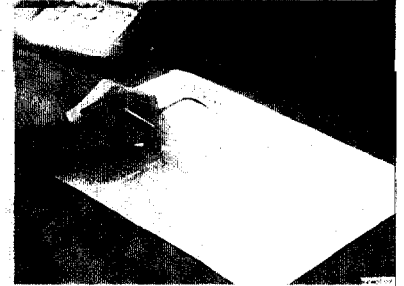


ANNUAL REPORT 2006-07

accentia 
TECHNOLOGIES



report  junction.com



Accentia Technologies Ltd

Registered Office:

No 4, BSEL Tech Park P. No.39/5&39/5A Vashi, Navi Mumbai India - 400 705

Regional Offices:

Trivandrum

233/241, NILA, Technopark Campus, Trivandrum, Kerala India - 695 581

Bangalore

Accentia Towers, 4020/A, HAL 2nd Stage, Bangalore, Karnataka India - 560 008

NOTICE OF THE ANNUAL GENERAL MEETING:

Notice is hereby given that the Fifteenth Annual General Meeting of the Members of Accentia Technologies Ltd, (Formerly Hitech Entertainment Limited) will be held on Saturday, the 30th day of September 2006 at 12:00 P.M. at BSEL Tech Park, Plot No. 39/5 & 39/5A, Sector 30A, Vashi, Navi Mumbai- 400705 to transact the following business:

Ordinary Business:

1. To consider and adopt the Balance Sheet as at 31 March 2006, the Profit & Loss Account for the year-ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To confirm the payment of interim dividend of Rs. 1.00 per Equity Share as final Dividend for the Financial Year ended 31st March 2006.
3. To Appoint M/s Durgesh Kabra & Co., Chartered Accountants, As auditors from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration as agreed to between the Board of Directors and the Auditors , in addition to reimbursement of service tax and all out of pocket expenses incurred in connection with the audit of accounts of the Company.
4. To consider, ratify and approve the resignations of Ms.Pooja Tyagi and Mr.Kirit Kanakiya who offered their resignations post completion of the take over offer and whose resignations are accepted by the Board on 11.09.2006..

Special Business:

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

“RESOLVED THAT Mr. S.M.Parande, who was appointed as an Additional Director by the Board of Directors as on 31st July 2006, in accordance with Article 134 of the Articles of Association of the Company and who holds office as a Director under Section 260 of the Companies Act, 1956, up to this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from members proposing his candidature for the office of Directors, be and is hereby appointed as a Non-executive Director of the Company liable to retire by rotation.”

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

“RESOLVED THAT Mr. G.K.Misra, who was appointed as an Additional Director by the Board of Directors as on 31th July 2006, in accordance with Article 134 of the Articles of Association of the Company and who holds office as a Director under Section 260 of the Companies Act, 1956, up to this Annual General Meeting and in

respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from members proposing his candidature for the office of Directors, be and is hereby appointed as a Non-executive Director of the Company liable to retire by rotation.”

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.

Proxies, to be effective, should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.

2. The Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the meeting, is given below and forms part of the Notice.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Sunday, 24th September 2006 to Saturday, 30th September 2006 (both days inclusive) in connection with the Annual General Meeting.
4. The Members are requested to forward all applications for transfer and all other shares related correspondence, including intimation for change of address, if any, to the Registrars and Share Transfer Agent of the Company at the following address:

Sharex Dynamic (India) Private Limited
(Unit: Hitech Entertainment Limited)
17-B, Dena Bank Building, 2nd Floor,
Horniman Circle, Fort,
Mumbai- 400 001
Tel: (022) 22702485, Fax: (022) 22641349
Contact Person: Mr. T. Sashikumar

By Order of the Board of Directors

Registered Office:

BSEL Tech Park, Plot No. 39/5 & 39/5A,
Sector 30A, Vashi, Navi Mumbai- 400705

Dated:

7/8/06



Pradeep Suseela Viswambharan
Director

(2)

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Investors are cautioned that this report to the shareholders is in compliance with the Corporate Governance Clause of the Listing Agreement with the Stock Exchanges and this discussion contains forward looking statements that involve risks and uncertainties including, but not limited to, risks inherent in the Company's growth strategy, acquisition plans, dependence on certain businesses, reliance on availability of qualified and trained manpower and other factors. The following discussion and analysis should be read in conjunction with the Company's financial statements included herein and the notes thereto.

