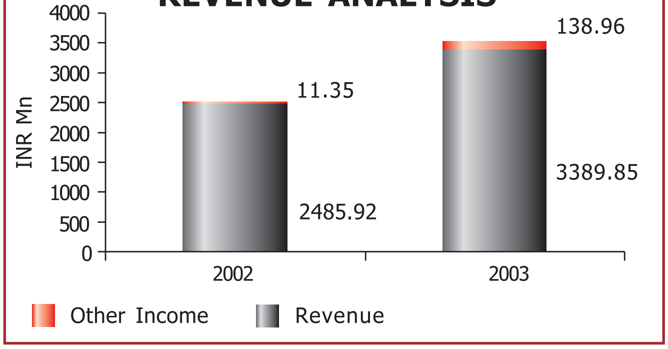
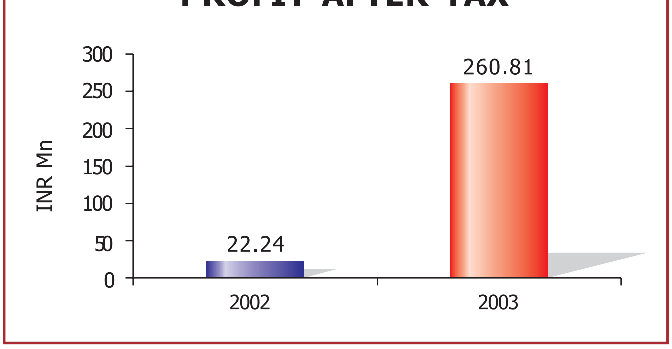
Hexaware Technologies limited

KEY GROWTH CHARTS

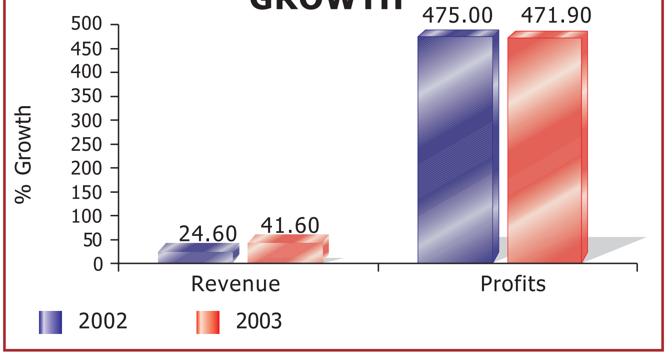
REVENUE ANALYSIS



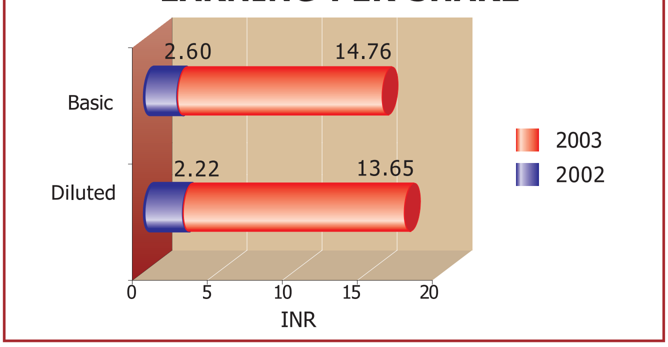
PROFIT AFTER TAX



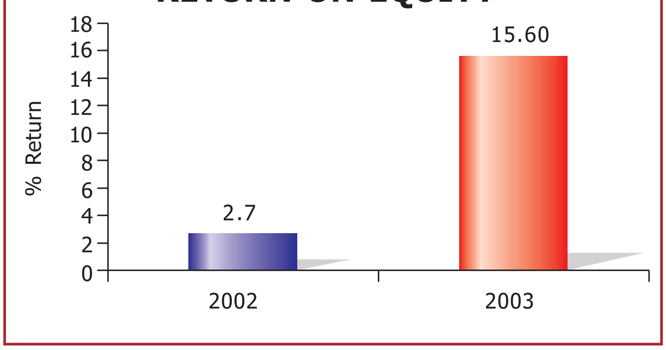
GROWTH



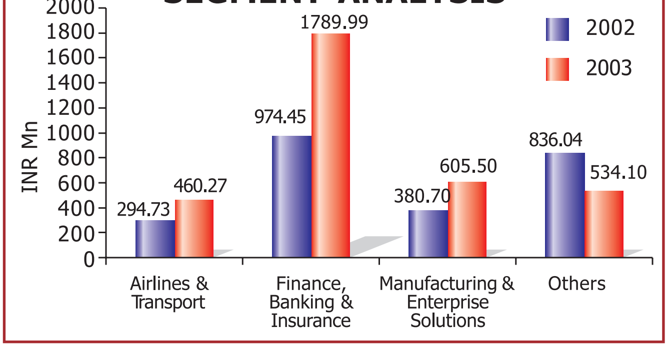
EARNING PER SHARE



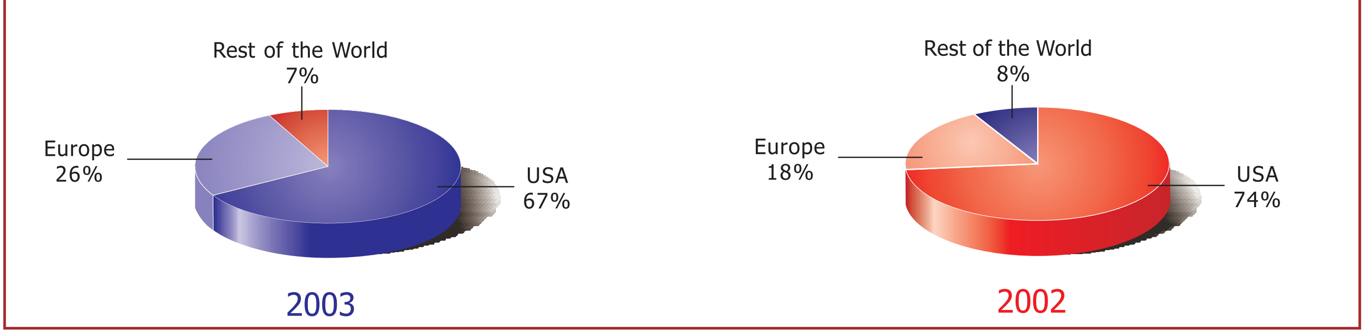
RETURN ON EQUITY



SEGMENT ANALYSIS



GEOGRAPHICAL CONTRIBUTION TO REVENUE



Atul K. Nishar
Executive Chairman

Dr. K. K. Anand
Director

L. S. Sarma
Director

A.P. Kurian
Director

P.G. Kakodkar
Director

Dr. Alka A. Nishar
Director

Rusi Brij
Director

P. K. Sridharan
Executive Director

Auditors
M/s. Mahendra Kumbhat & Associates
Chartered Accountants

Naishadh P. Desai
Company Secretary

Bankers
ICICI Bank, IDBI Bank, Bank of India, HDFC Bank, Deutsche Bank, Citi Bank

Registered Office
Unit No. 158, SDF – V, Seepz,
Andheri (East), Mumbai – 400 096.

Registrars and Transfer Agents
Sharepro Services,
Unit: Hexaware Technologies Limited,
3rd floor, Satam Estate,
Cardinal Gracious Road, Andheri
(East), Mumbai – 400 099
Tel. No. 2832 9828, 2834 8218
Fax No. 2837 5646

NOTICE

NOTICE is hereby given that the Eleventh Annual General Meeting of the Members of Hexaware Technologies Limited will be held on Wednesday, the 9th day of June, 2004 at Yashwantrao Chavan Pratishthan, Mumbai, General Jagannath Bhosale Marg, Opposite Mantralaya, Nariman Point, Mumbai – 400 021 at 11.30 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st December, 2003 and the Audited Profit and Loss Account for the year ended on that date together with the Reports of the Board of Directors' and Auditors' thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Dr. K. K. Anand, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Rusi Brij, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Ordinary Resolution:

   "**RESOLVED THAT** Messrs Deloitte Haskins & Sells, Chartered Accountants, Mumbai be appointed as the Statutory Auditors of the Company in place of the retiring Auditors, Messrs Mahendra Kumbhat & Associates, Chartered Accountants, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration as may be mutually agreed to between the Board of Directors and the Messrs Deloitte Haskins & Sells plus service tax, out-of-pocket expenses, travelling and other expenses, in connection with the work of audit to be carried out by them."

SPECIAL BUSINESS:

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

   "**RESOLVED THAT** in accordance with the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), (hereinafter referred to as "the said Act") and subject to the approval of Central Government, if any, the consent of the Company be and is hereby accorded to the appointment of Mr. Atul K. Nishar as an Executive Chairman of the Company for a period of three years with effect from 1st January, 2004 on the terms and conditions including remuneration as are set out in the agreement to be entered into between the Company and Mr. Atul K. Nishar, a draft whereof is placed before this meeting, with liberty to the Board of Directors (hereinafter referred to "the Board" which term shall be deemed to include the Compensation Committee constituted by the Board) to alter and vary the terms of the said appointment and/or remuneration and/or agreement.

   RESOLVED FURTHER THAT in the absence or inadequacy of profits in any financial year, (a) subject to the approval of the Central Government, the remuneration payable to the Executive Chairman by way of salary and perquisites shall not be reduced and (b) if the approval of the Central Government as stated in (a) is not received, the remuneration payable to the Executive Chairman shall be the maximum amount permitted as per Schedule XIII, as amended from time to time.

   RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient, to give effect to this resolution."

7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

   "**RESOLVED THAT** in partial modification of the Special Resolution passed by the members at the Extra-Ordinary General Meeting of the Company held on 5th November, 1999 for the Employee Stock Option-1999 ("ESOP Scheme-1999") and the Special Resolution Nos. 11 and 12 passed at the Ninth Annual General Meeting held on 3rd June,

2002 for the Employee Stock Option-2002 ("ESOP Scheme-2002"), the consent of the Company be and is hereby given to the modified ESOP Scheme-1999 and ESOP Scheme-2002, the salient features of which are furnished in the Explanatory Statement to the Notice.

RESOLVED FURTHER THAT in accordance with the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 ("the Act"), the provisions of the Articles of Association of the Company, provisions of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 ("the ESOP Guidelines") [including any statutory modification(s) or re-enactment of the Act or the ESOP Guidelines for the time being in force] and subject to such other conditions and modifications as may be prescribed or imposed 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 including Compensation Committee which the Board may constitute to exercise its powers, including the powers, conferred by this resolution), the consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot at any time to or to the benefit of such person(s) who are in permanent employment of the Company, including Directors of the Company, whether whole-time or working in India or overseas or otherwise, except the Promoter Directors, under the ESOP Scheme-1999 and the ESOP Scheme-2002, such number of equity shares and/or equity linked instruments (including Options), and/or any other instruments or securities (hereinafter collectively referred to as "Securities"), at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board.

RESOLVED FURTHER THAT the said Securities may be allotted directly to such employees/directors in accordance with the ESOP Scheme-1999 and ESOP Scheme-2002 framed in that behalf or through a trust which may be set up by the Board of Directors of the Company in any permissible manner and that the ESOP Scheme-1999 and ESOP Scheme-2002 may also envisage for providing any financial assistance to the employees or to the trust to enable the employee(s)/trust to acquire, purchase or subscribe to the Securities of the Company.

RESOLVED FURTHER THAT the issue of Securities to any non-resident employee(s), non-resident Director(s) shall be subject to such approvals, permissions or consents as may be necessary in this regard.

RESOLVED FURTHER THAT the new equity shares to be issued and allotted by the Company in the manner aforesaid shall rank pari passu in all respects with the then existing equity shares of the Company.

RESOLVED FURTHER THAT the Company shall conform to the accounting policies prescribed from time to time under the ESOP Guidelines.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing of the Securities allotted under the ESOP Scheme-1999 and ESOP Scheme-2002, on the stock exchanges where the Company's shares are listed as per the terms and conditions of the listing agreement with the concerned stock exchanges and other applicable guidelines, rules and regulations.

RESOLVED FURTHER THAT for the purpose of giving effect to any creation, offer, issue or allotment or listing of the Securities under the ESOP Scheme-1999 and the ESOP Scheme-2002, the Board be and is hereby authorised on behalf of the Company to evolve, decide upon and bring in to effect and make any modifications, changes, variations, alterations or revisions in the said ESOP Scheme(s) or to suspend, withdraw or revive the ESOP Scheme(s) from time to time as may be specified by any statutory authority and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any issues, 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".

8. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

   RESOLVED THAT in partial modification of the Special Resolution passed by the members at the Extra-Ordinary General Meeting of the Company held on 31st December, 1999 for the Employee Stock Option- 1999 ("ESOP Scheme-1999") and the Special Resolution Nos. 11 and 12 passed at the Ninth Annual General Meeting held on 3rd June, 2002 for the Employee Stock Option-2002 ("ESOP Scheme-2002"), the consent of the Company be and is hereby given to the modified ESOP Scheme-1999 and ESOP Scheme-2002, the salient features of which are furnished in the Explanatory Statement to the Notice, being extended to such person(s) who are in permanent employment of the subsidiary company(ies) whether Indian subsidiaries or foreign subsidiaries (including the Directors of the subsidiary company(ies), whether working in India or out of India, except the Promoter Directors) on the terms and conditions as may be decided by the Board of Directors of the Company or the Compensation Committee."

9. 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 Section 314, and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to Mr. Atul Nishar, Executive Chairman of the Company to hold an office or place of profit as a Director of Hexaware Technologies Inc., U.S.A., Hexaware Technologies UK Limited, UK and Hexaware Technologies Asia Pacific Pte. Ltd. Singapore, wholly owned subsidiaries of the Company and to the payment of an aggregate remuneration to him by the aforesaid subsidiaries of the Company of a sum not exceeding USD 60,000 (USD Sixty Thousand only) per annum in his capacity as a Director of the said wholly owned subsidiaries, namely, Hexaware Technologies Inc., U.S.A., Hexaware Technologies UK Limited, UK and Hexaware Technologies Asia Pacific Pte. Ltd. Singapore."

10. 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 Section 314, and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to Dr. (Mrs.) Alka Nishar, Director of the Company to hold an office or place of profit as a Director of Hexaware Technologies Inc., U.S.A., Hexaware Technologies UK Limited, UK and Hexaware Technologies Asia Pacific Pte. Ltd. Singapore, wholly owned subsidiaries of the Company and to the payment of an aggregate remuneration to her by the aforesaid subsidiaries of the Company of a sum not exceeding GBP 80,000 (GBP Eighty Thousand only) per annum in her capacity as a Director of the said wholly owned subsidiaries, namely, Hexaware Technologies Inc., U.S.A., Hexaware Technologies UK Limited, UK and Hexaware Technologies Asia Pacific Pte. Ltd. Singapore."

11. 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 Section 314, and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to Mr. Rusi Brij, Director of the Company to hold an office or place of profit as a Director of Hexaware Technologies Inc., USA, a wholly owned subsidiary of the Company and to the payment of remuneration of a sum not exceeding US$ 500,000 (US$ Five Hundred Thousand only) per annum by Hexaware Technologies Inc., USA in his capacity as Director of Hexaware Technologies Inc., USA."

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 Section 31 of the Companies Act, 1956 (the "Act") and other applicable provisions of the Act, if any, the following Articles be inserted in the Articles of Association of the Company as Article number 104A.

    "104A The Company shall have the power to hold Board or Committee meeting(s) through the means of video or tele-conferencing, to allow for the

Directors to participate in such Board or Committee meeting(s) through the means of video or tele-conferencing, subject to applicable provisions, if any, of the Act and other regulatory provisions, if any, which may be prescribed and all relevant articles dealing with Board or Committee meetings shall be read *mutatis mutandis*".

By Order of the Board of Directors

Naishadh P. Desai
Company Secretary

Place : Mumbai
Date : April 30, 2004

Registered Office:

Unit No. 158, SDF – V, Seepz-SEZ,
Andheri (East),
Mumbai – 400 096.

NOTES:

1. The Explanatory Statements, pursuant to Section 173(2) of the Companies Act, 1956, are annexed hereto and form part of the Notice.

2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE VALID AND EFFECTIVE MUST BE DELIVERED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

   Members/Proxies should bring the enclosed Attendance Slip duly filled in, for attending the Meeting.

3. All documents referred to in the Notice and Explanatory Statements are open for inspection at the Registered Office of the Company on all working days from 10.00 a.m. to 1.00 p.m. upto the date of the Meeting except holidays.

4. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, the 2nd day of June, 2004 to Wednesday, the 9th day of June, 2004, both days inclusive, in terms of the provisions of Section 154 of the Companies Act, 1956.

5. The dividend, as recommended by the Board of Directors, if approved by the shareholders at the Annual General Meeting shall be paid to those members whose names appear on the Register of Members of the Company as on June 1, 2004 and to the beneficial owners as furnished by NSDL / CDSL.

6. As mandated by the Securities and Exchange Board of India (SEBI), the Company will be providing ECS facility to the shareholders whereby they will be able to receive their dividend by direct electronic credit to their bank account. In the absence of availing this option by the shareholder, the Company shall send warrants for dividends. Shareholders are requested to fill the form provided along with the Annual Report and send it to the Company's Registrar & Share Transfer Agent, M/s. Sharepro Services, Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai 400 099 and to their respective Depositary Participants, in case the Shares are held in dematerialized form.

7. Those members who have so far not encashed their dividend warrants for the financial year ending 31st December, 1997 onwards, may approach the Registrar and Share Transfer Agent, M/s. Sharepro Services, at the address mentioned above for the payment without any further delay as the unpaid dividend will be transferred to the Investor Education and Protection Fund of the Central Government pursuant to Section 205C of the Act. Shareholders are requested to note that no claim shall lie against the said Fund or the Company in respect of any amounts which were unclaimed and unpaid for a period of 7 years from the date that they first became due for payment and no payment shall be made in respect of any such claim.

8. Shareholders are entitled to nominate by filling up Form No.2B, a person in whom his/her shares in the Company shall vest in the event of his/her demise. The shareholders are requested to avail of this facility. The duly filled in and signed nomination form No.2B should be sent to the Registrar, M/s. Sharepro Services at the above mentioned address.

9. Members are requested to:

   (a) intimate to the Company's Registrar & Share Transfer Agent, changes, if any, in their respective addresses along with pin code number at an early date.

(b) quote folio numbers in all their correspondence.

(c) consolidate holdings into one folio in case of multiplicity of folios with names in identical order.

10. Non-Resident Indian Shareholders are requested to inform the Company immediately:

(a) the change in the Residential Status on return to India for permanent settlement;

(b) the particulars of NRE Bank Account maintained in India with complete name and address of the Bank, if not furnished earlier.

11. Corporate members are requested to send a duly certified copy of the board resolution authorizing their representative to attend and vote at the Annual General Meeting.

12. The Certificate from the Auditors of the Company certifying that the Employee Stock Option Scheme of the Company is being implemented in accordance with the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 and in accordance with the resolution of the general meeting will be available for inspection to members at the Annual General Meeting.

13. Re-appointment of Directors

At the ensuing Annual General Meeting, Dr. K.K. Anand and Mr. Rusi Brij retire by rotation and being eligible offer themselves for reappointment. The information pertaining to these Directors to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchanges are furnished in the Statement on Corporate Governance published in this Annual Report.

EXPLANATORY STATEMENTS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 6

As recommended by the Compensation Committee and approved by the Board of Directors of the Company, at its meeting held on December 29, 2003 and April 27 2004, Mr. Atul Nishar was appointed as an Executive Chairman of the Company for a period of three years with effect from 1st January, 2004. The remuneration to Mr. Atul K. Nishar, inter alia, includes the payment of salary, perquisites and benefits and is subject to the approval of the members.

Mr. Nishar has served as the Chairman of the Board of the Company since 1992. Mr. Nishar has been the Chairman of the National Association of Software and Services Companies (NASSCOM) for the year 2000. He has also served as Chairman of the National Association of Computer Trainers (NACT) between 1994 and 1995.

The agreement proposed to be entered into by the Company with Mr. Atul K. Nishar in respect of his appointment, inter alia, contains the following terms and conditions:

1. **Salary**

(i) Rs. 1,25,000 (Rupees One Lac Twenty Five Thousand only) per month with effect from 01.01.2004 (with an annual increment of not more than 30% over the previous Basic Salary as may be decided by the Board or any committee thereof).

(ii) Mr. Nishar shall be entitled to personal allowance at the rate of 50% of Basic Salary per month.

(iii) Mr. Nishar shall also be entitled for Ex-gratia @ 8.33% of Basic Salary per annum.

2. **Perquisites**

A. He will be allowed perquisites in addition to Salary which shall be restricted to an amount not exceeding 60% of the Basic Salary as under:

(i) He shall be entitled to rent free residential accommodation (furnished or otherwise) or House Rent Allowance at the rate of 50% of Basic Salary per month.

(ii) He shall be entitled to Leave Travel Assistance for self and family in

accordance with the Rules of the Company.

(iii) He shall be entitled to medical expenses as per the Rules of the Company which will include such expenses as shall relate to surgical, optical and dental treatment incurred by himself and his family.

(iv) He and his family shall be covered under the Mediclaim Insurance Scheme as per the Rules of the Company. The Company shall pay annual premium towards personal accident insurance as per the Rules of the Company.

(v) He shall be entitled to payment by the Company relating to the fees of clubs as per the Rules of the Company, subject to a maximum of two clubs. This will, however, not include admission and life membership fee.

(vi) He shall be entitled to such other benefits in accordance with the Schemes and Rules applicable to the employees of the Company framed from time to time.

B. (i) The Company shall provide a car with driver at the entire cost of the Company for personal use and office work. Use of car for private purpose shall be billed by the Company.

(ii) The Company shall provide mobile and telephone at the residence of Mr. Atul K. Nishar at the entire cost of the Company. However, personal long distance telephone calls shall be billed by the Company to Mr. Atul K. Nishar.

C. (i) The Company shall pay contribution at a percentage of salary towards Provident Fund/ Pension/Superannuation Fund provided that such contribution shall not exceed the limit laid down under the Income-tax Act, 1961.

(ii) The Company shall contribute to Gratuity at a rate not exceeding half a month's salary for each year of service.

3. **MINIMUM REMUNERATION**

In the absence or inadequacy of profits in any financial year, (a) subject to the approval of the Central Government, the remuneration payable to Mr. Atul K. Nishar by way of salary and perquisites shall not be reduced and (b) if the approval of the Central Government as stated in (a) is not received, the remuneration payable to the Mr. Atul K. Nishar shall be the maximum amount permitted as per Schedule XIII, as amended from time to time.

4. **OTHER TERMS**

(i) Mr. Atul K. Nishar shall be entitled to leave in a year on full pay and allowances as per rules and regulations of the Company. The encashment of leave, if any, shall be allowed at the end of the tenure of service.

(ii) Mr. Atul K. Nishar shall be entitled for reimbursement of entertainment expenses incurred in the course of business.

(iii) The agreement with the Mr. Atul K. Nishar may be terminated by either party by giving to other party three months notice in writing of such termination or salary in lieu thereof.

Your Directors commend the Resolution at Item No.6 for your approval.

Except Mr. Atul Nishar and his relative, Dr. (Mrs.) Alka Nishar, none of the other Directors of the Company is in any way concerned or interested in the said resolution.

The Notice and Explanatory Statement may be treated as an abstract of the terms of appointment and payment of remuneration to Mr. Atul K. Nishar as required to be circulated under Section 302 of the Companies Act, 1956.

Item Nos. 7 & 8

The members of the Company at its Extra-Ordinary General Meeting held on 5th November, 1999 approved the Employee Stock Option-1999 ("ESOP Scheme-1999") and at its Ninth Annual General Meeting held on 3rd June, 2002 had approved the Employee Stock Option - 2002 ("ESOP Scheme-2002")

However, the Securities and Exchange Board of India ("SEBI") amended the ESOP Guidelines effective 30th June, 2003 and as a result, all the companies who had approved the stock option scheme on or before 30th June, 2003 were required to modify the stock option scheme and pass fresh resolutions and furnish relevant disclosures, in line with the amended ESOP Guidelines issued by SEBI.

The amended ESOP Guidelines are comprehensive and greater clarity has been offered regarding accounting and taxation of the Stock Options.

In accordance with the requirements of the ESOP Guidelines, the information pertaining to the modified ESOP Scheme-1999 and ESOP Scheme-2002 are furnished under:

Particulars	2002 Scheme	1999 Scheme
Total No. of Options/ Warrants to be granted	22,09,829	36,00,000
Total No. of Equivalent Equity Shares to be granted	22,09,829	12,00,000
Identification of classes of employees entitled to participate in the ESOP	All "Employees of the Company and Subsidiary Companies including Directors, as defined in the ESOP Guidelines (including any statutory modification(s) or re-enactment of the Act or the Guidelines, for the time being in force), and as may be decided by the ESOP Compensation Committee, from time to time	All "Employees of the Company and Subsidiary Companies including Directors, as defined in the ESOP Guidelines (including any statutory modification(s) or re-enactment of the Act or the Guidelines, for the time being in force), and as may be decided by the ESOP Compensation Committee, from time to time
Requirements of vesting and period of vesting and maximum period	Vesting of Options may commence at any time after grant, and may extend up to seven years or at the discretion of the ESOP Compensation Committee from the date of grant. The vesting may occur in tranches, subject to the terms and conditions of vesting, as may be stipulated by the ESOP Compensation Committee, in its discretion, and which will include performance appraisal of the employee.	Vesting of Warrants may commence at any time after grant, and may extend up to ten years or at the discretion of the ESOP Compensation Committee from the date of grant. The vesting may occur in tranches, subject to the terms and conditions of vesting, as may be stipulated by the ESOP Compensation Committee, in its discretion, and which will include performance appraisal of the employee.
Exercise Price or pricing formula	The closing price on the day the Compensation Committee grants Options or average closing price on the primary stock exchange i.e. The Stock Exchange, Mumbai or National Stock Exchange of India Ltd. of the past ten days prior to the date of grant, whichever is higher or such prices that may be determined by the ESOP Compensation Committee.	The closing price on the day the Compensation Committee grants Options or average closing price on the primary stock exchange i.e. The Stock Exchange, Mumbai or National Stock Exchange of India Ltd. of the past ten days prior to the date of grant, whichever is higher or such prices that may be determined by the ESOP Compensation Committee/Trustees.
Exercise Period and Process of Exercise	The exercise period will commence from the date of vesting, and will expire not later than the 7th year from the date of the grant of an Option, or such other period as may be decided by the ESOP Compensation Committee, from time to time.	The exercise period will commence from the date of vesting, and will expire not later than 10th year from the date of the grant of Warrants, or such other period as may be decided by the ESOP Compensation Committee, from time to time or at the descretion of trustees.

	The Options will be exercisable by the Employees by a written application to the Company to exercise the Options, in such manner, and on execution of such documents, as may be prescribed by the ESOP Compensation Committee. The Options will lapse if not exercised within specified exercise period.	The Warrants will be exercisable by the Employees by a written application to the Company to exercise the Warrants, in such manner, and on execution of such documents, as may be prescribed by the ESOP Compensation Committee. The Warrants will lapse if not exercised within specified exercise period.
Appraisal Process for determining the eligibility of employees to ESOP	The appraisal process for determining the eligibility of the employee will be specified by the ESOP Compensation Committee, and will be based on criteria such as the seniority of the employee, length of service, performance record, merit of the employee, and/or any such other criteria that may be determined by the ESOP Compensation Committee at its sole discretion.	The appraisal process for determining the eligibility of the employee will be specified by the ESOP Compensation Committee, and will be based on criteria such as the seniority of the employee, length of service, performance record, merit of the employee, and/or any such other criteria that may be determined by the ESOP Compensation Committee at its sole discretion.
Maximum number of Options to be issued per employee and in aggregate	The maximum number of Options to be issued per employee shall be decided by the ESOP Compensation Committee. However during any one year, grant of Options to an employee shall not exceed 1% of the issued capital unless it is been approved by way of separate resolution in general meeting.	The maximum number of Options to be issued per employee shall be decided by the ESOP Compensation Committee. However during any one year, grant of Warrants to an employee shall not exceed 1% of the issued capital unless it is been approved by way of separate resolution in general meeting.
Disclosures and Accounting policies	The Company shall comply with the disclosure and accounting policies prescribed by SEBI and any other appropriate authority, from time to time. The Company shall use intrinsic value method to value its Options.	The Company shall comply with the disclosure and accounting policies prescribed by SEBI and any other appropriate authority, from time to time. The Company shall use intrinsic value method to value its Warrants.
	Since the Company would calculate the employee compensation cost using the intrinsic value of the Stock Option, the difference between the employee's compensation cost so computed and the employee compensation cost that shall have been recognized, if it had used the fair value of the Options, shall be disclosed in the Directors Report and also the impact of this difference on profits and on Earning Per Share of the Company shall also be disclosed in the Directors Report.	Since the Company would calculate the employee compensation cost using the intrinsic value of the Warrants, the difference between the employee's compensation cost so computed and the employee compensation cost that shall have been recognized, if it had used the fair value of the Warrants, shall be disclosed in the Directors Report and also the impact of this difference on profits and on Earning Per Share of the Company shall also be disclosed in the Directors Report.

Clause 6.3 of ESOP Guidelines requires the approval of Company's shareholders for allotment of Stock Options to employees of subsidiary company(ies) by way of a separate resolution. It is also proposed to issue Stock Options to the employees of the subsidiary company(ies), whether working in India or overseas subject to the regulations in force from time to time. The Resolution at Item No. 8 is intended to satisfy this requirement and seeks member's approval for this purpose.

Your Directors, therefore, recommend the above Resolutions for your approval. The Directors (other than the Promoter Directors) may be deemed to be concerned or interested in these resolutions only to the extent of any Stock Options that may be granted to them and the resultant equity shares issued, as applicable.

Item Nos. 9 & 10

Mr. Atul K. Nishar, Chairman of the Company, has been actively involved with the management of the affairs of the wholly owned subsidiaries of the Company, namely, Hexaware Technologies Inc., U.S.A., Hexaware Technologies UK Ltd., U.K and Hexaware Technologies Asia Pacific Pte. Ltd., Singapore and has been instrumental in spearheading the growth of the said subsidiaries alongwith Dr. (Mrs.) Alka Nishar, Director of the Company. The respective Boards of the said subsidiary companies in recognition of his contribution towards the growth of the said subsidiaries have appointed him as a member of its Board on an aggregate remuneration of a sum not exceeding USD 60,000 (US$ Sixty Thousand only) per annum.

Dr. (Mrs.) Alka Nishar, Director of the Company, has been actively involved with the management of the affairs of the wholly owned subsidiaries of the Company, namely, Hexaware Technologies Inc., U.S.A., Hexaware Technologies UK Ltd., U.K and Hexaware Technologies Asia Pacific Pte. Ltd., Singapore and has been instrumental in spearheading the growth of the said subsidiaries alongwith Mr. Atul Nishar, Director of the Company. The respective Boards of the said subsidiary companies in recognition of her contribution towards the growth of the said subsidiaries, have appointed her as a member of its Board on an aggregate remuneration of a sum not exceeding GBP 80,000 (GBP Eighty Thousand only) per annum.

The remuneration payable to Mr. Atul K. Nishar and Dr. (Mrs.) Alka Nishar by the subsidiaries of the Company, viz. namely, Hexaware Technologies Inc., U.S.A., Hexaware Technologies Europe Ltd., U.K and Hexaware Technologies Asia Pacific Pte. Ltd., Singapore would be in excess of the limits prescribed under Section 314 and would tantamount to holding an office or place of profit in the respective subsidiary companies, which would necessitate prior consent of the shareholders by a special resolution.

Your Directors commend Resolutions at Item Nos.9 & 10 for your approval. Mr. Atul K. Nishar and Dr. (Mrs.) Alka Nishar being related inter se, may be deemed to be interested in the said resolutions. Save as aforesaid, none of the other Directors are concerned or interested in the said resolutions.

Item No. 11

Mr. Rusi Brij, Director of the Company, has been actively involved with the management of the affairs of Hexaware Technologies Inc., U.S.A. and has been instrumental in spearheading the growth of the said subsidiary in the U.S. alongwith the other Directors of the Company. The Board of Hexaware Technologies Inc., USA in recognition of his contribution towards the growth of the company has appointed him as a member of its Board on a remuneration not exceeding USD 500,000 (US$ Five hundred Thousand only) per annum.

The remuneration payable to Mr. Rusi Brij by Hexaware Technologies Inc., U.S.A. would be in excess of the limits prescribed under Section 314 and would tantamount to holding an office or place of profit in the said subsidiary, which would necessitate prior consent of the shareholders by a special resolution. However, if at any time, Mr. Rusi Brij ceases to be in the employment of the Company and its Subsidiaries for any reason whatsoever, he shall cease to be a Director of the Company and its Subsidiaries.

Your Directors commend Resolutions at Item No.11 for your approval. Save Mr. Rusi Brij, none of the other Directors are concerned or interested in the said resolution.

Item No. 12

The Information Technology (IT) Act, 2000 recognizes communications in digital or electronic form, and holding of Board or Committee meetings through electronic means are permissible under the IT Act. It is contemplated that necessary amendments to the Companies Act, 1956 and regulatory provisions may be introduced to facilitate conduct of Board or Committee meeting(s) through electronic means i.e. video or tele-conferencing. Your Directors felt that conduct of Board or Committee meeting(s) through video or tele-conferencing will facilitate participation of Directors at such meeting(s) from any part of the world. This amendment to Articles of Association shall come into force upon notification of necessary amendments to the Companies Act, 1956 and / or necessary guidelines from the Government of India.

Your Directors commend the Resolution at Item No.12 for your approval. None of the other Directors are concerned or interested in the said resolution.

By Order of the Board of Directors

Naishadh P. Desai
Company Secretary

Place: Mumbai
Date: April 30, 2004

Registered Office:

Unit No. 158, SDF – V, Seepz-Sez, Andheri (East), Mumbai – 400 096.

To,

The Members of Hexaware Technologies Limited

Your Directors are pleased to present their Eleventh Annual Report on the business and operations of Hexaware Technologies Limited (hereafter referred to as 'Hexaware') together with Audited Accounts for the financial year ended December 31, 2003.

Financial Highlights:

Global Operations:

Year ended 31 December	**2003** Rs. in million	2002 Rs. in million	**Growth** %
Income from Operations	**3,389.85**	2,485.92	36.36%
Other Income	**138.96**	11.35	1124.32%
Total Income from Operations	**3,528.81**	2,497.27	41.31%
Profit before Depreciation & Tax	**449.63**	149.00	201.76%
Less: Depreciation	**149.73**	142.50	5.07%
Profit before taxation	**299.90**	6.50	4513.85%
Less: Provision for taxation	**39.09**	-15.74	-
Net Profit after tax	**260.81**	22.24	1072.71%
Share of Profit in Associate	**68.05**	35.26	92.99%
Net Profit after Tax and Share of Profit in Associate	**328.86**	57.50	471.93%
India Operations:			
Year ended 31 December	**2003** Rs. in million	2002 Rs. in million	**Growth** %
Income from Operations	**1,547.59**	977.01	58.40%
Other Income	**240.21**	27.31	779.57%
Total Income from Operations	**1,787.80**	1,004.32	78.01%
Profit before Depreciation & Tax	**454.07**	188.87	140.41%
Less: Depreciation	**124.43**	114.47	8.70%
Profit before taxation	**329.64**	74.40	343.06%
Less: Provision for taxation	**25.90**	(0.35)	-
Net Profit after tax	**303.74**	74.75	306.33%
Add : Balance b/f from previous year	**119.89**	130.35	
Balance available for appropriation	**423.63**	205.10	
Appropriation			
Transfer to General Reserve	**231.00**	100.00	
Proposed Dividend on Equity Shares	**45.24**	-	
Tax on Dividends	**5.80**	-	
Reversal of Provision for Investment in Subsidiaries	**-**	-14.79	
Balance carried to Balance Sheet	**141.59**	119.89	

* 1 million equals 10 lakhs

RESULTS OF OPERATIONS

Business Performance

Your Company reported an all-round robust growth in its global operations.

a) Global operations

Your Company recorded Consolidated Income (as per Indian GAAP) of Rs. 3,528.81 million in 2003 as compared to Rs. 2497.27 million in 2002. The revenue from software business grew 36.36 percent to Rs. 3,389.45 million in 2003 from Rs. 2,485.92 million in 2002. The profit after tax grew by 1072.70 percent (11 fold) to Rs. 260.81 million in 2003 from Rs. 22.24 million.

