

WIPRO LIMITED - CONSOLIDATED
CONSOLIDATED BALANCE SHEET

		<i>(Rs. in 000s)</i>		
		As of June 30,	As of March 31,	
	Schedule	2004	2003	2004
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share Capital	1	1,396,893	465,133	465,519
Reserves and Surplus	2	39,909,602	36,320,382	37,083,973
		41,306,495	36,785,515	37,549,492
Loan Funds				
Secured loans	3	211,947	150,705	947,466
Unsecured loans	4	106,471	81,958	105,875
Minority Interest		152,017	82,398	163,847
		470,435	315,061	1,217,188
TOTAL		41,776,930	37,100,576	38,766,680
APPLICATION OF FUNDS				
FIXED ASSETS				
Goodwill (refer Note 1)		5,392,606	5,342,683	5,252,357
Gross block	5	16,477,406	12,816,358	15,607,108
Less : Depreciation		8,108,879	6,150,648	7,599,478
Net Block		13,761,133	12,008,393	13,259,987
Capital work-in-progress and advances		2,033,658	1,256,614	1,427,285
		15,794,791	13,265,007	14,687,272
INVESTMENTS	6	13,901,169	13,254,970	19,058,827
DEFERRED TAX ASSETS (refer note 7)		499,343	481,963	486,298
CURRENT ASSETS, LOANS AND ADVANCES				
Inventories	7	1,328,592	1,176,917	1,292,022
Sundry Debtors	8	12,220,061	8,509,954	11,865,561
Cash and Bank balances	9	2,936,925	2,360,616	3,242,698
Loans and advances	10	6,251,121	5,572,203	5,683,784
		22,736,699	17,619,690	22,084,065
less : CURRENT LIABILITIES AND PROVISIONS				
Liabilities	11	10,332,686	6,665,648	9,251,559
Provisions	12	822,386	856,383	8,298,223
		11,155,072	7,522,031	17,549,782
NET CURRENT ASSETS		11,581,627	10,097,659	4,534,283
Miscellaneous expenditure (to the extent not written off / adjusted)		-	977	-
TOTAL		41,776,930	37,100,576	38,766,680

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS 19

As per our Report attached

For and on behalf of the Board of Directors

For N.M. Raiji & Co.,
Chartered Accountants

J.M. Gandhi
Partner
Membership No. 37924

Mumbai, July 23, 2004

Azim Hasham Premji
Chairman and Managing Director

Suresh C. Senapaty
Corporate Executive
Vice President – Finance

Vivek Paul
Vice Chairman and Executive Officer

V. Ramachandran
Company Secretary

B. C. Prabhakar
Director

Bangalore, July 23, 2004

WIPRO LIMITED - CONSOLIDATED
CONSOLIDATED PROFIT AND LOSS ACCOUNT

		<i>(Rs. in 000s, except per share data)</i>		
		Quarter ended	Quarter ended	Year ended
	Schedule	June 30, 2004	June 30, 2003	March 31, 2004
INCOME				
Gross Sales and Services		17,878,347	12,237,608	59,111,069
Less: Excise Duty		207,844	371,087	760,842
Net Sales and Services		17,670,503	11,866,521	58,350,227
Other Income	13	284,453	274,111	1,365,995
		17,954,956	12,140,632	59,716,222
EXPENDITURE				
Cost of goods sold	14	11,474,711	7,618,629	39,280,539
Selling and Marketing Expenses	15	1,326,037	1,272,699	5,612,654
General and Administration Expenses	16	969,655	893,290	2,756,140
Interest	17	11,474	5,776	35,067
		13,781,877	9,790,394	47,684,400
PROFIT BEFORE TAXATION:		4,173,079	2,350,238	12,031,822
Provision for Taxation (refer Note 8)		611,065	231,902	1,680,557
PROFIT AFTER TAXATION		3,562,014	2,118,336	10,351,265
PROFIT BEFORE MINORITY INTEREST /	EQUITY			
IN EARNINGS OF AFFILIATES:		3,562,014	2,118,336	10,351,265
Minority Interest		(22,291)	(3,652)	(59,191)
Equity in earnings / (losses) of affiliates		29,596	(53,941)	22,921
PROFIT FOR THE PERIOD		3,569,319	2,060,743	10,314,995
<u>Appropriations</u>				
Proposed Dividend		-	-	931,039
Proposed One-Time Dividend		-	-	5,818,979
Total Dividend		-	-	6,750,018
Tax on distribution of Dividend		-	-	864,846
Transfer to general reserve		3,569,319	2,060,743	2,700,131
<u>EARNINGS PER SHARE - EPS (PY : Adjusted EPS for bonus issue in ratio of 2:1) - in Rs.</u>				
Basic		5.14	2.97	14.87
Diluted		5.13	2.97	14.85
<u>Number of shares for calculating EPS (PY : Adjusted for bonus issue in ratio of 2:1)</u>				
Basic		694,503,360	693,788,616	693,870,390
Diluted		695,811,650	693,788,616	694,545,321