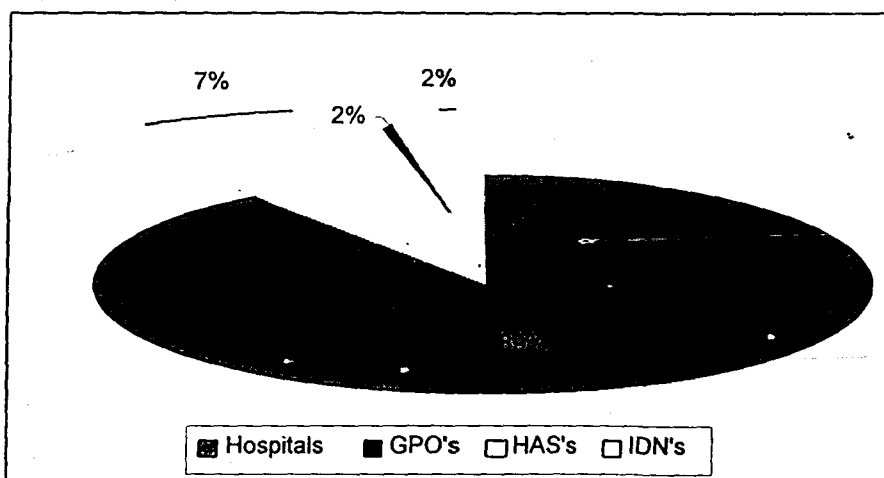
INDUSTRY OVERVIEW

Health Care BPO Services (Medical Transcription Industry Overview: USA)

- ❖ Estimated Market Size of MT Industry: \$16-22 Billion
- ❖ 80% in-house and 20% outsourced
- ❖ Only \$4 billion worth of business is outsourced, of which less than \$100 million is currently outsourced abroad
- ❖ Geosoft, the subsidiary of Accentia is one of the fastest growing and leading healthcare BPO providers in India.

Hospital Market Size Overview

Individual Hospitals	6,600
Healthcare Systems & Affiliates (HSAs)	110
Healthcare Systems & Affiliates (HSAs)	480
Integrated Delivery Networks (IDN's)	140



(3)

Physician Practice Market Size Overview

Non-hospital facilities offering specialized services on an outpatient basis include the following specific segments:

Diagnostic Imaging Centers	2,661
Freestanding Outpatient Surgery Centers	2,665
Solid Organ Transplant Centers	547
AIDS Treatment Centers	633
Cancer Treatment Centers	623
Sports/PT/Rehabilitation Centers	5,925
Kidney Dialysis Centers	1,167
Trauma Centers	1,365
Freestanding Ambulatory Care Centers	5,520
Physician Office Based Surgery	11,478
Open Heart Surgery Facilities	1,531
Clinical laboratories	6,123

Type	Estimated Revenue (in Millions)	Position / Players
Services	\$150-500	1 - MedQuist
Services	\$100-150	1 - Spheris
Services	\$50-100	0
Services	\$25-50	1 - CBay
Services	\$10-25	3
Services	\$5-10	5
Services	\$3-5	8
Services under	\$3	1,500-2,000

(4)

INDIAN SCENARIO:

Phase I - Evolution of BPO in India

Period	Mid to late 1990s
Focus Areas	Web-based CRM, Healthcare BPO and Simple Transaction Processing
Key Players	Web-based CRM, Healthcare BPO - Independent Vendors Simple Transaction Processing - Captive Players
Scale of Operations	Independent Vendors - Typically less than 500 people Captive Players - Larger than Independent Vendors

- Early entrants: Trans-national companies set up captive units in the mid-90s
 - American Express (Transaction Processing)
 - GE Capital (Transaction Processing, Contact center)
 - SCOPE (Banking Back-office)
- Most of these companies were from the banking, financial services and airline industries
- Primary focus is on a range of non-voice processes
- Commenced by catering to in-house requirements; now looking to enter/expand third-party business as well

Phase II - Evolution of BPO in India

Period	2000 to Present
Focus Areas	Voice CRM, Complex Transaction Processing - Services such as Equity Research, Insurance Claims Processing, Mortgage Processing and Finance & Accounting being offered
Key Players	Entry of new players - i) Indian IT Services Companies, ii) US BPO Services Companies and iii) Large Business Houses
Scale of Operations	Independent Vendors - Scale to over 9,400 people Captive Players - Largest player at 15,000 people; others upto 4,000 people

- Started emerging in late 90s, especially in the CRM segment
 - Daksh (Contact Center)
 - WNS (Accounting, Transaction Processing)
 - EXL Services (Contact Center, Transaction Processing)
- Attracted significant investor interest
- Leaders in this category are scaling rapidly at growth rates of over 100% p.a.

