. Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

17. According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

18. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

19. *In the previous year, the Company had issued unsecured Debentures amounting to Rs 150 million, which are outstanding as at March 31, 2005. Accordingly, the Company has not created any security in respect of debentures issued.*

20. The Company has not raised money by public issues.

21. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

FOR S. R. BATLIBOI & ASSOCIATES
CHARTERED ACCOUNTANTS

Prashant Singhal
Partner
Membership No.: 93283
Bangalore
May 24, 2005

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FINANCIAL STATEMENTS – INDIAN GAAP

Scandent Solutions Corporations Limited, Formerly Scandent Network Private Limited

Balance Sheet as at March 31, 2005

(All amounts in Indian Rupees)	Notes	2005	2004 (Note 33)
Sources of Funds			
Shareholders' Funds			
Share capital	5	287,322,760	328,444,630
Reserves and surplus	6	572,493,437	182,461,304
		859,816,197	510,905,934
Loan Funds			
Secured loans	7	566,650,352	68,937,356
Unsecured loans	8	183,932,634	186,012,753
		750,582,986	254,950,109
Total		1,610,399,183	765,856,043
Application of Funds			
Fixed Assets	9		
Gross block		216,753,594	54,638,416
Less: Accumulated depreciation		148,371,086	21,308,041
Net block		68,382,508	33,330,375
Capital work-in-progress		10,000,000	350,000
		78,382,508	33,680,375
Intangible Assets, net	10	2,985,387	143,750,620
Investments	11	555,553,444	4,521,000
Deferred Tax Asset	12	31,967,938	–
Current Assets, Loans & Advances			
Sundry debtors	13	950,890,859	373,426,841
Cash and bank balances	14	87,071,159	2,456,014
Loans and advances	15	498,454,465	136,554,241
		1,536,416,483	512,437,096
Less: Current Liabilities & Provisions			
Current liabilities	16	605,356,905	140,364,317
Provisions	17	21,275,355	3,676,685
		626,632,260	144,041,002
Net Current Assets		909,784,223	368,396,094

Scandent Solutions Corporations Limited, Formerly Scandent Network Private Limited

Balance Sheet as at March 31, 2005

(All amounts in Indian Rupees)	Notes	2005	2004 (Note 33)
Miscellaneous Expenditure (to the extent not written off or adjusted)	18	31,725,683	16,400,000
Profit & loss account		–	199,107,954
Total		1,610,399,183	765,856,043

The accompanying notes 1 to 33 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 : May 24, 2005

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Dilip Keshu
Managing Director

Satyen Patel
Director

Ramesh Vangal
Director

Pradeep Chaudhry
Chief Finance Officer

V Viswanathan
Company Secretary

Place : Bangalore
Date : May 24, 2005

(All amounts in Indian Rupees)	Notes	2005	2004

Profit and Loss Account for the Year Ended March 31, 2005

			(Note 33)
Income			
Revenues	19	1,280,191,781	464,383,241
Other income	20	17,769,366	4,855,337
		1,297,961,147	**469,238,578**
Expenditure			
Employee costs	21	345,651,771	191,572,735
Other operating costs	22	748,662,720	124,140,822
Depreciation	9	41,518,552	21,792,820
Amortisation	10	33,765,437	86,767,386
Finance costs	23	43,342,370	27,192,785
		1,212,940,850	**451,466,548**
Profit for the year before tax and prior period items		**85,020,297**	**17,772,030**
Provision for tax	25	4,000,000	–
Deferred tax charge/ (income)	12 & 25	(31,967,938)	–
Profit for the year after tax and before prior period items		**112,988,235**	**17,772,030**
Prior period expense	24	5,890,749	–
Profit for the year		**107,097,486**	**17,772,030**
Net 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)**
Net Profit available for appropriation		**107,097,486**	**–**
Appropriation towards Debenture Redemption Reserve	**6**	**(107,097,486)**	**–**
Net Profit / (Loss), end of the year		–	(199,107,954)
Earnings per share [Equity shares, par value Rs 10 each (Previous year : Rs 10)]	27		
Basic		4.34	3.51
Diluted		**4.27**	**3.50**
Weighted average number of equity shares used in computing Earnings per share	27		
Basic		24,685,813	5,068,987
Diluted		**25,085,428**	**5,075,693**

The accompanying notes 1 to 33 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 : May 24, 2005

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Dilip Keshu
Managing Director

Satyen Patel
Director

Ramesh Vangal
Director

Pradeep Chaudhry
Chief Finance Officer

V Viswanathan
Company Secretary

Place : Bangalore
Date : May 24, 2005

Cash Flow Statement for the Period April 1, 2004 to March, 31 2005

All amounts in Indian Rupees)	Notes	2005	2004 (Note 33)
A. Cash Flow from Operating Activities			
Net profit / (Loss) before taxation and Prior Period Items		85,020,297	17,772,030
Less: Prior Period Expense		5,890,749	–
Net profit / (Loss) before taxation and after Prior Period Items		79,129,548	17,772,030
Adjustments for:			
Depreciation		41,518,552	21,792,820
Amortisation		33,765,437	86,767,386
Amortisation of Miscellaneous expenditure (included in Finance costs)		7,647,075	4,920,000
(Profit) / Loss on sale of fixed assets		251,170	(5,797,499)
Foreign exchange gain/(loss) (net) – unrealised		25,606,959	(13,253,794)
Interest income		(6,013,186)	(938,862)
Write back of Interest on Deferred Credit		–	(3,666,667)
Bad debt provision		2,869,475	–
Write back of liability		(11,767,457)	–
Employee stock compensation expense		24,476,445	–
Interest expense		35,177,493	21,650,654
Operating profit before working capital changes		232,661,511	129,246,068
Movements in working capital :			
Decrease / (Increase) in sundry debtors		(566,768,744)	(239,070,816)
Decrease / (Increase) loans and advances		(461,345,280)	(63,334,445)
Increase / (Decrease) in current liabilities & provisions		331,401,755	29,145,787
Net cash used in operating activities (A)		(464,050,758)	(144,013,406)
B. Cash Flows from Investing Activities			
Purchase of fixed assets		(28,533,560)	(21,920,969)
Proceeds from sale of fixed assets		817,473	10,011,563
Purchase of investments		(76,472,500)	(4,521,000)
Interest received		6,952,049	–
Net cash used in investing activities (B)		(97,236,538)	(16,430,406)

Cash Flow Statement for the Period April 1, 2004 to March, 31 2005

(All amounts in Indian Rupees)	Notes	2005	(Note 33) 2004
C. Cash Flows from Financing Activities			
Proceeds from issue of share capital		270,000,000	16,500,000
Share Issuance Expense		(5,820,000)	–
Loan arrangement & Processing fees		(22,972,758)	–
Proceeds from short-term borrowings		130,672,339	101,301,328
Repayment of short-term borrowings		(194,780,743)	(60,604,625)
Proceeds from long-term borrowings		557,875,000	104,121,413
Repayment of long-term borrowings and finance lease obligation		(52,930,161)	(3,470,228)
Interest paid		(39,775,788)	(5,124,968)
Net cash from financing activities (C)		642,267,889	152,722,920
Net increase in cash and cash equivalents (A + B + C)		80,980,592	(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		87,071,159	2,456,014
Components of cash and cash equivalents [Refer Note 13]			
Cash		42,490	11,110
With banks			
on current account		17,824,502	2,094,904
on deposit account		69,204,167	350,000
		87,071,159	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 : May 24, 2005

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Dilip Keshu
Managing Director

Satyen Patel
Director

Ramesh Vangal
Director

Pradeep Chaudhry
Chief Finance Officer

V Viswanathan
Company Secretary

Place : Bangalore
Date : May 24, 2005

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 The 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, 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. During the year ended March 31, 2005, the Company has adjusted the carrying value of the contract rights of the acquired contract amounting to Rs 116.94 million, which was set off against general reserve in accordance with the scheme of arrangement of de-merger of the software and development and information technology business (Refer note 2.4).

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

The Company, on October 1, 2004 converted to a public limited company and changed its name from Scandent Network Private Limited to Scandent Solutions Corporation Limited.

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 effective 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. Under the revised arrangements, Scandent remunerates its overseas entities with a marketing fee of 5 per cent for revenues generated through them and cost plus 8 per cent for onsite effort on contracts undertaken by them. 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 328.45 million to Rs 131.59 million and the capital reduction of Rs 196.86 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 amounting to Rs 134.68 million on October 27, 2004.

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 1,206.17 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	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 1,206.17 million as discussed in paragraph 2.3 above, are net of such amounts [also refer Note 5(iii)].

3. Shareholding Pattern

As at March 31, 2004, Scandent Mauritius held 92.36 per cent of equity of the Company. The percentage of holding of Scandent Mauritius has dropped to 42.30 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 SSIIT:

		September 23, 2004*		
Name of the Share holders	**March 31, 2004**	**Prior to capital reduction**	**Post capital reduction**	**March 31, 2005**
Scandent Mauritius	30,334,463	30,334,463	12,153,344	12,153,344
	(92.36%)	(86.80%)	(79.62%)	(42.30%)
UTI India Technology Venture Unit Scheme		1,052,717	1,052,717	1,052,717
	–	(3.01%)	(6.90%)	(3.66%)
SSI		1,052,717	1,052,717	1,052,717
	–	(3.01%)	(6.90%)	(3.66%)
Others **	2,510,000	2,510,000	1,005,618	14,473,498
	(7.64%)	(7.18%)	(6.58%)	(50.38%)
Total	**32,844,463**	**34,949,897**	**15,264,396**	**28,732,276**
	(100%)	**(100%)**	**(100%)**	**(100%)**

* On September 23, 2004, the Company filed the order received from the High Courts to sanction the Scheme with the Registrar of Companies [refer Note 2].
** Of these equity shares, pursuant to this scheme, 13,467,880 equity shares were allotted to the shareholders of SSI on October 27, 2004.

4. Significant Accounting Policies

4.1 BASIS OF PREPARATION

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company, except as discussed in Note 14.16. These financial statements are prepared on a stand alone basis.

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 (per cent)
Computers	33.33
Vehicles	20
Office equipment	20
Furniture and fixtures	20

The above rates are higher than the rates prescribed under Schedule XIV to the Companies Act, 1956.

Leasehold improvements are depreciated over the primary lease period or estimated useful life, whichever is lower, 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 year ended March 31, 2005 is higher by Rs 5.6 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.

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

Revenue from software development services includes revenue from time and material and fixed price contracts. Revenue from time and material contracts are recognized as related services are performed. Revenue from software development on fixed price contracts is recognized as per proportionate-completion method.

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

4.6 PROJECT WORK EXPENSES

Project work expense represents amounts charged by subsidiaries on cost plus basis for the software development and related services for the contracts undertaken by the Company.

4.7 MARKETING EXPENSES

Marketing expenses represents amounts charged by subsidiaries for marketing services for contracts and are charged based on 5 per cent of revenues accrued through the subsidiaries.

4.8 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 year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

Exchange differences arising on conversion of monetary items pertaining to acquisition of fixed and intangible assets acquired from outside India 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.

4.9 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.

4.10 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 March 31, 2005.

4.11 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 reassessed 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.

4.12 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.

4.13 EARNING PER SHARE

Basic earning per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the 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 year. The weighted average number of equity shares outstanding during all the years, presented, is adjusted for capital reduction.

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

4.14 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.

4.15 MISCELLANEOUS EXPENDITURE

Miscellaneous expenditure comprises of Deferred interest on 11 per cent Debentures and cost of arranging long term loan. Interest on 11 per cent Debentures is amortized pro-rata over the period from August 1, 2002 to the maturity of the 11 per cent Debentures, i.e. January 31, 2007. Cost of arranging long-term loans is amortized, over the period of the loan, commencing from the date of the first draw-down of the related loan, on weighted average basis.

4.16 DEFERRED EMPLOYEE STOCK COMPENSATION COSTS

Deferred employee stock compensation costs for stock options are recognised on the basis of generally accepted accounting principles and in accordance with the guidelines of Securities and Exchange Board of India, and, are measured as the excess of the fair value of the Company's stock on the stock options grant date over the amount an employee must pay to acquire the stock and recognised in a graded manner on the basis of weighted period of services over the vesting period of equity shares. The fair value of the options is measured on the basis of an independent valuation performed or the market price in respect of stock options granted.

The Company, during the previous year, had not accounted for the Employee Stock Option granted, since it was not mandatorily required to do so as per the guidelines issued by Securities and Exchange Board of India.

The above change in accounting for employee stock compensation expense has resulted in increase in employee costs and decrease in profits by Rs 24.48 million.

5. Share Capital

	2005	2004
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		
28,732,276 (March 31, 2004 – 32,844,463) Equity shares of Rs 10 each fully paid up	287,322,760	328,444,630

(i) Scandent Mauritius held 92.36 per cent equity shares of the Company at March 31, 2004, which dropped to 42.30 per cent at March 31, 2005 due to the scheme of arrangement with SSI and its shareholders (Note 2.2 & 2.3). 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 328.44 million has been reduced to Rs 131.59 million comprising of 13,158,962 equity shares of Rs 10 each.

(iii) The Company 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 on June 12, 2004 and September 12, 2004, respectively.

(iv) Pursuant to the Scheme, the Company has allotted 13,467,880 equity shares to the shareholders of SSI as on the record date October 27, 2004. [Refer Note 2.2]

6. Reserves and Surplus

	2005	2004
Capital reserve	5,700,900	–
Debenture Redemption Reserve [Refer Note (iii) below]	107,097,486	–
Securities premium		
Balance, beginning of the year [Refer Note 5(i)]	182,461,304	–
Received during the 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 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]	(196,638,254)	–
	11,884,586	–
Less : Transferred to Profit & loss account [Refer Note 2.4]	(2,252,944)	–
Balance, end of the year	9,631,642	–
Stock compensation adjustment [Refer Note 30]		
Additions during the year	28,636,080	–
Reversal on forfeiture of stock options granted	(663,000)	
Less: Deferred employee stock compensation expense	(3,496,635)	–
	24,476,445	–
	572,493,437	182,461,304
(i) Deferred employee stock compensation expense [Refer Note 30]		
Stock compensation expense outstanding	28,636,080	–
Stock Compensation expense amortised during the year	(24,476,445)	–
Forfeitures	(663,000)	–
Closing balance of deferred employee stock compensation expense	3,496,635	–

(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 allottment.

(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 year, the Company has earned a net profit of Rs 107.09 million and, accordingly, has appropriated fully the profit for the period towards Debenture redemption reserve.

7. Secured Loans

	2005	2004
From Banks:		
Packing credit loan from Export-Import Bank of India ('EXIM Bank')	–	62,028,285
Working Capital Facility	149,375,000	–
External Commercial Borrowings	76,552,930	–
Term loan from a Bank	332,509,570	–
	558,437,500	62,028,285
From Others:		
Loans for purchase of fixed assets	6,579,175	1,054,443
Finance lease obligation	1,633,677	5,854,628
	8,212,852	6,909,071
	566,650,352	68,937,356

(i) On November 11, 2003, the Company entered into a pre-shipment cum post-shipment dollar loan agreement with Export Import Bank of India ("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. This facility was at an interest rate of the prevailing LIBOR plus 75 basis points. The Company has fully settled the facility by repayment of the outstanding balance as of January 10, 2005.

(ii) On 17th November, 2004, the Company entered in to a working capital facility with the China Trust Commercial Bank ('China Trust Bank'). As per the terms of the agreement, the Bank has sanctioned a working capital facility of Rs 40 million, for 12 months with tenor of each demand not exceeding 180 days from the date of drawdown. The facility is secured by exclusive charge by way of hypothecation of all the receivables of the Company, both present and future arising from its operation in the United States of America through Scandent Group Inc. , unconditional personal guarantee of one of the Directors and corporate guarantee of Scandent Group Inc. USA. As at March 31, 2005, the Company has utilized the entire facility of Rs 40 million. The Company has an interest coverage ratio of less than 5, though as per the terms of the agreement it is required to maintain minimum interest coverage ratio of 5 times.

(iii) On March 24, 2005, the Company entered into a Working Capital Dollar loan agreement with EXIM Bank. As per the terms of the agreement, Exim bank has sanctioned US $4 million to meet the Company's working capital requirements. The facility is to be repaid by the Company in bullet repayment at the end of two years subject to renewal of the facility at the option of the EXIM Bank on mutually acceptable terms. The facility is secured by first pari-passu charge on current assets of the Company including receivables, present & future (excluding receivables from Scandent Group Inc., USA), first pari-passu charge on all moveable fixed assets , both present & future, irrevocable and unconditional personal guarantee of two Directors and irrecoverable corporate guarantee of Scandent Group Inc., USA, Scandent Network Europe Limited, UK, Scandent Group Pte Limited, Singapore, Albion Inc., USA, Scandent Group Limited, Scandent Holdings Mauritius Limited, Mauritius. During the year, the Company has availed facility of Rs 109.36 million (USD 2.5 million) at an interest rate of LIBOR (6 months) plus 300 basis points.

(iv) On December 15, 2004, the Company entered in to a term loan, in the nature of External Commercial Borrowings, agreement with China Trust Bank to finance investment in Scandent Group Inc. As per the terms of the agreement, China Trust Bank has sanctioned a limit of USD 2.75 million to finance investment in Scandent Group Inc and meet capital expenditure requirements. The loan is repayable at the end of 36 months in a single bullet installment. The loan is sanctioned by exclusive charge by way of hypothecation of all the receivables of the Company both present and future arising from its USA operation through Scandent Group Inc., personal guarantee of one of the Director, corporate guarantee of Scandent Group Inc and exclusive charge of the movable fixed assets of the Company procured from the part of loan proceeds. As of March 2005, the Company has availed USD 1.75 million at the interest rate of six months LIBOR plus 175 basis points.

(v) On December 31, 2004, UTI Bank has sanctioned loan facility of Rs 247.5 million to meet its normal operation & capital expenditure requirements, at an interest rate of 8 per cent per annum. The loan is repayable in five equal half yearly installment of Rs 49.5 million each commencing from February 2007. The loan is secured by first parripassu charge on all current assets and fixed assets of the Company, both present and future, except receivable of Scandent Group Inc, USA, and collateral security by way of unconditional personal guarantee of two Directors and corporate guarantee of Scandent Network Europe Limited and Scandent Group Limited Mauritius. As at March 31, 2005, the Company has availed loan of Rs 247.5 million.

(vi) 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 at an interest rate of 9.75 per cent per annum. The loan is repayable in 16 equal monthly installments of Rs 5.31 million each commencing from January 2006. 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 March 31, 2005, the Company had fully drawn down the term loan and Rs 15.93 million is repayable within one year.