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS 19

As per our Report attached

For and on behalf of the Board of Directors

For N.M. Raiji & Co.,
Chartered Accountants

Azim Hasham Premji
Chairman and Managing Director

Vivek Paul
Vice Chairman and Executive Officer

J.M. Gandhi
Partner
Membership No. 37924

Suresh C. Senapaty
Corporate Executive
Vice President – Finance

V. Ramachandran
Company Secretary

B. C. Prabhakar
Director

Mumbai, July 23, 2004

Bangalore, July 23, 2004

WIPRO LIMITED - CONSOLIDATED

		<i>(Rs. in 000s, except share numbers)</i>		
		As of June 30,	As of March 31,	
		2004	2003	2004
SCHEDULE 1 SHARE CAPITAL				
Authorised				
750,000,000 (2004: 375,000,000) Equity shares of Rs 2 each	1,500,000	750,000	750,000	
25,000,000 (2004: 25,000,000) 10.25 % Redeemable Cumulative Preference Shares of Rs 10 each	250,000	250,000	250,000	
	1,750,000	1,000,000	1,000,000	
Issued, subscribed and paid-up				
698,446,890 (2004: 232,759,152) equity shares of Rs 2 each	1,396,893	465,133	465,519	
	1,396,893	465,133	465,519	

Notes:

Of the above equity shares:

- 692,537,085 equity shares / American Depositary Receipts (ADRs) (2004: 226,905,825), have been allotted as fully paid bonus shares / ADRs by capitalization of Share Premium of Rs. 32,639 and General Reserves of Rs. 1,352,436
- 1,325,525 equity shares (2004: 1,325,525) have been allotted as fully paid-up, pursuant to a scheme of amalgamation, without payment being received in cash.
- 3,162,500 shares representing 3,162,500 American Depositary Receipts issued during 2000-2001 pursuant to American Depositary offering by the Company.
- 505,780 (2004: 449,302) equity share issued pursuant to Employee Stock Option Plan.

SCHEDULE 2 RESERVES AND SURPLUS

SCHEDULE 2 RESERVES AND SURPLUS		(Rs. in 000s)		
	As of April 1, 2004	Additions	Deductions	As of June 30, 2004
Capital Reserves	9,500	-	-	9,500
	9,500	-	-	9,500
	9,500	-	-	9,500
Capital Redemption Reserve	250,038	-	-	250,038
	250,038	-	-	250,038
	250,038	-	-	250,038
Share Premium	6,732,278	62,407 (a)	-	6,794,685
	6,492,847	239,431	-	6,732,278
	6,492,847	2,699	-	6,495,546
Translation Reserve	(159,742)	87,018 (b)	-	(72,724)
	(568)	-	159,174	(159,742)
	(568)	(46,644)	-	(47,212)
Deferred Stock Compensation	-	-	-	-
	4,401	-	4,401	-
	4,401	-	4,401	-
General Reserve	30,251,899	3,607,467 (c)	931,263 (d)	32,928,103
	27,551,767	2,700,132	-	30,251,899
	27,551,767	2,060,743	-	29,612,510
	37,083,973	3,756,892	931,263	39,909,602
	34,307,985	2,939,563	163,575	37,083,973
	34,307,985	2,016,798	4,401	36,320,382

Corresponding figures for 2004 and 2003 are given below current year's figures

(a) Pursuant to issue of shares under Wipro Employee Stock Option Plan

(b) Translation reserves arising on account of translation of foreign subsidiaries with non-integral operations.

(c) Additions to General Reserve include :

- transfer from profit and loss account
- dividend distributed to Wipro Equity Reward Trust (WERT)
- additional dividend paid for the previous year

For the quarter ended		For the year ended	
June 30, 2004	June 30, 2003	March 31, 2004	
3,569,319	2,060,743	2,700,132	
39,008	-	-	
(860)	-	-	
3,607,467	2,060,743	2,700,132	

(d) Deduction from General Reserve is on account of utilisation for issue of bonus shares

WIPRO LIMITED - CONSOLIDATED

		<i>(Rs. in 000s)</i>		
SCHEDULE 3 SECURED LOANS	Note Reference	As of June 30,	As of March 31,	
		2004	2003	2004
From Banks				
Cash Credit facility	(a)	210,272	120,830	945,791
From Financial Institutions				
Asset Credit Scheme	(b)	-	28,200	-
Development loan from Karnataka Government	(c)	1,675	1,675	1,675
		211,947	150,705	947,466

Notes:

- (a) Secured by hypothecation of stock-in trade, book debts, stores and spares and secured / to be secured by a second mortgage over certain immovable properties.
- (b) Secured by hypothecation of specific machinery / assets.
- (c) Secured by a pari-passu mortgage over immovable properties at Mysore and hypothecation of movable properties other than inventories, book debts and specific equipments referred to in Note a above.