6

Industry Profits from Economies of Scale:

- BPO market in India has reached a size of USD 3.6 bn in 2003-04 with over 250,000 people employed a growth of 54% in the year (Source: NASSCOM)
- Third-party players to account for about 40% of the market; captives account for the balance (Source: Edelweiss)
- Wide spectrum of players now participate in the industry such as IT services players, pure-plays, business groups and captives
- Fragmented market currently, with a few scaled-up players
 - Largest player accounts for 4% to 5% of the total market; top 10 account for about 20%
 - About 500 players totally

Poised for Continued Growth

- Historic growth has been rapid (4-year CAGR of 60%+) and is expected to continue at around the same level in the next 2 to 3 years
- Non-voice (processing) segments such as Medical Transcription, F&A and Administration expected to gain traction going forward
- Voice BPO (CRM) has witnessed maximum scale-up and now accounts for about 30% of the total market
- BPO has the potential to be the next wealth creation engine in India after IT services

Investor's Perspective

- Total investment of about USD 1.5 bn in the industry till date
- Private equity investments account for USD 350 mn out of the above
- Liquidity events primarily through M&A, some of the recent mega deals
 - Spectramind,
 - First Ring
 - Transworks
 - Daksh
 - GECIS
- In the next 12 to 18 months, at least 4 to 5 BPO players expected to go to public
- The BPO industry is expected to reach a notional market cap of USD 25 bn by 2008

According to NASSCOM the IT enabled services will amount to revenues of US \$ 1.2 trillion by 2006. With growth projected at 11 percent annually, the ITES/BPO segment will be one of the most significant business opportunities for the Indian software and services industry.

Indian IT players have in fact already made great strides in the ITES/BPO market. What began as an activity that was confined to MNCs that set up captive ITES facilities in the country, India today has a large base of third party ITES/BPO

companies that are bagging prestigious remote services projects from leading global organizations.

The ITES-BPO market remained a high growth segment for the Indian software and services industry during 2002-03. Despite the adverse global economic conditions, Indian players in this space, logged in high growth rates. Overall this sector grew at over 65 percent—upping revenues from Rs. 71 billion in 2001-02 to touch Rs. 117 billion in 2002-03.

Indian BPO Exports 1999 - 2003

Financial Year	Revenues (US \$ Million)	Revenues (Rs. Crore)
1999 - 2000	565	2400
2000 - 2001	930	4250
2001 - 2002	1,495	7,100
2002 - 2003	2,400	11,700