(vii) 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. An amount of Rs 1.45 million (March 31, 2004 – Rs 1.41 million), net of deposit of Rs 0.4 million (March 31, 2004 – Rs 2.56 million) is, repayable within one year from March 31, 2005.

(viii) The Company has obtained vehicles and computers under a financing arrangement. The loan are repayable over one to three years and is secured by assets taken against these loans. An amount of Rs 2.95 million (March 31, 2004 – Rs 0.37 million) is payable within one year from March 31, 2005.

8. Unsecured Loans

	2005	2004
1,500,000, 11 per cent Debentures of Rs 100 each	150,000,000	150,000,000
Deferred credit	–	18,583,750
Loans from Directors	3,932,634	17,429,003
Short Term Overdraft	25,000,000	–
Loans from Others	5,000,000	–
	183,932,634	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. The interest due on August 4, 2004 was paid by the Company during September 2004 and January 2005 to the debenture holders.

(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 March 31, 2005, the Company has repaid the full principal amount.

(iii) Short term overdraft represents unsecured overdraft facility availed from UTI Bank at an interest rate of 5.6 per cent and is repayable on demand.

(iv) Loans from Directors are interest free and repayable on or before March 31, 2006.

(v) Loans from Others is from a Company in which Director is interested and is interest free and repayable on or before March 31, 2006.

9. Fixed Assets

	Gross Block				
	As at April 1, 2004	Additions	Additions pursuant tothe Scheme [Refer Note (ii)]	Deletions / adjustments [Refer Note (ii)]	As at March 31, 2005
Leasehold Improvements	13,619,641	2,745,025	48,485,051	–	64,849,717
Computers	20,613,433	4,924,042	80,798,466	12,049,830	94,286,111
Vehicles	4,081,262	6,879,379	4,390,513	3,639,796	11,711,358
Office Equipment	7,317,514	2,666,381	24,080,452	3,235,281	30,829,066
Furniture and fixtures	9,006,566	2,956,594	3,114,182	–	15,077,342
Total	54,638,416	20,171,421	160,868,664	18,924,907	216,753,594
Prior year	32,871,280	29,497,088	–	7,729,952	54,638,416

(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 March 31, 2005	As at March 31, 2004	As at March 31, 2005	As at March 31, 2004
Computers		4,505,966	4,505,966	1,434,759	2,924,243
Vehicles		1,681,957	4,081,262	647,665	3,079,125
Office Equipments	808,300	808,300	565,146	726,806	
		6,996,223	9,395,528	2,647,570	6,730,174

(ii) Pursuant to the Scheme, fixed assets with gross book value and net book value of Rs 160.87 million and Rs 87.81 million 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 15.1 million and Rs 6.92 million, 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 March 31, 2005, assets taken on loan basis amount to Rs 8.83 million (March 31, 2004 – Rs 0.32 million), including assets amounting to Rs 8.09 million received by SSIIT on a loan basis from its customers .

10. Intangible Assets

	Gross Block				
	As at April 1, 2004	Additions	Additions pursuant tothe Scheme [Refer Note (ii)]	Deletions / adjustments [Refer Note (ii)]	As at March 31, 2005
Computer Software	26,582,100	3,590,870	125,950,074	152,957,153	3,165,891
Customer Rights	258,508,171	95,679,230	–	354,187,401	–
Total	285,090,271	99,270,100	125,950,074	507,144,554	3,165,891
Prior year	281,191,419	3,898,852	–	–	285,090,271

Notes to the Financial Statements as and for the Year Ended March 31, 2005

Depreciation						Net Block	
As at April 1, 2004	Additions pursuant to the Scheme [Refer Note (ii)]	Additions pursuant to the acquisition of Subsidiaries [Refer Note 1.2]	For the Year	Deletions / adjustments [Refer Note (ii)]	As at March 31, 2005	As at March 31, 2005	As at March 31, 2004
3,174,917	14,818,534	–	14,850,153	–	32,843,604	32,006,113	10,444,724
12,013,044	50,292,516	22,720,959	8,987,851	7,492,169	86,522,201	7,763,910	8,600,389
1,002,137	1,806,319	156,559	3,211,218	2,823,436	3,352,797	8,358,561	3,079,125
2,849,814	4,750,244	97,333	11,268,634	618,738	18,347,287	12,481,779	4,467,700
2,268,129	1,388,052	448,320	3,200,696	–	7,305,197	7,772,145	6,738,437
21,308,041	73,055,665	23,423,171	41,518,552	10,934,342	148,371,086	68,382,508	33,330,375
2,531,739	–	–	21,792,820	3,016,518	21,308,041	33,330,375	30,339,541

Amortisation					Net Block	
As at April 1, 2004	Additions pursuant to the Scheme [Refer Note (i)]	For the Year	Adjustments [Refer Note (i) & (ii)]	As at March 31, 2005	As at March 31, 2005	As at March 31, 2004
18,240,522	20,662,442	3,304,762	42,027,222	180,504	2,985,387	8,341,578
123,099,129	–	30,460,675	153,559,804	–	–	135,409,042
141,339,651	20,662,442	33,765,437	195,587,026	180,504	2,985,387	143,750,620
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 125.95 million and Rs 105.29 million, 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 54.89 million and Rs 40.79 million, 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 4.44 million (March 31, 2004 – Nil) which represents exchange difference arising on conversion of foreign currency payable for acquisition of intangible assets.

(iv) Amortisation of customer rights 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].

11. Investments (Unquoted, at cost, fully paid-up)

	2005	2004
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
Advance paid towards purchase of Shares in Scandent USA [Refer Note vi]	76,072,500	–
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) ('Albion') [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	–
49,990 (March 31, 2004 – Nil) Equity shares of Rs 10 each in Matrix One India Ltd ('Matrix one'), balance shares are held by beneficiaries	400,001	–
	1,009,022,753	4,521,000
Provision for diminution in value of investment in subsidiaries [Refer Note (iv) & (v) below]	453,469,309	–
	555,553,444	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 March 31, 2005. 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, Albion Inc (formerly 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 Albion, 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 March 31, 2005, the Company has a payable of Rs 48.87 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 diminution 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].

(vi) During the current year, the Company has advanced an amount of Rs 76.07 million (USD 1.75 million) towards further investment in its wholly owned subsidiary Scandent USA. As of March 31, 2005, the shares are pending allottment.

12. Deferred Tax Asset [also, refer Note 25]

	Deferred tax asset / (Liability)as at April 1, 2004	Current year (charge) / credit	Deferred tax asset / (liability) as at March 31, 2005
Depreciation	–	27,153,086	27,153,086
Employee retirement benefits	–	4,814,852	4,814,852
	–	31,967,938	31,967,938
Previous Year	–	–	–

13. Sundry Debtors (Unsecured)

	2005	2004
Debts outstanding for a period exceeding six months		
Considered good	276,335,797	3,587,186
Considered doubtful	211,292,032	–
Other debts		
Considered good	674,555,062	369,839,655
	1,162,182,891	373,426,841
Less : Provision for doubtful debts	211,292,032	–
	950,890,859	373,426,841

	Balance as at March 31, 2005	Balance as at March 31, 2004
Dues from companies under the same management		
Albion	278,319,424	–
Indigo Markets Europe Ltd ('IM Europe')	44,547,952	–
Indigo Markets Singapore Pte Ltd ('IM Singapore')	44,805,256	–
Scandent Germany	12,817,882	–
Scandent Singapore	5,810,899	6,338,360
Scandent UK	229,840,750	58,887,987
Scandent USA	499,778,581	307,731,882
	1,115,920,744	372,958,229
Less : Provision for doubtful debts	(211,292,032)	–
	904,628,712	372,958,229

(i) During the year, the Company has provided for doubtful debts amounting to Rs 211.29 million (March 31, 2004 – Nil) and adjusted Rs 208.42 million with the general reserves transferred from SSIIT, Refer Note 2.3.

(ii) The above balance includes revenues unbilled to the end customer, amounting to Rs 46.98 million (2004 – Nil).

14. Cash and Bank Balances

	2005	2004
Cash on hand	42,490	11,110
Balances with scheduled banks:		
– Current accounts	17,824,502	2,094,904
– Fixed deposit account	69,204,167	350,000
	87,071,159	2,456,014

(i) Fixed deposits includes Rs 0.35 million (March 31, 2004 – Rs 0.35 million) 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 8.85 million (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 March 31, 2005, the Company has Rs Nil (March 31, 2004 – Rs 0.18 million) in an Escrow account maintained for the facility provided by EXIM Bank [Refer Note 7(iii)].

15. Loans and Advances (Unsecured)

	2005	2004
Considered good		
Dues from related parties		
Loans and advances	428,232,292	95,562,304
Interest receivable	5,988,410	938,862
Expenses receivable	20,839,513	27,929,929
	455,060,215	124,431,095
Advances recoverable in cash or kind or for value to be received	8,766,561	6,464,565
Other deposits	33,817,116	5,298,901
Advance tax, net	810,573	359,680
	498,454,465	136,554,241
Considered doubtful		
Dues from related parties		
Loans and advances	741,375,287	–
Less: Provision for doubtful loans & advances	(741,375,287)	–
	–	–
	498,454,465	136,554,241

Dues from related parties is as follows

	Maximum amount due at anytime during the year	Balance as at March 31, 2005
Dues from companies under the same management:		
Albion	649,615,287	649,615,287
Atindia	5,839,993	4,639,993
Clientsoft	91,921,055	91,921,055
IM Europe	6,659	6,659
MatrixOne	4,315,304	362,194
ProcessMind	125,340,359	101,566,574
Scandent Singapore	11,614,995	11,614,995
Scandent UK	45,280,296	45,280,296
Scandent USA	257,646,200	257,646,200
ValueBridge	8,078,853	–
		1,162,653,253
Less : Provision for doubtful loans & advances		(741,375,287)
		421,277,966
Dues from a Director	66,186	66,186
Dues from other related parties		
Seabulk Software India Private Limited	33,716,063	33,716,063

	Maximum amount due at anytime during the year	Balance as at March 31, 2005
Dues from companies under the same management:		
Atindia	5,928,572	5,839,993
ProcessMind	68,733,585	68,733,585
ValueBridge	3,274,155	3,145,339
MatrixOne	4,315,304	4,315,304
Scandent UK	11,293,605	5,988,293
Scandent Germany	2,185,991	–
Scandent USA	10,854,865	8,078,853
Scandent Singapore	9,547,479	9,547,479
		105,648,846
Dues from a Director	66,186	66,186
Dues from other related parties		
Seabulk Software India Private Limited	24,608,563	18,716,063

(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 year, the Company has provided for doubtful loans & advances amounting to Rs 741.38 million (March 31, 2004 – Nil) and adjusted the it with the general reserves transferred from SSIIT, Refer Note 2.3.

(iii) The Company, subsequent to becoming a public company with effect from October 1, 2004, has advanced loans amounting to Rs 3 million to a company covered under section 295 of the Companies Act, 1956 without obtaining Central Government approval. The Company is in the process of preclosing the said loan.

16. Current Liabilities

	2005	2004
Sundry creditors	72,753,911	103,157,693
Dues to related parties		
– Advances received	43,970,001	643,034
– Expenses payable	450,629,092	4,578,807
Interest accrued but not due		
– on 11 per cent debentures	13,036,927	20,806,730
– on loans	3,411,402	–
Advance from customers	12,147,978	320,000
Other liabilities	9,407,594	10,858,053
	605,356,905	140,364,317

(i) As at March 31, 2005, there were no amounts owed to small scale industrial undertakings as defined under clause (j) section 3 of the Industries (Development and Regulations) Act, 1951.

17. Provisions

Provision for taxation	4,000,000	–
Provision for gratuity	9,722,432	2,020,387
Provision for leave encashment	7,552,923	1,656,298
	21,275,355	3,676,685

(i) Provision for gratuity and leave encashment include provision for gratuity amounting to Rs. 6.35 million and provision for leave encashment amounting to Rs. 4.99 million transferred from SSIIT, Refer Note 2.3.

(ii) During the year, the Company has used provision for gratuity and leave encashment amounting to Rs 0.67 million and Rs 3.07 million , respectively.

18. Miscellaneous Expenditure

	2005	2004
Deferred interest on 11 per cent debentures [Refer note 1.1]	16,400,000	21,320,000
Less: Amortized during the year [Refer Note 23]	4,920,000	4,920,000
	11,480,000	16,400,000
Deferred upfront / processing fee for loans	22,972,758	–
Less: Amortized during the year [Refer Note 23]	2,727,075	–
	20,245,683	–
	31,725,683	16,400,000

19. Revenues

	2005	2004
Revenue from software development and related services		
– Time and material contracts	1,089,324,080	464,383,241
– Fixed price contracts	155,243,915	–
– Annual maintenance contracts	35,623,786	–
	1,280,191,781	464,383,241

20. Other Income

	2005	2004
Write back of interest on deferred credit [Refer Note 8(ii)]	–	3,666,667
Write back of liability	11,767,367	–
Interest Income (Gross of Tax deducted at Source of Rs 0.01 million (March 31, 2004 – Rs 0.24 million))	6,001,999	1,188,670
	17,769,366	4,855,337

21. Employee Costs

	2005	2004
Salaries, allowances and bonus	281,993,321	176,290,639
Contribution to provident fund	15,606,857	8,385,675
Gratuity and leave encashment charge/(write back)	6,013,397	(2,062,985)
Employee stock compensation expense [Refer Note 30]	24,476,445	–
Staff welfare	8,634,532	4,815,253
Recruitment and relocation	8,927,219	4,144,153
	345,651,771	191,572,735

22. Other Operating Costs

	2005	2004
Project work expense	517,957,453	–
Marketing expenses	50,133,016	–
Travel	61,055,591	57,449,358
Rent	34,800,626	25,813,663
Communication	18,884,299	14,806,857
Power and fuel	11,888,679	4,833,019
Insurance	631,366	378,656
Rates and taxes	1,525,583	1,917,437
Repairs and maintenance		
– Computer equipment	2,043,785	1,675,645
– Others	6,723,719	1,103,039
Legal & professional	30,669,389	26,695,328
Printing & stationery	2,704,947	1,653,410
Business promotion	1,056,630	1,247,024
Exchange loss /(gain), net	847,315	(13,253,794)
(Profit) /loss on sale of fixed assets	251,170	(5,797,499)
Provision for bad and doubtful debts	2,869,475	–
Miscellaneous	4,619,677	5,618,679
	748,662,720	124,140,822

23. Finance Costs

	2005	2004
Interest on 11 per cent debentures	16,500,000	16,500,000
Amortization of deferred interest on 11% debentures [Refer Note 18]	4,920,000	4,920,000
Amortization of loan arrangement and processing fees	2,727,075	–
Interest – others	18,677,493	5,150,654
Bank charges	517,802	622,131
	43,342,370	27,192,785

24. Prior Period Expense

	2005	2004
Travel	5,890,749	–

This amount represents travel cost incurred by a subsidiary on behalf of the Company during the year ended March 31, 2005.

25. Provision For Tax

(i) The Company operates three units, two in Chennai and one at Bangalore. 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 Income-tax Act, 1961 ('IT Act'). In Chennai, the Company has two units, one set up by it during 2002, which is not eligible to claim benefit under section 10A of the IT Act, and the second facility transferred to the Company as a result of its merger with SSIT. The Company is in the process of obtaining the income tax records from SSI, with respect to the SSIT unit, and has, accordingly, not considered it to be eligible for any tax benefits for determination of current tax charge.

The current tax charge reflects minimum alternative tax payable by the Company with respect to its non 10A units, computed in accordance with section 115JB of the IT Act.

(ii) The Company till the year ended March 31, 2004 did not recognize deferred tax asset as per its accounting policy. During the year, the Company earned book profits before tax and prior period items of Rs 85.02 million and tax profits of Rs 139.92 million and has utilized the brought forward tax losses for the purpose of computing provision for taxes. Deferred tax has been recognized on the timing difference as per the Company's accounting policy.