The success of your Company's operations was mainly on account of winning new clients, repeat business from existing clients, steady improvement in billing rates, utilization and cost rationalization measures. In 2003, your Company acquired 28 new clients, strengthened its customer base to 93 and, in doing so, reached out to 28 Global 500 or Fortune 500 companies.

The index of dependability was reflected in the fact that customers with an annual billing of US$ 5 million to US$ 10 million per annum increased to 4 (previous year Nil) and US$ 1 million increased to 16 (previous year 10). The members may look under the Management Discussion and Analysis section of this annual report for information on strategically important projects executed by your Company during the year under review.

b) India operations

Your Company recorded total income of Rs. 1,787.80 million in 2003 compared to Rs. 1,004.31 million in 2002, a growth of 78.01%. The revenue from Software business grew 58.40 percent to Rs. 1,547.59 million in 2003 from Rs. 977.01 million in 2002. The profit after tax jumped to Rs. 303.74 million in 2003 from Rs. 74.75 million in 2002, an increase of 306.33% over previous year.

Dividend

Your Directors are pleased to recommend a dividend of Rs. 2/- per share for the financial year ended on December 31, 2003. The total gross amount of dividend (including dividend tax) for the year December 31, 2003 is Rs. 51.04 million as against Rs. Nil for the previous year. The tax on distributed profits, payable by the Company would amount to Rs. 5.80 million. The dividend, if approved, will be paid to those members whose names appear in the Register of Members as on the date of the ensuing Annual General Meeting.

Share capital

During the year, the paid-up Share Capital of your Company increased from Rs. 221.12 million to Rs. 226.23 million comprising 5,10,420 equity shares of Rs. 10/- each. This increase was a result of the exercise of 9,25,086 Warrants (equivalent to 3,08,362 equity shares) and 2,02,058 Options (equivalent to 2,02,058 equity shares) by employees under Employee Stock Option Scheme-1999 and Employee Stock Option Plan -2002 issued by your Company.

Investment

During the year, your Company has disinvested its entire investments held in Mentorix Technologies, Inc. (formerly Turbograd.com, Inc.), USA to Lionbridge Technologies, Inc., a Delaware Corporation, USA or to one of its subsidiaries.

Your Company had made an investment in Mentorix Technologies, Inc. in early 2001, to the tune of US$ 3.35 million comprising of 11,187,727 common stock of US$ 0.30 each.

Your Company has received an amount of US$ 7.08 million in an all cash deal for its share of investment, and the balance amount of US$ 0.50 million will be received by mid 2004. The profit earned by your Company has been invested in long-term capital gain bonds.

Your Company is in the process of forming branch in Australia to able to market its services more effectively. During the year Your Company has wound up its wholly owned subsidiary in Australia and the loss incurred on closure of the wholly owned subsidiary is Rs. 0.56 million.

Software Development Centers

Your Company services its clients through a network of 5 software development facilities situated in the cities of Mumbai, Chennai and Bangalore. These are spread over an aggregate area of more than 2 lacs square feet.

The seating capacity of the Company went up from 1,200 at the end of December 31, 2002 to 2,900 at the end of December 31, 2003. During the year, your Company invested a sum of Rs. 263 million in buildings, equipments, computers, software and furniture and fixtures, etc. at its various Centers.

Operations

In keeping with the significant improvement in the overall business scenario for offshoring, your Company reported one of its best years of growth in 2003. Your Company's good financial performance in 2003 showed the comprehensive advancement of the Company's operations. This was made possible by various factors as elaborated below:

Strategy

While Hexaware continued its strategy of "**Leadership through focus**", it also laid stronger emphasis on improving customer expectation management. By focussing on strengthening customer relationships, repeat business increased, revenues and margins grew steadily. Greater involvement of top management in improving client relationships, continuous and consistent emphasis on quality and timeliness of delivery have resulted in better management of projects, delivery schedules and quality thereby consistently exceeding customer expectations. Also, by focussing consciously on lowering the ratio of resources working onsite to those working offshore, profitability of projects increased. Proactive training of resources in newer technologies, enhancement of delivery capability, improved quality processes (including a newly acquired BS 7799 certification, other than the already prevalent SEI-CMM Level 5 and ISO 9001:2000 certifications) have led to better project management and consequently to better customer relationship management.

Providing its customers with state-of-the-art infrastructure, relevant domain and technology expertise to handle the entire breadth of business and technology needs, greater quality of customer service are key attributes that Hexaware would strive to offer its customers while striving to continue its focus on building and enhancing better client relationships through 2004.

Verticals

Hexaware continued its focus on areas of its strength and leadership - Banking, Financial Services and Insurance ("BFSI") segment, Airlines and Transportation segment. A better economy and greater focus on cost-effectiveness has resulted in large players in the BFSI and Transportation industries offshoring a larger portion of their IT spend. Hexaware with demonstrated expertise and experience in delivering large IT solutions in this area benefited directly. Hexaware acquired 3 new clients in the BFSI industry and 1 new client in the Transportation industry.

Hexaware foresees that IT spend will increase in these segments and having developed very strong domain expertise and experience in these segments over the last two years, Hexaware would aim to carry the sustained growth in these segments through 2004.

Horizontals

Hexaware has been focussing on the PeopleSoft Horizontal for the last few years and has had a very enriching relationship with the international ERP giant. By investing time and effort in building this relationship, Hexaware's expertise in the ERP segment has increased manifold both as a consequence of directly working with PeopleSoft as from its various implementation and support assignments. The relationship grew by leaps and bounds in 2003 with PeopleSoft choosing Hexaware to setup and manage its International Services Center (ISC) in Bangalore. Thus, Hexaware's PeopleSoft practice grew substantially during the year 2003, thereby allowing Hexaware to retain its position of being the No 1. PeopleSoft services provider from India and being among the largest players in the world.

New Initiatives

In keeping with demands from the global market scenario, Hexaware has also expanded its service offerings by defining new focus areas - PeopleWare (HR-IT services); Business Intelligence/Data Warehousing services, Testing Services and Business Process Outsourcing. Hexaware commenced by expanding its ERP solutions portfolio by acquiring expertise in SAP.

Prospects

Hexaware strongly believes that by focussing on its strategy of **"Leadership through focus"** and enhancing customer relationships, it would be able to accelerate revenue growth. Hexaware would, in 2004, aim to increase growth rate by focussing on acquiring

new customers as well as improving repeat business from existing customers. Creation of extended, and enriched customer relationships would be the key focus area in the year 2004 and Hexaware envisages that this would enable increased repeat businesses from its clients. Hexaware would also aim to strengthen its capability and generate more revenues in the focus segments of BFSI, Transportation; horizontal segment of PeopleSoft and in setting up operations in different geographical locations.

Hexaware believes that this strategy will work as it already has in the last two years. Hexaware is looking forward to rampup the relationship and volume of business from its key-customer accounts. Hexaware also believes that it is in a better position to handle delivery challenges and would aim to bag large IT assignments in 2004. By focussing on expanding management bandwidth and a judicious onsite-offshore mix, Hexaware is looking towards improving on its rate of growth.

Hexaware has by virtue of sustained and concerted efforts in 2003, both with existing and new clients, built a reasonable order book. This in turn would help Hexaware plan its infrastructure development and people investments with greater accuracy for the future. Hexaware would aim to improve on the growth in focus segments and would look to reach out to a wider client spread and enlarge the size of its assignments to enhance shareholder value.

Quality

Your Company's quality policy is 'To be competitive and proactive in providing software solutions to customers by continuously striving to exceed their expectations.'

An aggressive process management program and a focussed approach to process and quality management that addresses the primary need of bridging the gap between customer expectations and performance has helped your Company to exceed customer expectations and continuously improve customer satisfaction rating.

Use of best industry practices through adoption of international standards and integration of customers best practices and processes has enhanced the capability of our employees to meet the challenges of a changing environment and has instilled a sense of pride in their work.

Our journey in Quality management started with the ISO 9001 certification in 1995 and we have subsequently achieved several milestones -

- **ISO 9001:1994 Certification**

Bringing in a process discipline

  - Initial certification in March 1995 for Mumbai operations by Q Cert
  - Re-certification in March 1998 for Mumbai operations by Q Cert
  - Certification in July 1999 for Chennai operations by KPMG

- **SEI-CMM for Software**

Adopting industry best practices and a culture of continuous improvement

"The quality of a software system is governed by the quality of the process used to develop and evolve it" - Watts Humphrey.

  - Assessed at SEI-CMM Level 4 in October 1999 for Mumbai and Chennai operations by KPMG
  - Assessed at SEI-CMM Level 5 in December 2000 for Mumbai and Chennai operations by KPMG

- **ISO 9001:2000 and TickIT certification in 2002 by Det Norske Veritas (DNV)**

Re-affirming a process culture

- **BS7799 (Information Security) certification in 2003 by DNV**

Building in security controls and security awareness

Your Company's primary objective is to bring business benefits through improved processes. We have seen tangible benefits in improved effort and schedule variance, product quality and customer satisfaction resulting in repeat business from our customers.

Going forward - our initiatives include process improvement based on the SEI-CMMI and SEI-PCMM to improve our workforce practices. Our current focus is also on enhancing the process of automation and internal systems to improve our process efficiency and performance.

Human Resource Management

Your Company recognizes that people represent its principal asset.

To attract and retain people, Hexaware provides a judicious combination of attractive career-personal growth and a lucrative performance-based compensation structure. Our Compensation philosophy is to recognize and reward high performance and continually reinforce the need to attain and sustain performance excellence. Based on Industry benchmarking by experienced and reliable consultants, we were also aligned fully to market realities on compensation.

Your Company continued to enhance the quality of its people skills. Technical and non-technical training (soft and managerial skills) continued to receive priority as the Company invested 80 hours per person in training in 2003.

The mix of these initiatives helped the Company retain its people skills more effectively: for instance, your Company's attrition rate of 12% was considerably lower than the industry average. Besides, improving on the last performance appraisal system, the Company has introduced an enhanced Performance Management System and branded it "Pinnacle" with a greater insight into individual capability and performance. A corporate portal (N Power) and newsletters were used to facilitate an effective internal knowledge transfer. The **'Hexacare'**, which was created in December 2002 to address employee concerns within a time frame and create a better work environment, has contributed significantly and met its initial objectives. Going forward "Hexacare" will also focus on contributions to the society, at large.

Your Company expects to emerge as a preferred IT Company by leveraging the 'best in breed' business process and practices. A major part of the effort this year will be directed towards attaining PCMM certification and focussed communication exercises.

Corporate Governance and Management Discussion and Analysis

Your Company has been practising the principles of good corporate governance over the years. The Board of Directors supports the broad principles of corporate governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

A report on Corporate Governance including the relevant Auditors' Certificate regarding compliance with the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with stock exchanges is annexed.

Directors' Responsibility Statement

As required under Section 217(2AA) of the Companies Act, 1956, your Directors hereby state and confirm that:

(i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;

(ii) the Directors have selected such accounting policies and 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 at the end of the financial year and of the profit or loss of the Company for that period;

(iii) the Directors have taken proper and sufficient care 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 fraud and other irregularities;

(iv) the Directors have prepared the annual accounts on a going concern basis.

Employee Stock Option Plans (ESOP)

During the year under review, your Company allotted 5,10,420 equity shares of Rs. 10/- each on exercise of Stock Warrants / Options.

Pursuant to the approval of the shareholders, your Company had instituted the Employee Stock Option Scheme, 1999 and the Employee Stock Option Plan, 2002 for all eligible directors (excluding promoter directors), employees of the Company and employees of its subsidiaries. Both the Plans are administered by the Compensation Committee of the Board and provide for the issuance of 36,00,000 Warrants and 22,09,829 Options respectively.

The details of the Warrants / Options granted under the 1999 and 2002 plans are given as under:

Description	1999 Plan	2002 Plan
Total Number of Warrants/ Options granted (gross)	31,08,153	21,82,750
Total No. of Equivalent equity shares	10,36,051	21,82,750
The Pricing Formula	At the fair value as on date of Grant or at the discretion of the trustees	At the fair value as on date of Grant
Number of Warrants / Options vested	7,63,705	4,34,250
Number of Warrants / Options Exercised	9,25,086	2,02,058
Number of Warrants / Options lapsed/forfeited	5,66,630	1,44,175
Money realized by exercise of Warrants / Options	Rs. 1,38,76,290	Rs. 90,92,610
Total no. of Warrants / Options in force as on December 31, 2003.	16,16,437	18,36,517
Grant to Senior Management and Independent Director	9,36,620	5,47,000
Employees holding 5% or more of the total number of Warrants / Options granted during the year	None	None
Employees granted Warrants / Options equal to or exceeding 1% or more of the issued capital during the year	None	None

As per the Consolidated Financials, the diluted earnings per share were Rs. 13.65 and Rs. 2.22 for the financial year ended December 31, 2003 and December 31, 2002 respectively.

Fixed deposits

During the year under review, your Company did not accept or invite any deposits from the public.

Change in Accounting Policy

During the year under review, your Company has changed the estimated life for computers and software included in plant & machinery from 3-5 years to 3 years. Due to technological obsolescence, the management of your Company decided to charge a higher depreciation. Accordingly, depreciation for computers and software provided during the year is higher by Rs. 3,45,80,414 and correspondingly, the net profit, reserves and surplus and net fixed assets are lower by Rs. 3,45,80,414.

Managerial remuneration

During the year under review, the managerial remuneration paid to Mr. P. K. Sridharan - Executive Director was Rs. 45,92,240 (Rupees Forty Five Lakhs Ninety Two Thousand Two Hundred Forty only).

Insurance

All the properties of the Company were adequately insured.

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

The information relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo required under Section 217(1)(e) of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto and forms part of this Report.

Subsidiaries

Hexaware Technologies Inc., USA: During the year under review, the total income of the company was Rs. 1,731.77 million for 2003 as against Rs. 1,397.19 million in the previous year and the profit before tax was Rs. 36.03 million against a loss of Rs. 0.32 million during the previous year.

Specsoft Consulting Inc., USA: During the year under review, the total income of the company was Rs. 182.58

million for 2003 as against Rs. 232.88 million in the previous year and loss for the year was Rs. 13.33 million against Rs. 18.64 million during the previous year.

Hexaware Technologies Canada Limited: During the first operational year under review, the total income of the company was Rs. 6.66 million for 2003 and the profit after tax was Rs. 0.49 million.

Hexaware Technologies UK Limited, UK (formerly HTI Europe Limited): During the year under review, the total income of the company was Rs. 280.39 million as against Rs. 149.98 million and the profit for the year was Rs. 38.57 million against a loss of Rs. 27.17 million during the previous year.

During the year under review, Hexaware Technologies Europe Limited, UK, transferred its entire assets and liabilities to Hexaware Technologies UK Limited, UK at book value effective from November 30, 2003. Thus, the current year figures are not comparable with that of the previous year.

Hexaware Technologies GmbH, Germany: During the year under review, the total income of the company was Rs. 601.99 million for 2003 as against Rs. 290.64 million and profit after tax for the year was Rs. 3.82 million against a profit of Rs. 1.42 million during the previous year.

Hexaware Technologies Asia-Pacific Pte Limited, Singapore: During the year under review, the revenue of the company was Rs. 51.39 million for 2003 as against Rs. 63.29 million in the previous year and loss for the year was Rs. 4.69 million as against the profit after tax of Rs. 0.13 million during the previous year.

As required under Section 212 of the Companies Act, 1956, the Balance Sheets, Profit and Loss Accounts, Directors' Reports and Auditors' Report on the Accounts of the subsidiaries are annexed together with the Statement of Subsidiary Companies, to this Report.

Directors

During the year under review, Mr. Atul K. Nishar has been designated as the Executive Chairman of the Company.

In accordance with the Articles of Association of the Company, Dr. K. K. Anand and Mr. Rusi Brij, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

Auditors

The retiring statutory auditors of the Company, M/s Mahendra Kumbhat & Associates, Chartered Accountants, Mumbai have expressed their unwillingness to be re-appointed as the statutory auditors for the ensuing year.

It is proposed to appoint M/s. Deloitte Haskins & Sells, Chartered Accountants, Mumbai as the statutory auditors of the Company in place of the retiring auditors M/s. Mahendra Kumbhat & Associates, Chartered Accountants.

Members are requested to consider the appointment of M/s. Deloitte Haskins & Sells, Chartered Accountants, Mumbai for the current financial year, on a remuneration to be decided by the Board of Directors in consultation with the said firm of Auditors.

Particulars of employees

The particulars of employees, required to be furnished under Section 217(2A) of Companies Act, 1956, read with the Companies (Particular of Employees) Rules, 1975 is annexed hereto and forms part of this Report.

Acknowledgment

Your Directors thank all customers, vendors, investors and bankers for their continued support to the Company's growth. Your Directors place on record their appreciation of the contribution made by the employees and consultants at all levels, who through their competence, hard work, dedication and team work have enabled the Company to accelerate its growth.

Your Directors thank the Government of India and various government agencies for their support during the year, and look forward to their continued support in the future.

For and on behalf of the Board of Directors

Atul K. Nishar
Executive Chairman

Place : Mumbai
Date : 27th April, 2004

INFORMATION RELATING TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT AND FOREIGN EXCHANGE EARNINGS AND OUTGO FORMING PART OF DIRECTORS REPORT IN TERMS OF SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, AND RULES MADE THEREUNDER.

CONSERVATION OF ENERGY:

The range of activities of your Company requires minimal energy consumption and every endeavor has been made to ensure the optimal use of energy, avoid wastage and conserve energy as far as possible. All possible measures have been taken to conserve energy:

1. through automation, i.e. using timers, automatic level controllers, etc.; and
2. by incorporating energy-efficient equipment.

TECHNOLOGY ABSORPTION:

Your Company has, in its endeavor to obtain and deliver the best, entered into alliances / tie-ups with major global players in the I.T. Industry, to harness and tap the latest and the best of technology in its field, upgrade itself in line with the latest technology in the world and deploy / absorb technology wherever feasible, relevant and appropriate. At the same time, your Company has also attached tremendous significance to indigenous development and upgradation of technology through its Research and Development operations.

RESEARCH & DEVELOPMENT :

Your Company has a well-developed and well-equipped Research and Development wing carrying on Research and Development activities. The total expenditure incurred on Research and Development by your Company for the year 2003 was Rs. 12.37 million. This expenditure is 0.80% of the total revenues of your Company.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

The details of Foreign Exchange Earnings and Outgo are mentioned in Para 10 of Schedule 13 of Notes to Accounts, forming part of the Balance Sheet.

For and on behalf of the Board of Directors

Atul K. Nishar
Executive Chairman

Place : Mumbai
Date : 27th April, 2004

The detailed report on Corporate Governance, for the financial year January 1, 2003 to December 31, 2003 as per the format prescribed by SEBI and incorporated in Clause 49 of the Listing Agreement is set out below:

1. Company's philosophy:

Your Company believes that for a company to succeed it must maintain global standards of corporate conduct towards its employees, clients and society. The Company has always focussed on good Corporate Governance, which is a key driver of sustainable corporate growth and a powerful medium to serve the long-term value creation. Corporate Governance strengthens investors' trust and ensures a long-term partnership, which helps the Company in fulfilling its quest for achieving significant growth and profits. A sound governance process consists of a combination of business practices, which result in enhanced shareholder value and enable the Company to fulfill its commitment to customers, employees and the society in general. Your Company further believes that the primary objective is to create and adhere to a corporate culture of conscience and consciousness, core values of transparency and openness, empowerment, accountability and independent monitoring.

Your Company is committed to benchmarking itself with the best in all areas including Corporate Governance. Your Company has benchmarked its practices with the prevailing guidelines by upholding the core values across all aspects of its operations. Your Company's Corporate Governance philosophy is based on the following principles:

- Transparent Board Processes and Board Executive linkage. When in doubt, disclose.
- Disclosures, accountability, transparency, adequate systems and procedures to monitor the state of affairs of the Company, to enable the Board in effectively discharging its responsibilities to the stakeholders of the Company.
- Comply with the laws in all the countries in which the Company and its subsidiaries operate.
- Management is the trustee of the shareholders' capital and not the owner.

2. Board of Directors:

2.1 Composition and category of Directors:

The Board comprising of eight Directors representing the optimum mix of professionalism, knowledge and experience. Of these, four Directors are Non-Executive and Independent Directors. The Chairman of the Board is an Executive Chairman. The current composition of the Board of Directors of the Company is given below:

Name	Designation	Category
Mr. Atul K. Nishar	Executive Chairman	Executive, non-Independent Director
Dr. (Mrs.) Alka A. Nishar	Director	Non-executive, non-Independent Director
Dr. K.K. Anand	Director	Non-executive, Independent Director
Mr. L.S. Sarma	Director	Non-executive, Independent Director
Mr. A. P. Kurian	Director	Non-executive, Independent Director
Mr. P. G. Kakodkar	Director	Non-executive, Independent Director
Mr. Rusi Brij	Director	Non-executive, non-Independent Director
Mr. P. K. Sridharan	Executive Director	Executive, non-Independent Director

2.2 Attendance of each Director at the Board meetings and the last Annual General Meeting:

The Company holds regular Board meetings. The detailed agenda along with the explanatory notes is circulated to the Directors in advance. The Directors can suggest inclusion of any item(s) in the agenda at the Board meeting.

The Company held six Board meetings during the year ended 31st December 2003. These were held on 17.02.2003, 22.04.2003, 17.07.2003, 10.09.2003, 16.10.2003 and on 29.12.2003.

The attendance of the Directors at the Board meeting and the Annual General Meeting held during the year 2003 was as follows:

Directors	Category	Board Meetings Held during the year	Board Meetings Attended during the year	Whether attended last AGM	Other Director Board Committees (Numbers)	
					Director ships	Board Committee
Mr. Atul K. Nishar	Executive Chairman	6	5	Yes	4	-
Dr. (Mrs.) Alka A. Nishar	Non-Executive Director	6	5	Yes	1	-
Dr. K.K. Anand	Independent & Non Executive	6	6	Yes	4	3
Mr. L.S. Sarma	Independent & Non Executive	6	6	Yes	3	-
Mr. A. P. Kurian	Independent & Non Executive	6	6	No	4	1
Mr. P. G. Kakodkar	Independent & Non Executive	6	2	No	8	3
Mr. Rusi Brij	Director	6	5	Yes	2	-
Mr. P. K. Sridharan	Executive Director & Whole Time Director	6	6	Yes	1	-

2.3 The details of directorship of the Company's Directors in other companies are given below:

Name of Director	Other directorship details
Mr. Atul K. Nishar	Hexaware Technologies Inc., - USA Hexaware Technologies UK Limited - UK Hexaware Technologies Europe Limited - UK Specsoft Consulting Inc. - USA Flora Projects Consultancy Private Limited
Dr. (Mrs.) Alka A. Nishar	Hexaware Technologies Inc - USA

Dr. K.K. Anand	Anand Consultancy Services Private Limited Cedar Enterprise Solutions Private Limited Anand Health Equipment Private Limited. Batliboi and Company Limited.
Mr. L.S. Sarma	Granules India Limited Gajara Bevel Gears Limited Flora Projects Consultancy Private Limited
Mr. A. P. Kurian	Geojit Securities Limited National Stock Exchange of India Limited Muthoot Capital Services Limited Granules India Limited
Mr. P. G. Kakodkar	Societ General Goa Carbon Limited Uttam Galva Steel Limited Financial Technologies (I) Limited Sesa Goa Limited Mastek Limited Fomento Resorts & Hotels Limited Centrum Finance Limited
Mr. Rusi Brij	Hexaware Technologies Inc., - USA Specsoft Consulting Inc., -USA DQ Entertainment Limited - India Hexaware Technologies Canada Limited - Canada
Mr. P. K. Sridharan	Hexaware Technologies Asia-Pacific Pte. Limited - Singapore

2.4 Information provided to the Board:

The Board of the Company is routinely presented with all information under the following heads, whenever applicable and materially significant. These are submitted either as part of the agenda papers well in advance of the Board meetings or are tabled in the course of the Board Meetings. This, inter alia, includes:

- Review of annual operating plans of businesses, capital budgets, updates
- Quarterly results of the Company and its operating divisions or business segments
- Minutes of the Audit Committee and other committees
- Information on recruitment and remuneration of senior officers just below the Board level
- Materially important litigations, show cause, demand, prosecution and penalty notices
- Any materially relevant default in financial obligations to and by the Company or substantial non-payment for services rendered by the Company
- Details of any joint venture or collaboration agreement or new client wins
- Significant development in the human resources front
- Sale of material nature of investments, subsidiaries, assets which is not in the normal course of business

- Quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement
- Quarterly update on the return from deployment of surplus funds
- Non-compliance of any regulatory or statutory provisions or listing requirements as well as shareholder services as non-payment of dividend and delays in share transfer

2.5 Brief resume of Directors who will be retiring by rotation at the ensuing Annual General Meeting of the Company:

Dr. K. K. Anand, aged 77 years, has been the Director of Hexaware Technologies Limited since incorporation. Dr. Anand is a Ph.D. (Psychology) and has done his Post doctoral training in the US. Dr. Anand has worked as a Professor in IIM, Ahmedabad. He has been working as a Management Consultant and has rich experience of over 31 years in various professional institutions. He has also published various books on Management Consultancy, Hospital Management, Human Resource Management and Quality Management.

Mr. Rusi Brij, aged 47, has been the Director of Hexaware Technologies Limited since last three years. Rusi is an MBA, with an Advanced Course from Haas School of Management, University of California, Berkeley. He has 22 years of rich experience in diverse portfolios ranging from International Business Development, Sales & Marketing, Project Management and Strategies. His experience also includes a tenure as the Executive Vice-President at Satyam Computers, where he worked for 11 years. He was also instrumental in acquiring some of their largest customers and has served as Chairman on several of their joint ventures. Rusi started his career with Living Media Limited where he was instrumental in setting up the first Market Research Unit in the publishing industry. He also conceptualized and launched the Computers Today magazine. He entered the IT industry in 1986 when he joined Sonata Software, Bangalore as Group Manager - Exports.

3. Audit Committee:

The primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting progress with a view to ensuring accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting.

The Committee oversees the work carried out by the management, internal auditors on the financial reporting process and the safeguards employed by them.

3.1 Broad terms of reference:

The terms of reference of the Audit Committee are as follows:

(a) To oversee the Company's financial reporting process and the disclosure of its financial information and to ensure that the financial statements are correct, sufficient and credible.

(b) To recommend the appointment/removal of external auditors, fixing audit fees and to approve payments for any other services.

(c) To review with management the annual financial statements before submission to the Board, focussing primarily on:

- Any changes in accounting policies and practices
- Major accounting entries based on exercise of judgment by management.
- Qualifications in the draft audit report.
- Significant adjustments arising out of audit.

- The going concern assumption.
- Compliance with the accounting standards.
- Compliance with Stock Exchanges and legal requirements concerning financial statements.
- Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.

(d) To review and approve annual accounts of the Company and recommend to the Board for consideration or otherwise.

(e) To review with Management, external and internal auditors, and review the efficacy of internal control systems.

(f) To review the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.

(g) To discuss with internal auditors about any significant findings and follow-up thereon.

(h) To review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

(i) To discuss with external auditors before the audit commences, the nature and scope of audit as well as have post-audit discussions to ascertain any area of concern.

(j) To review the Company's financial and risk management policies.

(k) To look into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

3.2 Composition, Name of Members and Chairman:

The Audit Committee of the Company currently consists of three non-executive and independent Directors, viz. Dr. K. K. Anand (Chairman), Mr. L. S. Sarma and Mr. A. P. Kurian.

The Audit Committee met six times during the year and below table gives the attendance record.

3.3 Meetings and Attendance during the Year 2003:

Name of the Director	No. of Meetings	
	Held	Attended
Dr. K. K. Anand	6	6
Mr. L. S. Sarma	6	6
Mr. A. P. Kurian	6	4

3.4 Audit Committee's recommendation:

The Committee reviewed the quarterly and annual financial results of the Company as at December 31, 2003 and recommended the same to the Directors for adoption. The Committee also recommended to the Board of Directors the appointment of M/s. Deloitte Haskins & Sells, Chartered Accountants, in place of the retiring auditors, M/s. Mahendra Kumbhat & Associates, Chartered Accountants.

4. Compensation Committee:

4.1 Brief description and terms of reference:

The Compensation Committee of the Company comprises of Mr. L.S. Sarma (Chairman), Dr. K.K. Anand,

Mr. Rusi Brij and Mr. P.K. Sridharan. The scope of this Committee is to determine the compensation of Executive Directors and senior management. The Compensation Committee also approves, allocates and administers the Employee Stock Option Scheme, 1999 and the Employee Stock Option Plan, 2002.

Hexaware's remuneration policy is based on three tenets: pay for responsibility, pay for performance and potential, and pay for growth. The Company's Compensation Committee is vested with all the necessary powers and authority to ensure appropriate disclosure on the remuneration of Whole Time Directors and to deal with all elements of remuneration package of all such Directors. This includes details of fixed components and performance-linked incentives including stock options. The committee consists of two Non-Executive and Independent Directors.

4.2 Meetings and Attendance during the Year 2003:

The Remuneration and Compensation Committee met four times during the year and below table gives the attendance record.

Name of the Director	No. of Meetings	
	Held	Attended
Dr. K. K. Anand	4	4
Mr. L. S. Sarma	4	4
Mr. P. K. Sridharan	4	1
Mr. Rusi Brij	4	1

4.3 Details of Remuneration paid or payable to Mr. P.K. Sridharan - Executive Director during the year 2003:

Partuculars	Amount in Rs.
Salary & Allowances	42,58,792
Perquisites	82,828
Contribution to Provident Fund and Superannuation Fund	2,50,620
Total	**45,92,240**

Employee Stock Option Plan / Sitting Fees / Commission

Name of the Director	ESOP 1999	ESOP 2002	Sitting Fees for attending Board/ Committee Meeting	Commission to Non-executive Director
	No. of Warrants	No. of Options	Gross Amount in Rs.	Gross Amount in Rs.
Mr. Atul K. Nishar	-	-	25,000	-
Dr. (Mrs.) Alka Nishar	-	-	25,000	-
Dr. K. K. Anand	-	10,000	1,25,000	2,50,000
Mr. L. S. Sarma	30,000	10,000	1,35,000	2,50,000
Mr. A. P. Kurian	-	5,000	1,00,000	2,50,000
Mr. P. G. Kakodkar	-	5,000	10,000	2,50,000
Mr. Rusi Brij	6,60,000	2,20,000	-	-
Mr. P. K. Sridharan	1,02,620	1,86,000	-	-

i) ESOP - 1999

Every three Warrants entitle the holder to exercise the right to apply for and seek allotment of one Equity Share of Rs.10/- each at a price of Rs. 45/- per share. The Warrants are to be exercised on specified dates in four equal installments beginning February 1, 2001 in every Calendar Year on or before December 29, 2009 or at the discretion of the Compensation Committee.

ii) ESOP - 2002

Each Option entitles the holder to exercise the right to apply for and seek allotment of one Equity Share of Rs.10/- each at a price of Rs. 45/- per share. The Options are to be exercised on specified dates in four equal installments beginning July 23, 2003 in every Calendar Year on or before July 31, 2009 or at the discretion of the Compensation Committee.

5. Shareholders / Investors Grievance Committee:

5.1 Composition of Committee:

The composition of the Committee is given below:

Chairman	:	Mr. A. P. Kurian.
Members	:	Dr. K. K. Anand.
		Mr. L. S. Sarma
		Mr. P. K. Sridharan

5.2 Scope of Shareholders Grievances Committee's activities:

The scope of the Shareholders Grievance Committee is to review and address the grievances of the shareholders in respect of share transfers, transmission, non-receipt of annual report, non-receipt of dividend etc. and other related activities.

5.3 Meetings and Attendance during the Year 2003:

The Shareholders Grievance Committee met seven times during the year and below table gives the attendance record.

Name of the Director	No. of Meetings	
	Held	Attended
Mr. A.P. Kurian	7	6
Dr. K.K. Anand	7	6
Mr. L.S. Sarma	7	7
Mr. P.K. Sridharan	7	1

5.4 Details of shareholders complaints received, cleared and pending, during the year:

Nature of Complaints	Year 2003		
	Received	Cleared	Pending
Transfer, Transmission etc.	133	133	Nil
Dividend, Interest & redemption	58	58	Nil
Annual Report	20	20	Nil
Others/ Miscellaneous	46	45	1
TOTAL	257	256	1

Pending Transfers:

There were 12 transfers, involving 361 Equity Shares pending as on December 31, 2003. These transfers have been processed and shares have been dispatched in January 2004.

5.5 Company Secretary and Compliance officer :

Name of the of Company Secretary and the Compliance Officer	Mr. Naishadh P. Desai
Address	152, Millennium Business Park, Sector- 3, "A" Block, TTC Industrial Area, Mahape, Navi Mumbai - 400 710.
Contact telephone	55919595
E-mail	naishadd@hexaware.com
Fax	55919500

6. Details of Annual General/Extra Ordinary General Meetings :

Financial Year	General Meeting	Location	Date	Time
2002	Annual General Meeting	Yashwantrao Chavan Pratishthan Mumbai,General Jagannath Bhosale marg, Opp. Mantralaya, Nariman Point, Mumbai - 400 021.	21/04/2003	11.30 A.M.
2001	Annual General Meeting	ShreeVile Parle Gujarati Mandal, Navinbhai Thakkar Hall, Dixit Road, Vile Parle (East), Mumbai - 400 057.	03/06/2002	11.30 A.M.
2000	Annual General Meeting	Dinanath Mangeshkar Hall, Opp. Vile Parle Railway Station, Vile Parle (East), Mumbai - 400 057.	19/06/2001	11.00 A.M.
2002	Extra Ordinary General Meeting	ShreeVile Parle Gujarati Mandal, Navinbhai Thakkar Hall, Dixit Road, Vile Parle (East), Mumbai - 400 057.	15/03/2002	11.30 A.M.
2001	Extra Ordinary General Meeting	Dinanath Mangeshkar Hall, Opp. Vile Parle Railway Station, Vile Parle (East), Mumbai - 400 057.	27/09/2001	11.00 A.M.

7. Disclosures:

(a) Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company.

There are no materially significant related party transactions during the year 2003 that may have potential conflict with the interest of the Company.