		<i>(Rs. in 000s)</i>		
SCHEDULE 4 UNSECURED LOANS		As of June 30,	As of March 31,	
		2004	2003	2004
Other Loans and Advances				
Interest free loan from State government		105,221	80,708	104,625
Interest free loan from state financial institutions		1,250	1,250	1,250
		106,471	81,958	105,875

SCHEDULE 5 FIXED ASSETS

PARTICULARS	GROSS BLOCK				PROVISION FOR DEPRECIATION			NET BLOCK	
	As of April 1, 2004	Additions	Deductions / adjustments	As of June 30, 2004	As of April 1, 2004	Depreciation for the period	Deductions / adjustments	As of June 30, 2004	As of March 31, 2004
Land	744,259	-	-	744,259	12,584	156	-	731,519	731,675
Buildings	3,034,434	18,899	-	3,053,333	273,077	11,989	-	2,768,267	2,761,357
Railway siding	12	-	-	12	12	-	-	-	-
Plant & Machinery	9,088,793	418,877	11,524	9,496,146	5,850,471	358,774	844	3,287,745	3,238,322
Furniture, Fixture and Equipments	1,895,608	94,276	1,586	1,988,298	1,079,895	99,339	1,097	810,161	815,713
Vehicles	781,933	81,590	2,620	860,903	366,969	39,904	2,871	456,901	414,964
Technical know-how	10,378	20,000	-	30,378	10,378	3,325	-	16,675	-
Patents and trade marks	51,691	252,386	-	304,077	6,092	726	-	297,259	45,599
Total	15,607,108	886,028	15,730	16,477,406	7,599,478	514,213	4,812	8,368,527	8,007,630

Notes :

- Land includes leasehold land Rs. 9,978 (2004; Rs. 9,978)
- Buildings:
 - includes shares worth Rs. 2 (2004; Rs. 2)
 - includes leasehold land / property Rs. 4,241 (2004; Rs. 4,241)
 - is net of depreciation during construction period.

WIPRO LIMITED - CONSOLIDATED
SCHEDULE 6 INVESTMENTS
(Rs. in 000s except share numbers and face value)
(Rs. in 000s)
All shares are fully paid up unless otherwise stated

	Number	As of June 30,		As of March 31,
		2004	2003	2004
Investments - Long Term (at cost)				
Investment in Affiliates				
Wipro GE Medical Systems private Ltd # (refer Note below)		402,395	346,267	380,799
WeP Peripherals Ltd		160,338	133,850	160,740
		562,733	480,117	541,539
Investments – short term:				
In money market mutual funds				
IL & FS (10,000,000 units purchased during the year)	56,822,273	568,223	245,092	562,633
Alliance Capital Mutual Fund (32,856,724 units purchased during the year)	18,101,587	181,018	-	505,185
Prudential ICICI Mutual Fund (196,514,184 units purchased / 243,364,331 units redeemed during the year)	152,425,887	1,918,366	2,223,455	2,371,522
HDFC Mutual Fund (63,652,871 units purchased / 182,956,498 units redeemed during the year)	142,227,775	1,655,932	2,079,990	2,602,873
Standard Chartered Mutual Fund (321,263,504 units purchased / 432,095,040 units redeemed during the year)	90,712,761	907,223	1,461,761	2,066,527
Reliance Mutual Fund (66,343,440 units purchased / 66,958,673 units redeemed during the year)	11,875,258	1,677,351	1,008,708	1,785,397
Zurich India Mutual Fund (437,506,511 units redeemed during the year ended March 31, 2004)		-	677,970	-
Templeton India	116,370	129,805	-	163,337
Templeton TMA (1,636,985 units purchased / 1,338,654 units redeemed during the year)	1,232,288	1,232,240	-	1,576,416
Templeton Floating Fund (83,145,821 units purchased / 394,892 units redeemed during the year)	10,918,699	1,095,248	-	157,790
Franklin Templeton India Mutual Fund (9371984 units purchased during the year ended March 31, 2004)	-	-	1,249,615	102,869
Deutsche MF (97,568,556 units purchased / 107,396,540 units redeemed during the year)	47,991,488	484,111	146,449	577,797
ING MF (56,410,148 units purchased / 43,752,625 units redeemed during the year)	47,226,868	472,269	112,772	367,940
Can Liquid MF (23,151,167 units purchased during the year ended March 31, 2004)		-	-	499,253
Sundaram MF (31,172,573 units purchased)	48,705,451	491,113	-	172,337
Cholamandalam Mutual Fund (9,000,000 units purchased during the year)	26,849,771	268,498	-	176,571
Kotak Mutual Fund (9,991,407 units purchased / 77,666,667 units redeemed during the year)	38,071,015	565,999	951,848	1,317,544
J M Mutual Fund (365,733,609 units purchased / 407,363,264 units redeemed during the year)	100,213,092	1,001,963	571,501	1,406,312
DSP Merrill Lynch Mutual Fund (43,956,044 units purchased / 57,442,557 units redeemed during the year)	32,586,891	326,195	257,207	459,332
SBI Insta Cash (44,229,309 units purchased / 44,629,904 redeemed during the year)	-	-	204,198	-
HSBC Cash fund	24,384,990	263,840	473,892	206,757
Birla Mutual Fund (53,836,348 units purchased / 191,333,864 units redeemed during the year)	-	-	1,110,395	1,438,896
Investment with Wells Fargo, USA		99,042	-	-
		13,338,436	12,774,853	18,517,288
Total		13,901,169	13,254,970	19,058,827