26. Related Party Disclosures

S No.Name of the related party	Relationship	Nature of transaction4
(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) Unsecured loan given/Payments for reimbursements Payments received against loan and advances Interest income Interest receivable Loans & advances
(ii) Valuebridge Services Private Limited	Company in which a Director of the Company is also a Director	Payments received against loan Expenses paid on behalf of the related party Loans & advances
(iii) Atindia Management Services Private Limited	Company in which a Director of the Company is also a Director	Payments received against loan Loans & advances
(iv) Matrixone India Limited	Subsidiary company	Charge for common cost incurred Expenses receivable/(Advance Received)
(v) Crescent Infosystems Private Limited	Subsidiary company	Payments made / adjustments for loan taken
(vi) Scandent Group Inc.	Subsidiary company	Project work expenses Reimbursement of travel expenses Intangible assets purchased Unsecured loan given Revenue from software development and related services Provision for doubtful debts Current liabilities Debtors Loans & advances Expenses receivable Advance paid for purchase of shares Provision for doubtful debts
(vii) Scandent Network Europe Limited	Subsidiary company	Expenses paid on behalf of the related party Intangible assets purchased Revenue from software development and related services Project work expenses Unsecured loan given Debtors Expenses receivable Loans & advances Current liabilities

April 1, 2004 to March 31, 2005	Receivable /(payable) As at March 31, 2005	April 1, 2003 to March 31, 2004	Receivable /(payable) As at March 31, 2004
(14,792,735)	–	(12,475,275)	–
67,142,381	–	76,888,554	–
(25,374,597)	–	–	–
5,857,940	–	1,180,959	–
–	5,988,410	–	938,862
–	95,578,164	–	67,794,723
(3,308,499)	–	–	–
163,160	–	157,943	–
–	–	–	3,145,339
(1,200,000)	–	(63,390)	–
–	4,639,993	–	5,839,993
11,506,984	–	9,534,406	–
–	362,194	–	4,315,304
		688,375	
–	–	(2,334,468)	–
(384,835,935)	–		–
(9,270,953)	–	–	–
(52,012,838)	–	–	–
262,067,200	–	–	–
656,182,639	–	307,731,882	–
(2,869,475)			
–	(271,847,460)	–	(2,334,468)
–	499,778,581	–	307,731,882
–	249,375,000	–	–
–	8,271,200		8,078,853
–	76,072,500	–	
	(2,869,475)		
7,410,390	–	312,027	–
(39,225,170)	–	–	–
267,418,372	–	152,304,676	–
(138,129,785)	–	(393,537)	–
45,860,000	–		
	229,840,750	–	58,887,987
	423,411	–	5,988,293
	44,856,885		
	(143,691,567)	–	(393,537)

Notes to the Financial Statements as and for the Year Ended March 31, 2005

S No.Name of the related party	Relationship	Nature of transaction4
(viii) Scandent Group Pte Limited	Subsidiary company	Expenses paid on behalf of the related party Expenses paid on behalf of the Company by the related party Revenue from software development and related services Project work expenses Debtors Expenses receivable Current liabilities
ix) Intiqua International Inc.	Subsidiary company	Revenue from software development and related services Project work expenses Debtors Current liabilities
(x) Scandent Group GmbH	Subsidiary company	Revenue from software development and related services Project work expenses Debtors Advances received Current liabilities
(xi) Albion Inc. (Formerly SSIT North America Inc.)	Subsidiary company	Revenue from software development and related services Provision for doubtful debts and doubtful advances Debtors Provision for doubtful debts Loans & advances Provision for doubtful loans and advances
(xii) Clientsoft Inc.	Subsidiary company	Loans & advances Expenses paid on behalf of the related party Expenses receivable Provision for doubtful loans & advances
(xiii) IndigoMarkets Limited. Bermuda	Subsidiary company	Revenue from software development and related services Project work expenses Current liabilities Advances received
(xiv) IndigoMarkets Singapore Pte Limited	Subsidiary company	Revenue from software development and related services Project work expenses Debtors Provision for doubtful debts Current liabilities

April 1, 2004 to March 31, 2005	Receivable /(payable) As at March 31, 2005	April 1, 2003 to March 31, 2004	Receivable /(payable) As at March 31, 2004
1,829,265	–	1,576,261	–
(808,749)	–	(1,356,972)	–
1,978,408	–	2,751,174	–
(98,910)			
–	5,810,899	–	6,338,360
–	11,614,995	–	9,547,479
–	(2,280,855)	–	(1,357,002)
18,220,725	–	–	–
(12,267,115)	–	–	–
–		–	–
13,457,010	–	–	–
(22,947,614)	–	–	–
–	12,817,882	–	–
–	–	–	(643,034)
–	(23,125,044)	–	–
178,425,532	–	–	–
795,260,060	–	–	–
–	278,319,424	–	–
(145,644,773)	(145,644,773)	–	–
–	649,615,287	–	–
(649,615,287)	(649,615,287)	–	–
–	91,760,000	–	–
160,961			
	161,055		
(91,760,000)	(91,760,000)	–	–
10,160,661	–	–	–
(4,610,956)	–	–	–
	(4,896,493)		
–	(43,970,001)	–	–
10,673,055	–	–	–
(3,355,308)	–	–	–
–	44,805,256	–	–
(38,334,343)	(38,334,343)	–	–
–	(3,307,367)	–	–

S No.Name of the related party	Relationship	Nature of transaction4
(xv) IndigoMarkets Europe Limited	Subsidiary company	Revenue from software development and related services Project work expenses Debtors Provision for doubtful debts Loans & advance Current liabilities
(xvi) Scandent Group Limited, Mauritius	Holding company [Refer Note 5(i)]	Unsecured loans taken Unsecured loans taken, converted into equity Purchase of investments
(xvii) Cote D' Or Limited, Mauritius	Company in which a Director of the Company is also a Director	Unsecured loans repaid Unsecured loans given
(xviii) Seabulk Software India Private Limited	Company in which a Director of the Company is also a Director	Loans & advances
(xix) Ramesh Vangal	Director	Unsecured loans taken Unsecured loans
(xx) Katra Holdings Private Limited	Company in which a Director of the Company is also a Director	Unsecured loans taken Unsecured loans
(xxi) S Jairaj	Director (Upto September 30, 2004)	Unsecured loans taken Interest on loan taken Unsecured loans given Loans & advances
(xxii) J & A Consulting Private Limited	Company in which relative of a Director is a Director/ shareholder	Professional services received Reimbursement of expenses Current liabilities
(xxiii) L Venugopal	Relative of a Director	Unsecured loans taken Interest expense Unsecured loans repaid
(xxiv) PM Pandit	Relative of a Director (Upto September 30, 2004)	Unsecured loans taken Interest expense Unsecured loans repaid

(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) The accumulated compensation cost as of March 31, 2005 includes Rs 27,973,080 (March 31, 2004 – NIL) incurred towards employee compensation cost for option granted to the employees of its subsidiaries. The corresponding compensation cost amortised during the year is Rs 24,476,445 (March 31, 2004 – NIL). The company has not charged this amortisation to its subsidiaries.

April 1, 2004 to March 31, 2005	Receivable /(payable) As at March 31, 2005	April 1, 2003 to March 31, 2004	Receivable /(payable) As at March 31, 2004
20,804,705	–	–	–
(1,512,517)	–	–	–
–	44,547,952	–	–
(24,443,440)	(24,443,440)	–	–
–	6,659	–	–
–	(1,480,306)	–	–
–	–	(103,015,115)	–
–	–	410,537,934	–
–	–	(4,521,000)	–
–	–	10,000,000	–
15,000,000	–	30,608,563	–
–	33,716,063	–	18,716,063
(500,000)	–	(18,924,003)	–
–	(3,932,635)	–	(17,429,003)
(5,000,000)	–	–	–
–	(5,000,000)	–	–
–	–	(500,000)	–
–	–	(54,435)	–
–	–	77,600	–
–	66,186	–	66,186
(1,043,840)	–	(2,070,300)	–
–	–	(2,194)	–
–	–	–	(493,800)
–	–	(7,500,000)	–
–	–	(584,010)	–
–	–	8,084,010	–
–	–	(2,000,000)	–
–	–	(217,742)	–
–	–	2,217,742	–

27. Earnings Per Share

	2005	2004
Weighted average number of equity shares in calculating basic Earnings per share ('EPS') – (A)	24,685,813	5,068,987
Weighted average number of potential equity shares under option during the year – (B)	399,615	6,706
Weighted average number of equity shares in calculating diluted EPS – (A+B)	25,085,428	5,075,693

i. Pursuant to the Scheme, the Company has reduced the Share capital by Rs 196.86 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.

28. 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 March 31, 2005, the Company has availed duty benefits amounting to Rs 46.4 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 Albion 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, Albion has defaulted in the repayment of the loan. In February 2005, Albion has repaid USD 2.5 million (Rs 109 million) to the bank. As at March 31, 2005, the balance outstanding in the loan stands at USD 3.7 million (Rs 162 million). Subsequent to March 31, 2005, Albion has obtained extension for repayment of the said loan and was, accordingly, required to repay the loan by April 30, 2005. However, the same is yet to be repaid and Albion is in the process of seeking further extension for repayment of the loan.

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 said indemnification.

Apart from the liabilities included in the Transfer Balance Sheet at July 1, 2004, the Company has, as of March 31, 2005, received no further claims / demands etc from SSI, its retained business or its affiliates with respect to the above.

iv. As at March 31, 2005, Albion Inc and Scandent US, the subsidiary companies of Scandent have negative net assets amounting to Rs 300 million and Rs 1,056 million, respectively. Whilst the respective subsidiaries are confident of generating funds from their operations for the year ending March 31, 2006, the Company has committed to fund the shortfall, if any.

29. 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 America, 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	2005	2004
North America	874,899,066	307,731,882
Europe	352,566,785	152,304,676
Rest of the World	52,725,930	4,346,683
	1,280,191,781	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.

30. 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 Scandent Group. 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.

	2005	2004
Options outstanding at the beginning of the year	477,268	–
Options granted during the year	–	477,268
Options forfeited during the year	11,050	–
Options vested during the year	349,664	–
Options granted but not eligible for exercise at year end	116,554	477,268

	2005	2004
Total employee stock compensation cost as at year end	27,973,080	–
Employee stock compensation expense – Amortised during the year	24,476,445	–

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 SSIIT 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 24 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.

31. Leases

I. OPERATING LEASES

Office and guest house premises are obtained under operating lease. The lease term for these premises is for eleven months to three 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 year is Rs 34,800,626 (March 31, 2004 – Rs 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 three 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 March 31, 2005, a deposit of Rs 409,757 (March 31, 2004 – Rs 2,928,879) (included under Deposits in Note 15) as collateral security which will be adjusted against the last two installments of lease rentals.

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

	2005	2004
Total minimum lease payments*	1,774,668	3,533,330
Less: Interest	140,990	607,581
Present value of minimum lease payments*	1,633,678	2,925,749

* Net of security deposit paid for computers

Future minimum lease payments under finance lease are as under:

March 31, 2005

	Minimum lease payments	Present value of minimum lease payments
Payable not later than one year	1,585,068	1,457,318
Payable later than one year and not later than five years	189,600	176,360
Payable later than 5 years	–	
Total	1,774,668	1,633,678

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	1,696,391	1,513,296
Payable later than 5 years	–	–
Total	3,533,330	2,925,749

32. Supplementary Statutory Information

	2005	2004
(i) Payment to Auditors (included in Legal & Professional Costs)		
Statutory Audit Fee	2,000,000	1,000,000
Tax Audit Fee	200,000	100,000
Others	1,300,000	1,000,000
Out of pocket expenses (including service tax)	46,500	235,500
	3,546,500	2,335,500

(ii) Managerial remuneration

The Company does not pay remuneration to Managing Director or Whole Time Directors. The Company during the year has appointed a non resident as Managing Director and has applied to the Central Government accordance with the requirements of the Companies Act, 1956. The Central Government approval for the same is awaited. The Managing Director draws salary from a foreign subsidiary of the Company.

(iii) Earnings in foreign currency

	2005	2004
Sale of software services	1,267,571,152	462,787,526

(iv) Expenditure in foreign currency (Accrual Basis)

	2005	2004
Project work expenses	517,957,453	–
Marketing expenses	50,133,016	–
Traveling	36,134,864	23,784,719
Others	549,791	–
	604,775,124	23,784,719

(v) Value of imports calculated on CIF basis

	2005	2004
Customer rights purchased from subsidiaries	91,238,008	–
Others	3,878,587	1,479,828
	95,116,595	1,479,828

(vi) The Company is engaged in the business of development of computer software. The production and sale of such software is not capable of being expressed in any generic unit. Hence, other information pursuant to the provisions of the paragraph 3, 4C and 4D of part II, Schedule VI to the Companies Act 1956 are not applicable to the Company.

33. Prior Year Comparatives

The financial statements for the current year include the operations of SSIIT with effect from the Appointed Date. Accordingly, the current year results are not comparable with those of the prior year. The financial statements for the year ended March 31, 2004 have been reclassified where necessary to conform to current year's presentation.

As per our report of even date

S.R. BATLIBOI & ASSOCIATES
CHARTERED ACCOUNTANTS

Prashant Singhal
Partner
Membership No. 93283
Place : Bangalore
Date : May 24, 2005

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Dilip Keshu
Managing Director

Satyen Patel
Director

Ramesh Vangal
Director
Place : Bangalore
Date : May 24, 2005

Pradeep Chaudhry
Chief Finance Officer

V Viswanathan
Company Secretary

Statement Pursuant to Section 212(1)(e) of the Companies Act, 1956 Relating to the Subsidiary Companies for the year ended March 31, 2005

1. Name of the Subsidiary Company	Indigomarkets Europe Limited	Albion Inc.	Clientsoft Inc. USA
2. Financial Year of the Subsidiary Company	31st March 2005	31st March 2005	31st March 2005
3. No. of Shares held in Subsidiary Company as on the above date	1,000	80,73,267	2,00,000
4. % of holding (Equity)	100%	100%	100%
5. The net aggregate of Profit (Losses) of the subsidiary companies so far as they concern the members of the Company.	—	—	
a. Dealt with in the Account of the Company for the year ended March 31, 2005	Nil	Nil	Nil
b. Not dealt with in the Accounts of the Company for the year ended March 31, 2005	GBP (5,11,411)	$ (4,17,13,374)	$ (7,86,405)
6. The net aggregate of Profit (Losses) of the subsidiary companies for the previous financial years since it became a subsidiary company so far as they concern the members of the company:	—	—	—
a. Dealt with in the Account of the Company for the year ended March 31, 2005	Nil	Nil	Nil
b. Not dealt with in the Accounts of the Company for the year ended March 31, 2005	Nil	Nil	Nil

Indigomarkets Limited, Bermuda	Indigomarkets (Singapore) Pte Limited	Matrix One India Limited.	Scandent Group Pte. Ltd.	Scandent Group GmbH	Scandent Group SDN. BHD.	Scandent Network Europe Limited	Scandent Group Inc., USA
31st March 2005	31st March 2005	31st March 2005	31st March 2005	31st March 2005	31st March 2005	31st March 2005	31st March 2005
12,000	2	50,000	23,00,000	25,565	2,50,000	1	10,10,000
100%	100%	100%	100%	100%	100%	100%	100%
—	—	—	—	—	—	—	—
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
$ 13,13,111	SGD (8,46,757)	Rs (33,19,386)	SGD (10,61,918)	Euro (4,15,645)	RM 2,08,856	GBP (17,31,146)	$ (1,03,22,361)
—	—	—	—	—	—	—	—
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Balance Sheet Abstract and Company's General Business Profile

I.	**Registration No. U72200KA2002PTC030072**	State Code 08
	Balance Sheet Date 31.03.2005	
II.	**Capital raised during the year (Amount Rs. in thousands)**	
	Public Issue (Issue through Prospectus)	Nil
	Rights Issue	Nil
	Bonus Issue	Nil
	Private Placement	21,054
III.	**Position of Mobilization and Deployment of Funds**	
	(Amount Rs. in thousands)	
	Total Liabilities	16,10,399
	Total Assets	16,10,399
	Sources of Funds	
	Paid up Capital	2,87,323
	Reserves and Surplus	5,72,493
	Secured Loans	5,66,650
	Unsecured Loans	1,83,933
	Application of Funds	
	Net Fixed Assets	81,368
	Investments	5,55,553
	Net Current Assets	9,41,752
	Miscellaneous Expenditure	31,726
	Accumulated Losses	
IV.	**Performance of the Company (Amount in Rs. in thousands)**	
	Turnover	12,97,961
	Total Expenditure	12,12,941
	Profit/(Loss) before Tax	85,020
	Profit/(Loss) after Tax	107,097
	Earning per share in Rs. (Basic)	4.34
	Earning per share in Rs. (Diluted)	4.27
	Dividend %	
V.	**Generic Names of three Principal Products/ Services of the Company (as per monetary Terms)**	
	Item Code No. (ITC Code No.)	
	Product Description	The company is engaged in rendering software developments and related services

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Dilip Keshu
Managing Director

Satyen Patel
Director

Ramesh Vangal
Director

Pradeep Chaudhry
Chief Finance Officer

V Viswanathan
Company Secretary

Place : Bangalore
Date : May 24, 2005

CONSOLIDATED FINANCIAL STATEMENTS – INDIAN GAAP

8603_Camb_AR05 Scandent Cond Indian GAAP_083005_1552 8/30/05 8:49 PM Page 98

Auditors' Report

TO THE BOARD OF DIRECTORS OF SCANDENT SOLUTIONS CORPORATION LIMITED
(FORMERLY SCANDENT NETWORK PRIVATE LIMITED)

1. We have audited the attached consolidated balance sheet of Scandent Solutions Corporation Limited ("the Company") and its subsidiaries (collectively called "Group"), as at March 31, 2005, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Group's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those 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. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs 161.06 million as at March 31, 2005, the total revenue of Rs 543.97 million, net profit of Rs 11.40 million and negative cash flows amounting to Rs 12.67 million for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors [including audit of the financial statements and other financial information of certain subsidiaries, whose financial statements reflect total assets of Rs 87.65 million as at March 31, 2005, the total revenue of Rs 379.32 million, net profit of Rs 7.69 million and cash flows amounting to Rs 12.80 million for the year then ended by Ernst & Young LLP, U.K.; Ernst and Young, Singapore and Ernst and Young, Malaysia].

4. We report that the consolidated financial statements have been prepared by the Group's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, issued by the Institute of Chartered Accountants of India.

Auditors' Report

5. 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, as sanctioned by the Honourable High Court of Judicature at Karnataka and the Honourable High Court of Judicature at Madras, to and in the Company. Based on the financial statements provided by SSI Limited ('SSI') as of July 1, 2004 (the day immediately preceding the Appointed Date), as the Transfer Balance Sheet, 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) in the 'Transfer Balance Sheet'. 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.