(b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

The Company has complied with statutory compliances of all the requirements of the listing agreement with the stock exchanges as well as regulations and guidelines of SEBI. No penalties and strictures have been imposed by SEBI, stock exchanges or any statutory authorities on matters relating to capital markets during the last three years.

8. Means of communication :

(a) T he quarterly and half yearly results were published in the Economic Times, Business Standard and the Times of India in English and the Maharashtra Times in Marathi.

(b) The Company's audited and unaudited periodical financial results, press releases are posted in the Company's web site - www.hexaware.com

(c) The detailed Management and Analysis report have been included in this Annual Report.

(d) The Company has also posted information relating to its financial results on Electronic Data Information Filing and Retrieval System (EDIFAR) at www.edifar.com as required by the Stock Exchange, Mumbai

9. General Shareholder Information :

9.1 Annual General Meeting:

• Date and Time	:	June 9, 2004, 11.30 a.m.
Venue	:	Yashwantrao Chavan Pratishthan, Mumbai, General Jagannath Bhosale Marg, Opp. Mantralaya, Nariman Point, Mumbai - 400 021.
9.2 Financial Year :	:	January 1 to December 31
• Financial reporting for the quarter ending		
❖ March 31, 2004	:	April 15, 2004
❖ June 30, 2004	:	By July 31, 2004
❖ September 30, 2004	:	By October 31, 2004
❖ December 31, 2004	:	By February 28, 2005
9.3 Book Closure Date: (both days inclusive)	:	June 2, 2004 to June 9, 2004
9.4 Registered Office:	:	Unit No. 158, SDF - V, Seepz-Sez, Andheri (East), Mumbai - 400 096.
9.5 Listing of Equity Shares on Stock Exchanges:	:	The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400023
	:	National Stock Exchange of India Limited Exchange Plaza, BandraKurla Complex, Bandra (East), Mumbai - 400 051.
	:	London stock Exchange Old Broad Street, London EC2N 1HP, United Kingdom

9.6 Scrip Information :

Name of the Exchange	Reuters	Bloomberg	Code
The Stock Exchange, Mumbai	HEXT.BO	APTH.IN	532129
National Stock Exchange of India Limited	HEXT.NS	NAPTH.IN	"HEXAWARE"
London Stock Exchange	APHD LI		
ISIN Demat	INE093A01025		

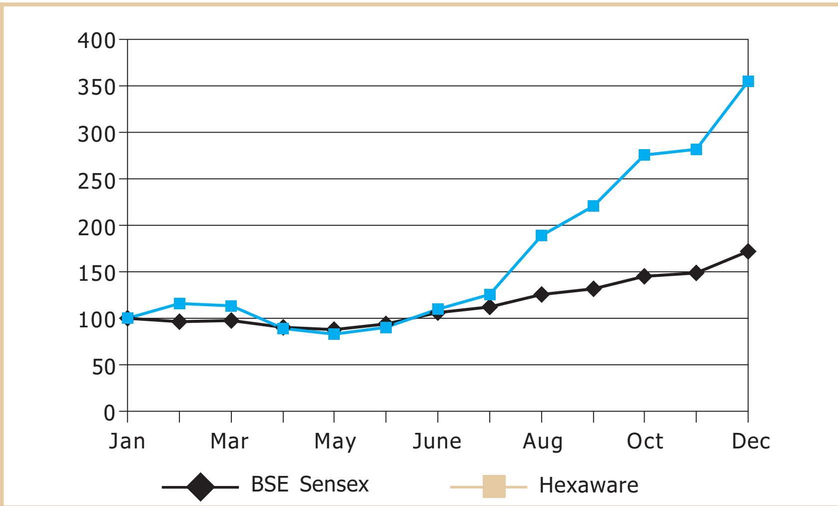
9.7 Stock Market Data :

The high/low of the shares of the Company from January 2003 to December 2003 is given below:

Year/Month	Bombay Stock Exchange (Rs.)		National Stock Exchange (Rs.)	
	High	Low	High	Low
January'03	161.70	109.45	138.7	126.5
February'03	149.20	120.20	133.8	126
March'03	136.40	103.55	109.25	103.4
April'03	123.45	90.00	99.7	96.3
May'03	124.40	96.50	112	104.65
June'03	131.50	105.05	131.3	125.3
July'03	154.10	117.80	154	145.6
August'03	246.90	140.10	246.85	217.2
September'03	269.35	212.00	267	257.2
October'03	354.00	254.00	324	311
November'03	348.00	303.00	338.9	324
December'03	432.90	319.10	422.45	406.2

During the year, there has been no trading of GDRs on London Stock Exchange, hence the high/low prices are not given.

9.8 Stock Performance: (Indexed)



9.9 Stock Performance for the year 2003:

	Percentage
Hexaware Technologies Limited	+250.76%
BSE Sensex	+79.64%
Nifty	+70.86%

9.10 Registrar and Share Transfer Agents :

M/s Sharepro Services
Attn. Mrs. Indira Karkera
Unit: Hexaware Technologies Limited
Satam Estate, 3rd Floor,
Cardinal Gracious Road,
Chakala, Andheri (East), Mumbai - 400 099
Tel. : 28329828/28215991
Fax : 28375646
E-mail : sharepro@vsnl.com

M/s Sharepro Services
Unit: Hexaware Technologies Limited
912, Raheja Centre,
Free Press Journal Road,
Nariman Point, Mumbai - 400 021.
Tel : 22811568-69, 22844668
Fax : 22825484

9.11 Share Transfer system:

The trading in Equity Shares of the Company is permitted only in dematerialized form w.e.f. December 15, 1998, as per circular issued by Securities and Exchange Board of India (SEBI) on September 24, 1998.

Share Transfers in physical form are registered and returned between 15 to 30 days from the date of receipt, if documents are in order in all respects.

The Committee of Directors (Shareholders / Investors Grievances) usually approves transfer of shares every 15 to 30 days.

9.12 Distribution of Shareholding as on December 31, 2003 :

No. of Equity Shares held	No. of Share holders	% of Share holders	Total No. of Shares held	% of share holding
1-500	88,240	99.35	2,688,172	11.88
501-1000	311	0.35	232,321	1.02
1001-2000	137	0.15	201,861	0.89
2001-3000	42	0.04	105,186	0.47
3001-4000	14	0.02	51,121	0.23
4001-5000	14	0.02	67,057	0.30
5001-10000	17	0.02	111,714	0.49
10001 and above	41	0.05	19,165,816	84.72
TOTAL	88,816	100.00	22,623,248	100.00

9.13. Categories of Shareholding As on December 31, 2003:

SR.NO.	CATEGORY OF HOLDER	NO. OF SHARES	% OF EQUITY
1.	Promoters Holdings	86,44,416	38.21
2.	Mutual funds / UTI	4,10,941	1.82
3.	Banks / Financial Institutions / Insurance Companies (Central / State Govt. Institutions / Non Govt. Institutions	8,01,668	3.54
4.	FIIs / GDR	49,00,398	21.66
5.	Others		
	Private Corporate Bodies	4,30,215	1.90
	Indian Public	31,55,472	13.95
	NRIs / OCBs / Foreign Companies	41,22,251	18.22
	Trust	1,57,887	0.70
	Sub Total	78,65,825	34.77
	TOTAL	**2,26,23,248**	**100.00**

9.14 Dematerialization of Shares and liquidity:

Procedure for dematerialization/rematerilization of scrips

Shareholders are required to submit demat/remat request to the Depository Participants (DP) with whom they maintain a demat account. Depository Participants send requests for demat of shares along with the physical share certificates to Registrars and Transfer Agents ("the Registrar") of the Company. The Registrar liaisons with DP and National Securities Depository Ltd. (NSDL)/Central Depository Services (India) Ltd. (CDSL) within seven days from date of log in of the demat request in the system and acknowledges receipt of physical shares for demat and verifies the genuineness of share certificates, creates transaction and generates edit list. After verification of edit list and effecting corrections, if any, the Registrar updates the final Demat Register. The Registrar forwards confirmation report of the transaction to NSDL/CDSL or the rejection report, as the case may be. Daily reconciliation and confirmation of capital is done by the Registrar. The Registrar also corresponds with the DP and shareholder in case of rejection.

Over 77% of Outstanding shares have been dematerialized upto December 31, 2003.

9.15 Outstanding GDR/Warrants and Convertible bonds, conversion date and likely impact on the equity:

1. Global Depository Receipts (GDR)

During the year, outstanding GDS as on December 31, 2003 is 3,00,570.

2. Warrants / Options:

1. 36,00,000 Warrants allotted under ESOP Scheme 1999 of erstwhile Hexaware Technologies Limited entitles the holder to get allotted one third Equity share of Rs.10/- each in the Company for every 3 warrants at a price of Rs.45/- per Equity share between one to ten years from the date of allotment and any proportionate bonus entitlement for any bonus shares issued before the right to be entitled to a share by a Warrant holder is exercised. The Company may also issue Warrants at the descretion of compensation committee or trustees.

2. 22,09,829 Options allotted under ESOP Scheme 2002 entitles the holder to get allotted one Equity share of Rs.10/- each in the Company at a price of Rs. 45/- per Equity share between one to seven years from the date of allotment and any proportionate bonus entitlement for any bonus shares issued before the right to be entitled to a share by a Warrant holder is exercised. During the year the Company has also issued and alloted Options at Rs. 125 & Rs. 353 per equity share as approved by the Compensation Committee. The Company can also issue Options at the descretion of Compensation Committee.

   Assuming all the Warrants / Options are converted into Equity shares, then the number of Equity shares available for trading in the Indian Stock Exchanges would go up by further 28,99,409 Equity shares.

9.16 Investor Correspondence:

The Company Secretary
Unit No. 158, SDF - V,
Seepz-Sez,
Andheri (East),
Mumbai - 400 096.
Tel. : 91-22- 55919 595
Fax : 91-22- 55919 500
E-mail : investor@hexaware.com

Auditors' Certificate on Compliance of conditions of Corporate Governance as per Clause 49 of the Listing Agreement of the Stock Exchange

To the Members of Hexaware Technologies Limited.

We have reviewed the relevant records of Hexaware Technologies Limited (the Company) for the year ended on 31st December 2003 relating to compliance of conditions of Corporate Governance, as stipulated in Clause 49 of the Listing Agreement entered into, by the Company, with the Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we have to state that to the best of our knowledge the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Investor Grievance Committee.

We further state that such compliance is neither as assurance as to the future viability of the Company not the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **MAHENDRA KUMBHAT & ASSOCIATES**
Chartered Accountants

MANOJ P. SHAH
Partner

Place : Mumbai
Date : 27th January 2004

Details of the Directors seeking appointments/ reappointment at the Annual General Meeting (in pursuance of Clause 49 (VI)(A) of the Listing Agreement).

At the ensuing Annual General Meeting, Dr. K. K. Anand and Mr. Rusi Brij retire by rotation and being eligible offer themselves for re-appointment. The brief resume, experience and functional expertise and the membership on various Boards and Committees, of Directors proposed to be re-appointed at serial numbers 2 and 3, as required under clause 49 of the Listing Agreement are furnished below:

Name of the Director	**Dr. K. K. Anand**	**Mr. Rusi Brij**
Date of Birth	03.10.1927	17.11.1955
Age	77 years	49 years
Date of Appointment	20.11.1992	30.07.2001
Experience in specific functional area	Management Consultant, ex Professor of Indian Institute of Management, Ahmedabad	IT professional with 20 plus years experience, with 15 years in IT
Qualification	Ph D. (Psychology) and post doctoral training from Dept. of Psychiatry, University of Tennessee and Harvard Business School, USA.	MBA with an advance course from Haas School of Management, University of California, Berkeley.
List of Companies in which directorship held in other Companies	Anand Consultancy Services Private Limited Cedar Enterprise Solutions Limited Anand Health Equipment Pvt. Limited Batliboi & Company Limited	Hexaware Technologies Inc, USA Hexaware Technologies Canada Limited, Canada Specsoft Consulting Inc., USA DQ Entertainment Limited, India
Chairman / Members of the Committee of the Board of the Companies in which he is Director	Three	Nil

1. Overview

Your Company is a leading software services provider that offers powerful process-driven, high quality, cost-effective solutions specializing in Application Management, EAI, e-Commerce, ERP and Embedded Systems. A deep understanding of business processes across a number of service sector industries coupled with a range of cutting-edge technology skills help us to provide software services to the Airlines, Banking & Financial Services, Insurance and Healthcare industries while our Technology Practices provide answers to the most critical challenges prevalent in the current environment.

Our onsite/offshore delivery process allows significant cost savings, our processes are assessed at SEI CMM-Level 5, the highest level of Capability Maturity Model (CMM). BVQi has certified your Company ISO 9001:2000 and your Company has also been assessed for TickIT standards help us to continually add value to our clients. Your Company also acquired the BS 7799 certification for Information Securities Standards. This helps us in consistently delivering to client expectations and has resulted in long lasting relationships with them.

Your Company's U.S. offices are located in Jamesburg, Chicago, San Jose; internationally - Germany, Japan, France, Singapore, Switzerland, United Kingdom; Chennai, Bangalore and Mumbai, in India. As on 31st December, 2003 your Company employed 2343 employees as compared to 1176 last year. Out of 2343 employees, Technical category accounted for 2111 while 58 were Sales and Marketing and 174 were in Support Functions.

Your Company improved its ranking from twentieth to eighteenth position in the list of NASSCOM's top 20 Indian IT Software & Service Exporters for the year 2002-2003 and is confident to improve its ranking further in the future years.

2. Industry Structure and Developments

NASSCOM has projected Indian Software and Services exports to grow by 28% in 2003-04. IT Services, Products and Technology Services are projected to grow by 17% to reach revenues of over USD 8.4 billion while ITES-BPO segment is projected to register a growth of 54% to clock revenues of USD 3.6 billion. According to the NASSCOM annual industry survey, the IT Software and Services Industry is projected to employ 650,000 IT professionals. This reflects a growth of 24.4% from last year's employment of 522,250. Of the total, almost 205,000 are working in the IT software exports industry; 160,000 are employed in IT Enabled Services; 25,000 in the domestic software market and over 260,000 in user organizations. Besides cost advantages, factors such as quality, productivity, total cost of innovation and customization helped the country maintain its lead in the global IT industry.

New Gartner figures show that by the end of 2004, one out of every 10 jobs with U.S.-based IT vendors and IT service providers will move to emerging markets, as will one out of every 20 IT jobs within user enterprises. Global IT spending for 2003 is projected to finish at 4.7% growth as compared to a mere 0.5% in 2002. For the next four years, we should see annual compound growth in the vicinity of 5.2%, signifying a sustainable recovery for the IT sector. Gartner has ranked India higher than any other offshore destination on several critical parameters: quality and depth of the talent pool, cost efficiency, overall process capability and quality, proficiency in English and the level of government support.

The year witnessed Indian companies signing new relationships as well as executing prestigious assignments amidst stiff global competition. Clients showed greater interest in Indian companies for cost effective quality delivery. The recent trends and its implications are mentioned below:

Key trends and implications

Forces/trends	Implications/Sample initiatives
Increasing RoI-focused solution purchasing.	Articulate a clear business/RoI proposition for services as opposed to only highlighting technical excellence.
Greater consolidation of IT purchasing and consolidation of vendor pool.	Build visibility with influencers (analysts, consulting firms, etc.) to boost the brand.
Increased pricing pressure from new customers. Apprehensions around country risk.	Explore lower-cost locations and alternative talent pools. Build world-class business continuity infrastructure and help customers understand tools that can mitigate risks

3. Opportunities and Strengths

In the increasingly competitive business environment, companies have become dependent on technology not only on day-to-day operations, but also as a strategic tool to enable them to re-engineer business processes, restructuring, regulatory and speed with the change emerging in technology areas. As systems continually become more complex and cost efficient, companies increasingly turn into external IT service providers to develop and implement new technologies and integrate them with existing applications in which a Company may have made considerable investments.

We believe the following aspects of our business help our customers to address the challenges posed by today's business and information technology environment.

Hexaware's strengths

The following factors differentiate the Company's services within its domain:

- **Large base:** Hexaware's 2111 engineers represent a large pool of experienced software professionals to address projects of varying complexities in the airlines/transportation, financial services, banking, insurance and enterprise solution domains.
- **Domain insight:** Your Company has emerged as a leading airlines cargo solutions provider and for niche banking and insurance solutions.
- **Centre of Excellence:** Hexaware possesses a valuable repository of reusable program components and business processes in addition to domain-dedicated project managers and software professionals.
- **Robust project management:** Hexaware possesses multi-geography project management skills. This enables projects to be reviewed at periodic intervals and complete them on schedule. Besides, the Company's SEI CMM level 5 certified quality practices ensure a consistent quality standard (also refer to the quality section discussed elsewhere), meeting customer expectations the first time - and every time.
- **Cost-effective delivery:** Hexaware has demonstrated an ability to dovetail a low proportion of onsite working with offshore service delivery routed out of development centres in India (Mumbai, Chennai and Bangalore), helping customers save costs.
- **24x7 capability:** Even though Hexaware and its customers are present in totally diverse geographies, its projects are unified through a state-of-the-art telecommunication network.
- **Scalabality:** Hexaware is able to ramp up human resources with a minimum lead-time in response to the emerging requirements of large organizations, making it a dependable outsourcing partner for the long-term.
- **Management commitment:** Hexaware's management is responsive to dynamic customer needs, leading to the speedy redressal of issues and a long-term relationship.
- **Repeat business:** Credible endorsements translated into repeat business from existing customers to the extent of 76 per cent of the Company's revenue in 2003.
- **State-of-the-art Infrastructure:** Your

Company services its clients through a network of 5 state-of-theart software development centres situated in the cities of Mumbai, Chennai and Bangalore. These are spread over an aggregate area of more than 2 lacs square feet. The seating capacity of your Company went up from 1,200 at the end of December 31, 2002 to 2,900 at the end of December 31, 2003.

- **Training:** Your Company continued to enhance the quality of its people skills. Technical and non-technical training (soft and managerial skills) continued to receive priority as the Company invested 80 hours per person in training in 2003.

Hexaware's Operations

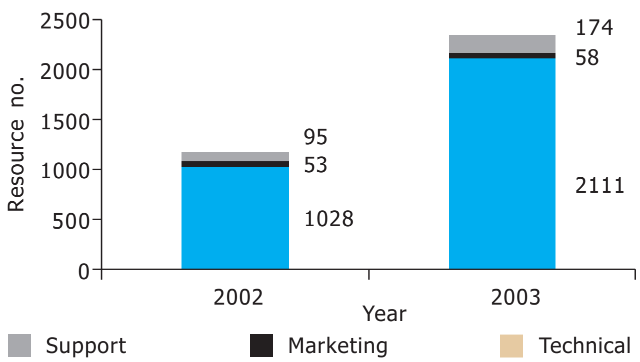
In keeping with the significant improvement in the overall business scenario for offshoring, your Company reported one of its best years of growth in 2003. Hexaware's good financial performance in 2003 showed the comprehensive advancement of the Company's operations. This was made possible by various factors which have been reported in the Directors' Report.

Highlights, 2003

Hexaware doubled its headcount from 1176 employees as on December 31, 2002 to 2343 as on December 31, 2003. On the other hand, since attrition rate was below the industry benchmark, the Company was able to enlarge its intellectual pool during the year.

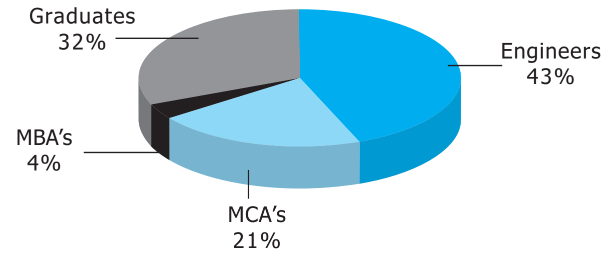
The break-up of employee strength of 2,343 as on December 31, 2003 was:

Technical	2,111
Marketing	58
Support	174



In terms of profile of people, the break-up stood as under:-

Qualification	Percentage of organisation
Engineers	44
MCAs	21
MBAs	3.5
Graduates	31.5



A number of Hexaware's initiatives in 2003 will translate into a better acquisition and retention of skilled professionals, strengthening domain knowledge, value-addition and customer growth. These initiatives comprise:

- A **PCMM** (People Capability Maturity Model) certification by the year-end.
- The use of **Hexacare,** an independent team, to redress the monetary, personal or career-related problems of members within a stipulated time frame.
- Hexaware leveraged their domain knowledge and technical expertise in **Peoplesoft,** and started implementing its modules within the organisation. The aim is to build a truly web enabled organisation by the end of current fiscal (2003). This will also facilitate decision making, reporting and improve operational efficiency at each level.
- A number of structured member initiatives leading to a sense of belonging and a congenial work atmosphere.

4. Threats and Risks

Though the impact of slowdown in the US economy and political environment resulted in reduced budgetary allocations for new IT projects by clients, has been by and large settled, increased competition has resulted in constant pressure on billing rates.

However, Hexaware continues to be optimistic in

view of high client loyalty, confidence and strong customer relationships and the quality of service delivered which has resulted in repeat business at 76% in 2003 up from 68% in 2002.

A growing domain expertise through a decision to focus on select business segments only. As a result, the Company has emerged as the leading airlines solution provider and a niche banking and insurance solution provider.

- A strong resident Peoplesoft skill, which is one of the fastest growing ERP solution packages in the world. Peoplesoft in alliance with Hexaware established the India Service Centre in Bangalore, which employed over 300 professionals by the end of the year, which is likely to be scaled further to 1000 by the end of 2004. This Peoplesoft competence contributed substantially to the bottomline in 2003 and the trend is likely to strengthen further. The Company has emerged as the preferred global partner for relevant solutions.
- Over a period, developed ability to collaborate with and compete against the Big 5 and Global IT service giants resulted in the Company servicing big orders on time and to the satisfaction of the customers.
- To rationalise its geographical concentration risk, the Company leveraged its niche expertise across the globe. This resulted in the Company increasing its non-US business from 26% in 2002 to 31% in 2003. The Company also appointed new country head in Germany to get more focussed in these regions.

Greater acceptance of IT services outsourcing amongst Fortune 500/Global 500 Companies has resulted in 28 Fortune 500/Global 500 companies in its clientele list.

The Company also through a core team of R&D, offered technological support to technology driven companies to enable shortest product development cycle. This division consists of dedicated and highly skilled manpower and state of the art technology. The focus area of this division is networking and telecommunication, wireless processors and peripherals, digital signal processing, industrial automation and instrumentation and consumer electronics.

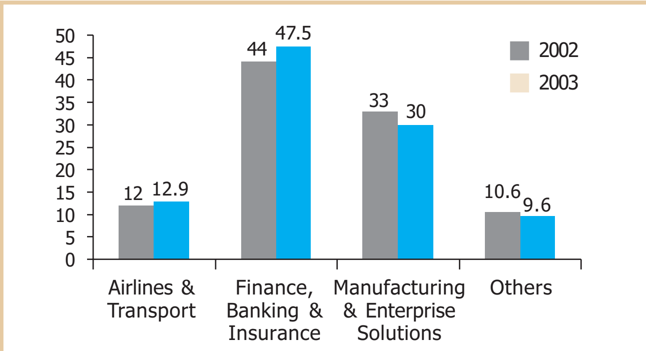
By leveraging the talent pool, the Company started offering third party software testing services and architecture and design consulting services. These new solutions in addition with the R & D initiatives are expected to add to the revenues over the coming years.

The risks are discussed in detail under the 'Risk and concerns' section.

5. Segment-wise or Product-wise Performance

The Company's focus translated into its financials.

Business segments/ Verticals	Proportion of revenue in FY03	Proportion of revenue in FY02
Airlines	12.9	12
Banking, Financial Services & Insurance	47.5	44
Manufacturing / Enterprise Solutions	30	33
Others	9.6	10.6



6. Outlook

The Company has invested in building up world class infrastructure in Mumbai, Chennai and Bangalore. The capacity utilisation has been a healthy 72% and orders in hand are at an all time high of over US$170 million. The Company's clientele has been further enriched with 28 from the Fortune 500/Global 500 companies and it had 16 clients (up from 10 last year) with USD 1 million billing and had 4 clients (Nil last year) with USD 5 million billing.

In view of the robust order book and pipeline of prospects, the Company has provided the following guidance for financial year 2004:

- Revenue growth of 48% to exceed $108 million

- Net Profit after Taxes of 10.37%
- EPS of Rs.20.30 from Operations.

7. Risk and concerns

Risk management

In a highly competitive market subject to rapid technological changes, regulatory developments, and currency risk related to fluctuation in the foreign exchange rate Hexaware's ability to manage diverse risks determine its success. As the business environment remains challenging and scale becomes the most critical component for survival, Hexaware continues to invest in the growth drivers namely people, processes and infrastructure so as to remain in the race as well as derive the benefits from the economic revival as it happens.

a. International Operations risk

The Company has international operations in USA, Canada, UK, Germany, France, Singapore, Australia and Japan. The International Operations are subject to various risks which could adversely affect those 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 Intellectual property rights

Risk mitigation

The Company follows a structured approach in handling its staff across all countries, which has resulted in successful in mitigating risks relating to managing and staffing. The Company has also engaged reputed legal consultants which ensure in effective compliance with all local laws of the country and protection of Intellectual property rights.

b. Service concentration risk

By narrowing its focus, the Company could be adversely affected when those select technologies, verticals or geographies go through a trough.

Risk mitigation

Over the years, Hexaware's domain expertise has been spread across various service offerings, reducing its dependence on a select vertical, technology or geography. As a matter of prudence, Hexaware has selected to be present in only those verticals where, thanks to the broad market size, its prospects stand to be unaffected even during the midst of a sectoral slowdown.

Service offerings	**% of Revenue**	
	FY03	FY02
E-commerce and Application Management	**46**	55
Research and Development	**6**	17
Peoplesoft	**29**	21
HR IT	**3**	-
Others	**16**	7

c. Client concentration risk

Hexaware's excessive exposure to a few large clients may impact profitability especially in the face of a performance downturn of those clients.

Risk mitigation

Hexaware has clinched a lot of new big clients resulting in minimising its risks among few clients. The new clients added during the year has been 28 which has helped in spreading the risks arising on account of under performance of any client.

Parameters	**2003**	2002
Active clients	**93**	70
Added during the year	**28**	28
% of revenue form the largest client	**12.5%**	11%
% of revenue from top 5 clients	**46.3%**	35%
% of revenue from top 10 clients	**64.0%**	50%
No. of million dollar clients	**16**	10
No. of USD 5 million dollar clients	**4**	-

d. Geographical concentration risk

The Company's inordinately large presence in a few select geographies could affect performance adversely especially in the event of a regional slowdown.

Risk mitigation

Hexaware's geography selection is influenced by the growth potential within that geography, its capacity to invest in IT, its willingness to outsource and the expenditure required to be incurred to penetrate that geography. In view of this, Hexaware increased its presence in Europe especially in Germany with the opening of a new office in Bad Homburgwith Mr. Michael Obst joining as Country Head - new business will lead to rationalizing its concentration in North America. As an extension of this initiative, Hexaware has prudently decided to focus on a few geographies with a deep growth potential as opposed to extending itself thin across a number of geographies.

Geography	**FY03**	FY 02
USA	69	74
Europe	25	18
Rest of the world	6	8

e. Currency risk

The Company receives its income in foreign currencies whose fluctuations could affect earnings.

Risk mitigation

The principal currencies in which the Company dealt with for doing business are in US dollar and the Euro. To the extent that there is a significant rupee appreciation, it would affect Hexaware's earnings negatively. A rupee depreciation would affect the Company's imports especially capital items thereby increasing our liability and cost. These risks are hedged by the purchase of forward covers. The Company has employed the services of external and renowned foreign exchange experts and has framed risk-management policies.

f. Liquidity risk

A poor liquidity arising out of long receivables and high overheads could affect the Company's reputation, essential in creating corporate goodwill.

Risk mitigation

Hexaware enjoys adequate liquidity. At the end of 2003, cash and bank balances accounted for 8 per cent of the Company's total assets and a substantial amount of its funds were invested in mutual funds, which accounted for 14% of the Company's total assets.

g. Quality risk

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

Risk mitigation

Hexaware's offshore development centres based at Mahape, Navi Mumbai and Hexaware Towers at Chennai - have been re-certified as per the ISO 9001:2000 standard and the TickIT scheme in an external audit conducted by Det Norkse Veritas. The Company has also achieved the BS7799 certification in 2003 for building in security controls and security awareness. These centres have also been assessed at SEI-CMM Level 5, the highest industry quality benchmark. Thanks to this robust, assessed and certified quality process, the quality risk at Hexaware is minimal.

h. Human resources risk

A higher people attrition rate might drain the Company of intellectual capital.

Risk mitigation

Hexaware attrition is considerably much below the industry average and stands at 12% for the year as compared to the below industry average for a number of reasons: it has created an employee friendly and yet challenging work environment supported by a performance-based compensation package. As a result, Hexaware provides members with an opportunity to enhance the value of their personal and professional lives. 'Hexacare', which was created last year to address employee concerns within a time frame and create a better work environment has contributed significantly and met its initial objectives. To reinforce a sense of ownership, the Company further offered performance-based employee stock options to new employees joining the Company during the year under the ESOP 2002.

i. **Disaster risk**

In the event of any unforeseen disaster, the IT system might collapse. Customers could lose their data, jeopardizing their ability to compete in their respective markets.

Risk mitigation

To minimise the possibility of a collapse of the Company's IT system, Hexaware has been certified in the current year as per the BS7799, the British Standard that addresses information security management. This international standard for data, personnel and infrastructure information security was developed as a result of industry, government and commerce demand for a common framework to enable companies to develop, implement and measure effective security management practices. Its purpose is to ensure business continuity and rationalize the business damage by preventing and minimizing the impact of security incidents.

8. Internal control system and their adequacy

The Company's internal control systems and internal audit functions are well established. The internal controls of the Company are commensurate with the size of the Company. An Audit Committee comprising of the Company's Directors is at the apex of the system. Any change in the internal control that is recommended is studied and implemented. The Company also has an information technology system that supports the organisation and ensures an adequate information flow across the Company's location.

Highlights

Hexaware recorded consolidated global revenues form operations of Rs 3,389.85 million and a net consolidated profit of Rs 260.81 million excluding profits from sale of associate in 2003. These results compare favourably with consolidated revenues of Rs 2,485.9 million in the previous year registering a growth of 36.36% and consolidated profit of Rs 22.24 million in the previous year recording a a growth of 1072.70% in profits in the current year.

The increased consolidated global turnover resulted in the Income from Indian operations increasing from Rs. 977.01 million in the previous year to Rs. 1,547.59 million in the current year, an increase of 58.4%, while the profits after tax increased from Rs. 74.75 million in 2002 to Rs. 303.74 million in 2003, a phenomenal increase of 306.34%.

During the year, your Company has disinvested its entire investments held in Mentorix Technologies, Inc. (formerly Turbograd.com, Inc.), USA to Lionbridge Technologies, Inc., a Delaware Corporation or to one of its subsidiaries, USA.

Your Company had made an Investment in Mentorix Technologies, Inc. in early 2001, to the tune of US$ 3.35 million comprising of 11,187,727 common stock of US$ 0.30 each.

The Company has received an amount of US$ 7.08 million in all cash deal for its share of investment, and the balance amount of US$ 0.50 million will be received by mid-2004. The profit earned by your Company was invested in long-term capital gain bonds.

During the year the International Service Centre of People soft in Bangalore became fully operational and had 300+ professionals on its rolls.

Share capital

Hexaware's Equity Share Capital increased from Rs 221.13 million in 2002 to Rs 226.23 million in 2003, attributed to the issue and allotment of 5,10,420 equity shares as fully paid-up as per the ESOP's scheme of the Company.

Reserves and surplus

Hexaware's global Reserves & Surplus increased by 2 per cent from Rs. 1,897.21 million to Rs. 1932.17 million

due to a transfer of profits and premium on exercise of equity shares by employees under various ESOP's schemes, to the reserves.

Loan funds

Hexaware's loan funds declined from Rs 186.60 million (secured loans) in 2002 to Rs 25.94 million in 2003, a reduction of 86 per cent. This was mainly due to repayment of Rs. 75 million Non-Convertible Debentures of IDBI Bank and Rs. 100 million loan from ICICI Bank during the year.

Fixed assets

Net Fixed assets decreased by 16 percent from Rs 892.39 million in 2002 to Rs 746.33 million in 2003. This was mainly due to investments in infrastructure of Rs. 279.40 million and a provision of Rs. 239.31 million for impairment of fixed assets. The Company has also accelerated its depreciation for computers & software from the earlier 3-5 years to 3 years resulting in the reduction in net fixed assets.

Investments

Investments increased from Rs 191.96 million in 2002 to Rs 391.85 million in 2003 mainly on account of realisation of proceeds from divestment of stake in Associate Company. The Company had deployed its funds in Mutual Funds Schemes and also in 54EC Capital Bonds of NABARD, National Housing Bank and Rural Electrification Company to plan Long Term Capital Gains Tax. The Company continues to stay invested in Subsidiary Companies, which facilitated the Company's operations in international geographies in terms of client acquisition, better client servicing and strong customer relationships.

Debtors

The Company has maintained its debtor days at 73 days inspite of substantial growth in turnover of the Company. The Company's selective customer focus translated into a quicker recovery of its outstanding. Global debtors were Rs. 888.23 million. The agewise analysis is given below of which only 9.71% of the total debtors were above six months compared to 15.40% in the previous year.

An age-wise analysis of Global Debtors is given below:

1	0-30 days	36 percent
2	31-60 days	25 percent
3	61- 90 days	11 percent
4	91-180 days	17 percent

Liquid Assets

Total liquid assets was Rs. 642.53 million comprising of cash and Bank balance of Rs. 315.51 million and investment in Mutual Funds of Rs. 327.02 million as compared to Rs. 507.62 million in the previous year. mainly because of investments in Mutual funds. Due to appreciation of Rupee vis a vis Dollars, a substantial amount which was lying in foreign currency was deployed in Mutual Funds. The current liquidity is adequate to meet future expansion programme and exigencies plan.

Loans and advances

Global loans & advances declined by 8.78% from Rs. 357.59 million in 2002 to Rs. 326.19 million in 2003 mainly due to reduction in advances from Rs. 152.28 million in 2002 to Rs. 94.85 million in 2003. The deposits increased from Rs. 70.71 million in 2002 to Rs. 123.13 million mainly on account of new offshore development centres coming up in Bangalore and Chennai.

Current liabilities

Global current liabilities increased from Rs. 294.03 million in 2002 to Rs. 512.82 million in 2003 mainly on account of salary provisions, statutory liabilities, provision for expences, deposit received for leased premises and overall increase in business resulting in higher creditors.

B. Results of operations

Overview

During 2003, Hexaware strengthened its focus to offer technology-intensive solutions in fewer market segments and select geographies, emerging as a reputable service provider in them. As a result, Hexaware added 28 clients in 2003, translating into multi-million and multi-year contracts, a steady increase in offshore revenues as a percentage of total income a corresponding cost reduction and a five-year order book of over US$ 170 million.

Income from operations

Global revenue increased from Rs. 2485.92 million to Rs. 3389.85 million in 2003 a growth of 36.36% over the previous year. The increase was mainly on account of the increase business from existing clients and new client wins. During the year the Company also started the International Service Centre for Peoplesoft, which added to the income. Hexaware's revenues were derived from a mix of onsite-offshore assignments.