Note : Equity investments in this company carry certain restrictions on transfer of shares that is normally provided for in join venture / venture funding agreement

(Rs. in 000s)

SCHEDULE 7 INVENTORIES

	As of June 30,	As of March 31,	
	2004	2003	2004
Stores and Spares	32,350	32,618	31,509
Raw Materials	520,868	420,739	551,403
Stock in Progress	189,350	137,412	159,523
Finished Goods	586,024	586,148	549,587
	1,328,592	1,176,917	1,292,022

Basis of stock valuation :

- i) Raw materials, stock in progress and Stores & Spares at or below cost.
- ii) Finished Goods at cost or net realisable value, whichever is lower

SCHEDULE 8 SUNDRY DEBTORS**(Unsecured)****Over Six Months**

Considered Good	696,101	737,857	459,409
Considered Doubtful	843,689	766,163	720,024
	1,539,790	1,504,020	1,179,433

Others

Considered Good	11,523,960	7,772,097	11,406,152
Considered Doubtful	17,615	-	30,758
	11,541,575	7,772,097	11,436,910

Less : Provision for Doubtful Debts

	861,304	766,163	750,782
	12,220,061	8,509,954	11,865,561

SCHEDULE 9 CASH AND BANK BALANCES

Cash and Cheques on hand	254,105	178,321	220,173
Balance with scheduled banks			
On Current Account	1,594,613	588,398	690,518
In Deposit Account	68,650	110,270	51,012
Balance with other banks in Current Account			
Bank of America, USA	77,992	86,600	183,999
Bank of Montreal	23	-	1,678
Citibank	-	-	98
Hongkong & Shanghai Bank	22,792	8,892	13,745
Midland Bank, U K	353,472	170,976	437,758
Nations Bank	-	-	5,653
Saudi British Bank	35,713	-	24,567
Standchart UAE	2,881	925	969
Wells Fargo, U S A	489,735	1,198,975	1,612,528
Bank of Tokyo	1,918	17,236	-
Great Western Bank	-	23	-
SBI Singapore -USD Account	30,380	-	-
CCF Paris AG Centrale	2,748	-	-
RABO Bank, Netherlands	1,903	-	-
	2,936,925	2,360,616	3,242,698

	(Rs. in 000s)		
	As of June 30,	As of March 31,	
	2004	2003	2004
SCHEDULE 10 LOANS AND ADVANCES			
(Unsecured, considered good unless otherwise stated)			
Advances recoverable in cash or in kind or for value to be received			
Considered Good	2,263,045	2,014,506	2,126,279
Considered Doubtful	73,338	74,918	77,359
	2,336,383	2,089,424	2,203,638
Less : Provision for Doubtful Advances	73,338	74,918	77,359
	2,263,045	2,014,506	2,126,279
Inter Corporate Deposits			
GE Capital Services India	-	45,476	-
Citicorp Financial Services Limited	-	30,500	-
Other Deposits (refer Note below)	805,817	707,139	854,773
Advance Income Tax (net of provision)	415,649	689,919	587,657
Balances with Excise and Customs	21,249	20,726	29,672
Unbilled Services	2,745,361	2,063,937	2,085,403
	6,251,121	5,572,203	5,683,784

Note :

Other Deposits include Rs. 25,000 (2004 : Rs. 25,000) security deposits for premises with a firm in which a director is interested

SCHEDULE 11 CURRENT LIABILITIES

Sundry Creditors	2,815,542	1,802,351	3,153,471
Unclaimed Dividends	1,491	1,588	1,491
Advances from customers	1,037,661	821,254	874,078
Unearned Revenues	334,360	267,663	363,330
Interest accrued but not due on Loans	-	153	-
Other Liabilities	6,143,632	3,772,639	4,859,189
	10,332,686	6,665,648	9,251,559

SCHEDULE 12 PROVISIONS

Employee retirement benefits	822,386	594,022	683,359
Proposed dividend	-	232,564	931,039
Proposed one-time dividend	-	29,797	5,818,979
Tax on proposed dividend	-	-	864,846
	822,386	856,383	8,298,223

(Rs. in 000s)

SCHEDULE 13 OTHER INCOME

	Quarter ended June 30, 2004	Quarter ended June 30, 2003	Year ended March 31, 2004
Dividend Received from Mutual Funds	203,408	174,548	779,983
Interest on debt instruments and others	7,084	9,221	25,978
Rental Income	6,040	9,550	45,030
Profit on sale of Investments	(31,940)	(31,532)	(43,553)
Profit on disposal of Fixed Assets	88,102	904	108,344
Brand Fees	-	13,254	22,050
Provision no longer required written back	-	55	33,652
Exchange differences - Net	3,446	78,840	297,325
Miscellaneous Income	8,313	19,271	97,186
	284,453	274,111	1,365,995