6. Without qualifying our opinion, we draw attention to Note 2.4 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.

7. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2005;

(b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and

(c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

FOR S.R. BATLIBOI & ASSOCIATES
CHARTERED ACCOUNTANTS

Prashant Singhal
Partner
Membership No: 93283
Bangalore
Date: May 24, 2005

8603_Camb_AR05 Scandent Cond Indian GAAP_083005_1552 8/30/05 8:49 PM Page 100

Consolidated Balance Sheet as at March 31, 2005

(All amount in Rupees)	Notes	2005
Sources of Funds		
Shareholders' Funds		
Share capital	5	287,322,760
Reserves and surplus	6	657,275,435
		944,598,195
Loan Funds		
Secured loans	7	750,828,711
Unsecured loans	8	303,063,409
		1,053,892,120
Total		1,998,490,315
Application of Funds		
Fixed Assets	9	
Gross block		290,540,752
Less: Accumulated depreciation		215,317,445
Net block		75,223,307
Capital work-in-progress		10,000,000
		85,223,307
Intangible Assets, net	10	1,315,176,019
Investments	11	—
Deferred Tax Asset	12	31,967,938
Current Assets, Loans & Advances		
Inventories	13	2,359,088
Sundry debtors	14	736,404,007
Cash and bank balances	15	142,956,560
Loans and advances	16	200,562,939
		1,082,282,594

Consolidated Balance Sheet as at March 31, 2005

(All amount in Rupees)	Notes	2005
Less: Current Liabilities & Provisions		
Current liabilities	17	496,751,715
Provisions	18	51,133,511
		547,885,226
Net Current Assets		534,397,368
Miscellaneous Expenditure		
(to the extent not written off or adjusted)	19	31,725,683
Total		1,998,490,315

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 : May 24, 2005

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Dilip Keshu
Managing Director

Satyen Patel
Director

Ramesh Vangal
Director
Place : Bangalore
Date : May 24, 2005

Pradeep Chaudhry
Chief Finance Officer

V Viswanathan
Company Secretary

8603_Camb_AR05 Scandent Cond Indian GAAP_083005_1552 8/30/05 8:49 PM Page 102

Consolidated Profit & Loss Account as at March 31, 2005

(All amount in Rupees)	Notes	2005
Income		
Revenues	20	2,432,809,203
Other income	21	35,881,449
		2,468,690,652
Expenditure		
Employee costs	22	1,489,614,689
Other operating costs	23	638,664,861
Depreciation	9	45,981,446
Amortisation	10	82,315,451
Finance costs	24	55,146,864
		2,311,723,311
Profit for the year before tax		156,967,341
Provision for tax	26	7,032,436
Deferred tax charge/(income)	12	(31,967,938)
Profit for the year after tax		181,902,843
Net loss, at the beginning of the year		(199,107,954)
Capital reduction pursuant to the Scheme (Refer Note 2.1)		196,855,010
Transfer from general reserve pursuant to the Scheme		2,252,944
		—
Net Profit		181,902,843
Appropriation towards Debenture Redemption Reserve	6(iii)	(107,097,486)
Net Profit, end of the year		74,805,357
Earnings per share [Equity shares, par value Rs 10 each]		
Basic		7.37
Diluted		7.25
Weighted average number of equity shares used in computing earnings per share		
Basic		24,685,813
Diluted		25,085,428

The accompanying notes 1 to 31 form an integral part of this 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 : May 24, 2005

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Dilip Keshu
Managing Director

Satyen Patel
Director

Ramesh Vangal
Director
Place : Bangalore
Date : May 24, 2005

Pradeep Chaudhry
Chief Finance Officer

V Viswanathan
Company Secretary

8603_Camb_AR05 Scandent Cond Indian GAAP_083005_1552 8/30/05 8:49 PM Page 103

Consolidated Cash Flow Statement for the Year Ended March 31, 2005 (All amount in Rupees)

A. Cash Flow from Operating Activities	
Net profit / (Loss) before taxation	156,967,341
Adjustments for:	
Depreciation	45,981,446
Amortisation	82,315,451
Amortisation of Miscellaneous expenditure (included in Finance costs)	7,647,075
(Profit) / Loss on sale of fixed assets	844,485
Profit on sale of investments	(1,050,729)
Foreign exchange gain/(loss) (net) – unrealised	1,446,230
Interest income	(6,450,068)
Write back of liability	(26,509,459)
Provision for Doubtful Debts	6,278,889
Deferred employee compensation cost	24,476,445
Interest expense	45,012,969
Operating profit before working capital changes	**336,960,075**
Movements in working capital :	
Decrease / (Increase) in sundry debtors	(216,475,670)
Decrease / (Increase) loans and advances	133,510,484
Increase / (Decrease) in current liabilities & provisions	(601,337,265)
Net cash used in operating activities (A)	**(347,342,376)**
B. Cash Flows from Investing Activities	
Purchase of fixed assets and intangible assets	(57,157,019)
Proceeds from sale of fixed assets	1,048,909
Purchase of investments	(9,068,130)
Sale of Investments	7,096,076
Interest received	7,399,991
Cash and cash equivalents in the subsidiaries financial statements as on the date of acquistion (Note (ii))	49,074,723
Cash and cash equivalents in the subsidiary on the date of disposal	(685,975)
Net cash used in investing activities (B)	(2,291,425)

Consolidated Cash Flow Statement for the Year Ended March 31, 2005 (All amount in Rupees)

C. Cash Flows from Financing Activities	
Proceeds from issue of share capital (Refer Note (iii))	270,000,000
Share Issuance Expense	(5,820,000)
Loan arrangement & Processing fees	(22,972,758)
Proceeds from short-term borrowings	142,378,598
Repayment of short-term borrowings	(358,579,007)
Proceeds from long-term borrowings	640,921,213
Repayment of long-term borrowings and finance lease obligation	(173,880,401)
Interest paid	**(49,704,401)**
Net cash from financing activities (C)	**442,343,244**
Net increase in cash and cash equivalents (A + B + C)	**92,709,443**
Foreign currency translation reserve	9,976,641
Cash and cash equivalents at the beginning of the year (Refer Note (iv))	36,635,923
Cash and cash equivalents as at July 2, 2004 transferred pursuant to Scheme [Refer Note 2.3]	3,634,553
Cash and cash equivalents at the end of the year (Refer Note 15)	142,956,560

Note:

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

(ii) Cash and cash equivalents as on the date of merger / acquisition of Intiqua International Inc, Clientsoft Inc, Indigo Markets Limited, Indigo Markets Europe Limited, Indigo Markets (Singapore) Pte Limited and Albion Inc amounted to Rs 49,074,723.

(iii) The reduction of the issued, subscribed and paid-up capital of the Company from Rs 328.44 million to Rs 131.59 million and allotment of Rs 13,467,880 equity shares to the shareholders of SSI, pursuant to the Scheme is a non-cash transaction [refer Note 2.2 & 3].

(iv) Scandent Group Inc; Scandent Network Europe Limited, Scandent Group Pte Limited, Scandent Group GmbH, Crescent Infosystems India Private Limited and MatrixOne India Limited were transferred as subsidiaries from Scandent Group Ltd to the Company effective March 31, 2004 (refer Note 1.2). Accordingly, the cash and cash equivalents balance in these entities as on March 31, 2004 amounting to Rs 34,179,909 has been included in the cash and cash equivalents at the beginning of the year.

As per our report of even date.

S.R. BATLIBOI & ASSOCIATES
CHARTERED ACCOUNTANTS

Prashant Singhal
Partner
Membership No. 93283
Place : Bangalore
Date : May 24, 2005

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Dilip Keshu
Managing Director

Satyen Patel
Director

Ramesh Vangal
Director

Pradeep Chaudhry
Chief Finance Officer

V Viswanathan
Company Secretary

Place : Bangalore
Date : May 24, 2005

Notes to the Consolidated Financial Statements
For the year ended March 31, 2005

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 the 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.

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 percent interest, and 11 percent 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 up to the maturity of the 11 percent Debentures. During the year ended March 31, 2005, the Company has adjusted the carrying value of the contract rights of the acquired contract amounting to Rs. 116.94 million, with the general reserve in accordance with the scheme of arrangement of de-merger of the software development and information technology business of SSI Limited ('SSI') (Refer note 2.4).

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 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 effective 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. Under the revised arrangements, Scandent remunerates its overseas entities with a marketing fee of 5 percent for revenues generated through them and cost plus 8 percent for onsite effort on contracts undertaken by them. 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.

Further, during the year, pursuant to the scheme of arrangement of de-merger of software development and information technology business of SSI ('SSIIT') (refer note 2), the subsidiaries of erstwhile SSIIT, ClientSoft Inc, USA; Albion Inc, USA; Indigo Markets, Bermuda; Indigo Markets Europe Limited, UK and Indigo Markets Pte Limited, Singapore became the subsidiaries of Scandent.

Scandent, together with its subsidiaries hereinafter is collectively referred to as 'the Group'.

2. Merger of the Information Technology division of SSI into Scandent

The Scheme of arrangement for de-merger ('the Scheme') of the 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 328.45 million to Rs 131.59 million and the capital reduction of Rs 196.86 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 amounting to Rs 134.68 million on October 27, 2004.

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 1,206.17 million. The book value of assets and liabilities taken over are as follows:

Particulars	(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	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 1,206.17 million as discussed in paragraph 2.3 above, are net of such amounts.

3. Shareholding Pattern

As at March 31, 2004, Scandent Mauritius held 92.36 percent of equity of the Company. The percentage of holding of Scandent Mauritius has dropped to 42.3 percent, 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 SSIIT:

		September 23, 2004*		
Name of the Share holders	March 31, 2004	Prior to capital reduction	Post capital reduction	March 31, 2005
Scandent Mauritius	30,334,463	30,334,463	12,153,344	12,153,344
	(92.36%)	(86.80%)	(79.62%)	(42.30%)
UTI India Technology Venture Unit Scheme	—	1,052,717	1,052,717	1,052,717
	—	(3.01%)	(6.90%)	(3.66%)
SSI	—	1,052,717	1,052,717	1,052,717
	—	(3.01%)	(6.90%)	(3.66%)
Others **	2,510,000	2,510,000	1,005,618	14,473,498
	(7.64%)	(7.18%)	(6.58%)	(50.38%)
Total	32,844,463	34,949,897	15,264,396	28,732,276
	(100%)	(100%)	(100%)	(100%)

* On September 23, 2004, the Company filed the order received from the High Courts to sanction the Scheme with the Registrar of Companies [refer Note 2].
** Of these equity shares, pursuant to this scheme, 13,467,880 equity shares were allotted to the shareholders of SSI on October 27, 2004.

4. Significant Accounting Policies

4.1 BASIS OF PREPARATION

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Group.

As these financial statements are not statutory financial statements, they are presented in the general format specified in Schedule VI to the Companies Act, 1956 ('the Act') and hence do not reflect all the disclosure requirements of the Act.

The consolidated financial statements of the Group have been prepared based on a line-by-line consolidation of the balance sheet, statement of profit and loss account and cash flows of Scandent and its subsidiary companies as at March 31, 2005. All material inter-company transactions and balances between the entities included in the consolidated financial statements have been eliminated. The excess of the cost to the Company of its investments in subsidiaries over its proportionate share in equity of the investee Company as at the date of acquisition is recognised in the financial statements as Goodwill and disclosed under Intangibles. In case the cost of investment in subsidiary Companies is less than the proportionate share in equity of the investee company as on the date of investment, the difference is treated as capital reserve and shown under Reserves and Surplus.

The Consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible in the same manner as the Company's separate financial statements.

Notes to the Consolidated Financial Statements
For the year ended March 31, 2005

Following table indicates the date of acquisition and the equity shareholding as at March 31, 2005 of the subsidiary companies:

Name of the Subsidiary	Country	Date of acquisition	Equity share holding as at March 31, 2005
Scandent Group Inc.	United States of America	March 31, 2004	100%
Scandent Group GmbH	Germany	March 31, 2004	100%
Scandent Network Europe Limited	United Kingdom	March 31, 2004	100%
Scandent Group Pte Limited	Singapore	March 31, 2004	100%
Scandent Group Sdn Bhd.	Malaysia	March 31, 2004	100%
MatrixOne India Limited	India	March 31, 2004	99.9%
Crescent Infosystems India Private Limited*	India	March 31, 2004	—
Intiqua International Inc**	United States of America	April 1, 2004	—
ClientSoft Inc.	United States of America	July 2, 2004	100%
Albion Inc.	United States of America	July 2, 2004	100%
Indigo Markets Limited***	Bermuda	July 2, 2004	100%
Indigo Markets Europe Limited***	United Kingdom	July 2, 2004	100%
Indigo Markets (Singapore) Pte. Limited***	Singapore	July 2, 2004	100%

* Crescent Infosystems India Private Limited was disposed during the year.
** Intiqua International Inc, was the wholly owned subsidiary of Scandent Group Inc and effective December 31, 2004, it was merged into Scandent Group Inc.
*** Indigo Markets Europe Limited and Indigo Markets Pte Limited are wholly owned subsidiaries of Indigo Markets Limited, Bermuda.

The Company has not made any investments in any associates/joint ventures.

The consolidated financial statements have been prepared for the first time in the current year. Accordingly, as per the transitional provisions of Accounting Standard 21, the comparative figures for the previous year have not been provided.

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 or useful life, whichever is lower, 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 Act. 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 year ended March 31, 2005 is higher by Rs 5.6 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 Goodwill arising on consolidation (refer note 4.1), Goodwill arising on acquisition, computer software held for use in business, customer rights and computer software license rights.

i. Goodwill arising on consolidation is not amortized.

ii. Goodwill arising on acquisition is the difference between the cost of an acquired business and the aggregate of the fair value of that entity's identifiable assets and liabilities and the same is amortized on a straight line basis over its economic life.

iii. Computer software is amortized over an estimated useful life of two years.

iv. Customer rights are amortized over an estimated useful life of forty two to forty eight months.

v. Software License Rights purchased are amortized over an estimated useful life of four years.

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.

4.4 LEASES

(i) Finance Leases

Finance leases, which effectively transfer to the Group 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 Group 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

Revenue from software development services includes revenue from time and material and fixed price contracts. Revenue from time and material contracts are recognized as related services are performed. Revenue from software development on fixed price contracts is recognized as per proportionate-completion method.

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

Revenue from sale of software licenses is recognized when the significant risks and rewards of ownership of the license have passed to the buyer, which coincides with the delivery of the software licenses.

4.6 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 year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

Exchange differences arising on conversion of monetary items pertaining to acquisition of fixed and intangible assets acquired from outside India 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.

iv. Foreign Subsidiaries

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself.

In translating the financial statements of a non integral foreign operation for incorporation in financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operation are translated at monthly average exchange rates of the transactions; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the investment.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

As at March 31, 2005, the management has considered all subsidiaries as integral foreign operations except for the following which have been considered as non integral foreign operations:

i. Albion Inc., USA

ii. ClientSoft Inc., USA

iii. Scandent Group Sdn Bhd., Malaysia

iv. Scandent Group Pte Ltd., Singapore

v. Intiqua International Inc., USA

Intiqua International Inc, USA was merged with Scandent Group Inc., USA effective December 31, 2004, subsequent to which it has been considered as integral foreign operations.

4.7 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.

4.8 INVENTORIES

Inventories comprise licences purchased by the Company for sale to a customer and are stated at the lower of cost and net realizable value. Cost of Licenses is determined using the first-in-first-out method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and to make the sale.

4.9 RETIREMENT BENEFITS

In India, the Group 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.

In respect of overseas Group companies, contributions made towards retirement/employee benefits, in accordance with the relevant applicable laws, are charges to the Profit and Loss Account.

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 March 31, 2005.

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 reassessed 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 EARNING PER SHARE

Basic earning per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the 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 year. The weighted average number of equity shares outstanding during all the years, presented, is adjusted for capital reduction.

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

4.12 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.

4.13 SEGMENT REPORTING

Identification of segments:

The Group'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 Group'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 percent Debentures and cost of arranging long term loan. Interest on 11 percent Debentures is amortized pro-rata over the period from August 1, 2002 to the maturity of the 11 percent Debentures, i.e. January 31, 2007. Cost of arranging long-term loans is amortized, over the period of the loan, commencing from the date of the first draw-down of the related loan, on weighted average basis.

4.15 DEFERRED EMPLOYEE STOCK COMPENSATION COSTS

Deferred employee stock compensation costs for stock options are recognised on the basis of generally accepted accounting principles and in accordance with the guidelines of Securities and Exchange Board of India, and, are measured as the excess of the fair value of the Company's stock on the stock options grant date over the amount an employee must pay to acquire the stock and recognised in a graded manner on the basis of weighted period of services over the vesting period of equity shares. The fair value of the options is measured on the basis of an independent valuation performed or the market price in respect of stock options granted.

The Company, during the previous year, had not accounted for the Employee Stock Option granted, since it was not mandatorily required to do so as per the guidelines issued by Securities and Exchange Board of India.

The above change in accounting for employee stock compensation expense has resulted in increase in employee costs and decrease in profits by Rs 24.48 million.

Notes to the Consolidated Financial Statements
For the year ended March 31, 2005

5. Share Capital

	2005
Authorised capital	
35,000,000 Equity shares of Rs 10 each	350,000,000
Issued, subscribed and paid-up capital 28,732,276 Equity shares of Rs 10 each fully paid up	287,322,760

i. Scandent Mauritius held 92.36 per cent equity shares of the Company at April 1, 2004, which dropped to 42.3 per cent at March 31, 2005 due to the scheme of arrangement with SSI and its shareholders (Note 2.2, 2.3 and 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 328.44 million has been reduced to Rs 131.59 million comprising of 13,158,962 equity shares of Rs 10 each on September 23, 2004.

iii. The Company 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 on June 12, 2004 and September 12, 2004, respectively.

iv. Pursuant to the Scheme, the Company has allotted 13,467,880 equity shares to the shareholders of SSI as on the record date October 27, 2004. [Refer Note 2.2 & 3]

6. Reserves and Surplus

Capital reserve	5,700,900
Debenture redemption reserve [Refer Note (iii) below]	107,097,486
Securities premium :	
Balance, beginning of the year [Refer Note 5(i)]	182,461,304
Received during the year [Refer Note 5(iii)]	248,945,660
Less: Share issue expense [Refer Note (ii) below]	(5,820,000)
Balance, end of the year	425,586,964
General Reserve : [Refer Note 2.3]	
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]	(196,638,254)
	11,884,586
Less : Transferred to Profit & loss account [Refer Note 2.4]	(2,252,944)
Balance, end of the year	9,631,642
Stock compensation adjustment : [Refer Note 30]	
Additions during the year	28,636,080
Reversal on forfeiture of stock options granted	(663,000)
Less: Deferred employee stock compensation expense	(3,496,635)
	24,476,445
Foreign Currency Translation Reserve [Refer Note 4.6]	9,976,641
Profit & Loss account	74,805,357
	657,275,435

i. Deferred employee stock compensation expense [Refer Note 30]

Stock compensation expense outstanding	28,636,080
Stock Compensation expense amortised during the year	(24,476,445)
Reversal on forfeiture of stock options granted	(663,000)
Closing balance of deferred employee stock compensation expense	3,496,635

ii. The share issue expenses for issuance of 1,052,717 equity shares amounting to Rs 5,820,000 to UTI India Technology Venture Unit Scheme have been adjusted with the premium received on the allottment.

iii. As discussed in Note 1.1 and Note 8(i), on August 1, 2002, the Company had issued 11 percent 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 year, the Company has appropriated a net profit of Rs 107.09 million towards Debenture redemption reserve.

7. Secured Loans

From Banks	
Working Capital Facility	329,071,245
External Commercial Borrowings	76,552,930
Term loan from a Bank	332,509,570
Receivable purchase facility	1,848,463
Interest accrued and due on working capital facility	2,379,213
	742,361,421
From Others	
Loans for purchase of fixed assets	6,579,175
Finance lease obligation	1,888,115
	8,467,290
	750,828,711

i. a) On July 25, 2003, Scandent UK entered into an agreement with HSBC Bank Plc for availing bank overdraft facility. As per the terms of the agreement, Scandent UK can avail overdraft facility up to USD 500,000 at an interest rate of 1.5 percent over the bank's relevant currency base rate as varied time to time.