Other income

Global Other Income stood at Rs. 138.96 million as compared to Rs. 11.35 million a growth of 1124.32%. The other income was mainly derived from sale of stake in Mentorix Technologies Inc. USA, which was Rs. 189.85 million, and income earned from investment of surplus in Mutual Funds was Rs.26.38 million.

Software and Development expenses

Global Software and Development expenses increased from Rs. 388.21 million to Rs. 471.43 million a growth of 21.44%. The increase was mainly on account of consultant and related expenses, which increased from Rs. 31.17 million in 2002 to Rs. 181.10 million. Software and Development expense as a percentage to sales decreased from 15.62 percent in 2002 to 13.91 per cent in 2003.

Employment expenses

Global Employment expenses increased from Rs. 1479.37 million in 2002 to Rs, 1962.79 million a increase of 32.68%. This was mainly on account of the recruitment of software engineers/consultants at offshore development centres and domain specialists for new business procured during the year and the increment to existing employees. The benefit of this selective recruitment will be visible in 2004 due to the Company bagging long-term large orders.

Administration and other expenses

Global Administration expenses increased from Rs. 480.69 million to Rs. 644.96 million mainly due to increased business and added costs due to new software development centres and offices.

Operating margin

Global Operating profit (EBITDA) increased from Rs 149.00 million to Rs. 449.64 an increase of 201.77% over the previous year. The increase was largely due to increase in productivity, better billing rates and cost rationalisation measures. The Company's prudent investments in infrastructure, processes and manpower are expected to translate into much higher margins from 2004.

Transactions in which the Management is interested in their personal capacity

There are no materially significant related party transactions during the year 2003 that may have potential conflict with the interest of the Company. Refer Note No. 8 in Notes to Accounts.

Cautionary Statement

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forwarded looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed and implied. Important development that could affect the Company's operations included a downtrend in the international market, fall in onsite, offshore rate and significant changes in political and economic environment, environment standards, tax laws, litigation and labour relations.

Particulars of employees pursuant to Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees Rules) 1975 and forming part of the Director's Report for the year ended 31st December, 2003.

Sl. No.	Name	Age (Years)	Designation/ Nature of Duties	Gross Remuneration Received (Rs.)	Qualification & Experience (Years)	Date of Commencement of employment	Last Employment held Period (Years)
A	**Employed throughout the year**						
1	P K Sridharan	55	Executive Director	4,595,240	M.Tech, 30 Years	01-Apr-01	Hexaware Technologies Ltd, 3yrs - 2Months
2	Ashok Bildikar	46	Senior Vice President	2,606,651	B.Sc.,MMS(PG), 26 Years	01-Apr-01	Hexaware Technologies Ltd, 3yrs - 2Months
3	Baalasundaram K	53	Senior Vice President - HR	3,641,140	B.A., 31 Years	01-Apr-01	Hexaware Technologies Ltd, 3yrs - 2Months
4	Ramanan R V	39	Chief Software Architect	2,924,413	M.Tech, 15 Years	21-Oct-02	Orbitech Solutions India Limited, 1 Year
5	Avijit Bardhan	45	Vice President	3,245,180	B.Sc,M.Sc,PGDCM 21 Years	01-Apr-01	Hexaware Technologies Ltd, 3yrs - 2Months
B	**Employed for part of the Year**						
1	Mohan Korgaonkar	54	Executive - Vice President	860,618	B.E. 19 Years	02-Jan-93	Hexaware Infosystems Ltd, - 4 Years
2	S R Guruprasad	42	Vice President	1,806,242	B Com. C.A. 15 Years	12-Jun-02	Cedar Enterprises & Solutions - 1 Year

Notes:

1 Remuneration Includes Salary, Company's Contribution to Provident and Superannuation Fund and taxable Value of Perquisites and allowances as per Income Tax Act, 1961 and rules made thereunder.

2 All appointments are non-contractual and terminable by notice on either side.

3 None of the above employee is related to any Director of the Company except Mr. P K Sridharan who is Executive Director of the Company.

For and on behalf of the Board

Atul K. Nishar
Chairman

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies

1	Name of the Subsidiary	Hexaware Technologies Inc., USA Rs.	Specsoft Consulting Inc., USA Rs.	Hexaware Technologies GmbH, Germany Rs.	Hexaware Technologies UK Limited, UK Rs.	Hexaware Technologies Asia Pacific Pte. Ltd, Singaqpore, Rs.	Hexaware Technologies Canada Limited, Canada Rs.
2.	The Financial Year of the Company ended on	31st December, 2003	31st October, 2003	31st December, 2003	31st December, 2003	31st October, 2003	31st December, 2003
3.	Holding Company	Hexaware Technologies Limited, India	Hexaware Technologies Limited, India	Hexaware Technologies Limited, India	Hexaware Technologies Limited, India	Hexaware Technologies Limited, India	Hexaware Technologies Limited, India
4.	Holding Company's Interest	100%	100%	100%	100%	100%	100%
5.	Shares held by the holding Company in the Subsidiary	22,450 Common Stock at no par value	1,50,000 Common Stock at no par value	3,618 equity shares of Euro 50 each	26,57,000 equity shares of GBP 1 each	5,00,000 equity shares of S$ 1 each	1 Common Stock of no par value
6.	The aggregate of profits or losses for the current financial year of the Subsidiary so far as it concerns the members of the holding Company						
	a. dealt with or provided for in the accounts of the holding company	NIL	NIL	NIL	NIL	NIL	NIL
	b. not dealt with provided for in the accounts of the Company	21,362,347	(13,331,255)	3,815,134	38,586,393	(4,685,288)	490,892
7.	The aggregrate of profits or losses for the previous financial year of the Subsidiary so far as it concerns the members of the holding Company						
	a. dealt with or provided for in the accounts of the holding company	NIL	NIL	NIL	NIL	NIL	NIL
	b. not dealt with provided for in the accounts of the Company	(175,131,131)	(10,375,969)	(410,520)	(236,946,075)	(5,399,082)	(2,94,299)
8.	Material change between the end of the Financial Year of the subsidiary Company and the Company's Financial Year ended 31st December,2001						
	a. Fixed Assets	NIL	NIL	NIL	NIL	NIL	NIL
	b. Investments	NIL	NIL	NIL	NIL	NIL	NIL
	c. Money Lent	NIL	NIL	NIL	NIL	NIL	NIL
	d. Money borrowed other than those for meeting Current Liabilities	NIL	NIL	NIL	NIL	NIL	NIL

Note: 1. There has been no change in holding Company's interest in the subsidiaries between the end of financial year or the last of the financial years of subsidiary and the end of the holding Company's financial year.
2. During the year the Assets & Liabilities of Hexaware Technologies Europe Ltd, UK were transferred to Hexaware Technologies UK Limited, UK.
3. Aptech Technologies Pty. Ltd. Australian Subsidiary was closed down during the year

Atul K. Nishar
Chairman

Auditor's Report on the Consolidated Financial Statements

The Board of Directors
Hexaware Technologies Limited
Mumbai

We have examined the attached Consolidated Balance sheet of Hexaware Technologies Limited (the "Company") and it's Subsidiaries (the Company and its subsidiaries collectively the "Hexaware Group") as at 31^{st} December 2003; and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement, are collectively hereinafter referred to as the "Consolidated Financial Statements".

These consolidated financials statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit. We have conducted our audit in accordance with generally accepted auditing standards In India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an Identified financial reporting framework and are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We report that :

a) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit.

b) i) The Financial Statements of certain subsidiaries have been audited by other auditors whose report has been furnished to us. We have placed reliance on the said reports for the purpose of our opinion on the Consolidated Financial Statements.

ii) The financial statements of certain subsidiaries with total assets of Rs.40,11,15,435/- and Revenue of Rs. 95,20,94,985/- are consolidated on the basis of financial statements audited by the other auditors of respective subsidiaries.

c) We report that the Consolidated Financial Statement have been prepared by the Company in accordance with the requirements of Accounting Standards (AS) 21 – regarding Consolidated Financial Statements issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and of its subsidiaries.

d) In our opinion and to the best of our information and according to the explanations given to us, the Consolidated Financial Statements, give a true and fair view in confirmity with generally accepted accounting policies in India:

i) in the case of the Consolidated Balance Sheet of the state of affairs of the Hexaware Group as at 31^{st} December, 2003;

ii) in the case of Profit and Loss Account, of the profit of the Hexaware Group for the year ended at 31^{st} December, 2003;

iii) in the case of Cash Flow Statement, of the Cash Flows of the Hexaware Group for the year ended at 31^{st} December, 2003;

For **Mahendra Kumbhat & Asscociates**
Chartered Accountants

Manoj P. Shah
Partner

Place : Mumbai
Date : 27^{th} January 2004

Balance Sheet as at 31st December, 2003

Particulars	Schedule	As at 31st December, 2003 Rupees	As at 31st December, 2003 Rupees	As at 31st December, 2002 Rupees	As at 31st December, 2002 Rupees
SOURCES OF FUNDS					
Share Holders' Funds :					
Share Capital	"1"	229,176,810		222,415,198	
Reserves And Surplus	"2"	1,932,174,272		1,897,207,926	
			2,161,351,082		2,119,623,124
Loan Funds :					
Secured Loans	"3"		25,948,634		186,602,367
			2,187,299,716		2,306,225,491
APPLICATION OF FUNDS					
Fixed Assets :	"4"				
Gross Block		1,165,200,857		1,267,864,524	
Less: Depreciation		418,870,621		375,586,949	
		746,330,236		892,277,575	
Add : Capital Work-in-progress		—		111,001	
			746,330,236		892,388,576
Investments :	"5"		391,847,002		191,957,689
A) Current Assets, Loans And Advances	"6"				
Sundry Debtors		888,231,773		546,662,927	
Cash And Bank Balances		315,508,273		507,621,319	
Loans And Advances :		326,188,366		357,585,996	
		1,529,928,412		1,411,870,242	
Less:					
B) Current Liabilities And Provisions :	"7"				
Current Liabilities		512,818,245		294,036,896	
Provisions		99,547,655		29,874,355	
		612,365,900		323,911,251	
Net Current Assets (A-B)			917,562,512		1,087,958,991
Deferred Tax Liability		—		-8,532,901	
Deferred Tax Asset		129,688,963		141,976,273	
			129,688,963		133,443,372
Miscellaneous Expenditure (To The Extent Not Written Off Or Adjusted)			366,203		476,863
Deferred Revenue Expenditure			1,504,800		—
			2,187,299,716		2,306,225,491
Significant Accounting Policies	"12"				
Notes Forming Part Of Accounts	"13"				

Schedules 1 To 13 form an integral Part of the accounts.
This is the Balance Sheet referred to in our Report of even Date.

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner.

Atul K. Nishar
(Chairman)

Dr. K.K. Anand
(Director)

L. S. Sarma
(Director)

A. P. Kurian
(Director)

P. G. Kakodkar
(Director)

Dr. (Mrs.) Alka Nishar
(Director)

Rusi Brij
(Director)

P. K. Sridharan
(Executive Director)

Rajesh B Ghonasgi
(Chief Financial Officer)

Naishadh Desai
(Company Secretary)

Place : Mumbai
Date : 27th January 2004

Consolidated Profit and Loss Account for the year ended 31st December, 2003

Particulars	Schedule	For the year ended 31st December, 2003 Rupees	Rupees	for the year ended 31st December, 2002 Rupees	Rupees
Income					
Income from operations		**3,389,853,001**		2,485,920,767	
Other Income	"8"	**138,963,890**		11,351,526	
			3,528,816,891		2,497,272,293
Expenditure					
Software and development expenses	"9"	**471,429,816**		388,209,891	
Employment expenses	"10"	**1,962,786,955**		1,479,367,284	
Administration and other expenses	"11"	**644,962,494**		480,693,145	
Depreciation		**149,734,785**		142,504,132	
			3,228,914,050		2,490,774,452
Profit Before Tax			**299,902,841**		6,497,842
Less : Provision For Tax - Current		**9,461,333**		5,061,510	
- Deferred		**4,776,103**		(20,885,372)	
- Earlier Years		**24,855,547**		86,210	
			39,092,983		(15,737,652)
Profit After Tax			**260,809,857**		22,235,494
Share Of Profit In Associate			**68,049,241**		35,264,806
Profit After Tax And Share of Profit in Associate			**328,859,098**		57,500,300
Add : Balance Brought Forward From Previous Year			**(13,299,810)**		(233,950,197)
Balance Available For Appropriation			**315,559,288**		(176,449,897)
Appropriations :					
Proposed Dividend On Equity Shares		**45,246,496**		—	
Corporate Tax On Dividend		**5,797,210**		—	
Transfer To General Reserve		**231,000,000**		100,000,000	
Reversal Of Provision For Investment In Subsidiaries		**—**		(263,150,087)	
(Note No. 2 Of Schedule 13)			**282,043,706**		(163,150,087)
Balance Carried To Balance Sheet			**33,515,582**		(13,299,810)
Significant Accounting Policies	"12"				
Notes Forming Part Of Accounts	"13"				

Schedules 1 To 13 form an integral Part of the accounts.
This is the Profit and Loss Account referred to in our Report of even Date.

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner.

Atul K. Nishar
(Chairman)

Dr. K.K. Anand
(Director)

L. S. Sarma
(Director)

A. P. Kurian
(Director)

P. G. Kakodkar
(Director)

Dr. (Mrs.) Alka Nishar
(Director)

Rusi Brij
(Director)

P. K. Sridharan
(Executive Director)

Rajesh B Ghonasgi
(Chief Financial Officer)

Naishadh Desai
(Company Secretary)

Place : Mumbai
Date : 27th January 2004

Schedules to Consolidated Balance Sheet

Particulars	As at 31st December, 2003 Rupees	As at 31st December, 2002 Rupees
Schedule "1" - Share Capital		
Authorised		
35,000,000 Equity Shares Of Rs. 10/- Each.	**350,000,000**	350,000,000
30,00,000 Preference Shares Of Rs. 100/- Each.	**300,000,000**	300,000,000
	650,000,000	650,000,000
Issued, Subscribed And Paid-up Capital		
Equity :		
22,623,248 (22,112,828) Equity Shares Of Rs.10/- Each Fully Paid	**226,232,480**	221,128,280
Of The Above :-		
1. a) 2,226,925 Equity Shares Has Been Allotted As Fully Paid Up Without Receiving Consideration In Cash.		
b) 7,237,774 Equity Shares Have Been Allotted As Fully Paid Up By Way Of Bonus Share By Capitalisation Of General Reserve/ Share Premium Account		
c) 2,090,593 Equity Shares Have Been Allotted To Global Depositary Shareholders.		
d) 10,000,000 Equity Shares Issued To The Shareholders Of Erstwhile Hexaware Technologies Limited (HTL) The Above Number Of Shares is a Result Of The Composite Scheme Of Reconstruction And Arrangement		
2. Includes Shares Issued To Employees Under The Employees Stock Option Plan (ESOP)		
a) 322,898 (14,536) Equity Shares Have Been Allotted As Fully Paid Up Pursuant To ESOP By HTL.		
b) 202,058 (Nil) Equity Shares have been Allotted as fully paid Up Pursuant to the ESOP 2002.		
Warrants :		
a) 220,000 Warrants Of Rs. 1/- Each Allotted By Hexaware Technologies Limited, Under Employee Stock Option Plan (ESOP) 1999	**220,000**	220,000
Each Block Of 5 Warrants Entitles The Holder To Get Allotted Simultaneously Two Equity Shares Of Rs.10/- Each In The Company And Three Equity Shares Of Rs. 10/- Each In Aptech Limited At Price Of Rs. 490/- Per Share, Within A Period Of Ten Years From The Date Of Allotment I.e.29th December 1999 Together With Proportionate Bonus Entitlement.		
b) 2,631,305 (3,556,392) Warrants Of Re 0.30 Each Allotted Under Employee Stock Option Scheme 1999 Issued By Erstwhile Hexaware Technologies Limited.	**789,391**	1,066,918
Each Block Of 3 Warrants Entitles The Holder To Get Allotted One Equity Share Of Rs. 10/- Each At A Price Of Rs. 45/- Per Share, Within A Period Of Ten Years From The Date Of Allotment I.e. 31st December, 1999		
Share Application Money Received Under ESOP (Pending Allotment)	**1,934,939**	—
	229,176,810	222,415,198

Schedules to Consolidated Balance Sheet

Particulars	As at 31st December, 2003 Rupees	Rupees	As at 31st December, 2002 Rupees	Rupees
Schedule "2" - Reserves And Surplus				
Securities Premium Account				
As Per Last Balance Sheet	1,674,749,384		1,674,240,624	
Add : Received During The Year	18,155,293		508,760	
		1,692,904,677		1,674,749,384
Esop Capital Suspense Reserve A/C				
As Per Last Balance Sheet		2,200,000		2,200,000
General Reserve A/C				
As Per Last Balance Sheet	219,766,533		128,299,434	
Less : Loss On Impairment Of Assets	239,306,706		—	
Add : Transfer From Profit And Loss Account	231,000,000		100,000,000	
Less : Deferred Tax Liability	—		8,532,901	
		211,459,827		219,766,533
Amalgamation Reserve A/C				
As Per Last Balance Sheet		2,879,812		2,879,812
Currency Translation Reserve		(10,785,626)		10,912,007
Profit And Loss Account				
As Per Annexed Account		33,515,582		(13,299,810)
		1,932,174,272		1,897,207,926
Schedule "3" - Secured Loans				
Non-convertible Debentures:				
Nil (750,000) 12% Secured, Redeemable Debentures Of Rs. 100/- Each With IDBI Bank		—		75,000,000
From Banks				
(Secured By Hypothecation Of Immovable Property/ Against Corporate Guarantee)		—		108,154,900
Liability Under Finance Agreement (Secured By The Specified Assets Acquired And Financed By The Bank/Financier)		25,948,634		3,447,467
		25,948,634		186,602,367
Schedule "4" - Fixed Assets				
Gross Block				
Freehold Land		153,699		153,699
Buildings		297,196,253		281,993,091
Plant And Machinery (Includes Computers And Software)		606,415,857		767,480,330
Furniture And Fixtures		224,238,720		184,416,242
Vehicles		37,196,328		33,821,162
		1,165,200,857		1,267,864,524
Less : Accumulated Depreciation		418,870,621		375,586,949
Net Block		746,330,236		892,277,575

Schedules to Consolidated Balance Sheet

Particulars		As at 31st December, 2003 Rupees	As at 31st December, 2003 Rupees	As at 31st December, 2002 Rupees	As at 31st December, 2002 Rupees
Schedule "5" - Investments					
I) Trade Investments - Quoted (At Cost)					
2,000 Shares Of Rs. 10/- Each Fully Paid Up In Aptech Limited (Formerly Aptech Training Ltd) Market Value Is Rs. 152,300/- (Previous year 76,900)			**20,000**		20,000
II) Trade Investments - Unquoted (At Cost)					
A) Nil (11,187,727) Common Stock Of USD 0.30 Each In Mentorix Technologies Inc. USA		—		156,672,882	
Share Of Profit In Associate		—		35,264,807	
			—		191,937,689
B) CNMP Corporation			**300,960**		—
C) Other Investments					
a) Investment In Long Term Capital Gain Bonds	Nos.				
(Bond Of Rs. 10,000/- Each Unless Otherwise Stated)					
National Bank Of Agriculture And Rural Development	3,000	**30,000,000**			
National Housing Bank	2,000	**20,000,000**			
Rural Electrification Corporation	1,450	**14,500,000**	**64,500,000**		—
b) Investment In Mutual Funds					
(At Cost Or Fair Value Whichever Is Lower) (Unit Of Rs. 10/- Each Unless Otherwise Stated).					
Name Of Mutual Fund	Units				
Alliance Capital - Monthly Income Plan	4,047,918	**45,984,346**			
Birla Sun Life - MIP Plan	2,748,750	**31,139,759**			
DSP Merill Lynch - Savings Plus	3,595,696	**38,018,014**			
Franklin Templeton - Monthly Income Plan A	9,567,593	**112,585,698**			
Reliance Capital Mutual Fund - Monthly Dividend Plan	2,000,000	**20,000,000**			
Sundaram Mutual Fund - Bond Saver Dividend	704,953	**7,867,281**			
Tata Mutual Fund - Monthly Income Fund	6,085,859	**71,430,944**			
			327,026,042		—
			391,847,002		191,957,689
(I) Aggregate Value Of Quoted Investments.			**20,000**		20,000
(Ii) Aggregate Value Of Unquoted Investments.			**391,827,002**		191,937,689
			391,847,002		191,957,689

Schedules to Consolidated Balance Sheet

Particulars	As at 31st December, 2003 Rupees	Rupees	As at 31st December, 2002 Rupees	Rupees
Schedule "6" - Current Assets				
Sundry Debtors (Unsecured - Considered Good)				
Due Over Six Months	**86,210,243**		84,193,536	
Others	**802,021,530**		462,469,391	
		888,231,773		546,662,927
(Net Of Provision Of Rs. 67,641,677/- (Previous Year 28,697,934/-)				
Cash And Bank Balances				
Cash In Hand	**258,476**		809,595	
Balances With Scheduled Banks (Including Cheques In Hand And Remittance In Transit)				
In Fixed Deposit Accounts	**104,129,315**		339,458,833	
In Exchange Earner's Foreign Currency Account	**19,815,130**		12,078,541	
In Current Accounts	**191,305,352**		155,274,351	
		315,508,273		507,621,319
Loans And Advances (Unsecured - Considered Good)				
Advances Recoverable In Cash Or In Kind Or For Value To Be Received.	**94,851,970**		152,283,538	
Deposits	**123,127,354**		70,705,093	
Unbilled Services	**84,891,092**		114,526,843	
Income Tax (Net Of Provision)	**23,317,950**		20,070,522	
		326,188,366		357,585,996
		1,529,928,412		1,411,870,242
Schedule "7" - Current Liabilities And Provisions				
Current Liabilities				
Sundry Creditors	**170,296,071**		120,465,859	
Interest Accrued But Not Due	**—**		1,511,314	
Other Liabilities	**288,197,329**		172,059,723	
Deposits Received for Leased Premises	**54,324,845**		—	
		512,818,245		294,036,896
Provisions				
Provision For Leave Encashment	**39,042,616**		24,812,845	
Proposed Dividend	**45,246,496**		—	
Corporate Tax On Dividend	**5,797,210**		—	
Provision For Taxation	**9,461,333**		5,061,510	
		99,547,655		29,874,355
		612,365,900		323,911,252

Schedules to Consolidated Profit and Loss Account

Particulars	For the year ended 31st December, 2003 Rupees	Rupees	For the year ended 31st December, 2002 Rupees	Rupees
Schedule "8" - Other Income				
Dividend On Investments		**16,653,481**		—
Profit On Sale Of Investment		**9,728,658**		399,999
Profit On Sale Of Investment In Associate		**89,213,430**		—
Rental Income		**21,612,725**		5,400,000
Others		**1,755,596**		5,551,527
		138,963,890		11,351,526
Schedule "9" - Software and Development Expenses				
Consultant And Related Expenses		**181,096,021**		31,173,036
Software License Fees		**13,744,889**		3,071,379
Software Services		**276,588,906**		353,965,476
		471,429,816		388,209,891
Schedule "10" - Employment Expenses				
Salary And Other Allowances		**1,776,102,550**		1,319,673,812
Contribution To Provident And Other Funds		**143,355,873**		133,165,145
Welfare Expenses		**43,328,532**		26,528,327
		1,962,786,955		1,479,367,284

Schedules to Consolidated Profit and Loss Account

Particulars	For the year ended 31st December, 2003 Rupees	Rupees	For the year ended 31st December, 2002 Rupees	Rupees
Schedule "11" - Administration and Other Expenses				
Rent		**87,086,059**		62,582,407
Rates & Taxes		**8,337,466**		5,764,239
Travelling And Conveyance Expenses		**170,846,504**		187,473,698
Electricity Charges		**23,484,193**		14,744,144
Communication Expenses		**73,680,922**		55,131,464
Repairs And Maintenance				
Buildings	**5,201,427**		1,657,872	
Plant & Machinery	**4,669,356**		2,518,693	
Others	**6,312,661**		4,941,591	
		16,183,444		9,118,156
Printing And Stationery		**11,372,624**		8,991,904
Auditors Remuneration				
Audit Fees	**3,192,734**		1,946,425	
Tax Audit Fees	**270,000**		210,000	
Out Of Pocket Expenses	**75,796**		157,950	
		3,538,530		2,314,375
Legal And Professional Fees		**69,485,948**		29,641,087
Advertisement And Publicity		**11,549,594**		7,356,503
Seminar And Conference Expenses		**14,922,157**		5,723,908
Bank And Other Charges		**7,159,613**		2,446,493
Exchange Differences (Net) On Forward Contracts		**7,606,564**		—
Exchange Differences (Net) Others		**2,750,374**		—
Director's Sitting Fees		**410,000**		370,000
Stamp Duty And Filing Fees		**247,834**		804,123
Registrar And Share Transfer Expenses		**1,382,256**		1,721,589
Insurance Premium		**16,408,046**		16,091,061
Loss On Investment In Subsidiary		**559,858**		—
Loss On Sale Of Fixed Assets (Net)		**28,178,354**		15,537,031
Provision For Doubtful Debts		**38,943,743**		28,697,934
Preliminary Expenses Written Off		**63,438**		452,906
Staff Recruitment Expenses		**21,150,438**		8,485,005
Service Charges		**6,906,963**		8,235,821
Membership And Subscription		**4,439,685**		2,738,743
Miscellaneous Expenses		**18,267,887**		6,270,546
		644,962,494		480,693,145

Schedule 12 – Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements of Hexaware Technologies Limited and its wholly – owned foreign subsidiaries are prepared under historical cost convention in accordance with generally accepted accounting principles applicable in India (Indian GAAP) and the Accounting standard (AS) 21 - Consolidated Financial Statements issued by the Institute of Chartered Accountants of India to the extent possible in the same format as that adopted by the parent company (Hexaware Technologies Limited) for its separate financial statements.

The financial statements of subsidiaries have been combined in full on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses. Intra group balances and intra group transaction and resulting unrealized profits/ (loss) are eliminated unless cost cannot be recovered.

The consolidated financial statements have been prepared using uniform accounting policies for like transaction and other events in similar circumstances.

(b) Use of Estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles in India requires that the management makes estimate and assumptions that affect the reported amount of assets, liabilities and disclosure of contingent liabilities as at the date of reported financial statements and the amount of revenue and expenses during the reported period. Actual results could differ from those estimates.

(c) Fixed Assets and Depreciation

Fixed Assets are stated at cost of acquisition less accumulated depreciation. Cost includes all expenses incurred for acquisition of Assets Like inward freight, duties, taxes etc.

Depreciation of Fixed Assets is provided on straight line method over the useful life of assets, as estimated by the management as stated under on a pro-rata basis, or as per schedule XIV of the Companies Act 1956 ('the Act") in cases where the rates specified therein are higher.

Buildings	58 Years
Computers and Software	3 Years
Furniture and Fixtures	15 Years
Other Plant and Machinery	20 Years
Vehicles	10 Years

(d) Investments

Investments are stated at cost of acquisition. Provision is made for permanent diminution in the value of long term investments. Short term investment are stated at cost or fair market value, which ever is lower.

(e) Foreign Currency Transaction and Translation

The consolidated financial statements are prepared in Indian rupees. The Indian rupee is the functional currency for Hexaware Technologies Limited. However, the US. Dollar, Pound Sterling, Singapore Dollar, Euro, Canadian Dollar are the functional currencies for its subsidiaries located in United States of America, United Kingdom, Singapore, Germany , Canada respectively and for the branches in Pound Sterling in UK, Yen in Japan, Swiss Francs in Switzerland and Netherland Gilders in Netherland. The translation of the respective currencies into Indian rupees (reporting currency) is done for fixed assets, loans taken, current assets and current liabilities using the exchange rate at the balance sheet date; for revenues, costs and expenses using average exchange rate prevailing during the reporting period. For share capital and reserves, such translation is done using the exchange rate at the date of transaction and the differences on such translation are taken directly to reserves, under Currency Translation Reserve Account.

Transaction done during the year is converted at the rate prevailing on the date of transaction.

Investment in the Overseas Subsidiary companies is accounted at the rate prevailing on the date of remittance / Investment.

In respect of transaction related to foreign branches all revenues and expenses transactions during the year are reported at average rate. Monetary assets and liabilities are translated at the rate prevailing on the balance sheet date whereas non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. Fixed assets are carried at the exchange rate prevailing on the date of purchase. Net gain / Loss on the foreign currency translation is recognized in the profit and loss account.

(f) Retirement Benefits

The provision for retirement benefits such as provident fund, gratuity and superannuation is made for employees from the date of their respective appointment.

i. Company's contribution to Provident Fund, Superannuation Fund and other fund is charged to Profit and Loss account.
ii. The amount of gratuity liability ascertained by the Life Insurance Corporation of India is paid/ Provided and charged to Profit and Loss account.
iii. Provision is made towards liability for leave encashment.

(g) Revenue Recognition

The company derives its revenues primarily from providing software application, development, maintenance, re-engineering and consultancy services.

Revenues from software solutions are recognized, in case of contract for development of software undertaken on time basis, their billing is based on specified terms of the contract. In case of fixed price contracts, under which revenue is recognized using the percentage of completion method of accounting, unless work completed cannot be reasonably estimated. Provisions for estimated losses on such engagements are made during the year in which a loss become probable and can be reasonably estimated. Amount received or billed in advance of services performed are recorded as unearned revenue. Unbilled revenue, included in loans and advances, represent amount recognized based on services performed in advance of billing in accordance with contract terms

Dividend income is recognized on right to receive basis

Recovery of expenses is credited to the respective expenses and such expenses are shown on net basis.

(h) Borrowings Costs

Borrowings costs attributed to the acquisition of Fixed Assets are capitalized as part of the cost of those Fixed Assets till the date it is put to use. Other borrowing cost is recognized as expenditure in the period in which they are accrued.

(i) Earning per share

Basic earning per share (EPS) is calculated by dividing the net profit after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earning per share is computed by adjusting the number of shares used for basic EPS with the weighted average number shares that could have been issued on the conversation of all dilutive potential equity shares.

Dilutive potential equity shares are deemed converted as of the beginning of the year unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued of outstanding shares. The number of shares and potentially dilutive shares are adjusted for share splits and bonus shares, as appropriate.

(j) Taxes on Income

As per AS 22 regarding Accounting for taxes on income issued by the Institute of Chartered Accountants of India, the deferred tax assets or liability are recognized after considering the temporary timing differences between the accounting income and taxable income for the period. Deferred tax assets are recognized only to the extent there is reasonable certainty that the asset can be realized in the future.

(k) Operating Leases

Lease payments under an operating lease are recognised as an expense in the profit and loss account.

Schedule 13 – Notes Forming Part of Consolidated Accounts

1. Description of Business

Hexaware Technologies Limited and its subsidiaries (hereinafter referred to as "Hexaware Group") are engaged in the business of providing software, application, development, maintenance, re-engineering and consultancy services. Hexaware adopts a cost effective synthesis of onsite and offshore development teams to enhance the value generation to its clients. Hexaware mainly caters to Transport, Insurance and Banking & Finance sector apart from Peoplesoft Solutions all over the world.

Hexaware Technologies Limited has evolved a subsidiary model of operations. It has international subsidiaries in Germany, USA, UK, Canada and Singapore and a branch office in UK, Japan, Netherlands and Switzerland to cater to the needs of the specific regions. The offshore software development centers are located in Mumbai, Bangalore and Chennai

2. Holding Company has made provision for dimunition in value of investments in subsidiary companies by charging profit and loss, the same is reversed in the consolidated accounts.

3. List of Subsidiaries and jointly controlled entities considered for consolidation:

Name of the Subsidiary company	Country of Incorporation	Extent of Holding (%) as on December,2003
Hexaware Technologies Inc.	USA	100%
Specsoft Consulting Inc.	USA	100%
Hexaware Technologies UK Ltd (Formerly known as HTI Europe Ltd)	UK	100%
Hexaware Technologies Europe Ltd	UK	100% *
Hexaware Technologies Asia Pacific Pte. Limited	Singapore	100%
Hexaware Technologies Gmbh	Germany	100%
Hexaware Technologies Canada Limited	Canada	100%
* Holding by Hexaware Technologies UK Ltd		

4. Contingent Liabilities:

	Particulars	**Year ended Dec 31, 2003 (Rs.)**	Year ended Dec 31, 2002 (Rs.)
A	Counter Guarantees outstanding in respect of guarantees given by bank on behalf of the company	**5,474,099**	270,000
B	Corporate Guarantees given to bank on behalf of its Subsidiary	**99,798,075**	127,021,671
C	Letter of Credit outstanding	**720,115**	Nil
D	Claims against the company not acknowledged as Debts	**37,977,700**	38,440,131

5. Income Taxes

The Company has provided for deferred tax liability of Rs. 47,76,103/- (Previous year Rs.2,08,85,372/-) and the same has been adjusted to deferred tax assets. It has arrived after considering the timing difference between accounting income and tax income. However no deferred tax assets have been considered in the accounts of holding company and UK subsidiary

6. Commitments:

	Particulars	**Year ended Dec 31, 2003 (Rs.)**	Year ended Dec 31, 2002 (Rs.)
A	Estimated amount of contracts remaining to be executed on capital account not provided for	**6,573,559**	5,254,226
B	Future non-cancelable operating lease rental commitments		
	Due within one year	**68,692,297**	20,453,000
	Due later than 1 year bur not later than 5 years	**135,928,833**	35,027,000
	Due later than 5 years	**NIL**	NIL
	Total Minimum Lease Payments	**204,621,130**	55,480,000

7. **Employees Stock Options:**

Company has instituted various Employees Stock Option Plans. The Compensation Committee of the Board evaluates the performance and other criteria of employees and approves the grant of Warrants / Options. These Warrants / Options vest with employees over a specified period subject to fulfillment of certain conditions. Upon vesting, employees are eligible to apply and secure allotment of Company's shares at a price determined on the date of grant of Warrants/ Options. The particulars of Warrants/Options granted under various plan is tabulated below:

	Employee Stock Option Plans		
	Warrants– 1999	Erstwhile Hexaware Technologies Limited – 1999 (Warrants) *	Warrants–2002 **
Opening Balance	126,430 (220,000)	3,063,145 (2,194,930)	1,690,750 (Nil)
Additions during the year	Nil (Nil)	19,333 (937,500)	475,750 (1,707,000)
Exercised during the year	Nil (Nil)	925,086 (43,610)	202,058 (Nil)
Cancelled during the year	74,360 (93,570)	540,955 (25,675)	127,925 (16,250)
Closing Balance	52,070 (126,430)	1,616,437 (3,063,145)	1,836,517 (1,690,750)

Figures for the previous year given in bracket

* Pursuant to restructuring, each block of 3 Warrants entitles the Warrant holder to get allotted one equity shares of Rs. 10/- each at a price of Rs. 45/- per share.