SCHEDULE 14 COST OF GOODS SOLD

Raw materials, Finised and Process Stocks (refer Schedule 18)	2,461,557	1,482,971	8,945,721
Stores & Spares	58,630	46,059	200,294
Power and Fuel	139,962	110,343	461,642
Salaries, Wages and bonus including Onsite Allowance	6,068,900	4,080,460	20,152,546
Contribution to providend and other funds	91,101	61,359	294,379
Gratuity and pension	88,991	61,296	288,003
Workmen and Staff welfare	73,321	57,268	248,034
Insurance	27,893	7,559	87,988
Repairs to factory buildings	16,332	10,053	14,719
Repairs to Plant & Machniery	143,087	72,280	442,884
Rent	90,723	77,605	323,114
Rates & Taxes	10,265	3,126	7,618
Packing	28,497	15,186	95,092
Traveling	565,856	321,749	1,535,129
Communication	294,429	173,449	987,694
Depreciation	467,562	352,617	1,759,914
Sub contracting / technical fees	461,882	323,161	2,047,696
Miscellaneous	449,132	409,204	1,528,020
Less : Capitalised	(63,409)	(47,116)	(139,948)
	11,474,711	7,618,629	39,280,539

	<i>(Rs. in 000s)</i>		
	Quarter ended June 30, 2004	Quarter ended June 30, 2003	Year ended March 31, 2004
SCHEDULE 15 SELLING AND MARKETING EXPENSES			
Salaries, wages and bonus	220,816	201,965	1,147,434
Contribution to provident and other funds	4,259	3,841	16,895
Gratuity and pension	7,952	2,496	28,881
Workmen and Staff welfare	9,941	7,645	34,933
Insurance	1,129	1,239	36,014
Repairs to buildings	2,459	543	12,224
Rent	25,803	16,422	117,027
Rates and taxes	5,271	8,847	22,705
Carriage and freight	50,511	30,181	155,107
Commission on sales	21,418	14,908	98,879
Advertisement and sales promotion	170,127	166,312	571,485
Depreciation	17,094	14,467	72,459
Travel	657,625	721,522	2,854,636
Communication	18,058	13,488	54,673
Miscellaneous Expenses	113,574	68,823	389,302
	1,326,037	1,272,699	5,612,654
SCHEDULE 16 GENERAL AND ADMISTRATIVE EXPENSES			
Salaries, wages and bonus	249,481	287,615	889,875
Contribution to provident and other funds	10,704	10,681	35,626
Gratuity and pension	8,778	10,664	41,460
Workmen and Staff welfare	44,007	34,696	173,173
Insurance	13,290	124	14,127
Repairs to buildings	4,531	2,971	4,072
Rent	6,818	5,474	35,239
Rates and taxes	14,338	3,052	24,964
Auditors' remuneration and expenses			
Audit fees	2,524	1,830	7,077
For certification including tax audit	29	-	1,029
Reimbursement of expenses	91	114	282
Loss on disposal of Fixed Assets	164	183	6,900
Directors' fees	60	42	188
Depreciation	29,557	36,796	121,292
Travel	86,786	74,983	287,174
Communication	16,514	17,353	85,515
Provision / write off of bad debts	108,407	105,644	123,636
Miscellaneous Expenses	373,576	301,068	904,511
	969,655	893,290	2,756,140

(Rs. in 000s)

SCHEDULE 17 INTEREST

	Quarter ended June 30, 2004	Quarter ended June 30, 2003	Year ended March 31, 2004
On fixed Loans	-	921	8,768
Other	11,474	4,855	26,299
	11,474	5,776	35,067

SCHEDULE 18**RAW MATERIALS, FINISHED AND PROCESSED STOCKS****Consumption of raw materials and bought out components**

Opening Stocks	551,403	398,216	398,216
Add : Purchases	1,630,784	962,804	5,728,829
Less : Closing Stocks	520,868	420,739	551,403
	1,661,319	940,281	5,575,642

Purchase of Finished Products for sale**(Increase) / Decrease in finished and process Stocks**

Opening Stock	: In process	159,523	119,028	119,028
	: Finished products	549,587	467,331	467,331
Less : Closing Stock	: In process	189,350	137,412	159,523
	: Finished products	586,024	586,148	549,587
		(66,264)	(137,201)	(122,751)
		2,461,557	1,482,971	8,945,721

SCHEDULE –19 SIGNIFICANT ACCOUNTING POLICIES

(in thousands, except share data and where otherwise stated)

Accounting convention

The preparation of consolidated financial statements in conformity with Indian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Basis of preparation of financial statements:-

The accompanying consolidated financial statements have been prepared in accordance with Accounting Standard 21 ‘Consolidated Financial Statements’ and Accounting Standard 23 ‘Accounting for Investments in Associates in Consolidated Financial Statements’.

Principles of consolidation:-

The consolidated financial statements include the financial statements of Wipro and all of its subsidiaries, which are more than 50% owned and controlled and its affiliates where the group holds more than 20% of voting power and has significant influence. All material inter-company accounts and transactions are eliminated on consolidation. The group, accounts for investments in affiliates by the equity method.