This overdraft facility is secured by guarantee of one of the shareholders of the Scandent Holdings Mauritius Limited. As at March 31, 2005, Scandent UK has availed overdraft facility of USD 407,343 (Rs 17.82 million), which has been subsequently repaid in May 2005.

b) On March 10, 2004, Albion Inc. ('Albion') entered into a working capital facility with the State Bank of Mauritius, Mauritius. This facility is secured by a 1st rank charge for USD 5.5 million on receivable of Albion Inc, corporate gaurantee of Scandent Group Limited, Mauritius for USD 5.5 million and personal gaurantee of one of the directors. The facility is at the interest rate of three months LIBOR plus 200 basis points. The loan was to be repaid by January 31, 2005, however, Albion has defaulted in the repayment of the loan. In February 2005, Albion has repaid USD 2.5 million (Rs.109 million) to the bank. As at March 31, 2005, the balance outstanding in the loan stands at USD 3.7 million (Rs 161.89 million). Subsequent to March 31, 2005, Albion has obtained extension for repayment of the said loan and was accordingly required to repay the loan by April 30, 2005. However, the same is yet to be repaid and Albion is in the process of seeking further extension for repayment of the loan.

c) On November 17, 2004, the Company entered in to a working capital facility with the China Trust Commercial Bank ('China Trust Bank'). As per the terms of the agreement, the Bank has sanctioned a working capital facility of Rs 40 million, for 12 months with tenor of each demand not exceeding 180 days from the date of drawdown. The facility is secured by exclusive charge by way of hypothecation of all the receivables of the Company, both present and future arising from its operation in the United States of America through Scandent Group Inc., unconditional personal guarantee of one of the Directors and corporate guarantee of Scandent Group Inc. USA. As at March 31, 2005, the Company has utilized the entire facility of Rs 40 million. The Company has an interest coverage ratio of less than 5, though as per the terms of the agreement it is required to maintain minimum interest coverage ratio of 5 times.

d) On March 24, 2005, the Company entered into a Working Capital Dollar loan agreement with EXIM Bank. As per the terms of the agreement, Exim bank has sanctioned US $ 4 million to meet the Company's working capital requirements. The facility is to be repaid by the Company in bullet repayment at the end of two years subject to renewal of the facility at the option of the EXIM Bank on mutually acceptable terms. The facility is secured by first pari-passu charge on current assets of the Company including receivables, present and future (excluding receivables from Scandent Group Inc., USA), first pari-passu charge on all moveable fixed Assets, both present and future, irrevocable and unconditional personal guarantee of two Directors and irrecoverable corporate guarantee of Scandent Group Inc., USA, Scandent Network Europe Limited, UK, Scandent Group Pte Limited, Singapore, Albion Inc., USA, Scandent Group Limited, Mauritius Scandent Holdings Mauritius Limited, Mauritius. During the year, the Company has availed facility of Rs 109.36 million (USD 2.5 million) at an interest rate of LIBOR (6 months) plus 300 basis points.

ii. On December 15, 2004, the Company entered in to a term loan, in the nature of External Commercial Borrowings, agreement with China Trust Bank to finance investment in Scandent Group Inc. As per the terms of the agreement, China Trust Bank has a limit of USD 2.75 million to finance investment in Scandent Group Inc and meet capital expenditure requirements. The loan is repayable at the end of 36 months in a single bullet installment. The loan is sanctioned by exclusive charge by way of hypothecation of all the receivables of the Company both present and future arising from its USA operation through Scandent Group Inc., personal guarantee of one of the Directors, corporate guarantee of Scandent Group Inc and exclusive charge of the movable fixed assets of the Company procured from the part of loan proceeds. As of March 31, 2005, the Company has availed USD 1.75 million (Rs 76.55 Million) at the interest rate of six months LIBOR plus 175 basis points.

iii. a) 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 at an interest rate of 9.75 per cent per annum. The loan is repayable in 16 equal monthly installments of Rs 5.31 million each commencing from January 2006. 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 March 31, 2005, the Company had fully drawn down the term loan and Rs 15.93 million is repayable within one year.

b) On December 31, 2004, UTI Bank has sanctioned loan facility of Rs 247.5 million to meet its normal operation and capital expenditure requirements, at an interest rate of 8 per cent per annum. The loan is repayable in five equal half yearly installment of Rs 49.5 million each commencing from February 2007. The loan is secured by first parripassu charge on all current assets and fixed assets of the Company, both present and future, except receivable of Scandent Group Inc, USA, and collateral security by way of unconditional personal guarantee of two Directors and corporate guarantee of Scandent Network Europe Limited and Scandent Group Limited Mauritius. As at March 31, 2005, the Company has availed loan of Rs 247.5 million.

iv. On 18th July 2003, Scandent Group Pte Limited entered into a receivable purchase agreement with DBS Bank Limited, Singapore. Under the agreement, Scandent Group Pte Limited sells selected trade receivables to the bank with a right of recourse. The facility is available at the rate of 0.70% of the invoice value plus a discounting charge of 1.5 percent per annum above the banks prevailing prime lending rate and is secured by personal guarantees from the directors of Scandent Group Pte Limited, a corporate guarantee from Scandent Group Limited, Mauritius and a fixed and floating charge on all the assets and undertakings of Scandent Group Pte Limited. As of March 31, 2005, the net amount outstanding under the agreement is Singapore $ 69,692 (Rs 1.84 million).

v. The Company has obtained vehicles and computers under a financing arrangement. The loan is repayable over one to three years and is secured by assets taken against these loans. An amount of Rs 2.95 million is payable within one year from March 31, 2005.

vi. The Company obtained vehicles, computers and office equipment on finance lease. These leases range for a period of up to three years and are secured by the assets acquired under these leases. An amount of Rs 1.89 million, net of deposit of Rs 0.41 million is, repayable within one year from March 31, 2005.

8. Unsecured Loans

	2005
1,500,000, 11 percent Debentures of Rs 100 each	150,000,000
Loans from Directors	3,932,634
Short Term Overdraft	25,000,000
Loans from Others	124,130,775
	303,063,409

i. On August 1, 2002, the Company issued 11 percent 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 during September 2004 and January 2005 to the debenture holders is payable at annual rests. The interest due on August 4, 2004 was paid by the Company.

ii. Short term overdraft represents unsecured overdraft facility availed from UTI Bank at an interest rate of 5.6 per cent and is repayable on demand.

iii. Loans from Directors are interest free and repayable on or before March 31, 2006.

iv. Loans from Others is from a Company in which Director is interested and from Scandent Group and is interest free and repayable on or before March 31, 2006.

Notes to the Consolidated Financial Statements
For the year ended March 31, 2005

9. Fixed Assets

					Gross Block	
	As at April 1, 2004	Additions pursuant to the Scheme [Refer Note (ii)]	Addittions pursuant to the - Subsidiaries [Refer Note 1.2]	Additions	Deletions / adjustments [Refer Note (ii)]	As at March 31, 2005
Leasehold Improvements	13,619,641	48,485,051	2,104,887	2,745,025	74,367	66,880,237
Computers	20,613,433	80,798,466	53,988,010	6,940,850	12,049,830	150,290,929
Vehicles	4,081,262	4,390,513	—	7,613,394	3,639,796	12,445,373
Office Equipment	7,317,514	24,080,452	6,037,270	3,468,447	3,619,091	37,284,592
Furniture and fixtures	9,006,566	3,114,182	10,789,872	2,956,594	2,227,593	23,639,621
Total	54,638,416	160,868,664	72,920,039	23,724,310	21,610,677	290,540,752

Notes to the Consolidated Financial Statements
For the year ended March 31, 2005

						Depreciation		Net Block
	As at April 1, 2004	Additions pursuant to the Scheme [Refer Note (ii)]	Addittions pursuant to the acquisition of Subsidiaries [Refer Note 1.2]	Additions [Refer Note (iii)]	For the Year	Deletions / adjustments [Refer Note (ii)]	As at March 31, 2005	As at March 31, 2005
	3,174,917	14,818,534	1,429,163	—	15,546,146	75,330	34,893,430	31,986,807
	12,013,044	50,292,516	49,487,234	22,720,959	11,642,597	7,492,169	138,664,181	11,626,748
	1,002,137	1,806,319	—	156,559	3,394,755	2,823,436	3,536,334	8,909,039
	2,849,814	4,750,244	4,094,478	97,333	11,846,690	982,781	22,655,778	14,628,814
	2,268,129	1,388,052	9,265,591	448,317	3,551,258	1,353,625	15,567,722	8,071,899
	21,308,041	73,055,665	64,276,466	23,423,168	45,981,446	12,727,341	215,317,445	75,223,307

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 As at March 31, 2005	Net block As at March 31, 2005
Computers	5,195,069	1,782,099
Vehicles	1,681,957	647,665
Office Equipments	1,482,629	947,267
Total	8,359,655	3,377,031

ii. Pursuant to the Scheme, fixed assets with gross book value and net book value of Rs 160.87 million and Rs 87.81 million 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 15.10 million and Rs 6.92 million, 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 March 31, 2005, assets taken on loan basis amount to Rs 8.83 million, including assets amounting to Rs 8.09 million received by SSIIT on a loan basis from its customers.

Notes to the Consolidated Financial Statements
For the year ended March 31, 2005

10. Intangible Assets

	Gross Block					
	As at April 1, 2004	Additions pursuant to the Scheme [Refer Note (i)]	Addittions pursuant to the - Subsidiaries [Refer Note 1.2]	Additions	Adjustments [Refer Note (i & ii)]	As at March 31, 2005
Goodwill (also refer Note 2.6)	—	—	1,256,477,116	—	—	1,256,477,116
Software License Rights	—	—	221,722,500	—	—	221,722,500
Computer Software	26,582,100	125,950,074	151,666,834	28,661,439	152,957,153	179,903,294
Customer Rights	349,746, 178	4,441,223	—	—	354,187,401	—
Total	376,328,278	130,391,297	1,629,866,450	28,661,439	507,144,554	1,658,102,910

Notes to the Consolidated Financial Statements
For the year ended March 31, 2005

					Depreciation		Net Block
	As at April 1, 2004	Additions pursuant to the Scheme [Refer Note (i)]	Addittions pursuant to the acquisition of Subsidiaries [Refer Note 1.2]	For the Year	Adjustments [Refer Note (i & ii)]	As at March 31, 2005	As at March 31, 2005
	—	—	4,039,208	1,970,635	—	6,009,843	1,250,467,273
	—	—	138,576,561	27,715,292	—	166,291,853	55,430,647
	18,240,522	20,662,442	151,580,604	22,168,849	42,027,222	170,625,195	9,278,099
	123,099,129	—	—	30,460,675	153,559,804	—	—
	141,339,651	20,662,442	294,196,373	82,315,451	195,587,026	342,926,891	1,315,176,019

i. Pursuant to the Scheme, the Company acquired software with gross book value and net book value of Rs 125.95 million and Rs 105.29 million, 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. Upto July 1, 2004, the Company has capitalised Rs 4.44 million 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].

iv. Additions pursuant to acquisition, under Goodwill, includes goodwill arising on consolidation amounting to Rs 1,248.50 million and Goodwill arising on acquisition of trade, assets and liabilities of Total Systems Europe Plc (Total Plc), a UK registered company amounting to Rs 7.98 million. The assets and liabilities of Total Plc were acquired by Scandent Europe UK — (Scandent UK) on July 1, 2002 and were included in Scandent UK's balance sheet at their fair value at the date of acquisition. No adjustments were made to the book values in arriving at their fair values.

v. The Group has entered into an agreement with a vendor to use the software and documentation to create, maintain and operate a Business Application and Outsourcing service. Pursuant to this agreement, the Group during the previous year has capitalised the rights to use such software license for $ 5,100,000.

vi. Albion and Clientsoft, were wholly owned subsidiaries of SSI, and pursuant to the Scheme, these entities became a wholly owned subsidiary of Scandent, with effect from July 2, 2004. Pursuant to change of ownership of these entities to Scandent, the management considered certain changes in accounting estimates and changes in accounting policies, on the financial statements of the respective subsidiaries as at July 2, 2004. The effect of these changes, amounting to Rs 14.21 million, has been adjusted with the goodwill arising on the consolidation.

Notes to the Consolidated Financial Statements
For the year ended March 31, 2005

11. Investments (Unquoted, at cost, fully paid-up)

Non-trade (Long term) :	
215,000 Equity Shares of Rs 10 each in Globsyn Technologies Ltd	8,600,000
Less : Diminution in value of investment	(8,600,000)
	—

i. Scandent holds 1.19 per cent equity stake in Globsyn Technologies Ltd. During the year ended 2003, in accordance with its accounting policy, the Company had fully provided for dimunition in value of investments.

12. Deferred Tax Asset/(Liability) [also refer Note 26]

Depreciation	27,153,086
Employee retirement benefits	4,814,852
	31,967,938

13. Inventories

Software licenses	2,359,088

14. Sundry Debtors (Unsecured)

Debts outstanding for a period exceeding six months	
Considered good	91,858,962
Considered doubtful	19,866,092
Other debts	
Considered good	644,545,045
Considered doubtful	1,530,697
	757,800,796
Less : Provision for doubtful debts	21,396,789
	736,404,007

i. Provision for bad and doubtful debts include Rs 17.01 million provision for doubtful debts in the financial statements of the subsidiaries as on the date of acquisition and additional provision of Rs 6.27 million made during the year.

ii. During the year, the Group has written off bad debt against the provision for bad and doubtful debt balance of Rs 1.89 million.

iii. The above balance includes revenues unbilled to the end customer, of Rs 318.85 million.

15. Cash and Bank Balances

Cash on hand	159,488
Balances with scheduled banks :	
- Current accounts	18,056,386
- Fixed deposit account	69,204,167
Balances with Other banks :	
- Current accounts	55,001,623
- Fixed deposit account	534,896
	142,956,560

i. Fixed deposits with Scheduled Banks includes Rs 0.35 million 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 8.85 million maintained as liquidity reserve as per the terms of the loan agreement with UTI Bank [Refer Note 7(iv)].

16. Loans and Advances (Unsecured)

Considered good	
Dues from related parties	
Loans and advances	99,418,273
Interest receivable	5,988,410
Expenses receivable	11,274,222
	116,680,905
Advances recoverable in cash or kind or for value to be received	42,684,308
Other deposits	40,162,261
Advance tax, net	1,035,465
	200,562,939

i. Scandent, subsequent to becoming a Public Company with effect from October 1, 2004, has advanced loans amounting to Rs 3 million to a person covered under section 295 of the Companies Act, 1956, without obtaining Central Government approval. The Company is in the process of foreclosing the said loan.

Dues from related parties :	
Atindia Management Services Private Limited ('Atindia')	4,639,993
ProcessMind Services Private Limited ('Process Mind')	55,007,069
Seabulk Software India Pvt Ltd.	33,716,063
Scandent Group Limited, Mauritius	6,055,148
	99,418,273

17. Current Liabilities

Sundry creditors	331,370,824
Dues to related parties	
Purchase Consideration Payable	26,337,500
Expenses payable	783,843
Interest accrued but not due on	
11 percent debentures	13,036,927
on loans	3,411,402
Advance from customers	72,671,231
Other liabilities	49,139,988
	496,751,715

18. Provisions

Provision for taxation	8,326,697
Provision for gratuity	9,722,432
Provision for leave encashment	33,084,382
	51,133,511

i. Provision for gratuity include Rs. 6.35 million transferred from SSIIT, Refer Note 2.3.

ii. Provision for leave encashment include Rs. 4.99 million transferred from SSIIT (Refer Note 2.3) and Rs. 25.13 million representing provision for leave encashment in the financial statements of the subsidiaries as on the date of acquistion.

iii. During the year, the Company has used provision for gratuity and leave encashment amounting to Rs 0.67 million and Rs 26.96 million.

19. Miscellaneous Expenditure

Deferred interest on 11 percent debentures [Refer Note 1.1]	16,400,000
Less: Amortized during the year [Refer Note 24]	4,920,000
	11,480,000
Deferred upfront / processing fee for loans	22,972,758
Less: Amortized during the year [Refer Note 24]	2,727,075
	20,245,683
	31,725,683

20. Revenues

Revenues from software development and related services	
- Time and material contracts	1,362,738,525
- Fixed price contracts	968,174,588
- Annual maintenance contracts	82,411,435
- Sale of License	19,484,655
	2,432,809,203

21. Other Income

Write back of liability	26,509,459
Interest Income	6,450,068
Miscellaneous Income	2,921,922
	35,881,449

Notes to the Consolidated Financial Statements
For the year ended March 31, 2005

22. Employee Costs

Salaries, allowances and bonus	1,347,353,423
Contribution to provident and other funds	37,433,895
Gratuity and leave encashment	30,359,073
Employee stock compensation expense [Refer Note 30]	24,476,445
Staff welfare	35,999,016
Recruitment and relocation	13,992,837
	1,489,614,689

23. Other Operating Costs

Travel	148,253,606
Rent	89,621,924
Communication	46,398,023
Power and fuel	13,174,958
Insurance	33,808,121
Rates and taxes	3,210,796
Project work expenses	174,029,606
Repairs and maintenance	
- Computer equipment	15,337,686
- Others	8,817,533
Legal & professional	57,002,152
Printing & stationery	8,558,076
Business promotion	16,380,579
Exchange loss/(gain), net	7,493,635
(Profit) /Loss on sale of fixed assets, (net)	844,485
Bad debts / provision for bad & doubtful debts	6,278,889
Miscellaneous expenses	9,454,792
	638,664,861

24. Finance Costs

Interest on 11 percent debentures	16,500,000
Amortization of deferred interest on 11% debentures [Refer Note 19]	4,920,000
Amortization of loan arrangement and processing fees	2,727,075
Interest – others	28,512,969
Bank charges	2,486,820
	55,146,864

25. Related Party Disclosures

SI No.	Name of the related party	Relationship
i	Processmind Services Private Limited	Company in which Directors' of the Company are also Directors
ii	Processmind Inc., USA	Company in which Directors' of the Company are also Directors
iii	Valuebridge Services Private Limited	Company in which a Director of the Company is also a Director
iv	Atindia Management Services Private Limited	Company in which a Director of the Company is also a Director
v	Scandent Group Limited, Mauritius	Holding company [Refer Note 5(i)]
vi	Scandent Holding Mauritius Limited, Mauritius	Holding company [Refer Note 5(i)]
vii	Seabulk Software India Private Limited	Company in which a Director of the Company is also a Director
viii	Ramesh Vangal	Director
ix	Katra Holdings Private Limited	Company in which a Director of the Company is also a Director
x	J & A Consulting Private Limited	Company in which relative of a Director is also a Director
xi	Dilip Keshu	Director

Notes to the Consolidated Financial Statements
For the year ended March 31, 2005

April 1, 2004 to Nature of transaction	March 31, 2005	Receivable / (payable) As at March 31, 2005
Reimbursement for use of office facilities and other office services such as maintenance, communication expenses, etc. (net balance)	(19,402,626)	—
Project work expenses	3,911,430	—
Unsecured loan given/Payments for reimbursements	67,142,381	—
Payments received against loan and advances	(25,374,597)	—
Interest income	5,857,940	—
Interest receivable	—	5,988,410
Expenses payable	—	(783,843)
Loans & advances	—	55,007,069
Expenses incurred on behalf of the related party	7,953,404	—
Amounts to be paid towards debtor dues	(4,267,296)	—
Payments received	(4,540,272)	—
Unsecured Loan	—	(13,684,781)
Payments received against loan	(3,308,499)	—
Expenses paid on behalf of the related party	163,160	—
Payments received against loan	(1,200,000)	—
Loans & advances	—	4,639,993
Expenses incurred on behalf of the related party	(2,284,226)	—
Expenses receivable	—	4,510,954
Unsecured Loan	—	(53,652,507)
Expenses incurred on behalf of the related party	145,813,333	—
Purchase of Investment	(26,171,950)	—
Expenses receivable	—	6,763,268
Unsecured Loan	—	(51,793,487)
Purchase Consideration Payable	—	(26,337,500)
Loans & advances	—	6,055,148
Unsecured loans given	15,000,000	—
Loans & advances	—	33,716,063
Unsecured loans taken	(500,000)	—
Unsecured loan	—	(3,932,635)
Unsecured loans taken	(5,000,000)	—
Unsecured loan	—	(5,000,000)
Professional services received	(1,043,840)	—
Salary	4,400,000	—

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.