** The Company established new Employee Stock Option Plan 2002 for granting 22,09,829 Stock Options to employees at the rate of Rs. 45/- per option. Each Option represent one equity share of the Company. The issue of shares will be market price on the date of grant The Scheme is governed by the Employee Stock Option Scheme and Employees Stock Purchase Guidelines issued in 1999 by Securities and Exchange Board of India. In accordance with the guidelines, the Board of Directors of the Company at their meeting held on March 11, 2002 approved of Employee Stock Option Plan, to grant stock options to the eligible employees of the Company and its subsidiaries and members of the Company on Ninth Annual General meeting held on June 3, 2002 approved the same.

8. **Related Parties:**

The Company has entered into transaction with the following related parties:

Associate

Mentorix Technologies Inc. – USA

Key Person

Mr. P.K.Sridharan -–Executive Director

Sr. No.	Description of Nature of Transaction	Transaction for the year ended 31st December, 2003 (Rs.)	Closing Balance as at 31st December, 2003 (Rs.)	Transaction for the year ended 31st December, 2002 (Rs.)	Closing Balance as at 31st December, 2002 (Rs.)
1.	Sales / Receivable	557,602/-	Nil	903,529/-	7,390,112/-
2.	Investments	Nil	Nil	Nil	156,672,882/-
3.	Remuneration to Executive Director	4,592,240/-	N.A.	3,796,846/-	N.A

9. Segments:

AS 17, "Segment Reporting" issued by the ICAI, which requires disclosure of financial and descriptive information about reportable operating segments. The operating segments reported are the segments of Hexaware for which separate financial information is available and for which operating profit / (loss) accounts are evaluated regularly by executive management on deciding how to allocate resources and in assessing performance. Certain expenses such as depreciation, which form a significant portion of total expenses are not specifically allocable to specific segment as underlying services are used interchangeably accordingly these expenses are separately disclosed as 'unallocated' and directly charged against total income.

Management evaluates performance based on stand-alone revenues and net income for the group companies in Hexaware. Hexaware's reporting segments consist of the following business groups:

Hexaware's operating segment information for the year ended December 31, 2003 is as follows:

Business Segment:

Current Year

	Year ended December 31, 2003 (Rs.)				
	Airlines and Transport	**Finance & Banking & Insurance**	**Mfg & Enterprise Solutions**	**Others**	**Consolidated Total**
Revenue	**460,266,557**	**1,789,988,850**	**605,498,866**	**534,098,728**	**3,389,853,001**
Segment result-Profit/(Loss)	**58,518,575**	**157,209,764**	**64,439,646**	**30,505,750**	**310,673,735**
Less: Unallocable Expenses					149,734,785
Add : Other Income					138,963,890
Less : Income taxes					39,092,983
Profit from Ordinary Activities					**260,809,857**
Share of profit in Associate					68,049,241
Aggregate Profit after Minority Interest					**328,859,098**

Previous Year

	Year ended December 31, 2002 (Rs.)				
	Airlines and Transport	Finance & Banking & Insurance	Mfg & Enterprise Solutions	Others	Consolidated Total
Revenue	294,733,948	974,447,070	380,697,788	836,041,961	2,485,920,767
Segment result-Profit/(Loss)	40,947,948	95,446,248	11,852,457	(5,196,206)	143,050,447
Less :Unallocable Expenses					142,504,131
Add : Other Income					5,951,526
Less Income taxes					(15,737,652)
Profit from Ordinary Activities					22,235,494
Share of profit in Associates					35,264,806
Aggregate Profit after Minority Interest					57,500,300

Geographic Segment:

Revenue attributable to location of customers is as follows:

Geographic Locations	Revenue from External Customers Year ended December 31,2003 (Rs.)	Revenue from External Customers Year ended December 31, 2002 (Rs.)
U S A	**2,263,554,395**	1,830,339,605
Europe	**881,706,883**	457,631,073
Rest of the World	**244,591,723**	197,950,089
Total	**3,389,853,001**	2,485,920,767

Segment assets based on their locations are as follows:

Geographic Locations	Segment Assets As at Dec 31 2003	Addition to fixed Assets Year ended Dec 31 2003	Segment Assets As at Dec 31 2002	Addition to Fixed Assets Year ended Dec 31 2002
	(Rs.)	**(Rs.)**	(Rs)	(Rs)
U S A	**877,661,634**	**14,137,094**	752,011,832	17,724,004
Europe	**306,558,673**	**1,883,414**	178,157,200	156,774
India	**1,591,634,594**	**263,276,108**	1,687,751,450	279,568,573
Rest of the World	**38,045,576**	**104,030**	20,272,297	88,506
Total	**2,813,900,477**	**279,400,646**	2,638,192,779	297,537,857

10. Earning Per Share (EPS):

The components of basic and diluted earnings per share were as follows:

Current year

	Particulars	**As of Dec 31, 2003**
A	Net income available to equity shareholders	**328,859,098**
B	Weighted average outstanding equity shares considered for basic EPS	**22,286,574**
	Add: Effect of dilutive issue of stock options	**1,806,031**
	Considered for diluted EPS	**24,092,605**
C	**Earning Per Share**	
	Basic	**14.76**
	Diluted	**13.65**

Previous Year

	Particulars	As of Dec 31, 2002
A	Net income available to equity shareholders	57,500,300
B	Outstanding equity shares considered for basic EPS	22,112,828
	Add: Effect of dilutive issue of stock options	3,835,293
	Considered for diluted EPS	25,948,121
C	Earning Per Share	
	Basic	2.60
	Diluted	2.22

11. During the year the Company has reduced the estimated useful life for Computers Systems and Software included in Plant & Machinery from 3-5 years to 3 years, consequently, the provision for depreciation for the year is higher by Rs.34,580,414/- and correspondingly the net profit, reserves & surplus and net fixed assets are lower by Rs. 34,580,414/-

12. During the year 2003, the Company has adopted Accounting Standard 28 issued by the Institute of Chartered Accountants of India and accordingly it has provided for impairment of fixed assets against General Reserve, amounting to Rs. 239,306,706/-

13. Figures for the previous year have been regrouped / rearranged wherever necessary. Figures in the bracket represent previous year's figures.

Signature to Schedules 1 to 13

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner.

Atul K. Nishar
(Chairman)

Dr. K.K. Anand
(Director)

L. S. Sarma
(Director)

A. P. Kurian
(Director)

P. G. Kakodkar
(Director)

Dr. (Mrs.) Alka Nishar
(Director)

Rusi Brij
(Director)

P. K. Sridharan
(Executive Director)

Rajesh B Ghonasgi
(Chief Financial Officer)

Naishadh Desai
(Company Secretary)

Place : Mumbai
Date : 27th January 2004

Consolidated Cash Flow Statement for the Financial Year 2003

Particulars	As at 31st December, 2003 Rupees	As at 31st December, 2003 Rupees	As at 31st December, 2002 Rupees	As at 31st December, 2002 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit Before Tax & Share of Associates		**299,902,841**		6,497,841
Adjustments:				
Depreciation	**149,734,785**		142,504,132	
Income from Mutual Fund	**(16,653,481)**		—	
Provision for Doubtful Debts	**38,943,743**		18,933,958	
Interest & Exchange Difference Income	**17,570,189**		(26,827,714)	
Profit / (Loss) on sale of assets (Net)	**28,178,354**		14,998,286	
		217,773,590		149,608,663
(Increase) / Decrease in Current Assets				
Sundry Debtors	**(380,512,589)**		(250,844,846)	
Loans & Advances	**22,702,046**		112,302,294	
	(357,810,543)		(138,542,552)	
Increase / (Decrease) in Current Liabilities and Other Provisions				
Liabilities	**336,258,147**		(32,945,541)	
		(21,552,396)		(171,488,093)
NET CASH FROM OPERATIONS		**496,124,035**		(15,381,589)
Less:				
Interest paid		**—**		28,660,841
Interest & Exchange Difference		**17,570,189**		(55,564,177)
Direct tax paid		**12,500,000**		5,107,058
		466,053,846		6,414,688
B. CASH FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	**(281,751,493)**		(291,396,555)	
Sales of Fixed Assets	**9,257,043**		38,812,387	
Income from Mutual Fund	**16,653,481**		—	
(Purchase) / Sale of Investments	**(267,938,554)**		1,442,831	
NET CASH USED IN INVESTING ACTIVITIES		**(523,779,523)**		(251,141,337)

Particulars	As at 31st December, 2003 Rupees	As at 31st December, 2003 Rupees	As at 31st December, 2002 Rupees	As at 31st December, 2002 Rupees
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital	**24,408,146**		641,038	
Proceeds from long term borrowings	**25,869,774**		8,254,639	
Repayment of long term borrowings	**(186,523,507)**		(243,186,819)	
		(136,245,587)		(234,291,142)
		(193,971,264)		(479,017,792)
Cash and Cash Equivalants as on 1st January, 2003	**507,621,319**		976,988,874	
Effect of exchange rate change on cash and Cash Equivalent	**(1,858,218)**		9,650,236	
Cash and Cash Equivalants as on 31st December, 2003	**315,508,273**		507,621,319	
		(193,971,264)		(479,017,792)

Note:
For a number of reasons, principally the effects of translation differences, certain items in the statements of cashflows do not correspond to the difference between the balance sheet for the respective items in the individual constituent Balance Sheets.

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner.

Atul K. Nishar
(Chairman)

Dr. K.K. Anand
(Director)

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(Executive Director)

Rajesh B Ghonasgi
(Chief Financial Officer)

Naishadh Desai
(Company Secretary)

Place : Mumbai
Date : 27th January 2004

Auditor's Certificate

We have examined the above Consolidated Cash Flow Statement of Hexaware Technologies Ltd compiled from the Consolidated Audited Annual Financial Statements for the year ended 31st December,2003. This statement has been prepared by the Company in accordance with the requirements of Clause 32 of Listing Agreement with the Stock Exchange.

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner

Place : Mumbai
Date : January 27, 2004

Auditor's Report

To,

The Members of Hexaware Technologies Limited.

We have audited the attached Balance Sheet of Hexaware Technologies Limited ("the company") as at 31st December 2003 and the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto (the Financial Statements). These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about, whether the financial statements are free of material misstatement. An audit includes examining, on the 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.

As required by the Companies (Auditor's Report) Order, 2003 (the 'Order') issued by the Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order to the extent applicable.

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

a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

b) In our opinion, the Company has kept proper books of accounts as required by law so far as appears from our examination of those books.

c) The Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of account.

d) In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this Report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act.

e) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st December 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;

f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts ***subject to Note Number 11 of the Schedule 13 of the Financial Statements regarding change in the Accounting policy in respect of Depreciation Provision, resulting in depreciation provision for the year being higher and the Profit, Reserve and Surplus and Net Fixed Assets are being lower by Rs 3,45,80,414/-*** and read with the other notes thereon give the information required by the Act, 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 31st December 2003, and

   b) In the case of the Profit and Loss Account, of the profit for the year ended on that date.

   c) In the case of the Cash Flow Statements, of the cash flows for the year ended on that date.

For **Mahendra Kumbhat & Associates**
Chartered Accountants

Manoj P. Shah
Partner

Place : Mumbai
Date : 27th January 2004.

Annexure to the Auditor's Report

(Referred to in our Report of even date)
Matters required as per Paragraphs 4 and 5 of the Companies (Auditor's Report) Order, 2003

1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. The management has verified all the assets during the year. We are informed that no material discrepancies have been noticed on the assets physically verified by the management. The Company has not disposed off substantial part of fixed assets during the year.
2. The Company is in the business of Software Development and Consultancy services and does not have inventories, hence clause (ii) of paragraph 4 of the Order is not applicable to the Company.
3. (i) The Company has not taken any loans from companies, firms and other parties listed in the register maintained under section 301 of the Act.

   (ii) Except for unsecured loan to it's five Subsidiary Companies for an aggregate amount of Rs. 29,54,89,294/- the Company has not granted loans to the companies, firms and other parties listed in the register maintained under section 301 of the Act. In our opinion, the terms and conditions including the rate of interest wherever applicable, are prima facie not prejudicial to the interest of the Company. The companies to whom such loans have been given are regular in repayment of principal amount and interest wherever applicable and there is no overdue amount.
4. In our opinion and according to the information and explanations given to us, there are in general, adequate internal control procedures, commensurate with the size of the Company and the nature of its business, with regard to purchase of fixed assets, and for sale of services and we have not observe any major weaknesses in internal control.
5. According to the information and explanations given to us, the Company has entered the transactions requiring to be entered in the Register maintained in pursuance of section 301 of the Act. The transactions so entered in the register and exceeding value of Rupees 5,00,000/- or more in respect of each party during the year have been made at prices which are reasonable having regard to the prevailing market prices of such services at the relevant time.
6. The Company has not accepted any deposits from public during the year and hence provisions of Section 58A and 58 AA of the Act and the rules framed there under are not applicable.
7. In our opinion the Company has an Internal Audit system which is commensurate with the size and nature of its business.
8. We have been informed that the Central Government has not prescribed the maintenance of Cost records under Section 209 (1) (d) of the Act.
9. (I) We are informed that during the year under review, the Company has regularly deposited all the undisputed statutory dues including Provident Fund, Employees State Insurance Scheme, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Cess and any other dues where ever applicable. There is no undisputed amount not deposited due over six months since they became payable as on the last day of the financial year.

   (ii) The Company has disputed liability of Income Tax aggregating to Rs 1,38,87,983/- in respect of Assessment Year 1998-99 and 2001-02 for which the Company has preferred an appeal with the Appellate Tribunal and Commissioner of Income-tax (Appeals).
10. The Company does not have any accumulated losses at the end of financial year hence clause (x) of paragraph 4 of the Order is not applicable.
11. The company has not defaulted in respect of repayment of dues to financial institutions, bank or Debenture holders.
12. 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 clause (xiii) of paragraph 4 of the Order is not applicable to the Company.
14. In our opinion, the Company has maintained proper records of the transaction and contracts in respect of investments in units of various mutual fund schemes and timely entries have been made therein. All the investments are held by the Company in its own name.
15. The Company had given guarantee for loans taken by it's subsidiary company, which has been repaid during the year. As per the information and explanations given to us, the terms and conditions of the guarantee were not prejudicial to the interest of the Company.
16. We are informed that the term loan taken by the Company, (which has been repaid during the year) is applied for the purpose for which it was taken.
17. According to the information and explanations given to us, in our opinion, the funds raised on the short-term basis have not been used for the long-term investment or vice versa.
18. During the year no preferential allotment of shares has been made to the parties and companies covered in the register maintained under section 301 of the Act.
19. Since the Company has not issued any debentures, the question of creation of security does not arise.
20. Since the Company has not come out with any public issue during the year, clause (xx) of the Order is not applicable.
21. No fraud on or by the Company has been noticed or reported during the year.

For **Mahendra Kumbhat & Associates**
Chartered Accountants

Manoj P. Shah
Partner

Place : Mumbai
Date : 27th January 2004.

Balance Sheet as at 31st December, 2003

Particulars	Schedule	As at 31st December, 2003 Rupees	As at 31st December, 2003 Rupees	As at 31st December, 2002 Rupees	As at 31st December, 2002 Rupees
SOURCES OF FUNDS					
SHARE HOLDERS' FUNDS :					
A) Share Capital	"1"	**229,176,810**		222,415,198	
B) Reserves and Surplus	"2"	**2,051,031,150**		2,019,490,103	
			2,280,207,960		2,241,905,300
LOAN FUNDS :					
Secured Loans	"3"		**25,948,634**		178,447,467
			2,306,156,594		2,420,352,767
APPLICATION OF FUNDS					
FIXED ASSETS :	"4"				
A) Gross Block		**1,037,521,273**		1,138,109,813	
B) Less: Depreciation		**316,655,769**		284,293,928	
		720,865,504		853,815,885	
Add : Capital Work-in-progress		**–**		111,000	
			720,865,504		853,926,885
INVESTMENTS :	"5"		**678,428,162**		348,542,637
A) CURRENT ASSETS, LOANS AND ADVANCES :	"6"				
i) Sundry Debtors		**533,914,765**		480,804,692	
ii) Cash and Bank Balances		**190,101,519**		380,347,421	
iii) Loans and Advances		**495,916,820**		480,971,658	
		1,219,933,104		1,342,123,771	
Less:					
B) CURRENT LIABILITIES AND PROVISIONS :	"7"				
i) Current Liabilities		**257,386,449**		112,008,663	
ii) Provisions		**55,683,727**		4,230,962	
		313,070,176		116,239,625	
NET CURRENT ASSETS (A-B)			**906,862,928**		1,225,884,146
DEFERRED TAX LIABILITY		**—**		(8,532,901)	
DEFERRED TAX ASSET		**—**		532,000	
			–		(8,000,901)
			2,306,156,594		2,420,352,767
Significant Accounting Policies	"12"				
Notes Forming Part of Accounts	"13"				

Schedules 1 To 13 Form An Integral Part of The Accounts.
This is the Balance Sheet referred to in our Report of even date.

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner.

Atul K. Nishar (Chairman) | **Dr. K.K. Anand** (Director) | **L. S. Sarma** (Director) | **A. P. Kurian** (Director)

P. G. Kakodkar (Director) | **Dr. (Mrs.) Alka Nishar** (Director) | **Rusi Brij** (Director)

P. K. Sridharan (Executive Director) | **Rajesh B Ghonasgi** (Chief Financial Officer) | **Naishadh Desai** (Company Secretary)

Place : Mumbai
Date : 27th January 2004

Profit and Loss Account for the year ended 31st December, 2003

Particulars	Schedule	For the year ended 31st December, 2003 Rupees	For the year ended 31st December, 2003 Rupees	for the year ended 31st December, 2002 Rupees	for the year ended 31st December, 2002 Rupees
INCOME FROM OPERATIONS					
Software and Consultancy		1,547,590,286		977,011,053	
Other Income	"8"	240,211,017		27,306,995	
			1,787,801,303		1,004,318,048
EXPENDITURE					
Software and Development Expenses	"9"	239,232,728		120,853,802	
Employment Expenses	"10"	798,711,461		450,644,296	
Administration and Other Expenses	"11"	295,788,671		243,953,728	
Depreciation		124,426,730		114,466,110	
			1,458,159,590		929,917,936
Profit for the period			329,641,713		74,400,112
Less : Provision for Tax - Current		1,050,000		100,000	
- Deferred		—		(532,000)	
- Earlier Years		24,855,547		86,210	
			25,905,547		(345,790)
Profit After Tax			303,736,166		74,745,902
Add: Balance Brought Forward from Previous Year			119,894,374		130,356,761
Balance Available for Appropriation			423,630,540		205,102,662
APPROPRIATIONS :					
Proposed Dividend on Equity Shares		45,246,496		—	
Corporate tax on Dividend		5,797,210		—	
Transfer to General Reserve		231,000,000		100,000,000	
Reversal of Provision for Investment in Subsidiary		—		(14,791,712)	
			282,043,706		85,208,288
BALANCE CARRIED TO BALANCE SHEET			141,586,834		119,894,374
Significant Accounting Policies	"12"				
Notes Forming Part of Accounts	"13"				

Schedules 1 To 13 Form An Integral Part of The Accounts.
This is the Profit and Loss Account referred to in our Report of even date.

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner.

Atul K. Nishar
(Chairman)

Dr. K.K. Anand
(Director)

L. S. Sarma
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Rusi Brij
(Director)

P. K. Sridharan
(Executive Director)

Rajesh B Ghonasgi
(Chief Financial Officer)

Naishadh Desai
(Company Secretary)

Place : Mumbai
Date : 27th January 2004

Schedules to Balance Sheet

Particulars	As at 31st December, 2003 Rupees	As at 31st December, 2003 Rupees	As at 31st December, 2002 Rupees	As at 31st December, 2002 Rupees
SCHEDULE "1" - SHARE CAPITAL				
AUTHORISED				
35,000,000 Equity Shares of Rs. 10/- each.		**350,000,000**		350,000,000
3,000,000 Preference Shares of Rs. 100/- each.		**300,000,000**		300,000,000
		650,000,000		650,000,000
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL EQUITY :				
22,623,248 (22,112,828) Equity Shares of Rs.10/- each fully paid		**226,232,480**		221,128,280
Of The Above:				
1. a) 2,226,925 Equity Shares has been allotted as Fully Paid Up without Receiving Consideration in Cash.				
b) 7,237,774 Equity Shares have been allotted as Fully Paid Up by way of Bonus Share by Capitalisation of General Reserve/Share Premium Account				
c) 2,090,593 Equity Shares have been allotted to Global Depositary Shareholders.				
d) 10,000,000 Equity Shares issued to the Shareholders of Erstwhile Hexaware Technologies Limited (HTL). The above Number of Shares is Resultant of the Composite Scheme of Reconstruction and Arrangement)				
2. Includes Shares issued to Employees under the Employees Stock Option Plan (ESOP)				
a) 322,898 (14,536) Equity Shares have been Allotted as fully Paid Up Pursuant to the Esop by the HTL.				
b) 202,058 (Nil) Equity Shares have been allotted as fully Paid Up pursuant to ESOP 2002				
WARRANTS:				
a) 220,000 Warrants of Rs. 1/- each allotted by Hexaware Technologies Limited, under Employee Stock Option Plan (ESOP) 1999		**220,000**		220,000
Each Block of 5 warrants entitles the holder to get allotted simultaneously two equity shares of Rs.10/- each in the Company and Three Equity Shares of Rs. 10/- each in Aptech Limited at a Price of Rs. 490/- per share, within a period of ten years from the date of allotment i.e. 29th December 1999 together with proportionate Bonus Entitlement.				
b) 2,631,305 (3,556,392) Warrants of Re 0.30 each allotted under Employee Stock Option Scheme 1999 issued by Erstwhile Hexaware Technologies Limited.		**789,391**		1,066,918
Each Block of 3 Warrants Entitles the Holder to Get Allotted one equity share of Rs. 10/- each at a price of Rs. 45/- per share, within a period ten years from the date of allotment i.e. 31st December, 1999				
SHARE APPLICATION MONEY RECEIVED UNDER ESOP (Pending Allotment)		**1,934,939**		—
		229,176,810		222,415,198

Schedules to Balance Sheet

Particulars	As at 31st December, 2003 Rupees	As at 31st December, 2003 Rupees	As at 31st December, 2002 Rupees	As at 31st December, 2002 Rupees
SCHEDULE "2" - RESERVES AND SURPLUS				
Securities Premium Account				
As per Last Balance Sheet	**1,674,749,384**		1,674,240,624	
Add: Received on issue of shares during the year	**18,155,293**		508,760	
		1,692,904,677		1,674,749,384
ESOP Capital Suspense Reserve A/C				
As Per Last Balance Sheet	**2,200,000**		2,200,000	
		2,200,000		2,200,000
General Reserve				
As Per Last Balance Sheet	**219,766,533**		128,299,434	
Less: Loss on Impairment of Assets	**239,306,706**		—	
Add: Transferred From Profit & Loss Account	**231,000,000**		100,000,000	
Less: Deferred Tax Liabilities	—		8,532,901	
		211,459,827		219,766,533
Amalgamation Reserve A/C				
As Per Last Balance Sheet	**2,879,812**		2,879,812	
		2,879,812		2,879,812
Profit And Loss Account				
As Per Annexed Account		**141,586,834**		119,894,374
		2,051,031,150		2,019,490,103
SCHEDULE "3" - SECURED LOANS				
1) Non-convertible Debentures:				
Nil (750,000) 12% Secured, Redeemable Debentures of Rs. 100/- each with IDBI Bank		**—**		75,000,000
2) From Banks				
Secured by Hypothecation of immovable property		**—**		100,000,000
3) Liability under Finance Agreement				
(Secured by the Specified Assets Acquired and Financed by the Bank/Financier)		**25,948,634**		3,447,467
		25,948,634		178,447,467

SCHEDULE "4" - FIXED ASSETS

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
Particulars	**As at 01.01.2003**	**Addition during the Year**	**Deductions during the Year**	**As at 31.12.2003**	**As at 01.01.2003**	**Provided during The Year**	**Deduction during the Year**	**As at 31.12.2003**	**As at 31.12.2003**	**As at 31.12.2002**
Land	153,699			153,699	–	–	–	–	153,699	153,699
Buildings	280,386,636	16,809,617	–	297,196,253	7,704,418	4,582,847	–	12,287,265	284,908,988	272,682,219
Plant & Machinery (Includes Computer and Softwares)	656,992,002	174,195,196	343,891,423	487,295,775	247,086,487	105,238,235	88,492,779	263,831,943	223,463,831	409,905,514
Furniture & Fixtures	166,756,313	62,354,862	13,431,957	215,679,218	25,187,886	11,288,571	2,120,797	34,355,660	181,323,558	141,568,427
Vehicles	33,821,163	9,916,433	6,541,268	37,196,328	4,315,137	3,317,077	1,451,313	6,180,901	31,015,428	29,506,026
Current Year	**1,138,109,813**	**263,276,108**	**363,864,648**	**1,037,521,273**	**284,293,928**	**124,426,730**	**92,064,889**	**316,655,769**	**720,865,504**	**853,815,885**
Previous Year	943,403,734	279,568,572	84,862,494	1,138,109,813	200,731,589	114,466,110	30,903,771	284,293,928	853,815,885	742,672,145

Schedules to Balance Sheet

Particulars	As at 31st December, 2003 Rupees	As at 31st December, 2003 Rupees	As at 31st December, 2002 Rupees	As at 31st December, 2002 Rupees
SCHEDULE "5" - INVESTMENTS				
1. Trade Investments - Quoted (At Cost)				
2,000 Shares Of Rs. 10/- each fully paid up in Aptech Limited (Formerly Aptech Training Ltd.)		**20,000**		20,000
Market Value is Rs. 152,300/- (Previous Year Rs.76,900)				
2 Trade Investments - Unquoted				
A. Investment in Subsidiaries (At cost Net of Provision*)				
150,000 No Par Value Common Stock of Specsoft Inc.,U.S.A.	**13,355,325**		13,355,325	
22,450 Common Stock at no par value in Hexaware Technologies Inc. USA	**152,360,458**		152,360,458	
3,067,000 (410,000) Shares of 1 GBP each fully paid up in Hexaware Technologies UK Ltd.	**100,392,296**		1	
Nil (1,400,000) Shares of 1 GBP each fully paid up in Hexaware Technologies Europe Ltd. UK.	—		3,555,501	
Nil (65,000) Shares of Australian $ 1/- each fully Paid Up in Aptech Technologies Pty. Ltd., Australia.	—		1,804,430	
500,000 Shares of Singapore $ 1/- each fully paid up in Hexaware Technologies Asia Pacific Pte. Ltd. (Formerly Aptech Worldwide Pte. Ltd.), Singapore.	**12,476,000**		12,476,000	
3,618 Shares of Face Value 50 Euro in Hexaware Technologies GmbH, Germany	**7,570,241**		7,570,241	
1 Common Stock at No Par Value in Hexaware Technologies Canada Limited, Canada	**727,800**		727,800	
		286,882,120		191,849,754
B. OTHER				
Nil (11,187,727) Common Stock of USD 0.30 Each in Mentorix Technologies Inc. USA		—		156,672,881

Schedules to Balance Sheet

Particulars		As at 31st December, 2003 Rupees	As at 31st December, 2003 Rupees	As at 31st December, 2002 Rupees	As at 31st December, 2002 Rupees
SCHEDULE "5" - INVESTMENTS (Contd.)					
3 Other Investments Unquoted	Nos.				
a. Investment in Long Term Capital Gain Bonds (At Cost) (Bond of Rs. 10,000/- each unless otherwise stated)					
National Bank of Agriculture and Rural Development	3,000	**30,000,000**		—	
National Housing Bank	2,000	**20,000,000**		—	
Rural Electrification Corporation	1,450	**14,500,000**		—	
			64,500,000	—	—
b. Investment in Mutual Funds (At Cost or fair value whichever is Lower) (Unit of Rs. 10/- each, unless Otherwise Stated).					
Name of Mutual Fund	Units				
Alliance Capital - Monthly Income Plan	4,047,918	**45,984,346**		—	
Birla Sun Life - Monthly income plan	2,748,750	**31,139,759**		—	
DSP Merill Lynch - Savings Plus	3,595,696	**38,018,014**		—	
Franklin Templeton - Monthly Income Plan A	9,567,593	**112,585,698**		—	
Reliance Capital Mutual Fund - Monthly Dividend Plan	2,000,000	**20,000,000**		—	
Sundaram Mutual Fund - Bond Saver Dividend	704,953	**7,867,281**		—	
Tata Mutual Fund - Monthly Income Fund	6,085,859	**71,430,944**		—	
			327,026,042		
			678,428,162		348,542,637
* The Company has Made a Provision for Dimunition in The Value of Investment as on 31st December 2001					
(i) Aggregate Value of Quoted Investments.			**20,000**		20,000
(ii) Aggregate Value of Unquoted Investments.			**678,408,162**		348,522,637
			678,428,162		348,542,637

Schedules to Balance Sheet

Particulars	As at 31st December, 2003 Rupees	As at 31st December, 2003 Rupees	As at 31st December, 2002 Rupees	As at 31st December, 2002 Rupees
SCHEDULE "6" - CURRENT ASSETS				
Sundry Debtors (Unsecured - Considered Good)				
Due over Six Months	**8,399,218**		44,356,380	
Others	**525,515,547**		436,448,313	
[Net of Provision of Rs. 10,332,785/- (Previous year Nil)]		**533,914,765**		480,804,692
Cash and Bank Balances				
Cash in Hand	**210,685**		791,254	
Balances with Scheduled Banks (Including cheques in hand and remittance in transit)				
In Fixed Deposit Accounts	**3,333,138**		3,655,712	
In Exchange Earner's Foreign Currency Account	**1,526,753**		12,078,541	
In Current Accounts (Includes Remittance in Transit)	**80,471,062**		31,043,325	
Balances with Non-scheduled Banks				
In Deposit Accounts in Foreign Currency				
a) South Trust Bank N A [Maximum balance outstanding during the year Rs. 229,824,530/- (Previous Year Rs. 325,188,630/-)]	—		229,824,530	
b) Deutsche Bank - Singapore [Maximum Balance outstanding during the year Rs. 112,205,250/- (Previous Year Rs. 101,759,571)]	**99,798,075**		101,759,571	
In Current Accounts - in Foreign Currency				
a) ABN Amro Bank - Amsterdam [Maximum Balance outstanding during the year Rs. 418,901 /- (Previous Year Rs. 418,897/-)]	**418,901**		418,897	
b) Union Bank of California , Tokyo - Japan [Maximum balance outstanding during the year Rs. 2,752,552/- (Previous Year Rs. 1,312,208)]	**2,752,552**		420,626	
c) Union Bank of Switzerland [Maximum balance outstanding during the year Rs. 1,293,173/- (Previous Year Rs. 3,143,916)]	**781,501**		354,965	
d) Royal Bank of Scotland [Maximum balance outstanding during the year Rs. 808,852/-]	**808,852**		—	
		190,101,519		380,347,421

Schedules to Balance Sheet

Particulars	As at 31st December, 2003 Rupees	Rupees	As at 31st December, 2002 Rupees	Rupees
SCHEDULE "6" - CURRENT ASSETS (Contd.)				
Loans and advances				
(Unsecured - Considered Good)				
Loans to Subsidiaries	295,489,294		288,913,278	
Advances recoverable in cash or in kind or for Value to be Received.	69,933,484		110,437,811	
Deposits	113,676,063		59,856,672	
Unbilled Services	608,731		1,839,600	
Income Tax (Net of Provision)	16,209,248		19,924,297	
		495,916,820		480,971,658
		1,219,933,104		1,342,123,771
SCHEDULE "7" - CURRENT LIABILITIES & PROVISIONS				
Current Liabilities				
Sundry Creditors	109,519,336		57,025,469	
Interest accrued but not due	–		769,106	
Deposit received for leased premises	54,324,845		1,110,000	
Other Liabilities	93,542,268		53,104,088	
		257,386,449		112,008,663
Provisions				
Provision for Expenses	3,590,021		4,130,962	
Proposed Dividend	45,246,496		—	
Corporate Tax on Dividend	5,797,210		—	
Provision for Taxation	1,050,000		100,000	
		55,683,727		4,230,962
		313,070,176		116,239,625

Schedules to Profit and Loss Account

Particulars	As at 31st December, 2003 Rupees	Rupees	As at 31st December, 2002 Rupees	Rupees
SCHEDULE "8" - OTHER INCOME				
Income From Investments In Mutual Funds				
- Dividend		16,653,481		—
- Profit on Sale (Net)		9,728,658		—
Interest Income (Net)		1,411,049		21,468,398
Profit on Sale of Investment In Associate		189,857,255		—
Profit on Sale of Investments		—		399,999
Rental Income		21,612,725		5,400,000
Others		947,849		38,598
		240,211,017		27,306,995

Schedules to Profit and Loss Account

Particulars	For the year ended 31st December, 2003 Rupees	Rupees	For the year ended 31st December, 2002 Rupees	Rupees
SCHEDULE "9" - SOFTWARE AND DEVELOPMENT EXPENSES				
Consultant and Related Expenses		**168,007,492**		36,216,736
Software License Fees		**13,744,889**		3,071,379
Software Services		**57,480,347**		81,565,687
		239,232,728		120,853,802
SCHEDULE "10" - EMPLOYMENT EXPENSES				
Salary and other Allowances		**737,899,140**		418,390,148
Contribution to Provident and other Funds		**25,857,613**		12,474,112
Welfare Expenses		**34,954,708**		19,780,036
		798,711,461		450,644,296
SCHEDULE "11" - ADMINISTRATION AND OTHER EXPENSES				
Rent		**42,233,124**		25,770,904
Rates & Taxes		**6,992,554**		1,857,764
Travelling and Conveyance Expenses		**53,832,196**		95,823,280
Electricity Charges		**23,172,346**		14,341,589
Communication Expenses		**45,824,803**		36,294,542
Repairs and Maintenance				
Buildings	**5,201,427**		1,657,872	
Plant & Machinery	**4,399,140**		2,518,636	
Others	**3,507,001**		2,745,361	
		13,107,568		6,921,869
Printing and Stationery		**8,435,704**		7,163,303
Auditors Remuneration				
Audit Fees	**810,000**		525,000	
Tax Audit Fees	**270,000**		210,000	
Out of Pocket Expenses	**71,100**		157,950	
		1,151,100		892,950
Legal and Professional Fees		**13,842,063**		8,555,725
Advertisement and Publicity		**860,258**		118,687
Seminar and Conference Expenses		**6,800,129**		4,576,437
Bank and Other Charges		**3,032,976**		1,301,852
Exchange Differences (Net) on Forward Contracts		**7,606,564**		—
Exchange Differences (Net) Others		**869,162**		—
Director's Sitting Fees		**410,000**		370,000
Stamp Duty and Filing Fees		**230,060**		796,528
Registrar and Share Transfer Expenses		**1,379,582**		1,721,590
Insurance Premium		**2,329,181**		2,636,275
Loss on Investment in Subsidiary		**559,858**		—
Loss on Sale of Fixed Assets (Net)		**23,744,770**		15,146,331
Provision for Doubtful Debts		**10,332,785**		—
Staff Recruitment Expenses		**15,445,343**		7,790,663
Service Charges		**6,821,061**		8,195,719
Membership and Subscription		**1,006,617**		689,720
Miscellaneous Expenses		**5,768,867**		2,988,000
		295,788,671		243,953,728

Schedule "12" Significant Accounting Policies

1. Accounting Convention and Concepts:

The company follows the Historical Cost Convention and the Mercantile System of Accounting where the income and expenditure are recognized on accrual basis.