Revenue recognition

- Sales include applicable sales tax unless separately charged, export incentives, and are net of discounts.
- Sales are recognized on despatch, except in the following cases:
 - Consignment sales are recognized on receipt of statement of account from the agent
 - Sales, which are subject to detailed acceptance tests, revenue is reckoned based on milestones for billing, as provided in the contracts
 - 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. With reference to fixed price contracts revenue is recognized in accordance with percentage of completion method of accounting
- Export incentives are accounted on accrual basis and include estimated realizable values/benefits from special import licenses and Advance licenses.
- Agency commission is accrued on shipment of consignment by principal.
- Maintenance revenue is considered on acceptance of the contract and is accrued over the period of the contract.
- Other income is recognized on accrual basis.

Fixed Assets and Depreciation

Fixed assets are stated at historical cost less depreciation.

Interest on borrowed money allocated to and utilized for fixed assets, pertaining to the period up to the date of capitalization is capitalized. Assets acquired on hire purchase are capitalized at the gross value and interest thereon is charged to Profit and Loss account. Renewals and replacement are either capitalized or charged to revenue as appropriate, depending upon their nature and long-term utility.

In respect of leased assets, lease rentals payable during the year is charged to Profit and Loss account.

Depreciation is provided on straight line method at rates specified in Schedule XIV to the Companies Act, 1956, except on computers, furniture and fixture, office equipment, electrical installations (other than those at factories) and vehicles for which commercial rates are applied. In Wipro Inc, Entthink Inc and Wipro Japan KK depreciation is provided on Written Down Value method.

Intangible Assets

Intangible assets are stated at cost less accumulated amortization. Intangible assets are amortized over their estimated useful life ranging between 5 years and 20 years.

Goodwill

The goodwill arising on consolidation / acquisition is not being amortised. It is tested for impairment on a periodic basis and written off if found impaired.

Investments

Long term Investments are stated at cost and short term investments are valued at lower of cost and net realizable value. Diminution in value is provided for where the management is of the opinion that the diminution is of permanent nature.

Inventories

Finished goods are valued at cost or net realizable value, whichever is lower. Other inventories are valued at cost less provision for obsolescence. Indigenously developed software products are valued at cost, which reflects their remaining economic life. Small value tools and consumables are charged to consumption on purchase. Cost is computed on weighted average basis.

Provision for retirement benefits

For employees covered under group gratuity scheme of LIC, gratuity charged to Profit and Loss account is on the basis of premium demanded by LIC. Provision for gratuity (for certain category of employees) and leave benefit for employee's is determined as per actuarial valuation at the year -end. Defined contributions for provident fund and pension are charged to the Profit and Loss account based on contributions made in terms of applicable schemes, after netting off the amounts rendered surplus on account of employees separated from the Company. Certain categories of employees are entitled to pension benefits which are determined based on factors like years of services and cumulative basic salary. The company has provided for the liability based on an actuarial valuation. The compensation paid if any, on voluntary retirement to the employees is charged off as an expense in the year of Incurrence.

Deferred Tax

Tax expenses charged to Profit and Loss account is after considering deferred tax impact for the timing difference between accounting income and tax income. Deferred tax assets are recognized when there is a reasonable certainty that they will be realized. Deferred tax asset relating to unabsorbed business losses are recognized when there is a virtual certainty that there will be sufficient taxable profits to utilize them.

Foreign currency transactions

The Company is exposed to currency fluctuations on foreign currency transactions. With a view to minimize the volatility in financial statements arising from fluctuations in the currency rates, the Company follows established risk management policies, including the use of foreign exchange forward contracts.

As a part of the Risk Management Policies, the forward contracts are designated as hedge of highly probable forecasted transactions. The accounting standard on "The effects of changes on foreign exchange rates", which was amended with effect from April 1, 2004 provides guidance on accounting for forward contracts. Further to that, the Institute of Chartered Accountants of India has clarified that this accounting standard is not applicable to the forward contracts which are for hedging highly probable forecasted transactions.

Foreign currency transactions are recorded at the spot rate at the beginning of the concerned month. Period - end balances of foreign currency assets and liabilities are restated at the closing rate/forward contract rate, as applicable. The exchange difference arising from restatement or settlement is recognized in the profit and loss account.

Gains/losses, including gains/losses on intermediary roll over/cancellation, of Forward contracts designated as hedge of highly probable forecasted transactions are recognised in the profit and loss account in the period in which the forecasted transaction is expected to occur.

Other forward contracts, options etc. which are not designated as hedge of forecasted transaction, are marked to market on the balance sheet date and the resultant gain/loss is accounted in the profit and loss account for the period.

In respect of non-integral operations assets and liabilities are translated at the exchange rate prevailing at the date of the balance sheet. The items in the profit & loss account are translated at the average exchange rate during the period. The differences arising out of the translation are included in translation reserve.

Research and Development

Revenue expenditure on research and development is charged to Profit and Loss account and capital expenditure is shown as addition to fixed assets.