26. Provision For Tax

i. Current tax charge reflects provision for income tax based on the taxable income of the Group based on the taxable income as per the local tax laws applicable in the respective countries. While ascertaining the taxable income for the current year, the brought forward losses of the Group, if any, have also been also considered.

   Indigo Markets, Bermuda is eligible to claim tax holiday as per the local tax laws applicable. Further, Scandent in India operates three units, two in Chennai and one at Bangalore. The Bangalore unit is registered with the Software Technology Parks of India, Bangalore and is eligible to claim tax holiday for 10 years (up to the financial year 2008-09) under section 10A of the Income-tax Act, 1961 ('IT Act'). In Chennai, the Company has two units, one set up by it during 2002, which is not eligible to claim benefit under section 10A of the IT Act, and the second facility transferred to the Company as a result of its merger with SSIT. The Company is in the process of obtaining the income tax records from SSI, with respect to the SSIT unit, and has accordingly, not considered it to be eligible for any tax benefits for determination of current tax charge.

ii. The Group as at March 31, 2005 has significant brought forward losses and has not recognised deferred tax asset on such brought forward losses as per its accounting policy. However, considering the reasonable certainty to earn future taxable profits, deferred tax asset has been recognised on the timing differences of Scandent Solutions Corporation Limited, India.

iii. The Group has significant intra group transactions pertaining to revenue and expenses cross charges, between the Company, Scandent USA and Scandent UK. The Management is in the process of updating the transfer pricing study for such transactions entered into during the year ended March 31, 2005. The Management does not anticipate any adjustments with regard to the transactions involved.

27. Earnings Per Share

Weighted average number of equity shares in calculating basic Earnings per share ('EPS') – (A)	24,685,813
Weighted average number of potential equity shares under option during the period/year – (B)	399,615
Weighted average number of equity shares in calculating diluted EPS – (A+B)	25,085,428

i. 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 i.e., July 2, 2004 is considered to be the date of issue of such shares.

28. 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 March 31, 2005, the Company has availed duty benefits amounting to Rs 46.4 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. 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 said indemnification.

Apart from the liabilities included in the Transfer Balance Sheet at July 1, 2004, the Company has, as of March 31, 2005, received no further claims / demands etc from SSI, its retained business or its affiliates with respect to the above.

29. Segment Reporting

The primary reporting of the Group has been performed on the basis of business segments. The Company is organised into three business segments, Banking, Financial services and Insurance ('BFSI'); Manufacturing and Government. Segments have been identified and reported based on the activity of the customer, the risks and returns, the organisation structure and the internal financial reporting systems. Currently, the internal financial reporting systems identify only the revenues earned in various segments and accordingly, the management believes that presenting it is not practicable to furnish the information on the segment results, total carrying amount of segment assets, total amount of segment liabilities, total cost incurred to acquire the segment tangible and intangible assets, total amount of segment depreciation and amortisation and total amount of segment non cash expenses.

Business segment	April 1, 2004 to March 31, 2005
Manufacturing	1,186,661,679
Government	572,197,692
BFSI	673,949,832
	2,432,809,203

Secondary segmental reporting is performed on the basis of the geographical location of customers. The management views the North America, 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 March 31, 2005
North America	1,748,787,749
Europe	381,948,048
Rest of the World	302,073,406
	2,432,809,203

Fixed assets used the Group'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.

30. 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 Group. 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.

	2005
Options outstanding at the beginning of the year	477,268
Options granted during the year	—
Options forfeited during the year	11,050
Options vested during the year	349,664
Options exercised during the year	—
Options granted but not eligible for exercise at year end	116,554
Total employee stock compensation cost as at year end	Rs. 27,973,080
Employee stock compensation expense — Amortised during the period	Rs. 24,476,445

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 SSIIT 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 24 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.

31. Leases

i. Operating leases

Office and guest house premises are obtained under operating lease. The lease term for these premises is for 3 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 percent on renewal.

Rent expense for such operating leases recognized in the Profit and loss Account for the year is Rs 89,621,924.

ii. Finance leases

The Group 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 Group is required to pay a fixed monthly installment over the lease term. In respect of vehicles, on pre-closure of the lease, the Group is liable to compensate the lessor for the losses computed under the terms of the lease arrangement.

The lease arrangement for computer equipment varies between 12 to 36 months. Under the terms of the lease, the Group has paid as at March 31, 2005, a deposit of Rs 409,757 (included under Deposits in Note 16) as collateral security which will be adjusted against the last 2 installments of lease rentals.

Notes to the Consolidated Financial Statements
For the year ended March 31, 2005

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

	2005 (in Rupees)
Total minimum lease payments*	2,048,478
Less: Interest	160,363
Present value of minimum lease payments*	1,888,115

* Net of security deposit paid for computers

Future minimum lease payments under finance lease are as under :

2005	(in Rupees) Minimum lease payments	(in Rupees) Present value of minimum lease payments
Payable not later than one year	1,777,587	1,635,771
Payable later than one year and not later than five years	270,891	252,344
Payable later than 5 years	—	—
Total	2,048,478	1,888,115

AS PER OUR REPORT OF EVEN DATE

S.R. BATLIBOI & ASSOCIATES
CHARTERED ACCOUNTANTS

Prashant Singhal
Partner
Membership No. 93283
Place : Bangalore
Date : May 24, 2005

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Dilip Keshu
Managing Director

Satyen Patel
Director

Ramesh Vangal
Director

Pradeep Chaudhry
Chief Finance Officer

V Viswanathan
Company Secretary

Place : Bangalore
Date : May 24, 2005

MANAGEMENT DISCUSSION & ANALYSIS

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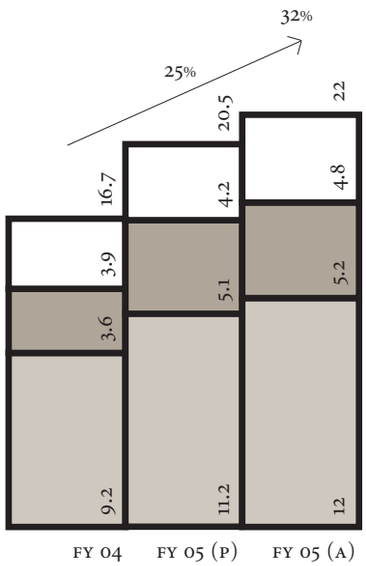
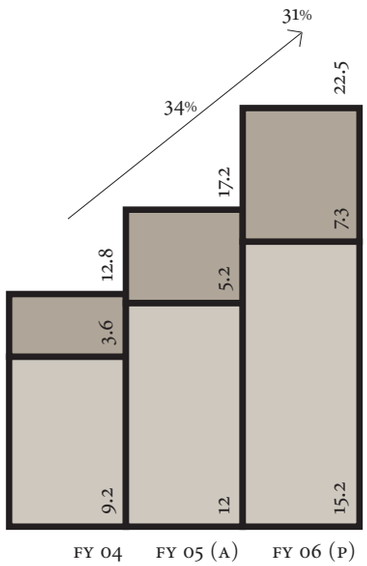
Industry Structure:

Fiscal 2004 – 2005 (this year) has been another significant year for the Indian IT industry. The industry grew by 32 % y-o-y to touch US$ 22 BN (billion). Out of this, IT services were US$ 16.2 BN (74 %) with the remaining coming from the ITES/BPO sector – US$ 5.8 BN (26 %). Software and services grew by 27 % while ITES/BPO services rose by 49 % y-o-y.

These growth rates are significant when seen in the backdrop of multiple issues that the industry has faced during the year – backlash against off-shoring, security concerns with respect to off shoring, concern about billing rates and high attrition. The outlook for FY' 05 – 06 continues to be promising with the IT/ITES exports set to grow by 31 % to touch US$ 22.5 BN.



Industry Structure ($ BN)



Forecast for FY 06 ($ BN)

DOMESTIC MARKET
ITES-BPO EXPORTS
IT SOFTWARE & SERVICE EXPORTS

Source: Nasscom

ITES-BPO EXPORTS
IT SOFTWARE & SERVICE EXPORTS

8603_Camb_AR05_mda_0830_1059 8/30/05 4:28 PM Page 137

The following are expected to be the key drivers for this anticipated growth.

- New and emerging opportunities in areas such as IT infrastructure Management, Network Management, Testing Services and Consulting,
- India's value proposition of being a preferred off shoring destination due to strong and proven delivery processes, abundance of talent and general management skills
- Increased IT budgets – Chief Information Officers of leading companies expect IT budgets to increase by about 2.5 percent in 2005.

SWOT (Indian IT Industry)

STRENGTHS

- Strong delivery capabilities, certified quality procedures, established systems
- Demonstrated experience and proven skill sets
- Preferential tax treatment towards STPI registered companies (Sec 10 A, SEC 10 B under benefits IT Act, 1965)
- Continued supply of highly skilled, English speaking engineers
- Existence of strong academia (like the IITs) to fuel supply of talent
- IT Infrastructure that is getting better.
- Strong legal framework and good work ethic – very few cases of IP theft

WEAKNESSES

- Continued supply of high quality talent (since demand is close to exceeding supply competitive demand for talent is very high).
- Physical infrastructure (roads, electricity, other)
- Reliance on the US – many Indian IT companies currently generate more 70% of their revenue from the United States.
- Concentration of revenue from a few clients – many Indian companies generate significant proportion of their revenue from their top 10-15 clients. Such exposures can again be very risky,

THREATS

- Establishment of captive development centers by firms in the US
- Changes in the way data is accessed and secured due to new legislation in the US and Europe
- Emergence of other low cost countries like Philippines, Vietnam, China, Thailand and Malaysia as an alternative destination for off shoring
- Ability to retain talent coupled with high attrition rates
- Continued appreciation of Rupee against the Dollar

OPPORTUNITIES

- Broadening of nature and scope of services – remote infrastructure management, network management, R&D, strategy and high end package implementation
- Traction in newer geographies such as Japan, Germany, Singapore and the Middle East

  Products designed for the burgeoning mid tier market

Outlook

- Scalability is increasingly important to firms that leverage Indian talent. One route to expanding a firm's resource pool is through acquisitions and mergers. We believe that the industry is set to witness continued consolidation. The M & A sector was strong during the year 2004 with the industry witnessing deals worth cumulatively valued at over US$ 500 M. Among the notable deals were the following.

Acquiring Company	Target Company	Deal Value (US$ M)
Flextronics	Hughes Software	226
IBM	Daksh	150
Patni Computers	Cymbal Technologies	68
Mphasis	Kshema Technologies	21
TCS	Phoenix Global Solutions	13
Iflex	Equinox	5

- New investments in IT are expected to be generated in Research & Development, Engineering Services and Embedded Systems and other areas.
- Clients are increasingly diversifying their vendor base parceling parts of work to multiple vendors. This is expected to provide more opportunities for small and medium sized players. Niche players stand to gain more than any one else because they still command a premium on rates.
- IT companies will tighten their focus on cost optimization by focusing on the following:
  - Variable compensation schemes
  - Lower cost campus recruitments
  - Sales and marketing leverage through more effective account management.
  - Higher focus on solution differentiation to prevent price erosion.

Financial Performance (FY 04 – 05)

ACQUISITION OF SSI TECHNOLOGIES.

During the year we acquired the IT services division of SSI Ltd. 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 Honorable High Court of Judicature at Karnataka and the Honorable 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 pursuant to the terms of the Scheme.

SHARE CAPITAL AND RESERVES

During the year pursuant to the scheme of amalgamation with SSI Ltd, our issued, subscribed and paid-up capital of the Company of Rs 328,444,630 was reduced to Rs 131,589,620 comprising of 1,31,58,962 equity shares of Rs 10 each. The effect of this reduction was taken into our reserves to write off accumulated losses in the past. In addition we made fresh allotment of equity shares to UTI India Technology Venture Unit Scheme and SSI Ltd. on account of which we took Rs. 24.8 Crores ("Crs"). into the share premium account.

The excess of net assets over the shares to the shareholders of SSI Ltd. ('Net assets') amounting to Rs 120.62 Crs was taken into General Reserve, which was employed in the following manner.

- Adjustment in customer rights and other intangible assets of a net book value of Rs 19.66 Crs,
- Adjustment against a debit balance of Rs 22.5 lakhs in the Profit and Loss account as at March 31, 2004.
- Write down of certain assets acquired from SSI Ltd to the tune of Rs 99.76 Crs,

A more detailed description of the accounting treatment pursuant to the merger has been explained in the notes to accounts.

LOANS

Our loan position as on 31st March, 2005 was Rs. 105.39 Crs. Secured Loans out of this was Rs. 75.08 Crs while unsecured loans were Rs. 30.31 Crs. The secured loans were availed to meet the working capital requirements and capital expansion requirements. Notable among the unsecured loans outstanding were unsecured debentures (amounting to Rs 15 Crs), which were issued during FY 02 – 03 for acquisition of rights to a contract to render software services for a specified term to a particular customer.

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TANGIBLE FIXED ASSETS

Gross block of fixed assets which stood at Rs. 5.46 Crs at the beginning of the year rose to Rs. 29.05 Crs during the year. Out of this increase Rs.16.08 Crs worth of fixed assets were transferred to the company pursuant to the scheme of amalgamation with SSI Ltd. We incurred capital expenditure worth Rs. 2.37 Crs towards computers, vehicles, leasehold improvements and miscellaneous fixed assets in order to meet our growth requirements.

DEBTORS

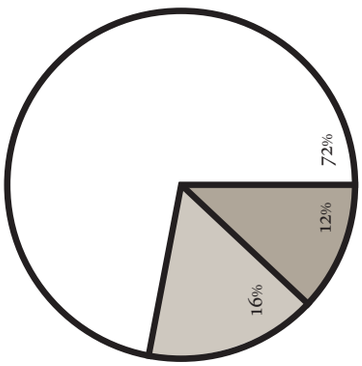
Our Debtors position as on 31st March, 2005 was Rs. 73.64 Crs which included unbilled revenue of Rs.31.89 Crs. Excluding this, the number of days of sales outstanding (DSO) works out to 62 days.

REVENUES

We ended the year with revenue of Rs.243.28 Crs. The table below provides an overview of our quarterly revenue and growth rates during FY' 04 – 05. The growth rate during Q2 of FY 04 – 05 was high since we acquired SSI Ltd during that quarter.

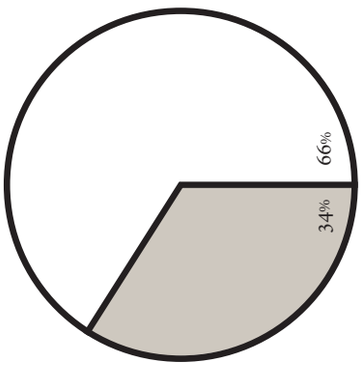
(in Rs Crs)

FY'04 – 05	Q1	Q2	Q3	Q4
Revenue	33.77	67.06	70.23	72.22
Growth Rate		98.58%	4.73%	2.83%



Region Revenue (%)

USA
EUROPE
REST OF THE WORLD



Revenue by Location (%)

ONSITE
OFFSHORE

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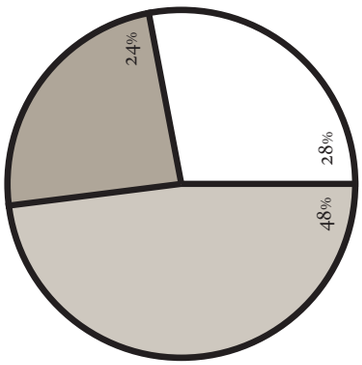
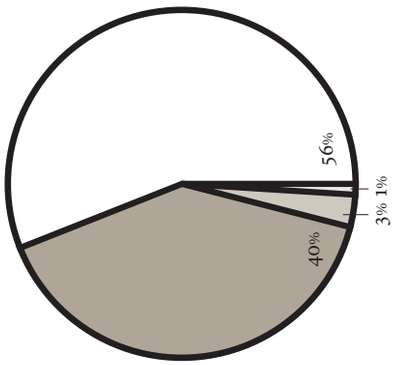


Vertical Revenue (%)

BFSI
GOVERNMENT
MANUFACTURING



Revenue – Type of Contract (%)

TIME & MATERIAL CONTRACTS
FIXED PRICE CONTRACTS
ANNUAL MAINTENANCE CONTACTS
LICENSE SALES

Key Ratios	% of Revenue
Gross Profit	39.6 %
Operating Income	12.1 %
PBT	6.7 %
PAT	7.5 %
Other Income	1.5 %

Client Concentration	% of Revenue
Top 3	41%
Top 5	53%
Top 10	66%

We classify region revenue based on the geographical location of the customer. We derive more than 70% of our revenue from our clients based in the United States. Our revenue ratio is skewed towards onsite work since revenue from the Government practice which contributes to more than 25% of total revenue is totally onsite. Removing the Government revenue the ratio between offshore and onsite is 58:42. Time & Material based revenue contributes to more than 55% of our revenue.

OPERATING

The table below provides complete details of all our operating expenses and their proportion in our total revenue for the FY' 04 – 05. Employee compensation and employee related expenses form a major chunk of our operating expenses and form almost 55% of our total revenue as ours is a people driven business. Our business typically requires our technical resources to travel both in and outside India to work on various project-related assignments. Our travel expenses form 6.1% of our revenues.