2. Revenue Recognition:

a) Revenues from Software Solutions and consulting services are recognized on specified terms of contract in case of contract for development of software undertaken on time basis. In case of fixed price contracts revenue is recognized using the percentage of completion method of accounting, unless work completed cannot be reasonably estimated. Provisions for estimated losses on such engagements are made during the year in which a loss becomes probable and can be reasonably estimated. Amount received or billed in advances of services performed are recorded as unearned revenue. Unbilled services included in loans and advances, represents amount recognized based on services performed in advance of billing in accordance with contract terms.

b) Dividend income is recognised on right to receive basis.

c) Recovery of expenses is credited to the respective expense and such expenses are shown on net basis.

3. Fixed Assets:

Fixed assets are valued at cost less accumulated depreciation. Cost includes all expenses incurred for acquisition of assets.

4. Depreciation:

Depreciation on Fixed Assets is provided on Straight-Line Method on a pro rata basis at the rates specified in Schedule XIV of the Companies Act, 1956 except Computer Systems and Softwares, forming part of plant and machinery, are depreciated over a period of 3 years.

5. Investments:

Investments are stated at cost of acquisition. Provision is made for permanent diminution in the value of long term investment. Short term investment are stated at cost or fair market value which ever is lower.

6. Foreign Currency Transactions:

i) Value of Fixed Assets is converted at the rate prevailing on the date of remittance/acquisition.

ii) Investment in the Overseas Subsidiary companies is accounted at the rate prevailing on the date of remittance/ acquisition.

iii) Transactions done during the year are converted at the rate prevailing on the date of transaction.

iv) Current Assets and liabilities are translated at the rate prevailing on the last working day of the year.

v) Conversion of Transactions of Foreign Branch

a) Conversion of Foreign Currency Transaction of the overseas branch offices of the company on revenue accounts excluding depreciation on Fixed Assets of Overseas branch are incorporated in the Company's account at average rate during the year.

b) Fixed Assets and depreciation thereon are translated in case of specific remittance at the rate of exchange prevailing on the day of remittance and in case of no specific remittance at the rate prevailing on the day of acquisition of the assets.

c) Current Assets and liabilities are translated at the rate prevailing on the last working day of the year.

d) Balances appearing in foreign currency in branch books of Head Office account are translated at corresponding Rupee balance appearing in the Head office books.

7. Retirement Benefits:

The provision for retirement benefits such as provident fund, gratuity and superannuation is made for employees from the date of their respective appointment.

i) Company's contribution to Provident Fund, Superannuation Fund and other fund is charged to Profit and Loss account.

ii) The amount of Gratuity liability as ascertained on the basis of actual valuation by the Life Insurance Corporation of India is paid/provided and charged to Profit and Loss account.

iii) Provision is made towards liability for leave encashment.

Schedule "12" Significant Accounting Policies (Contd.)

8. Borrowing Cost :

Borrowing cost attributable to the acquisition of Fixed Assets is capitalized as part of the cost of those Fixed Assets till the date it is put to use. Other borrowing Cost is recognized as expenditure in the period in which they are accrued.

9. Earning per share :

Basic earning per share (EPS) is calculated by dividing the net profit after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earning per share is computed by adjusting the number of shares used for basic EPS with the weighted average number shares that could have been issued on the conversation of all dilutive potential equity shares.

Dilutive potential equity shares are deemed converted as of the beginning of the year unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued of outstanding shares. The number of shares and potentially dilutive shares are adjusted for share splits and bonus shares, as appropriate.

10. Operating Leases :

Lease payments under an operating lease are recognised as an expense in the profit and loss account.

11. Taxes on Income

As per AS 22 regarding Accounting for taxes on income issued by the Institute of Chartered Accountants of India, the deferred tax assets or liability are recognized after considering the temporary timing differences between the accounting income and taxable income for the period.. Deferred tax assets are recognized only to the extent there is reasonable certainty that the asset can be realized in the future.

Schedule "13" Notes Forming Part of the Accounts

1) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) Rs. 6,573,559/- (Previous year Rs. 5,254,226/-).

2) Contingent Liabilities in respect of:

a) Claims not acknowledged as debt amounts to Rs. 37,977,700/- (Previous year Rs. 37,977,700/-).

b) Counter Guarantee to the Bankers, who have given guarantees to the third parties on behalf of the Company amounted to Rs.105,272,174/- (Previous year Rs.126,014,571/-).

c) On the basis of professional advice received, the Company has not provided for disputed tax liability of Rs. 13,887,983/- (Previous year Rs. 1,023,630/-) arising from disallowance made in the assessment which is pending with appellate authorities for it's decision.

3) ESOP

Company has instituted various Employees Stock Option Plans. The Compensation Committee of the Board evaluates the performance and other criteria of employees and approves the grant of Warrants / Options. These Warrants / Options vest with employees over a specified period subject to fulfillment of certain conditions. Upon vesting, employees are eligible to apply and secure allotment of Company's shares at a price determined on the date of grant of Warrants/Options. The particulars of Warrants/Options granted under various plan is tabulated below:

	Employee Stock Option Plans		
	Warrants – 1999	Erstwhile Hexaware Technologies Limited – 1999 (Warrants) *	Warrants –2002**
Opening Balance	126,430 (220,000)	3,063,145 (2,194,930)	1,690,750 (Nil)
Additions during the year	Nil (Nil)	19,333 (937,500)	475,750 (1,707,000)
Exercised during the year	Nil (Nil)	925,086 (43,610)	202,058 (Nil)
Cancelled during the year	74,360 (93,570)	540,955 (25,675)	127,925 (16,250)
Closing Balance	52,070 (126,430)	1,616,437 (3,063,145)	1,836,517 (1,690,750)

Figures for the previous year given in bracket

* Pursuant to restructuring, each block of 3 Warrants entitles the Warrant holder to get allotted one equity shares of Rs. 10/- each at a price of Rs. 45/- per share.

** The Company has established new Employee Stock Option Plan 2002 for granting 22,09,829 Stock Options to employees at the rate of Rs. 45/- per option. Each Option represent one equity share of the Company. The issue of shares will be market price on the date of grant The Scheme is governed by the Employee Stock Option Scheme and Employees Stock Purchase Guidelines issued in 1999 by Securities and Exchange Board of India. In accordance with the guidelines, the Board of Directors of the Company at their meeting held on March 11, 2002 approved of Employee Stock Option Plan, to grant stock options to the eligible employees of the Company and its subsidiaries and members of the Company on Ninth Annual General meeting held on June 3, 2002 approved the same.

4) Income Taxes

As per AS 22 relating to Accounting for Taxes on income , the Company has deferred tax asset of Rs.7,00,101/-. However during the year the Company has not recognised the same on conservative basis.

5) Related Parties

The Company has entered into transactions with following related parties

Sr. No.	Name of the Subsidiaries	Country
1.	Hexaware Technologies Inc.	USA
2.	Specsoft Consulting Inc.	USA
3.	Hexaware Technologies UK Ltd	UK
4.	Hexaware Technologies Europe Ltd	UK
5.	Hexaware Technologies Asia Pacific Pte. Ltd	Singapore
6.	Hexaware Technologies GmbH	Germany
7.	Hexaware Technologies Canada Ltd	Canada
	Name of the Associate	
8.	Mentorix Technologies Inc.	USA
	Key Person	
9.	Mr. P.K. Sridharan – Executive Director	

Related Party Transaction

Sr. No.	Description and Nature Of Transaction	Transaction for the year –2003 (Rs.)	Closing balance as at 31-12-2003 (Rs.)	Transaction for the year –2002 (Rs.)	Closing balance as at 31-12-2002 (Rs.)
1	Sales / Receivable	900,164,887	316,561,761	515,805,095	361,964,574
2	Outsourcing /Expenses Payables	206,210,059	46,249,397	127,061,486	30,567,233
3	Expenses Recoverable	80,299,124	28,430,834	36,448,199	21,239,049
4	Investments	96,836,794	286,882,120	4,283,300	348,522,637
5	Guarantees & Collateral	Nil	99,798,075	125,744,571	125,744,571
6	Finance (Including Loans)	Nil	268,996,495	143,372,975	273,690,281
7	Interest on Loan	13,430,721	26,492,799	8,565,822	15,222,997
8	Remuneration to Executive Director	4,592,240	N.A.	3,796,846	N.A

6) **Segments** : The Company has presented data relating to it's segments based on its consolidated financial statements which are presented in the same annual report. In terms of the provisions of Accounting Standards (AS) 17 "Segment Reporting", hence no disclosure related to segments are presented in its stand alone financial statements.

7) **Earning Per Share (EPS):**

The components of basic and diluted earnings per share were as follows:

Current year

	Particulars	As of December 31, 2003
A	Net income available to equity shareholders	303,736,165
B	Weighted average outstanding equity shares considered for basic EPS	22,286,574
	Add: Effect of dilutive issue of stock options	1,806,031
	Considered for diluted EPS	24,092,605
C	Earning Per Share	
	Basic	13.63
	Diluted	12.61

Previous Year

	Particulars	As of December 31, 2002
A	Net income available to equity shareholders	74,745,902
B	Outstanding equity shares considered for basic EPS	22,112,828
	Add: Effect of dilutive issue of stock options	3,835,293
	Considered for diluted EPS	25,948,121
C	Earning Per Share	
	Basic	3.38
	Diluted	2.88

8) a) Remuneration to Whole time Directors :-

	Current Year (Rs.)	Previous Year (Rs.)
Salaries and allowances	4,258,792	3,556,495
Contribution to Provident and Other funds	250,620	159,792
Perquisites	82,828	80,559
Total	4,592,240	3,796,846

b) Computation of net profit in accordance with Section 349 of the Companies Act 1956, and calculation of commission payable to non whole time directors.

Particulars	For the year ended 31-12-2003 Rs.	Rs.
Net Profit after tax from ordinary activities		**303,736,166**
Add :		
Remuneration to whole time director	**4,592,240**	
Directors Sitting Fees	**410,000**	
Loss on Investment in Subsidiary	**559,858**	
Provision for doubtful debts	**10,332,785**	
Depreciation as per books of Accounts	**124,426,730**	
Provision for Taxation	**25,905,547**	
		166,227,160
Less: Profit on sale of Investment		**199,585,913**
Less : Depreciation as envisaged under Section 350 of the Companies Act		**124,426,730**
Net Profit on which commission is payable		**145,950,683**
Commission payable to non whole time Directors		
Maximum allowed as per Companies Act, 1956 at 1%		**1,459,507**
Commission provided for		**1,000,000**

9) Provision for Tax is made on a yearly basis under the Tax payable method, based on the tax liability as computed after taking credit for allowance and exemptions.

10) Additional information pursuant to the provisions of Paragraphs 3,4C and 4D of Part II of Schedule VI of the Companies Act, 1956.

I. The Company is engaged in providing software solutions and consultancy services. The production procurement and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details as required under paragraphs 3, 4C and 4D of part II of schedule VI of the Companies Act, 1956.

		For the year ended 31-12-2003 (Rs)	For the year ended 31-12-2002 (Rs.)
II.	CIF value of Imports :		
	Capital Goods	**35,331,132**	17,036,651
III.	Expenditure in Foreign Currency :		
	a) Foreign Travelling Expenses	**95,771,603**	33,894,312
	b) Membership & Subscription	**794,425**	187,500
	c) Consultancy Charges	**Nil**	638,232
	d) Business Promotion, Seminar & Conference Expenses	**717,561**	133,513
	e) Books & Periodicals	**13,447**	Nil
	f) Software & Capital Goods	**35,331,132**	17,036,651
	g) Legal & Professional Charges	**647,300**	677,025
	h) Reimbursement of Onsite Expenses	**186,494,926**	99,102,631
	i) Communication Expenses	**2,123,360**	2,147,878
	j) Miscellaneous	**319,072**	90,311
IV.	Earnings in Foreign Currency :		
	a) Income from Software Solutions and Consulting Services	**1561,776,039**	747,959,604
	b) Sale of Investment & Close of Subsidiary	**324,673,930**	Nil

11) During the year the Company has reduced the estimated useful life for Computers Systems and Software included in Plant & Machinery from 3-5 years to 3 years, consequently, the provision for depreciation for the year is higher by Rs.3,45,80,414/- and correspondingly the net profit, reserves & surplus and net fixed assets are lower by Rs. 3,45,80,414-

12) The Company takes on lease offices space and accomodation for its employees under operating leases cancellable at the option of lessee for a period ranging between one to five years . The lease rental expenses recognised in the profit and loss account for the year is Rs.25,961,429/- (previous year Rs. 18,690,875/-) .The future minimum lease payments and payment profile of non-cancellable operating leases are as follows

	Total Minimum Lease Payments Outstanding as on 31st December 2003 (Rs.)	Total Minimum Lease Payments Outstanding as on 31st December 2002 (Rs.)
Not later than one year	**54,190,299**	19,761,152
Later than one year but not later than five years	**116,479,800**	14,220,523
Later than five years	**Nil**	Nil
	170,670,099	33,981,675

13) During the year the Company has in terms of AS 26 and AS 28 issued by the ICAI it has provided for impairment of fixed assets amounting to Rs. 23,93,06,706/- by adjusting the same against General Reserve.

14) Figures for the previous year have been regrouped / rearranged wherever necessary. Figures in the bracket represent previous year's figures.

Signature to SCHEDULES 1 TO 13

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner.

Atul K. Nishar
(Chairman)

Dr. K.K. Anand
(Director)

L. S. Sarma
(Director)

A. P. Kurian
(Director)

P. G. Kakodkar
(Director)

Dr. (Mrs.) Alka Nishar
(Director)

Rusi Brij
(Director)

P. K. Sridharan
(Executive Director)

Rajesh B Ghonasgi
(Chief Financial Officer)

Naishadh Desai
(Company Secretary)

Place : Mumbai
Date : 27th January 2004

Cash Flow Statement for the Financial Year 2003

	Year ended 31st December, 2003		Year ended 31st December, 2002	
	Rupees	Rupees	Rupees	Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit Before Tax & Extraordinary items		**329,641,713**		74,400,112
Adjustments				
Depreciation	**124,426,730**		114,466,110	
Interest Expenses	**–**		26,044,076	
Interest & Exchange Difference Income	**(20,736,006)**		(47,512,474)	
Provision for doubtful debts	**10,332,785**		—	
Rental Income	**(21,612,725)**		—	
Income from Mutual Fund received	**(16,653,481)**		–	
Profit on sale of assets (Net)	**23,744,770**		14,746,332	
		99,502,072		107,744,045
(Increase) / Decrease in Current Assets				
Inventory	**–**		–	
Sundry Debtors	**(63,442,856)**		(150,713,541)	
Loans & Advances	**17,488,688**		(68,536,734)	
	(45,954,169)		(219,250,275)	
Increase / (Decrease) in Current Liabilities				
Liabilities	**116,440,058**		(64,624,408)	
		70,485,889		(283,874,683)
NET CASH FROM OPERATIONS		**499,629,675**		(101,730,527)
Less:				
Interest paid		–		26,462,638
Rent Received		**(1,678,875)**		—
Interest & Exchange Difference received		**(20,736,006)**		(47,293,976)
Direct tax paid		**12,500,000**		86,210
		509,544,555		(80,985,399)
B. CASH FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	**(267,724,769)**		(280,460,190)	
Sales of Fixed Assets	**9,257,043**		38,812,387	
Purchase of Investments (net)	**(329,885,525)**		(3,883,300)	
Income from Mutual Fund	**16,653,481**		–	
NET CASH USED IN INVESTING ACTIVITIES		**(571,699,770)**		(245,531,103)
C. CASH FLOW FROM FINANCING ACTIVITES				
Proceeds from issue of share capital	**24,408,146**		641,038	
Proceeds from long term borrowings	**(152,498,833)**		(168,445,498)	
		(128,090,687)		(167,804,460)
		(190,245,902)		(494,320,962)
Cash and cash equivalants as on 1st Jan,2003	**380,347,421**		874,668,383	
Cash and Cash equivalants as on 31st Dec,2003	**190,101,519**		380,347,421	
		(190,245,902)		(494,320,962)

For Mahendra Kumbhat & Associates,
Chartered Accountants
Manoj P. Shah
Partner.

Atul K. Nishar
(Chairman)
P. G. Kakodkar
(Director)
P. K. Sridharan
(Executive Director)

Dr. K.K. Anand
(Director)
Dr. (Mrs.) Alka Nishar
(Director)
Rajesh B Ghonasgi
(Chief Financial Officer)

L. S. Sarma
(Director)
Rusi Brij
(Director)
Naishadh Desai
(Company Secretary)

A. P. Kurian
(Director)

Place : Mumbai
Date : 27th January 2004

Auditor's Certificate

We have examined the above Cash Flow Statement of Hexaware Technologies Ltd derived from Audited Annual Financial Statements for the year ended 31st December,2003. This statement has been prepared by the Company in accordance with the requirements of Clause 32 of Listing Agreement with the Stock Exchange.

For **Mahendra Kumbhat & Associates,**
Chartered Accountants
Manoj P. Shah
Partner.

Place : Mumbai
Date : 27th January 2004

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details:

Registration No.	11 69662	State Code	11
Balance Sheet Date	31 12 03		

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

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	5104

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

	Total Liabilities	Total Assets
	2306157	2306157
Sources of Funds:	Paid-up Capital	Reserves & Surplus
	229176	2051031
	Secured Loans	Unsecured Loans
	25948	NIL
Application of Funds:	Net Fixed Assets	Investments
	720865	678428
	Net Current Assets	Miscellaneous Expenditure
	906862	NIL
	Accumulated Losses	
	NIL	

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

	Turnover		Total Expenditure
	1787801		1458159
+ −	Profit/Loss before Tax	+ −	Profit/Loss after Tax
	329641		303736

Please tick appropriate box + for Profit , − for Loss.

Earning Per Share in Rs.	Dividend Rate
13.63	20

V. Generic Names of three Principal Products/Services of the Company

Item Code No. (ITC Code)	852490
Product Description	SOFTWARE
	DEVELOPMENT

Atul K. Nishar
(Chairman)
P. G. Kakodkar
(Director)
P. K. Sridharan
(Executive Director)

Dr. K.K. Anand
(Director)
Dr. (Mrs.) Alka Nishar
(Director)
Rajesh B Ghonasgi
(Chief Financial Officer)

L. S. Sarma
(Director)
Rusi Brij
(Director)
Naishadh Desai
(Company Secretary)

A. P. Kurian
(Director)

Place : Mumbai
Date : 27th January 2004

Auditor's Report

To,

The Stakeholders of Hexaware Technologies Inc.

We have audited the attached Balance Sheet of Hexaware Technologies Inc. ("the company") as at 31st December 2003 and also the Profit and Loss Account for the year ended on that date annexed thereto. The company is a 100% subsidiary company of Hexaware Technologies Limited – India (Hexaware or the Holding Company). These accounts have been prepared as per Indian GAAP and audited for the purpose of attachment to the holding company's accounts to comply with provision of The Companies Act 1956 in India (the "Act"). 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.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on the 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.

As required by the Companies (Auditor's Report) Order, 2003 issued under the provisions of the Act, we enclose in the Annexure a statement on the matters specified in paragraph 4 of the said Order to the extent applicable.

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

a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.

c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.

d) In our opinion, the Balance Sheet and Profit and Loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act.

e) On the basis of written representations received from the directors, we report that none of the directors is disqualified as on 31st December 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the other notes thereon give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

   i) In the case of the Balance Sheet of the state of affairs of the Company as at 31st December 2003, and

   ii) In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **MAHENDRA KUMBHAT & ASSOCIATES**
Chartered Accountants

MANOJ P. SHAH
Partner

Place: Mumbai
Date : 24, January 2004

Annexure to the Auditors' Report

(Referred to in our Report of even date)

1. (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.

   (b) These fixed assets have been physically verified by the management at reasonable intervals. No discrepancies were noticed on such verification.

2. The company has granted or taken loans, secured or unsecured to/from companies, firms or other parties covered in the register required to be maintained under Section 301 of the Act. In our opinion the terms and conditions includes rate of interest, wherever applicable, is not prejudicial to the interest of the company.

3. There is adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchase of fixed assets and sale of services.

4. There are transactions entered with parties covered in register required to be maintained under Section 301 of the Act. Based on explanations given to us and in our opinion the transactions have been entered at prices which are reasonable having regard to the prevailing market price.

5. The company has an internal audit system commensurate with its size and nature of its business.

For **MAHENDRA KUMBHAT & ASSOCIATES**
Chartered Accountants

MANOJ P. SHAH
Partner

Place: Mumbai
Date : 24, January 2004

Balance Sheet as at 31st December, 2003

Particulars	Schedule	As at 31st December, 2003 Rupees	As at 31st December, 2003 Rupees	As at 31st December, 2002 Rupees	As at 31st December, 2002 Rupees
SOURCES OF FUNDS					
Share Holders' Funds :					
Share Capital	"1"	295,275,970		295,275,970	
Currency Translation Reserve		27,612,087		35,752,247	
			322,888,057		331,028,217
Loan Funds :					
Unsecured Loans	"2"		219,307,044		206,031,150
			542,195,101		537,059,367
Application Of Funds					
Fixed Assets :	"3"				
Gross Block		82,717,991		98,489,330	
Less: Depreciation		75,123,687		70,595,940	
			7,594,304		27,893,390
A) Current Assets, Loans And Advances	"4"				
Sundry Debtors		577,628,249		339,335,319	
Cash And Bank Balances		48,194,896		73,574,250	
Loans And Advances		172,539,397		257,775,813	
		798,362,542		670,685,382	
Less:					
B) Current Liabilities And Provisions	"5"				
Current Liabilities		302,158,107		273,187,937	
Provisions		115,372,422		63,569,235	
		417,530,529		336,757,172	
Net Current Assets (A-B)			380,832,013		333,928,210
Miscellaneous Expenditure (To The Extent Not Written Off Or Adjusted)			—		106,636
Profit And Loss Account			153,768,784		175,131,131
			542,195,101		537,059,367
Significant Accounting Policies & Notes Forming Part Of Accounts	"10"				

Schedules 1 To 10 Form An Integral Part Of The Accounts.

This Is The Balance Sheet Referred To In Our Report Of Even Date.

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner

Atul K. Nishar
(Director)

Rusi Brij
(Director)

Place : Mumbai
Date : 24 January 2004

Profit and Loss Account for the year ended 31st December, 2003

Particulars	Schedule	For the year ended 31st December, 2003 Rupees	Rupees	For the year ended 31st December, 2002 Rupees	Rupees
Income					
Income From Operations		**1,721,682,274**		1,391,223,983	
Other Income	"6"	**10,084,186**		5,962,228	
			1,731,766,460		1,397,186,211
Expenditure					
Software & Development Expenses	"7"	**660,392,963**		519,791,486	
Employment Expenses	"8"	**753,280,950**		671,987,026	
Administration And Other Expenses	"9"	**250,057,514**		182,918,883	
Interest		**12,818,741**		—	
Depreciation		**19,184,808**		22,167,988	
			1,695,734,976		1,396,865,383
Profit For The Period			**36,031,484**		320,828
Less : Provision For Taxes					
Current Year		**6,781,779**		5,001,420	
Deferred Tax		**7,887,358**		(2,476,473)	
			14,669,137		2,524,947
Profit After Tax			**21,362,347**		(2,204,119)
Add : Balance Brought Forward From Previous Year			**(175,131,131)**		(63,759,344)
Add: Transferred On Merger Of Aptech Worldwide Inc.			**—**		(109,167,668)
Balance Carried To Balance Sheet			**(153,768,784)**		(175,131,131)
Significant Accounting Policies & Notes Forming Part Of Accounts	"10"				

Schedules 1 To 10 Form An Integral Part Of The Accounts.
This Is The Profit and Loss Account Referred To In Our Report Of Even Date.

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner

Atul K. Nishar
(Director)

Rusi Brij
(Director)

Place : Mumbai
Date : 24 January 2004

Schedules to Balance Sheet

Particulars	As at 31st December, 2003 Rupees	Rupees	As at 31st December, 2002 Rupees	Rupees
Schedule "1" - Share Capital				
Issued, Subscribed And Paid-up Stocks				
22450 Common Stock Of No Par Value (The Whole Of The Common Stock Is Held By The Holding Company Hexaware Technologies Limited - India)		295,275,970		295,275,970
		295,275,970		295,275,970
Schedule "2" - Unsecured Loans				
From Holding Company		219,307,044		206,031,150
		219,307,044		206,031,150

Schedule "3" - Fixed Assets

	GROSS BLOCK			
Particular	As on* January 1, 2003	Additions during the year	Deletion during the year	As on December 31, 2003
Computers	76,306,076	2,992,141	2,792,263	76,505,954
Office Equipement	4,351,345	25,084	922,558	3,453,871
Furnitures	12,965,957	1,506,035	11,713,826	2,758,166
Total	93,623,378	4,523,260	15,428,647	82,717,991

	DEPRECIATION			NET BLOCK
Particular	As on** January 1, 2003	Addition/ Deletion during the Year	Accumulated Dep. as on December 31, 2003	As on December 31, 2003
Computers	56,657,447	14,688,240	71,345,687	5,160,267
Office Equipement	3,048,343	(179,586)	2,868,757	585,114
Furnitures	7,402,295	(6,493,052)	909,243	1,848,923
Total	67,108,085	8,015,602	75,123,687	7,594,304

* Opening Gross Block is less by Rs. 4,865,952 on account of conversion at year end closing rates.

** Opening Balance of Accumalated Deperation is less by Rs. 3,487,855 on account of conversion at year end closing rates.

Schedules to Balance Sheet

Particulars	As at 31st December, 2003 Rupees	Rupees	As at 31st December, 2002 Rupees	Rupees
Schedule "4" - Current Assets, Loans and Advances				
Sundry Debtors (Unsecured - Considered Good)				
Due Over Six Months	**71,284,256**		81,542,493	
Others	**506,343,993**		257,792,826	
(Net Of Provision Rs.60,009,600 (Previous Year Rs.43,173,000)		**577,628,249**		339,335,319
Cash and Bank Balances				
Balance With Bank				
- Fleet Bank	**41,908,787**		71,899,563	
- Bank Of Montreal	**3,873,954**		812,004	
- Bank Nova Scotia	**1,546,439**		862,683	
- State Bank Of India	**865,716**		—	
		48,194,896		73,574,250
Loans and Advances (Unsecured - Considered Good)				
Loans To Affiliate	**27,360,000**		73,972,833	
Advances Recoverable In Cash Or In Kind Or For Value To Be Received.	**30,463,205**		61,959,180	
Deposits	**2,546,822**		-	
Taxes (Including Deferred Tax)	**112,169,370**		121,843,800	
		172,539,397		257,775,813
		798,362,542		670,685,382
Schedule "5" - Current Liabilities And Provisions				
Current Liabilities				
Sundry Creditors	**244,111,796**		239,925,776	
Other Liabilities	**58,046,311**		33,262,161	
		302,158,107		273,187,937
Provisions				
Provision for Expenses		**115,372,422**		63,569,235
		417,530,529		336,757,172

Schedules to Profit and Loss Account

Particulars	For the year ended 31st December, 2003 Rupees	Rupees	For the year ended 31st December, 2002 Rupees	Rupees
SCHEDULE "6" - OTHER INCOME				
Interest				
- From Affiliate		**2,089,922**		208,314
- Other Income		**809,608**		1,229,062
Exchange Differences		**1,132,787**		(456,510)
Others		**6,051,869**		4,981,362
		10,084,186		5,962,228
Schedule "7" - Software & Development Expenses				
Consultant Expenses		**492,464,907**		375,295,175
Software Development Expenses		**167,928,056**		144,496,311
		660,392,963		519,791,486
Schedule "8" - Employment Expenses				
Salary And Other Allowances		**668,836,142**		578,894,488
Contribution To Provident Fund And Other Funds		**80,319,529**		86,829,274
Welfare Expenses		**4,125,279**		6,263,264
		753,280,950		671,987,026
Schedule "9" - Administration And Other Expenses				
Rent		**31,644,754**		27,939,183
Travelling And Conveyance Expenses		**88,384,285**		69,898,336
Communication Expenses		**20,363,375**		15,969,523
Repairs And Maintenance - Others		**2,251,137**		1,344,569
Printing And Stationery		**1,791,208**		2,803,790
Auditors Remuneration				
Audit Fees		**452,715**		485,567
Legal And Professional Fees		**41,777,682**		11,308,228
Advertisement And Publicity		**9,202,614**		7,084,017
Bank And Other Charges		**2,704,199**		13,460,806
Insurance Premium		**11,671,936**		10,780,257
Loss On Sale/Surrender Of Assets (Net)		**4,409,652**		—
Provision For Debts		**25,313,627**		17,559,161
Staff Recruitment Expenses		**3,175,437**		—
Membership And Subscription		**2,896,839**		1,407,423
Miscellaneous Expenses		**4,018,054**		2,878,023
		250,057,514		182,918,883

Schedule "10" – Significant Accounting Policies & Notes Forming Part of Accounts

1 — Description of Business and Organisation

Hexaware Technologies, Inc. (HTI or the Company) is a 100% subsidiary company of Hexaware Technologies Limited – India. These accounts have been prepared and audited for the purpose of attachment to the accounts of the Holding Company to comply with the provision of the Companies Act, 1956 in India.

Accounts are maintained on Accrual basis. The transactions are in local currency, which has been converted for reporting in Indian Currency.

2 – Summary of Significant Accounting Policies

Conversion into Indian Rupees – For the purpose of these accounts all the income and expense items are converted at the average rate of exchange applicable for the year. All assets and liabilities are translated at the closing rate as on the balance sheet date. The common stock is carried forward at the rate of exchange prevailing on the transaction date. The resulting exchange difference on account of transaction is transferred to Currency Translation Reserve.

Revenue Recognition – The Company recognizes revenues as labor is invested in the performance of its service agreements. For fixed fee engagements or projects, revenues and profits are recorded under the percentage-of-completion method based on labor inputs. Accordingly, the Company records unbilled receivables and defers revenues as indicated by the status of each fixed fee project. Estimated losses are recorded when identified.

Marketable Securities – The marketable securities portfolio consists of trading securities, which are carried at market value at the balance sheet date. Realized and unrealized holding gains and losses of trading securities are determined on the specific identification method and are included in income.

Accounts Receivable – An allowance for doubtful accounts receivable is provided based on the Company's historical collection experience and factors specific to each client's account balance. As of December 31, 2003 and 2002 accounts receivable is recorded net of allowance for doubtful accounts receivable of Rs.60,009,600 and Rs.43,173,000 respectively.

Property and Equipment – Investment in property and equipment is stated at cost. Allowances for depreciation and amortization are provided over the estimated useful lives of the various asset classes, using the straight-line method.

Income Taxes – The Company records deferred tax assets and liabilities for differences between the financial statement and tax bases of assets and liabilities ("temporary differences"). These are measured using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amounts expected to be realized.

Foreign Currency Translation – In operations in countries outside the U.S., the local currencies are generally considered to be the functional currencies. Accordingly, where the U.S. dollar is used as the functional currency, foreign currency gains and losses are recorded in current earnings. Results of operations for the year ended December 31, 2003 and 2002 include a gain of Rs.1,132,787 and loss of Rs.456,510 respectively resulting from Canadian currency fluctuations.

Reclassification - Certain prior year amounts have been reclassified to conform to current presentation.

3 – Related Party Transactions

During the year ended December 31, 2003 and 2002, the Company purchased software programming and development services and personnel recruiting services from the parent and Affiliate Company. For the years ended December 31, 2003 and 2002, the total accrued or paid for such services to the Parent and included in direct services are Rs.399,541,850 and Rs.279,576,770 respectively. For the years ended December 31, 2003 and 2002, the total accrued or paid for such services to the affiliate companies and included in direct services are Rs.83,098,306 and 78,745,058 respectively. As of December 31, 2003 and 2002, net indebtedness to the parent company was in the amount of Rs.193,165,157 and Rs.160,764,164 respectively and is reflected as a payable. During the years ended December 31, 2003 and 2002 company has provided services relating to software development to an affiliated company totaling Rs.3,715,626 and Rs.10,023,221 respectively. As of December 31, 2003 and 2002 the total receivable from the affiliate is Rs.10,967,905 and Rs.4,853,461 respectively.

During the year 2003 the Company has given unsecured loan of Rs. 27,360,000 to an affiliate company. The note, bears interest at 5% over three months LIBOR, matures on November 24, 2005. Interest earned recorded for the year ended December 31, 2003 and 2002 was Rs. 2,089,222 and Rs. 208,314 respectively.

During the year 2003, the Company received an unsecured loan of Rs.102,372,000 from the Parent. The note, bears interest at 5% over three months LIBOR. Interest expense recorded for the year ended December 31, 2003 and 2002 was Rs.12,371,359 and Rs.13,139,724.

4 – Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements. The provision for income taxes consists of the following:

	2003 Rupees	2002 Rupees
Current Taxes:		
Federal	**1,230,975**	—
State and Local	**4,684,563**	485,650
Foreign	**866,241**	4,515,770
Total	**6,781,779**	5,001,420
Deferred Taxes:		
Federal	**6,063,691**	(1,942,267)
State and Local	**1,823,667**	(534,206)
Total	**7,887,358**	(2,476,473)
Provision for Taxes	**14,669,137**	2,524,947

The provision for income taxes differs from the amount, which would be computed if statutory federal income tax rates were applied to pre-tax income. This is principally due to the availability of foreign tax credits, the taxes imposed by state and local regulations, net of federal income tax benefit, and the non deductibility of certain expenses.

Significant components of the Company's deferred tax assets (liabilities) consist of the following:

	2003 Rupees	2,002 Rupees
Provision For Doubtful Accounts	**23,985,600**	17,269,200
Accumulated Depreciation	**5,882,400**	1,103,310
Accrued Vacation	**13,680,000**	8,298,810
Accrued Taxes	**1,550,400**	1,055,340
Alternative Minimum Tax Credit ("AMT")	**1,778,400**	1,870,830
Accrued Interest	**9,393,600**	5,516,550
Contribution Carry over	**136,800**	—
Net Operating Losses carry forward	**56,224,800**	91,670,670
Net Deferred Tax Asset	**112,632,000**	126,784,710

As of December 31, 2003 and 2002 the Company recorded deferred tax assets. The utilization of foreign tax credits is calculated by a formula and limited by statute. For federal income tax reporting, an AMT credit of approximately Rs.1,778,400 is available to reduce future regular federal income taxes.

Working of the Provision for taxes and deferred tax asset is based on the professional advise received by the company.

5 – Retirement Plan

The Company maintains a defined contribution savings plan covering eligible employees, which is governed by the regulations under IRC 401(k). The Company makes contributions up to a specific percentage of participants' contributions. For the years ended December 31, 2003 and 2002, the Company's contributions to the plan approximated Rs.342,138 and Rs.360,435 respectively.

6 – Commitments And Contingent Liabilities

The Company subleases space for it's main office at 1095 Cranbury South River Road, Jamesburg, New Jersey. The lease on this space expires August 31, 2007, and contains an option for the Company to vacate the premises and terminate the sub lease on February 28, 2006. The Company also leases space for its sales offices in Chicago, Pittsburgh and San Jose, under leases with expiration dates ranging from December 2004 through December 2005. Certain leases are subject to annual escalations and operating expense increases, which are assessed on a pro-rata basis.