NOTES TO ACCOUNTS

1. Goodwill on consolidation as on the balance sheet date comprises of the following:

	(Rs. in 000s)
Wipro Fluid Power Limited	18,272
Wipro Spectramind Services Limited	3,775,289
Wipro Healthcare IT Limited	175,011
Cygnus Nigri Investments private Limited	16,255
Enterprise Services	1,102,109
Financial Services	305,670
Total	5,392,606

2. As of June 30, 2004, forward contracts to the extent of USD 227,000 have been assigned to the foreign currency assets in the balance sheet. These assets are valued at the forward contract rate, adjusted for premium / discount in respect of the expired period.

The Company has designated forward contracts as hedge of highly probable forecasted transactions. The gain or loss on these forward contracts is recognized in the profit and loss account in the period in which the forecasted transaction is expected to occur. In certain cases, the Company has entered into forward contracts having a maturity earlier than the period in which the hedged transaction is forecasted to occur. The gain / loss on roll over / cancellation on such contracts is recognized in the profit and loss account in the period in which the forecasted transaction is expected to occur.

The Company has also entered into option contracts. These option contracts have not been designated as hedge and consequently, they are marked to market at each balance sheet date and the gains / loss is recognized in the profit and loss account of the respective period.

As at the balance sheet date, the Company had forward contracts to sell of USD 997,510 in respect of forecasted transactions. The effect of marking to market of the said forward contracts and effect on intermediary roll over of the forward contracts is unfavorable exchange difference of Rs. 2,076,362, the final impact of which will be recognized in the profit and loss account of the respective periods in which the forecasted transactions are expected to occur.

Had the Company continued to apply the earlier accounting policy, the profit for the period would have been lower by Rs. 355,000 approximately.

3. In June 2004, the company acquired trademark /brand "Chandrika" for an aggregate consideration of Rs. 238,100. The Company is entitled to use the trademark/brand in manufacturing, selling and distributing products in India and other SAARC countries.

The Company has also entered into a non-compete agreement with the sellers of "Chandrika" brand. The company will pay an up-front non-compete fee. In addition, the Company will pay an annual non-compete fee computed as a specified percentage of the revenues from products sold under "Chandrika" trade-name, subject to a minimum annual payment.

Based on the performance of various other comparable established brands in the market the company estimates that the useful life of the brand is at least 20 years and hence the cost of the brand is amortized over the period of 20 years.

The upfront non-compete fee is amortized over the period of agreement and the annual non-compete fee is recognized in the respective years.

4. During the quarter ended June 30, 2004 the company acquired 653,807 shares from the employees of Wipro Spectramind for a consideration of Rs. 84,995.
5. The company has a 49% equity interest in Wipro GE Medical Systems Private Limited (WGE), a joint venture with General Electric, USA. The joint venture agreement provides specific rights to the joint venture partners. The Management believes that these specific rights do not confer joint control as defined in Accounting Standard 27 "Financial Reporting of Interest in Joint Venture". Consequently, WGE is not considered as a joint venture and consolidation of financial statements are carried out as per equity method in terms of Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial statements".

Investments in WeP Peripherals Ltd have been accounted for by equity method.

6. Last year the company received a demand from the income tax department of Rs. 2,614,568 (Including interest demand of Rs. 764,485) for one of its assessment years. Un-provided liability on this account is Rs. 2,315,568. The tax demand is mainly on account of disallowance of deduction claimed by the company under Section 10A of the Income Tax Act 1961, in respect of profits earned by its undertakings in software technology park at Bangalore. As per the opinion of the company's legal counsel the said disallowance is not tenable. The management of the company has filed an appeal challenging the disallowance. Considering the facts and nature of disallowance, the management believes that there will be a positive final outcome and there is no material impact on the financial statement.

7. The breakup of accumulated net deferred tax asset is given below:

		(Rs .in 000s)	
	June 30, 2004	June 30, 2003	March 31, 2004
Deferred tax assets:			
Allowance for doubtful debts	92,644	95,835	92,644
Property plant and equipment – Depreciation differential	49,115	88,429	49,115
Employee stock incentive plan	9,388	38,902	9,388
Accrued expenses	166,272	87,415	166,272
Business losses carried forward	181,924	171,382	168,879
	499,343	481,963	486,298

8. a) Provision for taxation comprises of following:

- Rs. 260,385 (2004: Rs. 758,929) in respect of foreign taxes.
- Rs. 350,680 (2004: Rs. 918,628) in respect of Indian Income Tax, which includes provision of Rs. Nil (2004: Rs. 251,390) in respect of earlier years.
- Rs. Nil (2004: Rs. 3,000) in respect of Wealth Tax.

b) Tax expense for the quarter is based on the estimated effective tax rate for the year. The bifurcation between current tax and deferred tax assets will be made at the year end, based on the full year working .