FINANCE COSTS

Our interest expenses and related charges amounted to Rs 5.52 Crs (2.27% of our revenues).

Break up of Operating Expenses	Rs.	% of Revenue
Salaries, allowances and bonus	1,347,353,423	55.4%
Contribution to provident and other funds	37,433,895	1.5%
Gratuity and leave encashment	30,359,073	1.2%
Employee stock compensation expense [Refer Note 30]	24,476,445	1.0%
Recruitment and relocation	13,992,837	0.6%
Staff welfare	35,999,016	1.5%
Travel	148,253,606	6.1%
Rent	89,621,924	3.7%
Communication	46,398,023	1.9%
Power and fuel	13,174,958	0.5%
Insurance	33,808,121	1.4%
Rates and taxes	3,210,796	0.1%
Project work expenses	174,029,606	7.2%
Purchase of project supplies		
Repairs and maintenance		
- Computer equipment	15,337,686	0.6%
- Others	8,817,533	0.4%
Legal & professional	57,002,152	2.3%
Printing & stationery	8,558,076	0.4%
Business promotion	16,380,579	0.7%
Exchange loss/(gain), net	7,493,635	0.3%
Provision for diminution in investments		0.0%
(Profit) /Loss on sale of fixed assets, (net)	844,485	0.0%
Bad debts / provision for bad & doubtful debts	6,278,889	0.3%
Miscellaneous expenses	9,454,792	0.4%
Total	2,128,279,550	87.5%

Risk and Concerns

1. INTERNATIONAL OPERATIONS

Our company has operations in the countries of USA, UK, Germany, Singapore, Japan & Malaysia. These operations are subject to various risks, which could adversely affect these operations or the business as a whole including:

- Compliance with local laws of respective countries.
- Difficulties in managing and staffing of international operations.
- Protection of our intellectual property rights

2. HUMAN RESOURCES

Our performance is highly dependent on our ability to retain talent and continuously motivate our workforce. A higher-than-normal attrition rate will directly impact the intellectual pool of the company. This could lead to delay and disruption of project delivery in some of our client contracts.

3. CLIENT CONCENTRATION RISK

Our top 5 clients contribute to more than 50% of our revenue. As a result lack of repeat orders from these clients, client attrition and delivery issues can materially diminish our ability to grow.

4. GEOGRAPHICAL CONCENTRATION RISK

More than 70% of our revenue comes from the United States. This exposes us to risks emanating from regional slowdown, backlash against outsourcing and currency fluctuation risks.

5. DISASTER RISK

In the event of any unforeseen disaster, our back up sites could collapse and customers could lose their data, jeopardizing their ability to compete in their respective markets.

6. INFLATION RISK

Compensation and benefits form a significant chunk of our total cost structure and as a result a more than anticipated rise in salaries could erode our profitability. This is more so in the case of fixed price contracts.

7. QUALITY RISK

Any drop in quality, reflected in errors in code, could lead to defective solutions and customer attrition.

NOTICE AND PROXY FORM

Notice 083005 1428 8/30/05 8:48 PM Page 146

JULY 28, 2005

Dear Member,

You are cordially invited to attend the **Fourth Annual General Meeting** of the members of **Scandent Solutions Corporation Limited**, on Thursday, September 29, 2005 at 3.00 p.m at **Sathya Sai Samskruta Sadanam, No. 20, Hosur Road, Bangalore – 560 029, India**.

The notice for the meeting containing the proposed resolutions is enclosed herewith.

Yours truly,

Sd/-

Christopher A. Sinclair,
Chairman

Scandent Solutions Corporation Limited
Registered Office
No. 33, 'Coconut Grove', 18th Main, 1st 'A' Cross, 6th Block, Koramangala, Bangalore – 560 095.

Notice is hereby given that the Fourth Annual General Meeting ("AGM") of the Members of **SCANDENT SOLUTIONS CORPORATION LIMITED** ("Scandent" or "the Company") will be held on Thursday, September 29, 2005, at 3.00 p.m. at **Sathya Sai Samskruta Sadanam, No. 20, Hosur Road, Bangalore – 560 029, India,** to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at March 31, 2005 and the Profit and Loss Account for the year ended on that date and the Report of Directors and Auditors thereon.

2. To appoint a Director in place of Mr. Satyen Patel, who retires by rotation and, being eligible, offers himself for re-election.

3. To appoint S. R. Batliboi & Associates, Statutory Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next AGM on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors.

SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass with or without modifications, as an ORDINARY RESOLUTION, the following:

RESOLVED THAT Mr. Christopher A. Sinclair, who was appointed as an Additional Director of the Company by the Board of Directors, in their meeting held on November 10, 2004 and, who holds office up to the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing from a member, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.

5. To consider and, if thought fit, to pass with or without modifications, as an ORDINARY RESOLUTION, the following:

RESOLVED THAT Mr. Dilip Keshu, who was appointed as an Additional Director of the Company by the Board of Directors, in their meeting held on November 10, 2004 and, who holds office up to the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing from a member, proposing his 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, as an ORDINARY RESOLUTION, the following:

RESOLVED THAT Mr. Shobhan Thakore, who was appointed as an Additional Director of the Company by the Board of Directors, in their meeting held on November 10, 2004 and, who holds office up to the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing from a member, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.

7. To consider and, if thought fit, to pass with or without modifications, as an ORDINARY RESOLUTION, the following:

RESOLVED THAT Mr. Kunal Kashyap, who was appointed as an Additional Director of the Company by the Board of Directors, by way of circular resolution dated May 23, 2005 and, who holds office up to the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing from a member, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.

8. To consider and, if thought fit, to pass with or without modifications, as an ORDINARY RESOLUTION, the following:

RESOLVED THAT in accordance with the provisions of Sections 309 and 310 and all other applicable provisions of the Companies Act, 1956 as well as Article 97 of the Articles of Association of the Company, and in terms of the amended Clause 49 of the Listing Agreement, the approval of the Members be and is hereby accorded to the payment of up to the maximum limit as may be prescribed under Rule 10B of the General Rules and Forms, 1956, from time to time, as sitting fees to each Non-Executive Director of the Company for every meeting of the Board of Directors of the Company or a Committee thereof attended by him besides payment of expenses incurred by him for this purpose.

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9. To consider and, if thought fit, to pass with or without modifications, as a SPECIAL RESOLUTION, the following:

RESOLVED THAT pursuant to the provisions of Section 163 of the Companies Act, 1956, the approval of the Company be and is hereby given for keeping the Register of Members and the Index of Members and copies of Annual Returns prepared under Section 159 of the Companies Act, 1956, together with the copies of certificates and documents required to be annexed thereto, under Section 161 of the Act at the Company's Registrar and Transfer Agents, Karvy Computershare Pvt. Ltd., No. 51/2, T K N Complex, Vanivilas Road, Opp. National College, Basavanagudi, Bangalore – 560004.

10. To consider and, if thought fit, to pass with or without modifications, as a SPECIAL RESOLUTION, the following:

RESOLVED THAT the Articles of Association be and is hereby altered accordingly:

(i) the existing Article 15 be deleted and substituted by the following new article 15:

Article 15. Limitation of time for issue of certificates

Every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration or transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the Company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up theron and shall be in such form as the Directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons, the Company shall not be borne to issue more than one certificate and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all such holders.

(ii) The existing Article 17 be deleted and substituted by the following new Article 17:

Article 17. Renewal of share certificates

If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under the Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs. 2/– for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back there of for endorsement of transfer.

Provided that notwithstanding what is stated above, the Directors shall comply with such Rules or Regulations or requirements of any Stock Exchange or the Rules made under the Act or the Rules made under Securities Contract (Regulation) Act, 1956 or any other Act, or Rules applicable in this behalf.

The provisions of this Article shall mutatis mutandis apply to debentures of the Company.

(iii) The existing Article 18 be deleted and substituted by the following new Article 18:

Article 18. Company's lien on shares / debentures

The Company shall have a first and paramount lien upon all the shares / debentures (other than fully paid-up shares / debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all monies (whether presently payable or not) called or payable at a fixed time in respect of such shares / debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares / debentures. Unless otherwise agreed, the registration of a transfer of shares / debentures shall operate as a waiver of the Company's lien if any, on such shares / debentures. The Directors may at any time declare any shares / debentures wholly or in part to be exempt from the provisions of this clause.

(iv) *The existing Article 28 be deleted and substituted by the following new Article 28:*

Article 28. Payment in anticipation of call may carry interest

The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the money due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon, provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced. The members shall not be entitled to any voting rights in respect of the monies so paid by him until the same would but for such payment, become presently payable.

The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.

(v) *The existing Article 30 be deleted and substituted by the following new Article 30:*

Article 30. Instrument of Transfer

The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with, in respect of all transfer of shares and registration thereof.

(vi) *In the existing **Article 33**, in the last line, after the words "Company on", the words "whatsoever except on shares" be deleted and the following words be added:*

"any account whatsoever except when the Company has a lien on the shares. Transfer of shares / debentures in whatever lot shall not be refused."

(vii) *The existing Article 37 be deleted and substituted by the following new Article 37:*

Article 37. No fee on transfer or transmission

No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document.

(viii) *The existing Article 58 be deleted and substituted by the following new Article 58:*

Article 58. Shares at the disposal of the Directors

Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose off the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provisions of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting, to give to any person or persons, the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

(ix) The following new Article 60A be inserted after Article 60:

Article 60A. Further issue of shares

1. Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares either out of the unissued capital or out of the increased share capital then:

   a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion, as near as circumstances admit, to the capital paid up on those shares at the date.

   b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.

   c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to under sub clause (b) hereof shall contain a statement of this right. PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.

   d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion, fit.

2. Notwithstanding anything contained in sub-clause (1) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.

   a) If a special resolution to that effect is passed by the Company in General Meeting, or

   b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the General Meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.

3. Nothing in sub-clause (c) of (1) hereof shall be deemed:

   a) To extend the time within which the offer should be accepted; or

   b) To authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

4. Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debentures issued or loans raised by the Company:

   (i) To convert such debentures or loans into shares in the Company; or

   (ii) To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

   PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

   a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and

   b) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures of raising of the loans.

(x) The existing Article 102 be deleted and substituted by the following new Article 102:

Article 102. Terms of issue of debentures

Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and condition as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a special resolution.

(xi) The existing Article 104 be deleted and substituted by the following new Article 104:

Article 104. Notice of Board Meetings

Notice of every Meeting of the Board shall be given in writing to every Director for the time being in India and at his usual address in India to every other Director or through electronic mode to every Director or such other mode as may be decided by the Board of Directors.

(xii) The existing Article 149 be deleted and substituted by the following new Article 149:

Article 149. Deed how executed

The seal of the Company shall not be affixed to any deed or instrument except by the authority of a resolution of the Board or of a Committee of the Board authorized by it in that behalf, and except in the presence of at least one Director and of the Secretary or such other person as the Board may appoint for the purpose; and that one Director and the Secretary or other person aforesaid shall sign every instrument to which the seal of the Company is so affixed in their presence.

(xiii) The following new Article 161A be inserted after Article 161:

Article 161A. Unpaid or unclaimed dividend

Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend Account of Scandent Solutions Corporation Limited" and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.

Any money transferred to the unpaid dividend account of the Company in pursuance of Section 205A of the Companies Act, 1956 which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Investor Education and Protection Fund established under sub-section (1) of Section 205C of the Act.

11. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

RESOLVED THAT the consent of the members of the Company pursuant to Section 293(1)(d) of the Companies Act, 1956, be and is hereby accorded to the Board of Directors of the Company to borrow such sums of money as may be considered fit for the purpose of the business of the Company not withstanding that the monies to be so borrowed together with the monies already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of the business) may exceed the aggregate of the paid up share capital and free reserves of the Company, provided however, that the total borrowings at any one time and outstanding shall not exceed Rs.450 crores (Rupees Four Hundred and Fifty Crores Only).

RESOLVED Further that for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion consider necessary, proper or desirable and settle any question, difficulty or doubt that may arise in this regard.

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

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 314 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956, or any statutory amendment or modification thereto and subject to the approval of the Central Government and such other sanctions as may be necessary, desirable and expedient in law, the approval of the members in General Meeting be and is hereby accorded, to the appointment of Mr. Dilip Keshu, the Director of the Company, as the Managing Director of the Company for a period of five years with effect from November 10, 2004 to November 9, 2009, upon the terms and conditions as contained in the agreement executed on November 10, 2004, by and between the Board of Directors and Mr. Dilip Keshu and subject to any further modifications in the agreement, if any, as may be agreed to between the Central Government and the Board of Directors as may be acceptable to Mr. Dilip Keshu.

RESOLVED FURTHER THAT Mr. Dilip Keshu shall not be paid any remuneration for the appointment as Managing Director except for the commission and perquisites.

RESOLVED FURTHER THAT subject to the relevant provisions of the Companies Act, 1956, the commission payable to Mr. Dilip Keshu as Managing Director shall not exceed one percent of the net profits of the Company computed in accordance with the provisions of the above said Act.

RESOLVED FURTHER THAT Mr. Dilip Keshu shall be granted stock options, which shall be governed by the prevailing Employees Stock Option Plan (ESOP) Scheme of the Company subject to the SEBI Guidelines, the provisions of the Companies Act, 1956 and other statutory provisions as may be applicable from time to time.

RESOLVED FURTHER THAT in the event of any statutory amendment, modification or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956, the Board of Directors be and is hereby authorized to vary or increase the remuneration payable by way of commission and perquisites within such prescribed limit or ceiling and the aforesaid agreement between the Company and Mr. Dilip Keshu be suitably amended to give effect to such modification, relaxation or variation without any further reference to the Company in General Meeting, if so permissible.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do and perform such acts, deeds, matters or things and take such steps as may be necessary, expedient or desirable to give effect to such resolution.

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

RESOLVED THAT pursuant to the applicable provisions of the Foreign Exchange Management Act, 1999 (FEMA), the Companies Act, 1956 and all other applicable Rules, Regulations, Guidelines and Laws (including any statutory modifications or re-enactment thereof for the time being in force) and subject to all applicable approvals, permissions and sanctions and subject to such conditions as may be prescribed by any of the concerned authorities while granting such approvals, permissions, sanctions, which may be agreed to by the Board of Directors of the Company and/or a duly authorised Committee thereof for the time being exercising the powers conferred by the Board of Directors (hereinafter referred to as "the Board"), the consent of the Company be and is hereby accorded for investments by Foreign Institutional Investors, in aggregate, including their sub-accounts (hereinafter referred to as the "FIIs"), in the shares or debentures and/or other securities convertible into or exchangeable with shares of the Company, by purchase or acquisition from the market under the Portfolio Investment Scheme under FEMA, shall be upto 100% of the paid up equity share capital or paid up value of the respective series of the debentures and/or other securities convertible into or exchangeable with shares of the Company as may be applicable or such other maximum limit as may be prescribed from time to time.

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

RESOLVED THAT pursuant to the applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as the "Delisting Guidelines") and subject to the provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force), Securities Contracts (Regulation), Act, 1956 and the Rules framed there under, Listing Agreement, and all other applicable Rules, Regulations and Guidelines and subject to the approval of Stock Exchanges where the shares of the Company are listed and any other appropriate authority, institutions or regulatory as may be necessary and subject to such conditions and modifications, if any, as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this resolution), the consent of the Company be and is hereby accorded to the Board to delist the equity shares of the Company from The Madras Stock Exchange and The Stock Exchange, Ahmedabad at such time as the Board may decide.

RESOLVED FURTHER that for the purpose of giving effect to this resolution, the Board or any Committee thereof constituted for this purpose, be authorised on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary for such purpose and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company.

Notes:

1. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.

2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend the meeting and the proxy need not be a member of the Company. Under the Companies Act, 1956, voting is by show of hands unless a poll is demanded by a member or members present in person, or by proxy, holding at least one-tenth of the total shares entitled to vote on the resolution, or by those holding paid-up capital of at least Rs. 50,000 (Rupees Fifty Thousand Only). A proxy may not vote except on a poll.

3. The instrument appointing the proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

4. Members / proxies should bring duly filled in Attendance Slips sent herewith for attending the meeting.

5. The Register of Directors' shareholding, maintained under Section 307 of the Companies Act, 1956, will be available for inspection by the members at the AGM.

6. The Register of Contracts, maintained under Section 301 of the Companies Act, 1956, will be available for inspection by the members during business hours at the Registered Office of the Company.

7. The Register of Members and Share Transfer Books will remain closed from September 22, 2005 to September 29, 2005 (both days inclusive).

8. The agreement entered into by the Company with Mr. Dilip Keshu for appointment as a Managing Director will be available for inspection by the members during business hours at the Registered Office of the Company.

9. During the year, the Company had obtained the approval of the shareholders under a Postal Ballot for six special resolutions with regard to approval of the following Schemes and grant of options to its employees and its subsidiaries there under:

a. Scandent Solutions Corporation Limited Employee Stock Option Plan (ESOP), 2005 (hereinafter referred to as "ESOP 2005")

b. Scandent SSI IT Services – Employee Stock Option Plan (ESOP), 2004 (hereinafter referred to as "SSI IT Services ESOP 2004")

c. Scandent Solutions Corporation Limited Employee Stock Option Plan (ESOP), 2004 (hereinafter referred to as "ESOP 2004")

The resolutions were passed with requisite majority.

10. The copy of the Scrutinizer's Report is available for inspection during business hours at the Registered Office for the inspection of the members.

11. The Auditors Certificate certifying that the Company's Stock Option Plans viz., ESOP 2005, SSI IT Services ESOP 2004 and ESOP 2004 are being implemented in accordance with the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, and any amendment thereto, is available for inspection of the members at the AGM.

12. Members whose shareholding is in the electronic mode are requested to direct change of address notifications and updations of savings bank account details to their respective Depositary Participants.

13. Members are requested to address all correspondence to the Registrar and Share Transfer Agents – Karvy Computershare Pvt. Limited, T. K. N. Complex, No. 51/2, Vanivilas Road, Opp. National College, Basavanagudi, Bangalore-560 004, India.

By Order of the Board of Directors

V. Viswanathan
Company Secretary

Bangalore, July 28, 2005
Registered Office:
No. 33, 'Coconut Grove', 18th Main, 1st A Cross,
6th Block, Koramangala,
Bangalore – 560 095.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956:

ITEM NO. 4:

Mr. Christopher A. Sinclair was appointed as an Additional Director of your Company with effect from November 10, 2004 and who holds office of such Additional Director till the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956. The Company has received notice under Section 257 of the Companies Act, 1956, in respect of his candidature, proposing his appointment as a Director of the Company, along with the requisite deposit.