The approximate minimum rental commitments under these leases are as follows:

Year Ending	Amount in Rupees
2004	9,742,766
2005	7,887,617
2006	4,881,595
2007	3,254,397
Total	25,766,375

The Company also leases furnished space for short-term occupancy ranging from one month to one year. The aggregate monthly rental payments for the month of December 2003 for these sixteen locations total approximately Rs.1,340,574.

The Company leases computer equipment and vehicle under 36 to 39 month operating leases expiring on or before July 2006. Monthly minimum required rental payments are Rs.162,027.

The Company is obligated under two capital leases for computer equipment, which leases expire between January 2004 and May 2004. The Company is also obligated for lease of furniture and fixtures expiring in August 2007. Assets under capital leases are capitalized using interest rates determined at the inception of the lease.

The aggregate Maturities under these capital leases are as follows:

Year Ending	Amount in Rupees
2004	444,600
2005	349,433
2006	367,034
2007	217,056
Total	1,378,123

Certain matters relating to wage payment are under review by one of the Government Agencies. The company has provided estimated liability in the accounts, which in the opinion of the management is fair and reasonable.

The Company is contingently liable on a standby letter of credit in the amount of Rs. 720,115 expiring on July 31, 2007 for leasing office space, fully secured by cash collateral of Rs.729,600.

NARESH ARORA CPA. INC.
Certified Public Accountant
2350, Mission College Blvd., Suit 320,
Santa Cara, CA 95054

Report of Independent Public Accountant

To,
The Shareholders of
Specsoft Consulting, Inc.
2290 N. First Street, # 310
San Jose, CA 95131

We have audited the accompanying balance sheet of Specsoft Consulting, Inc. as of December 31, 2003 and 2002 and the related statements of income and retained earnings, and cash flows for the years then ended. 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 audits.

We conducted our audit in accordance with generally accepted auditing standards. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Specsoft Consulting, Inc. as of December 31, 2003 and 2002, and the results of their operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

Santa Clara, California

January 13, 2004

Certificate from the Auditor of Hexaware Technologies Limited

We have reviewed the reformatted audited annual statements consisting of the Balance Sheet, the Profit and Loss Account, the Schedules and the Notes forming part of the Accounts (hereinafter referred as the Audited Annual Accounts) of Specsoft Consulting Inc. for the year ended on December 31, 2003 duly audited by their auditors. The amounts mentioned in the Audited Annual Accounts are converted in to Indian rupees (Rs.) from US dollar.

The method of conversion adopted is as under

i. All monetary items denominated at the year-end are converted at the year-end rate.

ii. Revenue items excluding depreciation are converted at the average rate for the year on quarterly average basis.

iii. Fixed assets and depreciation are converted at year-end rate.

We further state that we have not carried out any audit and we have relied on the amounts as appearing in the Audited Annual Accounts produced before us for the purpose of said conversion.

The Audited Annual Accounts have been reformatted in accordance with the requirements of the Companies act 1956 and do not contain any material changes or adjustments to the Audited Annual Accounts.

This certificate is issued for the purpose of publishing the Rupee figure alongwith the US Dollar figure in the Audited Annual Accounts of the Specsoft Consulting Inc.

For **Mahendra Kumbhat & Associates**
Chartered Accountants

Manoj P. Shah
Partner.

Place : Mumbai
Date : 27th January, 2004

Balance Sheet as at 31 December 2003

Particulars	Schedule	As at 31st December 2003 Rupees	Rupees	US $	US $	As at 31st December 2002 Rupees	Rupees	US $	US $
SOURCES OF FUNDS									
1. **Share Holders' Funds:**									
Share Capital	"1"	3,330,925		72,020		3,330,925		72,020	
Currency Translation Reserve		2,614,435		—		946,205		—	
			5,945,360		72,020		4,277,131		72,020
2. **Loan Funds:**									
Secured Loans	"2"		—		—		8,154,900		170,000
Unsecured Loans	"3"		43,320,000		950,000		46,533,468		950,000
			49,265,360		1,022,020		58,965,498		1,192,020
APPLICATION OF FUNDS									
1. **Fixed Assets:**	"4"								
Gross Block		22,380,746		490,806		9,900,495		206,389	
Less: Depreciation		7,456,238		163,514		3,077,276		64,150	
			14,924,508		327,292		6,823,220		142,239
2. **Investment**	"5"		300,960		6,600				
3. **Current Assets, Loans and Advances:**	"6"								
Sundry Debtors		33,363,267		731,651		42,001,386		875,576	
Cash and Bank Balances		—		—		7,716,920		160,870	
Loans and Advances:		7,386,835		161,992		10,174,848		212,109	
		40,750,102		893,643		59,893,154		1,248,554	
Less:									
Current Liabilities and Provisions:	"7"								
Current Liabilities		48,134,083		1,055,572		32,214,005		671,545	
Provisions		273,828		6,005		207,901		4,334	
		48,407,911		1,061,577		32,421,905		675,879	
Net Current Assets (A-B)			(7,657,809)		(167,934)		27,471,249		572,676
Deferred Tax Asset			16,485,677		361,528		14,295,060		298,000
Miscellaneous Expenditure (To the Extent not Written off)			1,504,800		33,000		—		—
Profit And Loss Account			23,707,224		461,535		10,375,969		179,105
			49,265,360		1,022,020		58,965,498		1,192,020
Significant Accounting Policies & Notes Forming Part of Accounts	"13"								

Schedules 1 to 13 form an integral part of the Accounts.

This is the Balance Sheet referred to in our report of even date.

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner.

Somnath Ghosh
(Director)

Place : Mumbai
Date : 27th January, 2004

Profit and Loss Account for the period ended 31st December, 2003

Particulars	Schedule	For the year ended 31st December 2003 Rupees	Rupees	US $	US $	For the year ended 31st December 2002 Rupees	Rupees	US $	US $
INCOME									
Income from Operations	"8"	182,574,092		3,929,696		232,671,255		4,803,847	
Other Income	"9"	3,647		80		205,889		4,245	
			182,577,739		3,929,776		232,877,143		4,808,092
EXPENDITURE									
Software, Development Expenses	"10"	48,184,830		1,037,783		74,793,021		1,544,107	
Employment Expenses	"11"	120,772,530		2,591,972		141,971,134		2,931,587	
Administration and other Expenses	"12"	22,107,446		478,128		41,432,618		857,558	
Interest		3,116,486		66,814		10,166,684		208,807	
Depreciation		4,546,947		99,364		1,054,008		21,880	
			198,728,239		4,274,061		269,417,465		5,563,939
PROFIT FOR THE PERIOD			(16,150,499)		(344,285)		(36,540,321)		(755,847)
Less: Provision for Tax									
- Current Year			77,103		1,672		—		—
- Deferred Tax			(2,896,347)		(63,528)		(17,896,875)		(371,510)
PROFIT AFTER TAX			(13,331,255)		(282,429)		(18,643,446)		(384,337)
Add : Balance Brought forward from Previous Year			(10,375,969)		(179,105)		8,267,477		205,232
BALANCE CARRIED TO BALANCE SHEET			(23,707,224)		(461,535)		(10,375,969)		(179,105)
Significant Accounting Policies & Notes Forming Part of Accounts	"13"								

Schedules 1 to 13 form an integral part of the Accounts.

This is the Balance Sheet referred to in our report of even date.

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner.

Somnath Ghosh
(Director)

Place : Mumbai
Date : 27th January, 2004

Schedules to Balance Sheet

Particulars	As at 31st December 2003 Rupees	Rupees	US $	US $	As at 31st December 2002 Rupees	Rupees	US $	US $
SCHEDULE "1" - STOCK HOLDERS' EQUITY								
Issued, Subscribed and Paid-up Capital								
1,50,000 Common Stock of no par value		3,330,925		72,020		3,330,925		72,020
(The Whole of the Common Stock is held by the Parent Company Hexaware Technologies Limited - India)								
		3,330,925		72,020		3,330,925		72,020
SCHEDULE "2" - SECURED LOANS								
From Bank								
Secured by substantially all the assets		-		-		8,154,900		170,000
		-		-		8,154,900		170,000
SCHEDULE "3" - UNSECURED LOANS								
From Parent Company		43,320,000		950,000		46,533,468		950,000
		43,320,000		950,000		46,533,468		950,000
SCHEDULE "4" - FIXED ASSETS								
Computer	21,454,025		470,483		8,925,609		186,066	
Furniture and Fixtures	926,722		20,323		974,887		20,323	
		22,380,746		490,806		9,900,495		206,389
Less: Accumulated Depreciation		7,456,238		163,514		3,077,276		64,150
Net Block		14,924,508		327,292		6,823,220		142,239
SCHEDULE "5" - INVESTMENT								
Investment Others								
- CNMP	300,960		6,600					
		300,960		6,600				

Schedule to Balance Sheet

Particulars	As at 31st December 2003 Rupees	Rupees	US $	US $	As at 31st December 2002 Rupees	Rupees	US $	US $
SCHEDULE "6" - CURRENT ASSETS								
Sundry Debtors (Unsecured - Considered Good)								
Less than SixMonths	33,363,267		731,651		42,001,386		875,576	
		33,363,267		731,651		42,001,386		875,576
Cash and Bank Balances		—		—		7,716,920		160,870
Loans and Advances (Unsecured - Considered Good)								
Advances Recoverable in cash or in kind or for value to be received	1,443,286		31,651		3,960,787		82,568	
Deposits	5,907,070		129,541		6,214,060		129,541	
Income Tax	36,480		800					
		7,386,835		161,992		10,174,848		212,109
		40,750,102		893,643		59,893,154		1,248,554
SCHEDULE "7" - CURRENT LIABILITIES AND PROVISIONS								
Current Liabilities								
Sundry Creditors	34,420,476		754,835		23,652,389		493,066	
Interest Accrued but not due	3,599,254		78,931		742,207		15,472	
Book overdraft	419,018		9,189		—		—	
Other Liabilities	9,695,335		212,617		7,819,408		163,006	
		48,134,083		1,055,572		32,214,005		671,545
Provisions								
Provision for Expenses	273,828		6,005		207,901		4,334	
		273,828		6,005		207,901		4,334
		48,407,911		1,061,577		32,421,905		675,879

Schedules to Profit and Loss Accounts

Particulars	For the year ended 31st December 2003 Rupees	Rupees	US $	US $	For the year ended 31st December 2002 Rupees	Rupees	US $	US $
SCHEDULE "8" - INCOME FROM OPERATIONS								
Software and Consulting		182,574,092		3,929,696		232,671,255		4,803,847
		182,574,092		3,929,696		232,671,255		4,803,847
SCHEDULE "9" - OTHER INCOME								
Other Income		3,647		80		205,889		4,245
		3,647		80		205,889		4,245
SCHEDULE "10" - SOFTWARE DEVELOPMENT EXPENSES								
Consultant Expenses		3,760,996		79,819		4,950,974		102,496
Software Development Expenses		44,423,833		957,964		69,842,047		1,441,611
		48,184,830		1,037,783		74,793,021		1,544,107

Schedules to Profit and Loss Accounts

Particulars	As at 31st December 2003				As at 31st December 2002			
	Rupees	Rupees	US $	US $	Rupees	Rupees	US $	US $
SCHEDULE "11" - EMPLOYMENT EXPENSES								
Salary and Other Allowances		**108,758,152**		**2,338,898**		127,934,413		2,641,772
Contribution to Provident Fund and Other Funds		**8,266,810**		**177,297**		10,549,829		217,863
Welfare Expenses		**3,747,569**		**75,777**		3,486,891		71,953
		120,772,530		**2,591,972**		141,971,134		2,931,587
SCHEDULE "12" - ADMINISTRATION AND OTHER EXPENSES								
Rent		**2,898,420**		**62,508**		6,734,319		139,035
Rates & Taxes		**52,112**		**1,120**		56,671		1,176
Travelling and Conveyance Expenses		**2,192,630**		**47,799**		4,963,651		102,495
Communication Expenses		**1,376,045**		**29,543**		1,741,699		35,991
Repairs and Maintenance - Others		—		—		320,010		6,613
Printing and Stationery		**523,194**		**11,333**		244,689		5,053
Auditors Remuneration								
Audit Fees		**484,561**		**10,396**		1,138,625		23,636
Legal and Professional Fees		**1,916,436**		**41,467**		1,810,318		37,409
Advertisement and Publicity						120,223		2,480
Seminar and Conference Expenses		**7,040,214**		**151,287**		8,128,566		168,077
Bank and other Charges		**45,494**		**987**		265,086		5,486
Insurance Premium		**1,097,454**		**23,793**		1,460,033		30,190
Loss on Sale of Assets (Net)						685,169		14,223
Research and Development Expenses		**3,542,036**		**77,395**		7,655,032		158,906
Debts Written Off		**647,419**		**14,134**		5,915,815		122,802
Membership and Subscription		**51,427**		**1,128**		58,097		1,200
Miscellaneous Expenses		**240,004**		**5,238**		134,557		2,787
		22,107,446		**478,128**		41,432,618		857,558

Significant Accounting Policies & Notes Forming Part of Accounts

SCHEDULE "12"

NOTE A: BUSINESS ORGANIZATION

Specsoft Consulting, Inc. (the Company.) is in the business of employing highly skilled computer engineering consultants and providing its clients with a wide range of professional services in such areas as client/server design and development, enterprise resource planning, applications maintenance and systems and database administration. The Company was formed on March 18, 1996 in California.

The Company, in the year 2000, became a wholly owned subsidiary of a company organized and existing under the laws of India.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Cash and cash equivalents</u>

For purposes of the statement of cash flows, the Company considers all instruments with an original maturity of three months or less to be cash equivalents.

<u>Concentration of credit risk</u>

The Company's cash and cash equivalents are subject to potential concentrations of credit risk, as the Company has cash deposits in excess of federally insured limits.

<u>Allowance for bad debts</u>

Bad debts and allowances are provided based upon industrial norms and management's evaluation of outstanding accounts receivable.

<u>Property and equipment</u>

Property and equipment are stated at cost. Costs of maintenance and repairs are charged to expense as incurred. Depreciation is computed using straight-line method over the estimated useful lives of the depreciable assets as follows:

Computer equipment	3 Years
Office equipment	21 Years
Furniture & fixtures	15 Years
Software	3 Years

When retired or otherwise disposed, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference less any amount realized from disposition, is reflected in earnings.

<u>Revenue recognition</u>

The Company recognizes revenue on time-and-materials contracts as the services are performed for the clients. Revenues on fixed-price contracts are recognized using the percentage of completion method. Percentage of completion is determined by relating the actual cost of work performed to date to the estimated total cost of each contract. If the estimate indicates a loss on a particular contract, a provision is made for the entire estimated loss without reference to the percentage of completion.

<u>Stock based compensation</u>

Statement of Financial Accounting Standards No. 123 ("SFAS 123") requires that companies either recognize compensation expense for grants of stock, stock options and other equity investments based on fair value, or provide disclosure of net income (loss) and earnings (loss) per share in the notes to the financial statements. The Company applies APB Opinion No. 25 and related interpretations in accounting for its plan. Accordingly, no compensation cost has been recognized under SFAS 123 for the Company's stock option plans, and footnote disclosure is provided.

<u>Income Taxes</u>

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial and tax reporting. The deferred taxes represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles (GAAP) in United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent

assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C: ACCOUNTS RECEIVABLE

Accounts receivable aged by due dates consist of the following:

	Dec. 31, 2003		Dec. 31, 2002	
	Rupees	US$	Rupees	US$
Current	11,398,678	249,971	16,204,650	337,808
Past due 1-30 days	1,335,715	29,292	10,060,748	209,730
Past due 31. 60 days	2,614,294	57,331	2,944,782	61,388
Past due 61. 90 days	570,547	12,512	1,580,084	32,939
Past due 91 days and over	2,449,130	53,709	10,491,567	218,711
Total	18,368,364	402,815	41,281,831	860,576
Less: allowance for doubtful debts	—	—	—	—
Net accounts receivable	18,368,364	402,815	41,281,831	860,576

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Dec. 31, 2003		Dec. 31, 2002	
	Rupees	US$	Rupees	US$
Computer and office equipment	10,985,040	240,900	8,925,609	186,066
Furniture and fixtures	926,767	20,324	974,887	20,323
Software	10,468,939	229,582	-	-
Total	22,380,746	490,806	9,900,496	206,389
Less: accumulated depreciation	7,456,238	163,514	3,077,276	64,150
Net property and equipment	14,924,508	327,292	6,823,220	142,239

Of the total computer and office equipment Rs.8,166,686 ($179,094) represents the value of equipment placed in service in the Design Service Center at the parent company's office in India. (See Note G).

NOTE E: OTHER ASSETS

Other assets consist of the following:

	Dec. 31, 2003		Dec. 31, 2002	
	Rupees	US$	Rupees	US$
Certificate of deposit with bank	4,924,800	108,000	5,180,760	108,000
Security deposits	982,270	21,541	974,887	20,324
Total	5,907,070	129,541	6,214,060	129,541

The certificate of deposit is assigned to State Bank of India as collateral for a standby letter of credit for $108,000 for the leased office premises.

NOTE F: RELATED PARTY TRANSACTIONS

During the year the Company paid Rs.10,468,939 ($229,582) towards advances for development of software and Rs.8,166,686 ($179,094) for purchase of computer equipment to its parent company. As of December 31, 2003 all costs associated with development of software and purchases of computer equipment have been capitalized. (See Note E).

The Company has two interest bearing promissory notes payable, to its parent company and its affiliate. Interest is payable at 5% over 3 month LIBOR. At December 31, 2003 the related party notes payable outstanding balance was Rs.43,320,000 ($950,000) and the interest payable outstanding balance, included in accounts payable to related party, was Rs.3,599,254 ($78,931).

The Company rendered Rs.75,742,631 ($1,661,325) worth of software consulting services through its related parties. At December 31, 2003 total accounts receivable included Rs. 9,885,122 ($216,779) outstanding and due for consulting services and Rs.4, 316,359 ($94,657) for sales commissions from those related parties.

NOTE G: COMMITMENTS AND CONTINGENCIES

The Company is contingently liable under non-cancelable operating leases for its office expiring on October 31, 2005. The rent expense for office, inclusive of operating expenses payable under lease terms, for the year ended December 31, 2003 was Rs.3,671,119 ($80,507), of which a total of Rs.820,651 ($18,000) was recovered from Hexaware Technologies, Inc., an associate company, for sharing office space.

Future minimum rental payments, inclusive of monthly estimated operating expenses, under these leases are as follows:

Twelve months ending:	Rs.	US$
December 31, 2004	3,006,636	65,935
October 31, 2005	2,585,794	56,706
Total	5,592,430	122,641

NOTE H: PROFIT SHARING PLAN

The Company adopted 401(K) profit sharing plan covering all eligible employees. The employees become eligible to participate after completing one year of service and thousand hours of service. The employees become fully vested after three years of service. The Company has made no contribution to this plan for the year ended December 31, 2003.

NOTE I: DEFERRED INCOME TAX BENEFITS

Income tax benefit (expense) has been computed at the statutory federal income tax rates applicable during each year. Income tax benefit results from company's ability to carry forward its operating loss to offset future taxable income.

At December 31, 2003 and 2002, the Company has deferred tax assets of Rs.16,485,677 ($361,528) and Rs.14,295,060 ($298,000), primarily attributable to net operating loss carryovers.

At December 31, 2003, the Company has a net operating loss carry forward of approximately Rs.34, 622,291 ($759,399) for federal tax purposes, which expire through 2023.

NOTE J: PREVIOUS YEAR FIGURES

Previous year figures are based on our audit of the financial statements for the stated period.

Figures for the previous year have been regrouped/rearranged wherever necessary.

Accompanied notes are an integral part of these financial statements.

Auditor's Report

To,

The Stakeholders of Hexaware Technologies Canada Limited.

We have audited the attached Balance Sheet of Hexaware Technologies Canada Limited. ("the company") as at 31st December 2003 and also the Profit and Loss Account for the year ended on that date annexed thereto. The company is a 100% subsidiary company of Hexaware Technologies Limited – India (Hexaware or the Holding Company). These accounts have been prepared as per Indian GAAP and audited for the purpose of attachment to the holding company's accounts to comply with provision of The Companies Act 1956 in India (the "Act"). 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.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on the 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.

As required by the Companies (Auditor's Report) Order, 2003 issued under the provisions of the Act, we enclose in the Annexure a statement on the matters specified in paragraph 4 of the said Order to the extent applicable.

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

a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of those books.

c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.

d) In our opinion, the Balance Sheet and Profit and Loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act.

e) On the basis of written representations received from the directors, we report that none of the directors is disqualified as on 31st December 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the other notes thereon give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

i) In the case of the Balance Sheet of the state of affairs of the Company as at 31st December 2003, and

ii) In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **Mahendra Kumbhat & Associates**,
Chartered Accountants

Manoj P. Shah
Partner.

Place : Mumbai
Date : 24, January 2004.

Annexure to the Auditors' Report

(Referred to in our Report of even date)

1. The company has not granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register required to be maintained under Section 301 of the Act.

2. There are adequate internal control procedure commensurate with the size of the company and the nature of its business for the sale of services.

3. There are transactions required to be entered into a register to be maintained in pursuance of Section 301 of the Act. As per explanation given to us, in our opinion the transaction have been entered at prices which are reasonable having regard to the prevailing market price.

4. The company has an internal audit system commensurate with its size and nature of its business.

For **Mahendra Kumbhat & Associates**,
Chartered Accountants

Manoj P. Shah
Partner.

Place : Mumbai
Date : 24, January 2004.

Balance Sheet as at 31st December, 2003

Particulars	Schedule	As at 31st December, 2003 Rupees	As at 31st December, 2003 Rupees	As at 31st December, 2002 Rupees	As at 31st December, 2002 Rupees
SOURCES OF FUNDS					
Share Holders' Funds :					
Share Capital	"1"		**727,800**		710,263
Reserve and surplus			**196,594**		
Currency Translation Reserve			**55,890**		3,138
			980,284		713,401
APPLICATION OF FUNDS					
A) Current Assets, Loans and advances :	"2"				
Sundry Debtors		**11,952,677**		—	
Cash And Bank Balances		**1,431,023**		48,875	
Loans And Advances :		**49,997**		—	
		13,433,697		48,875	
Less:					
B) Current Liabilities And Provisions :	"3"				
Current Liabilities		**12,261,390**		—	
Provisions		**536,171**		—	
		12,797,561		—	
Net Current Assets (A-B)			**636,136**		48,875
Miscellaneous Expenditure (To the Extent not written off or Adjusted)			**344,148**		370,227
Profit and Loss Account			**—**		294,299
			980,284		713,401
Significant Accounting Policies & Notes Forming Part Of Accounts	"6"				

Schedules 1 to 6 form an integral part of the accounts.
this is the Balance Sheet referred to in our report of even date.

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah	**Rusi Brij**	**Yogen Shah**
Partner	(Director)	(Director)

Place : Mumbai
Date : 24 January 2004

Profit and Loss Account for the year ended 31st December, 2003

Particulars	Schedule	For the year ended 31st December, 2003 Rupees	Rupees	For the year ended 31st December, 2002 Rupees	Rupees
Income					
Income From Operations		6,665,874		—	
			6,665,874		—
Expenditure					
Employment Expenses	"4"	5,796,412		—	
Administration And Other Expenses	"5"	216,346		294,299	
			6,012,758		294,299
Profit For The Period			653,116		-294,299
Less : Provision For Tax			162,224		—
Profit After Tax			490,892		-294,299
Add : Balance Brought Forward From Previous Year			-294,299		—
Balance Carried To Balance Sheet			196,594		-294,299
Significant Accounting Policies & Notes Forming Part Of Accounts	"6"				

Schedules 1 to 6 form an integral part of the accounts.
this is the Profit and Loss Account referred to in our report of even date.

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner

Rusi Brij
(Director)

Yogen Shah
(Director)

Place : Mumbai
Date : 24 January 2004

Schedules to Balance Sheet

Particulars	As at 31st December, 2003 Rupees	Rupees	As at 31st December, 2002 Rupees	Rupees
SCHEDULE "1" - STOCK HOLDERS' EQUITY				
Authorised				
Common & Preferred Stocks Of No Par Value (Unlimited)		—		—
Issued, Subscribed And Paid-up Capital				
1 Common Stock Of No Par Value (Held By The Holding Company - Hexaware Technologies Limited - India)		727,800		710,263
		727,800		710,263
SCHEDULE "2" - CURRENT ASSETS, LOANS AND ADVANCES				
Sundry Debtors (Unsecured - Considered Good)				
Due For Period Less Than 6 Months		11,952,677		—
Cash And Bank Balances				
- Nova Scotia Bank		1,431,023		48,875
Loans And Advances (Unsecured - Considered Good)				
Advances Recoverable In Cash Or In Kind Or For Value To Be Received.		23,528		—
Deposits		26,469		—
		13,433,697		48,875
SCHEDULE "3" - CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities				
Sundry Creditors	10,725,902		—	
Other Liabilities	1,535,488		—	
		12,261,390		—
Provisions				
Provision For Expenses	372,561		—	
Provision For Taxation	163,610		—	
		536,171		—
		12,797,561		—

Schedules to Profit and Loss Account

Particulars	For the year ended 31st December, 2003 Rupees	For the year ended 31st December, 2003 Rupees	For the year ended 31st December, 2003 Rupees	For the year ended 31st December, 2003 Rupees
Schedule "4" - Employment Expenses				
Salary And Other Allowances		**5,386,507**		—
Contribution To Provident Fund And Other Funds		**409,905**		—
		5,796,412		—
Schedule "5" - Administration And Other Expenses				
Audit Fees		**34,992**		—
Legal And Professional Fees		**83,498**		288,908
Bank And Other Charges		**5,483**		5,391
Miscellaneous Expenses		**8,748**		—
Preliminary Expenses Written Off		**83,625**		—
		216,346		294,299

Schedule "6" – Significant Accounting Policies & Notes Forming Part of Accounts

1 – Organisation

Hexaware Technologies, Canada Limited (HTCL or the Company) is a 100% subsidiary company of Hexaware Technologies Limited – India. These accounts have been prepared and audited for the purpose of attachment to the accounts of the Holding Company to comply with the provision of the Companies Act 1956 in India.

Accounts are maintained on Accrual basis. The transactions are in local currency, which has been converted for reporting in Indian Currency.

2 – Summary of Significant Accounting Policies

Conversion into Indian Rupees – For the purpose of these accounts all the income and expenses items are converted at the average rate of exchange applicable for the year. All assets and liabilities are translated at the closing rate as on the balance sheet date. The common stock is carried forward at the rate of exchange prevailing on the transaction date. The resulting exchange difference on account of translation is transferred to Currency Translation Reserve.

Revenue Recognition – The Company recognizes revenues as labor is invested in the performance of its service agreements.

Income Taxes – The Company records Tax liability based on estimates.

Foreign Currency Translation – In operations in countries outside Canada, the local currencies are generally considered to be the functional currencies.

Amortization – The Company amortizes organization cost over 60 months period.

Reclassification - Certain prior year amounts have been reclassified to conform to current presentation.

3 – Related Party Transactions

In the normal course of operation the company provided services for the year ended December 31, 2003 and 2002 worth Rs. 6,665,874 and nil to the related and affiliated companies, under the same management.

4 – Accounts Receivables.

Included in accounts receivable is an amount of Rs.7,819,130 (2002 – Rs.nil) due from parent company on account of services rendered.

5 – Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements. The provision for income taxes consists of the following:

Current Taxes:	**2003 Rupees**	2002 Rupees
Federal	**84,646**	—
State and Local	**77,578**	—
Total Current Taxes	**162,224**	**—**

6 – Comparison with Previous period

Figure for previous year are not comparable as they are for period from 2nd October 2002 to 31st December 2002 compared to current year from 1st January 2003 to 31st December 2003.

Auditor's Report

To,

The Stakeholders of Hexaware Technologies GmbH.

We have audited the attached Balance Sheet of Hexaware Technologies GmbH ("the company") as at 31st December 2003 and also the Profit and Loss Account 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

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on the 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.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act') we enclose in the Annexure a statement on the matters specified in paragraph 4 of the said order to the extent applicable.

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

a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.

c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.

d) In our opinion, the Balance Sheet and Profit and Loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act.

e) On the basis of written representations received from the directors as on 31st December 2003 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the other notes thereon give the information required by the Companies Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

   i) In the case of the Balance Sheet of the state of affairs of the Company as at 31st December 2003, and

   ii) In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For A. K. Verma & Associates
Chartered Accountants

S. K. Pahwa
Partner
(Membership No. 90151)
Place : Delhi
Date : 16th January 2004.

Annexure to the Auditors´ Report

(Referred to in paragraph 1 of our Report of even date)

(i) (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) These fixed assets have been physically verified by the management at reasonable intervals. No discrepancies were noticed on such verification

(c) No part of fixed assets have been disposed off during the year.

(ii) The Company is a service company and company has no inventories, therefore, para (ii a), (ii b), (ii c) of this order are/is not applicable to this company.

(iii) The company has not granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register to be maintained under Section 301 of the Act.

(iv) There is an adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of services.

(v) There are no transactions that need to be entered into a register to be maintained in pursuance of Section 301 of the Act.

(vi) The company has not accepted any deposits from the public, therefore, the directives issued by the Reserve Bank of India and the provisions of Sections 58A and 58AA of the Act and the rules framed there under are not applicable.

(vii) The company has an internal audit system commensurate with its size and nature of its business.

(viii) Maintenance of cost records as prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act are not required to be maintained by this company.

(ix) The company is regular in depositing undisputed statutory dues as per German Laws with the appropriate authorities.

(x) Since the company is in existence for a period of less than five years, therefore, the provisions of this section are not applicable

(xi) The company has not defaulted in repayment of dues to any financial institution or bank or debenture holders.

(xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) No provisions of any special statute applicable to Chit Fund are applicable to this company.

(xiv) The company is not dealing or trading in shares, securities, debentures and other investments,

(xv) The company has not given any guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof are prejudicial to the interest of the company;

(xvi) No term loans were obtained by the company.

(xvii) No funds were raised by the company, hence, provisions of this section are not applicable.

(xviii) The company has not made any preferential allotment of shares to parties and companies covered in the Register to be maintained under Section 301 of the Act.

(xix) No debentures have been issued by company.

(xx) No money has been raised by public issues, therefore, provisions of this section are not applicable.

(xxi) No fraud on or by the company has been noticed or reported during the year

For A. K. Verma & Associates
Chartered Accountants

S. K. Pahwa
Partner
(Membership No. 90151)

Place : Delhi
Date : 16th January 2004

Balance Sheet as at 31st December 2003

Particulars	Schedule	As at 31st December, 2003 Rupees	As at 31st December, 2003 Rupees	As at 31st December, 2002 Rupees	As at 31st December, 2002 Rupees
SOURCE OF FUNDS					
1. SHAREHOLDERS' FUNDS:					
Share Capital	"1"		**7,570,241**		7,455,000
Reserves and Surplus	"2"		**6,656,474**		1,640,250
			14,226,715		9,095,250
APPLICATION OF FUNDS					
1. FIXED ASSETS:	"3"				
Gross Block		**830,639**		273,065	
Less Depreciation		**351,492**	**479,147**	108,348	164,717
2. A) CURRENT ASSETS, LOANS and ADVANCES	"4"				
Sundry Debtors		**163,626,381**		79,345,407	
Cash and Bank Balance		**15,640,648**		20,311,890	
Loans and Advances		**148,173**		43,441,625	
		179,415,202		143,098,922	
Less:					
B) CURRENT LIABILITIES AND PROVISIONS:	"5"				
Current Liabilities		**155,269,500**		132,472,781	
Provisions		**10,398,134**		2,106,128	
		165,667,634		134,578,909	
NET CURRENT ASSETS (A-B)			**13,747,568**		8,520,013
3. PROFIT & LOSS ACCOUNT			**–**		410,520
			14,226,715		9,095,250
Significant Accounting Policies	"8"				
Notes Forming Part of Accounts	"9"				

Schedules 1 To 9 Form An Integral Part of the accounts.
This is the Balance Sheet referred to in our Report of even date.
For A. K. Verma & Associates,
Chartered Accountants

S. K. Pahwa
Partner
(Membership No. 90151)

S. Surya
(Director)

Place : Delhi
Date : 16th January 2004

Profit and Loss Account for the year ended 31st December 2003

Particulars	Schedule	For the year ended 31st December, 2003 Rupees	For the year ended 31st December, 2003 Rupees	For the year ended 31st December, 2002 Rupees	For the year ended 31st December, 2002 Rupees
INCOME FROM OPERATIONS			**601,992,303**		290,635,846
OTHER INCOME					
Interest Income		**4,907**		81,682	
Other Income		**–**	**4,907**	240,181	321,863
TOTAL INCOME			**601,997,210**		290,957,709
EXPENDITURE					
Software Expenses		**423,039,350**		229,132,519	
Employment Expenses	"6"	**146,669,185**		53,066,164	
Administration and Other Expenses	"7"	**26,840,169**		7,257,637	
Depreciation		**243,144**		82,025	
			596,791,848		289,538,345
PROFIT (LOSS) FOR THE PERIOD			**5,205,362**		1,419,364
Less: Provision for Taxes			**1,390,228**		–
PROFIT AFTER TAX			**3,815,134**		1,419,364
Less: Balance brought forward			**(410,520)**		(1,829,884)
BALANCE CARRIED TO BALANCE SHEET			**3,404,614**		(410,520)
Significant Accounting Policies	"8"				
Notes Forming Part of Accounts	"9"				

Schedules 1 To 9 Form An Integral Part of the accounts.
This is the Profit and Loss Account referred to in our Report of even date.