9. The details of subsidiaries and affiliates are as follows :-

a) Name of the subsidiary	Country of Incorporation	% Holding
Wipro Fluid Power Limited	India	98%
Wipro Inc.	USA	100%
Enthink Inc. (a)	USA	–
Wipro Japan KK	Japan	100%
Wipro Chandrika Limited	India	90%
Wipro Trademarks Holding Limited	India	100%
Wipro Travel Services Limited	India	100%
Wipro HealthCare IT Limited	India	100%
Spectramind Limited	Bermuda	100%
Spectramind Limited (b)	Mauritius	–
Wipro Spectramind Services Limited (c)	India	94%
Spectramind Inc. (d)	USA	–
Wipro Holdings (Mauritius) Limited	Mauritius	100%
Wipro Holdings (UK) Limited (e)	UK	–
Wipro Technology UK Limited (f)	UK	–
Wipro Consumer Care Limited	India	100%
Cygnus Nigri Investments private Limited (g)	India	–
b) Wipro Equity Reward Trust	India	Fully controlled trust
c) Grantor Trust	USA	Fully controlled trust
d) Name of the affiliate		
Wipro GE Medical Systems Private Limited	India	49%
WeP Peripherals Limited	India	40.5%

Note:

- a) Majority owned by Wipro Inc.
 - b) Fully owned by Spectramind Limited, Bermuda
 - c) Owned through Spectramind Limited, Bermuda and Spectramind Limited, Mauritius
 - d) Wholly owned through Wipro Spectramind Services Limited
 - e) Fully owned by Wipro Holdings (Mauritius) Limited
 - f) Fully owned by Wipro Holdings (UK) Limited
 - g) Wholly owned by Wipro Trademarks Holding Limited.
10. Diluted EPS is calculated based on treasury stock method for ESOP outstanding.
11. Provision for retirement benefits are made on the estimated basis in the interim financial statement and actuarial valuation is carried out at the year end.
12. Corresponding figures for previous periods presented have been regrouped, where necessary, to confirm to this period classification. Current period figures are not comparable with the previous period figures on account of acquisition of Wipro Nerve wire (IT consulting business) with effect from May 2003 .

WIPRO LIMITED - CONSOLIDATED

	<i>(Rs. in 000s)</i>		
	Quarter ended June 30, 2004	Quarter ended June 30, 2003	Year ended March 31, 2004
Cash flows from operating activities:			
Profit before tax from continuing operations	4,173,079	2,350,238	12,031,823
Adjustments to reconcile Net profit before tax and non recurring items to net cash provided by operating activities:			
Depreciation and amortization	514,213	405,450	1,971,847
Foreign currency transactions	(121,213)	(78,840)	(132,771)
Retirement benefits provision	139,027	72,259	161,596
Interest on borrowings	11,474	5,776	-
Dividend / interest - Net	(178,551)	(152,237)	(762,408)
Loss / (Gain) on sale of property, plant and equipment	(87,938)	4,887	(107,000)
Trade and other receivable	(762,592)	(373,356)	(3,670,414)
Loans and advances	(168,174)	(206,188)	(359,890)
Inventories (other than stock-in-trade land)	(36,570)	(166,390)	(281,495)
Trade and other payables	1,050,369	103,561	2,748,125
Net cash provided by operations	4,533,124	1,965,160	11,599,413
Direct taxes paid	(452,102)	(170,902)	(1,568,359)
Net cash provided by operations	4,081,022	1,794,258	10,031,054
Cash flows from investing activities:			
Expenditure on property, plant and equipment (including advances)	(1,640,555)	(834,255)	(4,100,966)
Proceeds from sale of property, plant and equipment	230,754	62,367	121,863
Purchase of investments	(18,952,294)	(8,102,521)	(10,706,517)
Inter Corporate deposits placed / matured	-	209,827	285,303
Certificate of Deposits with foreign banks	-	2,463,056	2,463,056
Sale / maturities on Investments	24,131,146	3,141,068	48,060
Payment for acquisition, net of cash acquired	(84,995)	(465,267)	(465,267)
Divided / interest received	175,477	146,461	777,850
Net cash used in investing activities	3,859,533	(3,379,264)	(11,576,618)
Cash flows from financing activities:			
Proceeds from exercise of Stock Option Plan grants	62,518	1,482	238,600
Dividends paid	(7,575,993)	99,304	(262,361)
Proceeds from issuance / (repayment) of borrowings	(734,923)	(358,348)	463,020
Proceeds from issuance shares by subsidiary	-	-	147,533
Net cash provided by / (used in) financing activities	(8,248,398)	(257,562)	586,792
Net increase / (decrease) in cash and cash equivalents during the year	(307,843)	(1,842,568)	(958,772)
Cash and cash equivalents at the beginning of the period	3,242,698	4,210,079	4,210,079
Effect of Translation on cash balance	2,070	(6,895)	(8,605)
Cash and cash equivalents at the end of the period	2,936,925	2,360,616	3,242,698

For and on behalf of the Board of Directors

Azim Hasham Premji
Chairman and Managing Director

Vivek Paul
Vice Chairman and Executive Officer

Suresh C. Senapaty
Corporate Executive
Vice President – Finance

V. Ramachandran
Company Secretary

B. C. Prabhakar
Director

Bangalore, July 23, 2004

We have examined the above cash flow statement of Wipro Limited – consolidated for the quarter ended June 30, 2004. This statement is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company for the quarter

For N M Raiji & Co.,
Chartered Accountants

J M Gandhi
Partner
Membership No. 37924

Mumbai, July 23, 2004