Source: NASSCOM

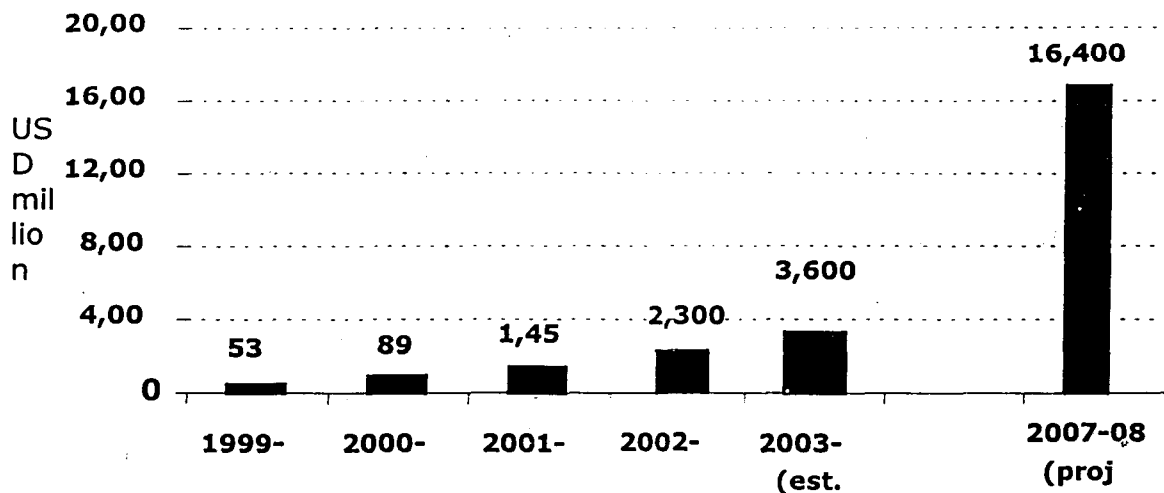
Advantage India

Comparison	India	Ireland	Philippines
Current BPO market size (USD b)	3.6	~ 3.0 to 3.5	0.75 to 0.85
Current people in BPO (000s)	260	NA	25 to 30
Average wages (USD/hr)	1.3	9.6	2.9
Population (m)	1,016	4	76
No. of people under 25 years (m)	546	1.5	NA
Graduates per year (m)	2	0.04	0.4

- 40-50% cost reduction for off-shored process
- Labour cost arbitrage likely to exist for next 20-30 years
- Faster TAT
 - - Time Zone Diff
 - - 24 x 7 Service
- Learning Curve Effect
- Established methodologies & Processes
- Well defined quantifiable metrics for Quality & Process
- Access to highly-qualified skill pool

(P)

Indian BPO Services Market (2001- 2008)



Source: NASSCOM-McKinsey, Edelweiss estimates

The Indian ITES Industry – a SWOT analysis

Strengths

1. High quality- Low cost
2. Large English speaking, scientific and trainable manpower pool
3. Use of state of the art technology
4. Flexibility and adaptability to new technologies
5. Reliability of programmers to provide expertise for small and large projects
6. Offshore development through data com links providing immense cost and time saving
7. Ability to handle large turnkey projects
8. High growth and export demand with annual growth of around 35%
9. Good education base for graduates and post graduates.

Weakness

1. Low domestic awareness about the career
2. Lack of effort to develop awareness from the part of Government/educational Inst.
3. Lack of awareness in the society about mission critical real time operations
4. Inadequate availability of project management skills.

Opportunities

1. Immense opportunities in the global outsourcing business especially in Healthcare BPO
2. Good domestic availability of trainable manpower
3. USA and UK hospitals are increasingly resorting to outsourcing to cut costs.
4. Less than 3% of available jobs are outsourced to India from the USA.

Threats

1. Inadequate and expensive infrastructure
2. Highly inflationary tendencies of cost and the appreciation of Rupee against \$

CORPORATE DEVELOPMENTS, COMPANY'S PERFORMANCE AND VIEWS FOR THE FUTURE

During the financial year 2005-06, the company's Board has been strengthened with the induction of Mr.Pradeep Suseela Viswambharan, Dr.Vivek Hebbar and Mr.C.K.Sooraj as Independent Directors.

Subsequently in the month of July 2006, the Board was further strengthened with the induction of Mr.S.M.Parande and Mr.G.K.Misra as Independent Directors.

Mr.Pradeep Viswambharan is an Engineering Graduate from University of Kerala and also a Master's in Business Management from TAPMI, Manipal. Mr.Pradeep has more than 16 years of experience in Software Services, Business Process Outsourcing Services and Software Products. He is one of the pioneers, who propagated the Healthcare BPO potential in India through leading Software Platforms like NASSCOM and lead several delegations to USA and UK.

Dr.Vivek Hebbar is an MBBS and MD in Medicine and holds AFIH, DHA and MBA. He has 10 years of experience in the field of Critical Care & General Medicine. His presence on the board is a value addition to the company commensurating the company's overseas acquisition plans in healthcare Business Processing Services

Mr.C.K.Sooraj is an Engineering Graduate from Mangalore University and a Post Graduate in Management from Symbiosis Institute of Management, Pune. He has 11 years of experience in leading BPO organizations as a Head of Operations.

Mr.S.M.Parande is a top notch banking professional with an impeccable historical track record of heading State Bank of Hyderabad as the Managing Director and State Bank of India as the Deputy Managing Director.

Mr.G.K.Misra is banking professional, earlier worked with IDBI in various capacities and worked as Chairman's Club Member in pursuing the integration of IDBI with IDBI Bank.