The Directors commend the resolution for approval of the members.
Mr. Christopher A. Sinclair may be deemed to be interested in the resolution.

ITEM NO. 5:

Mr. Dilip Keshu was appointed as an Additional Director of your Company with effect from November 10, 2004 and who holds office of such Additional Director till the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956. The Company has received notice under Section 257 of the Companies Act, 1956, in respect of his candidature, proposing his appointment as a Director of the Company, along with the requisite deposit.

The Directors commend the resolution for approval of the members.
Mr. Dilip Keshu may be deemed to be interested in the resolution.

ITEM NO. 6:

Mr. Shobhan Thakore was appointed as an Additional Director of your Company with effect from November 10, 2004 and who holds office of such Additional Director till the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956. The Company has received notice under Section 257 of the Companies Act, 1956, in respect of his candidature, proposing his appointment as a Director of the Company, along with the requisite deposit.

The Directors commend the resolution for approval of the members.
Mr. Shobhan Thakore may be deemed to be interested in the resolution.

ITEM NO. 7:

Mr. Kunal Kashyap was appointed as an Additional Director of your Company with effect from May 23, 2005 and who holds office of such Additional Director till the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956. The Company has received notice under Section 257 of the Companies Act, 1956, in respect of his candidature, proposing his appointment as a Director of the Company, along with the requisite deposit.

The Directors commend the resolution for approval of the members.
Mr. Kunal Kashyap may be deemed to be interested in the resolution.

ITEM NO. 8:

The resolution seeks the approval of the Members in terms of Clause 49 of the Listing Agreement to the payment of sitting fees to Non-Executive Directors for attending the meetings of the Board of Directors of the Company and/or its Committees as well as payment including reimbursement of travelling, conveyance, boarding, lodging and out-of-pocket expenses, etc. incurred by them for this purpose. Presently, under Rule 10B of the General Rules and Forms, 1956, the maximum limit for payment of sitting fees to a Non-Executive Director is Rs.20,000.

The Directors commend the resolution for approval of the members.
The Directors are interested to the extent of the benefit derived from the above.

ITEM NO. 9:

Under Section 163 of the Companies Act, certain Statutory Registers and documents such as Register of Members, Index of Members, Register and Index of Debenture holders and copies of Annual Returns with enclosures, are required to be kept at the Registered Office of the Company and such documents are open for inspection by the shareholders and general public. The said Section also permits keeping such Registers and documents at any other place within the City in which the Registered Office is situated, if:

1. such other place has been approved for this purpose by a Special Resolution passed by the Company in a General Meeting and

2. the Registrar has been given in advance a copy of the proposed Special Resolution.

Pursuant to the directives recently issued by the Securities and Exchange Board of India, the Company is required to appoint a Registrar and Transfer Agent as the common Agency for handling the work relating to Registry, Transfer of Shares, etc., in respect of the Company's shares both in demat and physical form. Your Company has therefore appointed Karvy Computershare Pvt. Ltd., as the common Agency for handling the above matters. Since the Register of Members and Index of Members will be maintained by Karvy Computershare Pvt. Ltd., at their premises, approval of the Shareholders is being sought in terms of Section 163 of the Companies Act, 1956.

The Directors commend the resolution for approval of the members.

None of the Directors are interested in the above resolution.

ITEM NO. 10:

As a condition of Listing of Shares with the Stock Exchanges (Listing requirements), the Stock Exchange, Mumbai, has requested that the Articles of Association of the Company should have suitable provisions to confirm to the listing requirements of the Stock Exchanges as set out in several of the Articles referred to under this item of the Notice. Opportunity is being taken to introduce some more Articles at this stage in line with the existing provisions of the Companies Act, 1956.

Accordingly, to bring the Articles of Association of the Company in conformity with the above, it is proposed to insert new Articles / modify existing Articles as set out in the resolution in this item of the Notice. The new and altered Articles are self-explanatory.

A copy of the existing Articles of Association of the Company, together with the proposed amendments will be available for inspection by the members at the Registered Office of the Company during business hours up to the date of this Annual General Meeting.

The Directors commend the resolution for approval of the members.

None of the Directors are interested in the above resolution.

ITEM NO. 11:

As per the provisions of section 293(1)(d) of the Companies Act, 1956, the Board of Directors of the Company cannot borrow money exceeding the aggregate of the paid up share capital and free reserves of the Company. With the merger of IT Services division of SSI Limited into Scandent Solutions Corporation Limited and with the Company now being a listed public company, it is envisaging major schemes of expansion including mergers and acquisitions. It is, therefore, desirable to obtain shareholders' approval for such loans as may be necessary to meet with its future financial needs, within the limits stipulated in the resolution.

The Directors commend the resolution for approval of the members.

None of the Directors are interested in the above resolution.

ITEM NO. 12:

At a meeting of the Board of Directors of the Company held on November 10, 2004, the Board of Directors appointed Mr. Dilip Keshu, the Director of the Company, as Managing Director for the period from November 10, 2004 to November 9, 2009.

Mr. Dilip Keshu holds a Master of Technology degree from IIT Madras, India. Prior to becoming the CEO and founder of INTIQUA, Mr. Dilip Keshu was President of the Asia Pacific division of DA Consulting Group, Inc. (DACG), a worldwide leading provider of consulting services specializing in change management, education and training. He was responsible for the management of all of DACG operations in Asia Pacific.

The appointment of Mr. Dilip Keshu is subject to the approval of the members of the Company and subject to the approval of Central Government as required under Section 269 read with Schedule XIII to the Companies Act, 1956.

The abstract of the terms of appointment dated November 10, 2004 was circulated pursuant to Section 302 of the Companies Act, 1956, to the members on November 25, 2004. The terms of appointment of Mr. Dilip Keshu is as follows:

1. The appointment of Mr. Dilip Keshu as Managing Director of the Company shall be for a period of 5 years from November 10, 2004 till November 9, 2009.

2. Mr. Dilip Keshu shall perform such duties and exercise such powers as may from time to time be entrusted to him, subject to the superintendence and control of the Board of Directors of the Company.

3. Mr. Dilip Keshu in consideration of his services to the Company will be entitled to subject to the provisions of the Companies Act, 1956 in force and the Articles of Association, the following remuneration.

a) Salary: The Managing Director shall not be paid any remuneration for the appointment except for the commission and perquisites expressly provided in this agreement.

b) Commission: The Managing Director shall be entitled to a commission not exceeding one percent of the net profits of the Company computed in accordance with the provisions of the Companies Act, 1956.

c) Perquisites: The Managing Director shall be granted stock options, which shall be governed by the prevailing Employees Stock Option Plan (ESOP) scheme of the Company or that the Company may announce in future, subject to the SEBI guidelines, the provisions of Companies Act, 1956 and other statutory provisions as may be applicable from time to time.

The Directors commend the resolution for approval of the members.
Mr. Dilip Keshu may be deemed to be interested in the resolution.

ITEM NO. 13:

The aggregate investment by Foreign Institutional Investors (FIIs), under Portfolio Management Scheme, pursuant to the FEMA Circular 20/2000 RB dated 03.05.2000 in the equity of Indian Companies is permitted to the extent of 24% of the paid-up equity capital of each of such companies. This limit can be raised upto 100% subject to the approval of the Board of Directors of the investee company and approval of members of the investee company by way of a special resolution. Presently the aggregate of investment by FIIs in your Company is 15%. Since the increased investment by FIIs in your Company is considered to be in the interest of the Company, the Board approves to increase the limit to 100% and recommends this resolution for approval of the members.

None of the Directors are interested in the above resolution.

ITEM NO. 14:

The shares of the Company are presently listed on the National Stock Exchange of India (NSE), The Stock Exchange, Mumbai (BSE), The Madras Stock Exchange (MSE) and The Stock Exchange, Ahmedabad (ASE).

The shares of the Company are not presently traded on the MSE and ASE and the entire trading of the Company's shares is done only at NSE and BSE. These exchanges have nation-wide trading terminals and therefore provide full liquidity to the investors. In view of this, the delisting of Company's shares from ASE and MSE will not have any adverse impact on the investors.

SEBI has permitted companies to delist their shares from any Stock Exchange in accordance with the SEBI (Delisting of Securities) Guidelines, 2003. In accordance with these Guidelines, the Board of Directors of the Company have proposed to delist the shares of the Company from the MSE and ASE. The shares of the Company would continue to be listed on the NSE and BSE.

In line with SEBI Regulations, the approval of the members by way of a special resolution is required for enabling voluntary delisting of its securities from a Stock Exchange. Accordingly, the approval of the shareholders is solicited.

The Directors commend the resolution for approval of the members.
None of the Directors are interested in the above resolution.

By Order of the Board of Directors

V. Viswanathan
Company Secretary

Bangalore, July 28, 2005
Registered Office:
No. 33, 'Coconut Grove', 18th Main, 1st A Cross,
6th Block, Koramangala,
Bangalore – 560 095.

Notice 083005 1428 8/30/05 8:48 PM Page 160

Additional information on Directors recommended for appointment or seeking election at the Annual General Meeting

The following are the bio-data of the Directors seeking re-election or recommended for appointment as a Director:

Name: Mr. Satyen Patel
Age: 48 years
Qualifications: BE; MBA

Profile: Satyen Patel is a Founder and Vice Chairman of Scandent Group and Vice Chairman of Cambridge Integrated Services Inc. Prior to founding Scandent Group, Satyen Patel was the Managing Director of Nike – South East Asia, covering the ASEAN and South Asia markets, former Director International Business Development for Pepsi-Cola International, Director Strategic Business Development for Grand Met / Pillsbury in Minneapolis and a former board member of 3i plc Asia Pacific. Satyen brings to Scandent Group his global operating experience and expertise in managing complex businesses across competitive environments. His experience in managing global supply chains enables him to drive significant economies of scale thereby creating shareholder value.

Name: Mr. Christopher A. Sinclair
Age: 54 years
Qualifications: B.S in Business Administration from University of Kansas and MBA from Dartmouth College (Amos Tuck School)

Profile: Christopher A. Sinclair is a Founder and Chairman of Scandent Group and Chairman and Chief Executive Officer of Cambridge Integrated Services Inc. Mr. Sinclair was instrumental in building PepsiCo's international franchise as Chairman and CEO of Pepsi-Cola Company, as well as President & CEO of PepsiCo Food and Beverage International. Following his tenure at PepsiCo, Mr. Sinclair was President and CEO of Quality Food, Inc. (NYSE), a U.S. west coast supermarket chain backed by Sam Zell's Equity Group. More recently, Mr. Sinclair also led the financial restructuring of Caribiner International, Inc. (NYSE) as Chairman and CEO of this Warburg Pincus sponsored global business communications company. Mr. Sinclair currently serves as a board member of Mattel Inc., Footlocker Inc. and eMerge Interactive, Inc.

Name: Mr. Shobhan Thakore
Age: 58 years
Qualifications: Bachelor of Arts (Politics) and Bachelor of Law from Bombay University.

Profile: Mr. Shobhan Thakore, a Solicitor, High Court, Mumbai and Advocate, India, is an advisor to several leading Indian Companies on corporate law matters and securities related legislations. He has also acted on behalf of leading investment banks and issuers for Indian IPO offerings and several international equity and equity linked debt issuances by Indian corporates and has also advised in the establishment and operations of various India dedicated equity funds and the domestic mutual funds. Being a solicitor for over 30 years, he has instructed leading Indian Counsel before various courts and forums including High Courts around India as well as the Supreme Court of India in various matters involving indirect tax, commercial and corporate law. He was a Partner of Bhaishanker Kanga & Girdharlal, Advocates & Solicitors for more than a period of 30 Years. Since April 2004, he has been a Partner of AZB & Partners, Advocates & Solicitors and is also a Director of a few listed companies.

Notice 083005 1428 8/30/05 8:48 PM Page 161

Name: Mr. Kunal Kashyap
Age: 40 years
Qualifications: B. Com, Chartered Accountant

Profile: Mr. Kunal Kashyap is a Chartered Accountant by profession and is currently the Chairman and Managing Director of Allegro Capital Advisors Pvt Ltd, a leading Investment Bank. Kunal was also the founder and executive director of Clestream Technologies Pvt Ltd, a leading software product engineering organisation. During the period 1994-2000, he was a global partner at Arthur Andersen responsible for developing the firms' practice in South India. Kunal has also been responsible for managing the treasury and Business Development function for Asia Pacific at Digital Equipment Corporations.

Name: Mr. Dilip Keshu
Age: 45 years
Qualifications: Master of Technology degree from IIT Madras, India

Profile: Prior to becoming the CEO and founder of xchange21 (later called Intiqua), Mr. Dilip Keshu was a President of the Asia Pacific division of erstwhile Nasdaq-listed DA Consulting Group, Inc. (DACG), a consulting services company. Before DACG, as the Vice President of Baan Asia Pacific, he was in charge of the Far East (ASEAN) and Indian subcontinent operations. He was widely acknowledged for his substantial contributions in significantly growing the company's market share and revenue in this region. Prior to this, he ran the Far East operations of Cincom Systems where he own several awards (Gold Circle and Quixote Club for Achievers) and was given the Company's top 'AAA' rating for performance. He also worked at Far East Computers / HCL – Hewlett Packard, a leading systems integration company. He started his career in Hindustan Aeronautics Limited (HAL), a large aerospace and defence establishment where his work was largely related to numerical control machining and computer aided manufacturing. As a management trainee in HAL, he won several awards (Wilkinson Sword, Chairman's Gold Medal) and letters of commendation for his performance.

The details of shareholding of the Non-Executive Directors seeking re-election or recommended for appointment are given below:

Directors	Number of shares held	Percentage of shareholding
Mr. Satyen Patel	Nil	Nil
Mr. Christopher A. Sinclair	Nil	Nil
Mr. Shobhan Thakore	Nil	Nil
Mr. Kunal Kashyap	Nil	Nil

Summary of Directorships and board committee memberships of Directors seeking re-election or recommended for appointment as of March 31, 2005:

Directors	Directorships held in public Ltd. companies as on March 31, 2005*	Membership in Committees**	Chairmanship in Committees**
Mr. Satyen Patel	MatrixOne India Ltd.	Nil	Nil
Mr. Christopher A. Sinclair	Nil	Nil	Nil
Mr. Shobhan Thakore	Alkyl Amines Chemicals Limited Bharat Forge Ltd Camphor & Allied Products Ltd. Carraro India Ltd	Alkyl Amines Chemicals Limited Camphor & Allied Products Ltd.	Alkyl Amines Chemicals Limited Camphor & Allied Products Ltd.
Mr. Dilip Keshu	Nil	Nil	Nil
Mr. Kunal Kashyap	GlaxoSmithkline Consumer Healthcare Ltd DIL Limited Unifi Wealth Management Ltd	GlaxoSmithkline Consumer Healthcare Ltd DIL Limited	GlaxoSmithkline Consumer Healthcare Ltd DIL Limited

* Excluding Scandent Solutions Corporation Limited

**Includes only Audit Committee and Shareholders' Grievance Committee

SCANDENT SOLUTIONS CORPORATION LIMITED

Registered Office
No. 33, 'Coconut Grove', 18th Main, 1st 'A' Cross, 6th Block, Koramangala, Bangalore - 560 095.

PROXY FORM

Regd. Folio No./ DP Client ID ☐☐☐☐☐☐☐☐☐☐☐☐☐

I / We.....of ..... in the district of ..... being a member / members of the Company, hereby appoint..... of ..... in the district of ..... or failing him / her ..... of ..... as my / our Proxy to attend and vote for me / us on my / our behalf at the **Fourth Annual General Meeting** of the Company to be held on Thursday, September 29, 2005, at 3.00 p.m, at Sathya Sai Samskruta Sadanam, No. 20, Hosur Road, Bangalore – 560 029, India, and at any adjournment thereof.

Signed this..... day of .....2005.

NOTE:

1. Proxy need not be a member.
2. This form, in order to be effective, should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the meeting.
3. All alterations made in the Form of Proxy should be initialled.

Affix Revenue Stamp

SIGNATURE

SCANDENT SOLUTIONS CORPORATION LIMITED

Registered Office
No. 33, 'Coconut Grove', 18th Main, 1st 'A' Cross, 6th Block, Koramangala, Bangalore - 560 095.

ATTENDANCE SLIP

Fourth Annual General Meeting – September 29, 2005

Regd. Folio No./ DP Client ID ☐☐☐☐☐☐☐☐☐☐☐☐☐

No. of shares held ☐☐☐☐☐☐☐☐☐☐☐☐☐

I certify that I am a member / proxy for the member of the Company.

I hereby record my presence at the Fourth Annual General Meeting of the Company at Sathya Sai Samskruta Sadanam, No. 20, Hosur Road, Bangalore – 560 029, India, at 3.00 p. m on Thursday, September 29, 2005.

....

Member's / proxy's name in BLOCK letters

Signature of member / proxy

NOTE:

Please fill up this attendance slip and hand it over at the entrance of the meeting hall.

8603_Camb_AR05_abridged_0830_425 8/30/05 8:46 PM Page 27

SHAREHOLDER INFORMATION

Scandent Solutions Corporation Limited
"Coconut Grove," No. 33, 18th Main
1st A Cross, VI Block
Koramangala
Bangalore – 560 095
Tel: + 91.80.5110.5000
Fax: + 91.80.552.7805

For corporate reports and company news, visit our website at:
www.scandentsolutions.com

STATUTORY AUDITOR

S.R. Batliboi & Associates
Divyashree Chambers, A Wing,
2nd Floor, Langford Road,
Bangalore – 560095
Tel: + 91.80.2224.5646

INVESTOR INQUIRIES

Contact investor relations at Scandent Solutions Corporation Limited
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Pradeep Chaudhry
Tel: + 91.80.5110.5000
Fax: + 91.80.552.7805

United States Contact:
Tracy Mock
Tel: + 1.847.543.1681
Fax: + 1.440.914.2591

email: investorrelations@scandent.com

Listed on the following exchanges (Ticker Symbol: Scandent)
BSE (Bombay Stock Exchange)
NSE (National Stock Exchange)
AHMEDABAD Stock Exchange

SAFE HARBOR STATEMENT

Certain statements in this presentation are forward looking statements which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward looking statements. The risks and uncertainties relating to these statements include, but are not limited to risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT services, including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns in fixed price, fixed time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, etc. The company does not undertake to update any forward looking statement that may be made from time to time by or on behalf of the company.

Scandent Solutions Corporation Limited
a Scandent Group Company
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