For A. K. Verma & Associates,
Chartered Accountants

S. K. Pahwa
Partner
(Membership No. 90151)

S. Surya
(Director)

Place : Delhi
Date : 16th January 2004

Schedules to Balance Sheet

	As at 31st December, 2003 Rupees	As at 31st December, 2002 Rupees
Schedule "1"		
AUTHORISED SHARE CAPITAL		
3618 (Previous year: 500) Equity Shares of 50/- € each	**7,570,241**	1,256,250
	7,570,241	**1,256,250**
ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
3618 (Previous year: 500) Equity Shares of 50/- € each fully paid (Whole of the common stock is held by the Parent Company - Hexaware Technologies Limited, India).	**7,570,241**	1,256,250
ADVANCE AGAINST CAPITAL		
(3618 Equity Shares of 50/- € each issued to Hexaware Technologies Limited)	**–**	6,198,750
	7,570,241	7,455,000
Schedule "2"		
RESERVES AND SURPLUS		
Currency Translation Reserve	**3,251,860**	1,640,250
Profit & Loss account	**3,404,614**	–
	6,656,474	1,640,250

Schedule "3"

FIXED ASSETS

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
Particulars	As on January 1, 2003	Additions	Reductions	As on December 31, 2003	As on January 1, 2003	Provided during the	Reductions	As on December 31, 2003	As on December 31, 2003	As on December 31, 2002
Computers	273,065	557,574	–	830,639	108,348	243,144	–	351,492	479,147	164,717
Current Year	**273,065**	**557,574**	**–**	**830,639**	**108,348**	**243,144**	**–**	**351,492**	**479,147**	**164,717**
Previous Year	105,294	167,771	–	273,065	26,323	82,025	–	108,348	164,717	78,971

Schedules to Balance Sheet

	As at 31st December, 2003 Rupees	As at 31st December, 2002 Rupees
Schedule "4"		
CURRENT ASSETS		
Sundry Debtors (Unsecured - Considered Good)		
Outstanding for a period exceeding six months	**—**	—
Others	**163,626,381**	79,345,407
Cash and Bank Balances:		
Balances with Non-scheduled banks		
In Deposit Account in Foreign Currency:		
Dresdner Bank AG, Frankfurt	**—**	1,097,778
(Maximum balance at any time during the year Rs.13,795,200 -Previous Year Rs.15,075,000)		
In Current Account in Foreign Currency:-		
Dresdner Bank AG, Frankfurt	**15,640,648**	19,214,112
(Maximum balance at any time during the year Rs.144,774,698 - Previous year Rs.77,272,031)		
Loans & Advances (Unsecured -Considered Good)		
Unbilled Jobs	**—**	42,963,750
Advances to staff	**78,081**	452,250
Income Tax deducted at source	**47,750**	25,625
Others	**22,341**	—
	179,415,202	143,098,922
Schedule "5"		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors	**96,101,325**	1,276,813
Advance billing to Customers	**49,776,451**	—
Other Liabilities	**9,391,724**	131,195,968
	155,269,500	132,472,781
Provisions		
Provision for Expenses	**8,587,514**	2,106,128
Provision for Taxation	**1,810,620**	—
	10,398,134	2,106,128
	165,667,634	134,578,909

Schedules to Profit and Loss Account

	For the year ended 31st December, 2003 Rupees	For the year ended 31st December, 2002 Rupees
Schedule "6"		
EMPLOYMENT EXPENSES:		
Salary and Other Allowances	**126,123,865**	44,961,689
Contribution to German Social Scurity	**20,545,320**	8,104,475
	146,669,185	53,066,164
Schedule "7"		
ADMINISTRATIVE AND OTHER EXPENSES		
Rent	**4,512,972**	902,411
Advertisement	**1,486,722**	—
Travelling and Conveyance Expenses	**4,774,720**	954,106
Communications Expenses	**978,533**	400,790
Repairs and Maintenance	**165,060**	—
Auditors Remuneration	**165,046**	115,075
Legal and Professional Fees	**8,857,936**	4,243,402
Bank and Other Charges	**1,082,104**	288,621
Insurance Premium	**115,857**	103,191
Recruitment Charges	**1,599,663**	—
Membership and Subscription	**311,027**	9,884
Miscellaneous Expenses	**894,548**	240,157
Exchange Loss on Conversion	**1,895,981**	—
	26,840,169	7,257,637

Significant Accounting Policies

SCHEDULE "8"

1. **Accounting Convention and Concepts:**

   The Company follows the Historical Cost Convention and the Mercantile System of Accounting where the income and expenditure are recognized on accrual basis.

2. **Revenue Recognition:**

   A) Revenues from Software Solutions are recognised:

      i) In case of contract for development of software undertaken on time basis, their billing is based on specified terms of the contract.

      ii) In case of fixed price contracts, on the achivement of the milestones set out in the contracts.

3. **Fixed Assets:**

   Fixed assets are valued at cost less accumulated depreciation. Cost includes all expenses incurred for aquisition of assets.

4. **Depreciation:**

   Depreciation on Computers is provided on Straight-Line Method on a pro rata basis at the rates specified in Schedule XIV of the Companies Act, 1956.

5. **Foreign Currency Transactions:**

   i) Value of Fixed Assets is converted at the rate prevailing on the date of remittance and acquisition.

   ii) Monetary items denominated in foreign currency at the year-end are translated at the year end rates. Gain/loss on conversion is charged to Profit and Loss account.

   iii) Transactions done during the year are converted at the rate prevailing on the date of transaction.

Notes forming part of Accounts

SCHEDULE "9"

1) Estimated amount of contracts remaining to be executed on capital account and not provided for: Nil (Previous year - Nil)

2) Contingent Liabilities in respect of Claims against the Company not acknowledged as debts: Nil (Previous year - Nil)

3) a) Remuneration to Wholetime Directors (including Managing Director) : Nil, (Previous year - Nil)

   b) Since no commission is paid/payable to any director, the computation of profit under Section 349 of the Companies Act, 1956 has not been made.

4) Necessary provision for taxation has been made as required under German tax laws for the time being in force.

5) Additional information pursuant to the provisions of Paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956:-

   i) Quantitative Details:-

   The Company is engaged in providing software solutions. The production, procurement and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details as required under paragraphs 3, 4C and 4D of part II of Schedule VI of the Companies Act, 1956.

   ii) CIF Value of Imports -Nil (Previous Year Nil)

   iii) Expenditures in Foreign Currency:

   Software Rs. 406,584,754 (Previous year Rs. 226,107,982)

   iv) Earnings in Foreign Exchange:

   Income from Software Development, Technical Services and Royalities - Nil (Previous Year Nil)

6) Figures for the previous year have been regrouped/rearranged wherever necessary to make them comparable with those of the current year

For A.K. Verma & Associates,
Chartered Accountants

S. K. Pahwa
Partner
(Membership No. 90151)

S. Surya
(Director)

Place : Delhi
Date : 16th January 2004

Report of the Directors for the year ended 31st December 2003

The directors present their report with the financial statements of the company and the group for the year ended 31st December 2003.

CHANGE OF NAME

The group passed a special resolution on 7th January 2004 changing its name from HTI Europe Limited to Hexaware Technologies UK Limited.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of Software development and IT consultancy services.

REVIEW OF BUSINESS

The results for the year and financial position of the company and the group are as shown in the annexed financial statements.

On 28th of November 2003, the company acquired the entire share capital of Hexaware Technologies Europe Ltd.

On 30th of November 2003, the business of Hexaware Technologies Europe Ltd together with all the related assets, liabilities and undertakings were transferred to this company.

DIVIDENDS

No dividends will be distributed for the year ended 31st December 2003.

DIRECTORS

The directors during the year under review were:

S SURYA

A NISHAR

The directors holding office at 31st December 2003 did not hold any beneficial interest in the issued share capital of the company at 1st January 2003 or 31st December 2003.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, Butler & Co, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

On Behalf of the Board

S Surya
Director

Dated: 19th January 2004

Report of the Independent Auditors to the Members of Hexaware Technologies UK Limited

We have audited the financial statements of Hexaware Technologies UK Limited for the year ended 31st December 2003. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31st December 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Butler & Co
Chartered Accountants
& Registered Auditors
Walmar House
288-292 Regent Street
London
W1B 3AL

Dated: 19th January 2004

Certificate from the Auditor of Hexaware Technologies Limited

We have reviewed the reformatted audited annual statements consisting of the Balance Sheet, the Profit and Loss Account, the Schedules and the Notes forming part of the Accounts (hereinafter referred as the Audited Annual Accounts) of Hexaware Technologies UK Ltd. for the year ended on December 31, 2003 duly audited by their auditors. The amounts mentioned in the Audited Annual Accounts are converted in to Indian Rupees (Rs.) from GBP.

The method of conversion adopted is as under

i. All monetary items denominated at the year-end are converted at the year-end rate.

ii. Revenue items excluding depreciation are converted at the average rate for the year on quarterly average basis.

iii. Fixed assets and depreciation are converted at year-end rate.

We further state that we have not carried out any audit and we have relied on the amounts as appearing in the Audited Annual Accounts produced before us for the purpose of said conversion.

The Audited Annual Accounts have been reformatted in accordance with the requirements of the Companies act 1956 and do not contain any material changes or adjustments to the Audited Annual Accounts.

This certificate is issued for the purpose of publishing the Rupee figure alongwith the GBP figure in the Audited Annual Accounts of the Hexaware Technologies UK Ltd.

For **Mahendra Kumbhat & Associates**
Chartered Accountants

Manoj P. Shah
Partner

Date : 27th January, 2004
Place : Mumbai

Hexaware Technologies UK Limited, UK

Balance Sheet as at 31 December 2003

Particulars	Note	As at 31st December 2003 Rupees	Rupees	GBP	GBP	As at 31st December 2002 Rupees	Rupees	GBP	GBP
SOURCES OF FUNDS									
1. **Share Holders' Funds :**									
Share Capital	"11"	**218,870,286**		**3,067,000**		122,033,492		1,810,000	
Currency Translation Reserve		**(14,098,541)**		—		(13,694,727)		—	
			204,771,745		3,067,000		108,338,765		1,810,000
2. **Loan Funds :** **Unsecured Loans**	"10"		**53,138,387**		**654,121**		63,041,404		819,567
			257,910,132		**3,721,121**		171,380,169		2,629,567
APPLICATION OF FUNDS									
1. **Fixed Assets :**									
A) Gross Block		**18,368,977**		**226,193**		17,440,171		225,909	
B) Less: Depreciation		**16,609,071**		**204,521**		15,498,803		200,762	
			1,759,906		**21,672**		1,941,368		25,147
2. **A) Current Assets, Loans and Advances:**									
i) Sundry Debtors	"8"	**65,040,639**		**800,904**		21,004,063		272,073	
ii) Cash and Bank Balances		**56,608,433**		**697,071**		15,925,454		206,289	
iii) Loans and Advances	"8"	**3,255,346**		**40,086**		1,543,939		19,712	
		124,904,418		**1,538,061**		38,473,456		498,075	
Less:									
B) Current Liabilities and Provisions :	"9"	**67,113,873**		**826,434**		105,980,730		1,369,823	
Net Current Assets (A-B)			**57,790,544**		**711,627**		-67,507,274		-874,733
Profit and loss Account			**198,359,682**		**2,987,822**		236,946,075		3,476,168
			257,910,132		**3,721,122**		171,380,169		2,629,567
Significant Accounting Policies & Notes Forming Part Of Accounts									

This is the Balance Sheet referred to in our report of even date.

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner.

Sunil Surya
(Director)

Place : Mumbai
Date : 27th January, 2004

Profit and Loss Account for the year ended 31st December, 2003

Particulars	Note	For the year ended 31st December 2003 Rupees	Rupees	GBP	GBP	For the year ended 31st December 2002 Rupees	Rupees	GBP	GBP
INCOME									
Income From Operations		**274,687,328**		**3,476,423**		148,706,382		2,069,582	
Other Income		**5,705,517**		**72,209**		1,272,130		15,320	
			280,392,845		**3,548,632**		149,978,513		2,084,901
EXPENDITURE									
Software, Development Expenses		**74,652,224**		**944,793**		55,909,360		764,329	
Employment Expenses	"2"	**122,527,210**		**1,550,696**		85,186,090		1,194,786	
Administration and Other Expenses		**44,222,763**		**559,680**		32,432,699		455,836	
Depreciation		**404,256**		**5,117**		3,623,209		50,523	
			241,806,452		**3,060,286**		177,151,358		2,465,473
PROFIT/(LOSS) BEFORE TAX			**38,586,393**		**488,346**		(27,172,845)		(380,572)
Less : Provision For Tax			**—**		**—**		—		—
PROFIT/(LOSS) AFTER TAX			**38,586,393**		**488,346**		(27,172,845)		(380,572)
Add: Balance brought forward from previous year			**(236,946,075)**		**(3,476,168)**				
Balance carried to Balance Sheet			**(198,359,682)**		**(2,987,822)**		(27,172,845)		(380,572)
Significant Accounting Policies & Notes forming part of Accounts									

This is the Balance Sheet referred to in our report of even date.

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner.

Place : Mumbai
Date : 27th January, 2004

Sunil Surya
(Director)

Notes to the Financial Statements for the year ended 31st December 2003

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertaking made up to 31st December 2003.

In respect of Hexaware Technologies UK Limited (and its subsidiary undertaking) the group financial statements have been prepared in accordance with the principles of merger accounting. The profits of Hexaware Technologies UK Limited (and its subsidiary undertaking) have been included in the financial statements for the whole of the year ended 31st December 2003. Comparative figures have been presented as if the companies have been combined throughout the previous period and at the previous balance sheet date.

Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the group qualifies as a small group.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Short leasehold - 6.33% on cost

Plant and machinery - 4.75% on cost

Fixtures and fittings - 6.33% on cost

Computer equipment - 33.33% on cost

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

2. STAFF COSTS

	2003		2002	
	Rupees	**GBP**	Rupees	GBP
Salaries and Allowances	**11,48,13,338**	**14,53,069**	7,70,76,462	10,81,211
Social security costs	**71,18,507**	**90,091**	75,99,405	1,06,535
Welfare Expenses	**5,95,364**	**7,535**	5,10,223	7,040
	12,25,27,210	**15,50,696**	8,51,86,090	11,94,786

The average monthly number of employees during the year was as follows:

	2003	2002
Management	**4**	4
Consultants	**32**	20
	36	24

3. OPERATING PROFIT/(LOSS)

The operating profit (2002 - operating loss) is stated after charging/(crediting):

	2003		2002	
	Rupees	**GBP**	Rupees	GBP
Hire of plant and machinery	**—**	**—**	48,836	681
Depreciation - owned assets	**404,256**	**5,115**	36,23,209	50,524
Auditors remuneration	**948,172**	**12,000**	724,298	10,100
Foreign exchange differences	**(53,17,415)**	**(67,297)**	(84,11,564)	(110,707)
Directors' emoluments	**85,17,594**	**107,804**	75,22,092	99,000

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2003		2002	
	Rupees	**GBP**	Rupees	GBP
Interest payable	**390,173**	**4,938**	—	—
Penalties/Interest	**—**	**—**	30,27,680	39,849
	390,173	**4,938**	30,27,680	39,849

5. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31st December 2003 nor for the year ended 31st December 2002. No deferred taxation provision is required..

6. LOSS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's operational profit for the financial year 2003 was INR 18,024,131 (2002 - INR(20,342,404)). In addition there is a book write off of INR 148,784,179/- (2002 Nil) as a result of the acquisition of the shares of Hexaware Technologies Europe Limited.

7. FIXED ASSET INVESTMENTS

The group or the company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiary

Hexaware Technologies Europe Limited

Nature of business: Software development and IT consultancy services.

Class of shares:	% holding
Ordinary	100.00

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2003	2002	**2003**	2002
	INR	INR	**INR**	INR
Trade debtors	**6,50,40,639**	2,10,04,063	**6,50,40,638**	2,21,57,290
Other debtors	**20,24,472**	680,251	**20,24,472**	2,38,470
VAT	**—**	—	**—**	24,859
Prepayments	**12,30,874**	8,63,688	**12,30,874**	—
	6,82,95,984	2,25,48,002	**6,82,95,984**	2,24,20,619

	2003	2002	**2003**	2002
	GBP	GBP	**GBP**	GBP
Trade debtors	**800,904**	2,72,074	**8,00,904**	2,87,012
Other debtors	**24,928**	8,685	**24,928**	3,089
VAT	**—**	—	**—**	322
Prepayments	**15,157**	11,027	**15,157**	—
	840,989	291,786	**840,989**	290,423

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2003	2002	**2003**	2002
	INR	INR	**INR**	INR
Trade creditors	**4,13,16,425**	8,99,37,739	**4,13,16,425**	97,53,693
Social security and other taxes	**16,50,575**	18,03,143	**16,50,575**	8,29,361
VAT	**62,18,505**	16,81,366	**62,18,505**	—
Other creditors	**2,41,353**	1,26,884	**2,41,353**	—
Accrued expenses	**1,76,87,015**	1,24,31,597	**1,76,87,015**	42,48,939
	6,71,13,873	10,59,80,730	**6,71,13,873**	1,48,31,993
	2003	2002	**2003**	2002
	GBP	GBP	**GBP**	GBP
Trade creditors	**5,08,766**	11,62,464	**5,08,766**	1,26,343
Social security and other taxes	**20,325**	23,306	**20,325**	10,743
VAT	**76,574**	21,732	**76,574**	—
Other creditors	**2,972**	1,640	**2,972**	—
Accrued expenses	**2,17,797**	1,60,681	**2,17,796**	55,038
	8,26,434	13,69,823	**8,26,433**	192,124

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2003	2002	**2003**	2002
	INR	INR	**INR**	INR
Amounts owed to group undertakings	**5,31,38,387**	6,30,41,404	**5,31,38,387**	6,30,41,404
	GBP	GBP	**GBP**	GBP
Amounts owed to group undertakings	**654,121**	819,567	**654,121**	819,567

11. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal value:	**2003** **£**	2002 **£**
11,000,000 (2002 - 2,000,000)	Ordinary	£1	**11,000,000**	2,000,000

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	**2003** **INR**	2002 INR
3,067,000 (2002 - 1,810,000)	Ordinary	£1	**218,870,286**	122,033,492

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	**2003** **GBP**	2002 GBP
3,067,000 (2002 - 1,810,000)	Ordinary	£1	**3,067,000**	1,810,000

The following shares were allotted and fully paid for cash at par during the year:

1,257,000 Ordinary shares of £1 each

12. RESERVES

	Profit and loss account	
Group	Rupees	GBP
At 1st January 2003	(23,69,46,075)	(34,76,168)
Retained profit for the year	3,85,86,393	488,346
	(19,83,59,682)	(29,87,822)
Company	Profit and loss account	
	Rupees	GBP
At 1st January 2003	(6,80,36,097)	(9,99,374)
At 31st December 2003	(19,87,96,146)	(29,87,822)

13. ULTIMATE PARENT COMPANY

The ultimate holding company is Hexaware Technologies Limited, a company incorporated in India which holds the entire issued stock of the Company.

14. ADMINISTRATION AND OTHER EXPENSES

	2003				2002			
	Rupees	**Rupees**	**GBP**	**GBP**	Rupees	Rupees	GBP	GBP
Rent		**4,823,037**		**61,040**		4,720,560		65,415
Rates & Taxes		**1,325,696**		**16,778**		3,849,804		54,330
Travelling and Conveyance Expenses		**25,535,911**		**323,181**		20,507,791		284,224
Electricity Charges		**274,536**		**3,475**		332,531		4,645
Communication Expenses		**4,345,740**		**54,999**		1,120,228		13,210
Repairs and Maintenance								
Plant & Machinery	**280,252**		**3,547**		-		-	
Others	**367,975**		**4,657**		531,831		7,423	
		648,227		**8,204**		531,831		7,423
Seminar and Conference Expenses		**522,842**		**6,617**		854,744		12,097
Printing and Stationery		**242,437**		**3,068**		(1,375,604)		(17,928)
Audit Fees		**948,172**		**12,000**		767,230		10,100
Legal and Professional Fees		**2,909,058**		**36,817**		1,679,392		23,685
Interest & Finance Charges						720,589		10,086
Bank Interest and Other Charges		**610,201**		**7,723**		213,524		2,996
Stamp Duty and Filing Fees		**18,568**		**235**		2,194		30
Registrar and Share Transfer Expenses		**2,766**		**35**				
Insurance Premium		**788,064**		**9,974**		681,206		9,333
Provision for Bad Debts		**—**		**—**		5,335,167		74,113
Staff Recruitment Expenses		**924,603**		**11,702**		434,347		6,176
Service Charges		**39,045**		**494**				
Membership and Subscription		**138,018**		**1,747**		312,643		4,409
Miscellaneous Expenses		**125,842**		**1,593**		(8,255,478)		(108,508)
		44,222,763		**559,680**		32,432,699		455,836

Report of the Directors for the year ended 31st December 2003

The directors present their report with the financial statements of the company and the group for the year ended 31st December 2003.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of Software development and IT consultancy services.

REVIEW OF BUSINESS

The results for the year and financial position of the company and the group are as shown in the annexed financial statements.

On 28th of November 2003, the company was acquired by Hexaware Technologies UK Ltd.

On 30th of November 2003, the business of the Company together with all the related assets, liabilities and undertakings were transferred to Hexaware Technologies UK Ltd..

DIVIDENDS

The total distribution of dividends for the year ended 31st December 2003 will be £ 261,253.

DIRECTORS

The directors during the year under review were:

S SURYA

A NISHAR

The directors holding office at 31st December 2003 did not hold any beneficial interest in the issued share capital of the company at 1st January 2003 or 31st December 2003.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, Butler & Co, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

On Behalf of the Board

S. Surya
Director

Dated: 19th January 2004

Report of the Independent Auditors to the Members of Hexaware Technologies Europe Limited

We have audited the financial statements of Hexaware Technologies Europe Limited for the year ended 31st December 2003. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31st December 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Butler & Co
Chartered Accountants
& Registered Auditors
Walmar House
288-292 Regent Street
London
W1B 3AL

Dated: 19th January 2004

Certificate from the Auditor of Hexaware Technologies Limited

We have reviewed the reformatted audited annual statements consisting of the Balance Sheet, the Profit and Loss Account, the Schedules and the Notes forming part of the Accounts (hereinafter referred as the Audited Annual Accounts) of Hexaware Technologies Europe Ltd. for the year ended on December 31, 2003 duly audited by their auditors. The amounts mentioned in the Audited Annual Accounts are converted in to Indian Rupees (Rs.) from GBP.

The method of conversion adopted is as under

i. All monetary items denominated at the year-end are converted at the year-end rate.

ii. Revenue items excluding depreciation are converted at the average rate for the year on quarterly average basis.

iii. Fixed assets and depreciation are converted at year-end rate.

We further state that we have not carried out any audit and we have relied on the amounts as appearing in the Audited Annual Accounts produced before us for the purpose of said conversion.

The Audited Annual Accounts have been reformatted in accordance with the requirements of the Companies act 1956 and do not contain any material changes or adjustments to the Audited Annual Accounts.

This certificate is issued for the purpose of publishing the Rupee figure alongwith the GBP figure in the Audited Annual Accounts of the Hexaware Technologies Europe Ltd.

For **Mahendra Kumbhat & Associates**
Chartered Accountants

Manoj P. Shah
Partner

Date : 27th January, 2004
Place : Mumbai

Balance Sheet as at 31 December, 2003

Particulars	Notes	As at 31st December 2003 Rupees	Rupees	GBP	GBP	As at 31st December 2002 Rupees	Rupees	GBP	GBP
SOURCES OF FUNDS									
1. **Share Holders' Funds:**									
Share Capital		**155,655,537**		**2,207,000**		93,766,792		1,400,000	
Profit and Loss Account		**-148,784,179**		**-2,207,000**		-168,909,977		-2,476,794	
Currency Translation Reserve		**-6,871,358**		—		-7,963,156		—	
			—		—		-83,106,341		-1,076,794
2. **Loan Funds :**									
Unsecured Loans	"9"		—		—		46,176,845		598,433
			—		—		-36,929,497		-478,361
Application of Funds									
1. **Fixed assets :**									
A) Gross Block		—		—		15,046,262		194,900	
B) Less: Depreciation		—		—		14,313,790		185,412	
			—		—		732,472		9,488
2. **A) Current Assets, Loans and advances :**	"7"								
i) Sundry Debtors		—		—		19,900,404		257,777	
ii) Cash And Bank Balances		—		—		14,554,863		188,535	
iii) Loans And Advances :		—		—		40,109,984		519,560	
		—		—		74,565,252		965,872	
LESS:									
B) Current Liabilities and Provisions :	"8"								
i) Current Liabilities		—		—		103,841,297		1,345,095	
ii) Provisions		—		—		8,385,924		108,626	
		—		—		112,227,221		1,453,721	
Net Current assets (A-B)			—		—		-37,661,969		-487,849
			—		—		-36,929,497		-478,361
Significant Accounting Policies & Notes Forming Part of Accounts									

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner.

Sunil Surya
(Director)

Place : Mumbai
Date : 27th January, 2004

Profit and Loss Account for the period ended 31st December, 2003

Particulars	Notes	For the year ended 31st December 2003 Rupees	Rupees	GBP	GBP	For the year ended 31st December 2002 Rupees	Rupees	GBP	GBP
INCOME									
Income From Operations		224,436,337		2,936,346		138,240,291		1,922,605	
Other Income		2,389,624		31,342		-299,018		-5,363	
			226,825,961		2,967,688		137,941,273		1,917,242
Expenditure									
Software and Development Expenses		60,165,197		788,110		45,012,816		618,349	
Employment Expenses		90,379,954		1,184,445		71,945,774		989,691	
Administration and Other Expenses	"11"	35,258,286		460,757		24,295,593		342,810	
Depreciation		253,996		3,330		3,517,532		49,050	
			186,057,434		2,436,641		144,771,714		1,999,900
Profit / (Loss) Before Tax			40,768,527		531,047		-6,830,441		-82,658
Less : Provision For Tax			—		—				
Profit / (Loss) After Tax			40,768,527		531,047		-6,830,441		-82,658
Add : Balance Brought Forward From Previous Year			-168,909,977		-2,476,794		-162,079,536		-2,394,136
Less : Dividend Declared Inc. During The Year			20,642,729		261,253		—		—
Balance carried to Balance Sheet			-148,784,179		-2,207,000		-168,909,977		-2,476,794
Significant Accounting Policies & Notes Forming Part Of Accounts									

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner.

Sunil Surya
(Director)

Place : Mumbai
Date : 27th January, 2004

Notes to the Financial Statements for the year ended 31st December, 2003

1. **ACCOUNTING POLICIES**

Basis of Preparing the Financial Statements

The financial statements are prepared in accordance with applicable accounting standards, under the historical cost convention and on the going concern basis.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the ground that the company qualifies as a small company.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write of each asset over its estimated useful life.

Short leasehold	-	6.33% on cost
Plant and Machinery	-	4.75% on cost
Fixtures & fittings	-	6.33% on cost
Computer equipment	-	33.33% on cost

Deferred tax.

Deferred tax is recognized in respect of all timing differences that have originated but not reversed at the balance sheet date.

Hire Purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

2. **STAFF COSTS**

	2003		2002	
	Rupees	**GBP**	Rupees	GBP
Salaries and other allowances	**86,505,917**	**1,133,581**	66,543,763	914,546
Social security costs	**3,325,518**	**43,718**	5,081,998	70,694
Welfare Expenses	**548,520**	**7,146**	320,013	4,451
	90,379,954	**1,184,445**	71,945,774	989,691

The average monthly number of employees during theyear was made up as follows:

	2003	2002
	No.	No.
Office management	**1**	1
Software consultants	**29**	16
	30	17

3. **OPERATING PROFIT/(LOSS)**

The operating profit (2002 – operating loss) is stated after charging / (crediting):

	2003		2002	
	Rupees	**GBP**	Rupees	GBP
Hire of Plant and machinery	**—**	**—**	48,836	681
Depreciation – owned assets	**253,996**	**3,329**	3,517,532	49,050
Auditors remuneration	**—**	**—**	379,817	5,000
Foreign exchange differences	**635,812**	**8,277**	(5,681,905)	(74,798)
Directors' emoluments	**—**	**—**	—	—

4. **INTEREST PAYABLE AND SIMILAR CHARGES**

	2003		2002	
	Rupees	**GBP**	Rupees	GBP
Interest payable	**376,962**	**4,938**	—	—
Penalties / Interest	**—**	**—**	2,857,587	39,848
	376,962	**4,938**	2,857,587	39,848

5. **TAXATION**

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31st December 2003 nor for the year ended 31st December 2002.

6. **DIVIDEND**

	2003		2002	
	Rupees	**GBP**	Rupees	GBP
Equity shares:				
Final	**20,642,729**	**261,253**	—	—

7. **DEBTORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2003		2002	
	Rupees	**GBP**	Rupees	GBP
Trade debtors	**—**	**—**	19,900,404	257,777
Other debtors	**—**	**—**	432,011	5,596
Sundry loan	**—**	**—**	38,826,689	502,937
Prepayments	**—**	**—**	851,284	11,027
	—	**—**	60,010,388	777,337

8. **CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2003		2002	
	Rupees	**GBP**	Rupees	GBP
Trade Creditors	**—**	**—**	101,042,335	1,308,839
Social Security and other Taxes	**—**	**—**	969,863	12,563
VAT	**—**	**—**	1,702,491	22,053
Other Creditors	**—**	**—**	126,608	1,640
Accrued Expenses	**—**	**—**	8,385,924	108,626
	—	**—**	112,227,221	1,453,721

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003		2002	
	Rupees	GBP	Rupees	GBP
Amounts owed to group undertakings	—	—	46,176,845	598,433
Final	—	—	46,176,845	593,433

10. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal	**2003**	2002
value:			**£**	£
3,000,000	Ordinary	£1	**3,000,000**	3,000,000

Allotted, issued and fully paid:

Number:	Class:	Nominal	**2003**	2002
value:			**INR**	INR
2,207,000	Ordinary	£1	**155,655,537**	93,766,792
(2002 – 1,400,000)				

Allotted, issued and fully paid:

Number:	Class:	Nominal	**2003**	2002
value:			**GBP**	GBP
2,207,000	Ordinary	£1	**2,207,000**	1,400,000
(2002 – 1,400,000)				

The following shares were allotted and fully paid for cash at par during the year:
807,000 Ordinary shares of £1 each

11. RESERVES

	Profit and Loss account	
	Rupees	GBP
At 1st January 2003	(168,909,977)	(2,476,794)
Retained Profit for the year	20,125,798	269,794
At 31st December 2003	(148,784,179)	(2,207,000)

12. ULTIMATE HOLDING COMPANY

The company is a wholly owned subsidiary of Hexaware Technologies Limited, a company incorporated in India.

13. ADMINISTRATION AND OTHER EXPENSES:

	2003				2002			
	Rupees	Rupees	GBP	GBP	Rupees	Rupees	GBP	GBP
Rent		3,764,127		49,391		1,279,565		17,826
Rates and Taxes		1,143,067		14,992		3,773,293		53,242
Traveling and Conveyance		20,581,566		268,877		12,400,606		174,841
Electricity charges		221,472		2,896		327,539		4,574
Communication Expenses		2,893,584		37,949		-23,408		-1,130
Repairs and Maintenance								
Plant & Mach.	250,391		3,296		—		—	
Others	321,124	571,515	4,220	7,516	379,483	379,483	5,272	5,272
Printing & Stationery		211,653		2,767		-1,375,604		-17,928
Audit Fees		—		—		379,817		5,000
Legal & Professional fees		2,450,933		32,133		959,753		13,567
Seminar & Conference Expenses		517,857		6,617		581,459		8,226
Bank Interest & other Charges		527,048		6,884		891,787		12,488
Stamp duty & Filing Fees		15,107		200		—		—
Registrar & Share Transfer fees		2,674		35		—		—
Insurance Premium		666,403		8,630		413,307		5,593
Provision for Bad Debts		—		—		3,675,550		52,265
Staff recruitment expenses		818,175		10,485		434,347		6,176
Service Charges		33,561		440		—		—
Membership & Subs		86,317		1,133		99,346		1,383
Miscellaneous Expenses		753,228		9,810		98,753		1,414
		35,258,286		460,757		24,295,593		342,810

Directors' Report

The directors present their report to the member together with the audited financial statements of the company for the year ended 31 October 2003.

1. The directors in office at the date of this report are:

   Uday Mahesh Tembulkar

   Pennathur Kuppuswami Sridharan

2. The principal activities of the company are developing, designing, licensing of software products and programs and providing information technology consultancy services. There have been no significant changes in the nature of these activities during the financial year.

3. Results

	S$
Loss after taxation	176,419
Accumulated losses brought forward	200,598
Accumulated losses carried forward	377,017

4. During the financial year, the Company did not acquire or dispose of any interests in subsidiary companies.

5. There were no material transfers to or from provisions during the financial year except for normal amounts set aside for such items as depreciation as shown in the financial statements.

   There were no material transfers to or from reserves during the financial year.

6. The company did not issue any shares or debentures during the financial year.

7. Neither at the end of nor at any time during the financial year was the company a party to any arrangement whose object is to enable the directors of the company to acquire benefits through the acquisition of shares or debentures of the company or any other body corporate.

8. None of the directors holding office at the end of the financial year had an interest in any shares or debentures of the company or any related corporation at the beginning and end of the financial year as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Companies Act, Cap. 50.

9. The directors do not recommend any dividend to be paid in respect of the financial year.

   No dividends were declared or paid during the financial year in respect of the company's previous financial year.

10. Before the financial statements were made out, the directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and providing for doubtful debts. The directors have satisfied themselves that there were no known bad debts and adequate provision has been made for doubtful debts.

    At the date of this report, the directors are not aware of any circumstances which would require the writing off of bad debts and would render the amounts provided for doubtful debts inadequate to any material extent.

11. Before the financial statements were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to realise their book values in the ordinary course of business were written down to their estimated realisable values or that adequate provisions have been made for the diminution in the values of such current assets.

    At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report, which will render the values attributed to the current assets misleading.

12. Before the financial statements were made out, the directors took reasonable steps to ensure that all non-current assets of the company are shown at amounts which, having regard to their values to the company as a going concern, do not exceed the amounts which would be recoverable over their useful lives or on their disposal.

    At the date of this report, the directors are not aware of any circumstances, which will render the values attributable to non-current assets excessive in relation to their values to the company as a going concern.

13. At the date of this report, no charges have arisen since the end of the financial year on the assets of the company, which secure the liability of any other person, nor have any contingent liabilities arisen since the end of the financial year.
14. No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of this financial year which, in the opinion of the directors, will or may affect the ability of the company to meet its obligations as and when they fall due.
15. At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report, which would render any amount stated in the financial statements misleading.
16. In the opinion of the directors, the results of the operations of the company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.
17. In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the company for the current financial year in which this report is made.
18. Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than as disclosed in the financial statements), by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the financial statements.
19. There were no options granted during the financial year to subscribe for unissued shares of the company. No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the company.
    There were no unissued shares of the company under option at the end of the financial year.
20. Messrs Shanker Iyer & Co., Certified Public Accountants, Singapore, have expressed their willingness to accept re-appointment.

Uday Mahesh Tembulkar
Director
24 November 2003

Pennathur Kuppuswami Sridharan
Director

Statement by Directors

In the opinion of the directors of HEXAWARE TECHNOLOGIES ASIA PACIFIC PTE LTD,

(a) the accompanying balance sheet, income statement and statement of changes in equity together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the company as at 31 October 2003 and of its results and changes in equity for the year ended on that date; and
(b) at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

The board of directors authorised these financial statements for issue on 24 November 2003.

Uday Mahesh Tembulkar
Director
24 November 2003

Pennathur Kuppuswami Sridharan
Director

Auditors' Report

TO

THE MEMBER OF HEXAWARE TECHNOLOGIES ASIA PACIFIC PTE LTD

(Incorporated in Singapore).

We have audited the financial statements of Hexaware Technologies Asia Pacific Pte Ltd for the financial year ended 31 October 2003 set out on pages 8 to 21. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. 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 the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act ("Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of:

  (i) the state of affairs of the company as at 31 October 2003 and of its results and changes in equity for the financial year ended on that date; and

  (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements.

(b) the accounting and other records, and the registers required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.

SHANKER IYER & CO
Certified Public Accountants

Singapore
24 November 2003

Certificate from the Auditor of Hexaware Technologies Limited

We Mahendra Kumbhat & Associates Chartered Accountants do hereby state that we have reviewed the reformatted audited annual statements consisting of the Balance Sheet, the Profit and Loss Account, the Schedules and the Notes forming part of the Accounts (hereinafter referred as the Audited Annual Accounts) of Hexaware Technologies Asia Pacific PTE Ltd. for the year ended on October 31, 2003 duly audited by their auditors. The amounts mentioned in the Audited Annual Accounts are converted in to Indian rupees (Rs.) from Singapore dollar (Sing $).

The method of conversion adopted is as under

i. All monetary items denominated at the year-end are converted at the year-end rate.

ii. Revenue items excluding depreciation are converted at the average rate for the year on quarterly average basis.

iii. Fixed assets and depreciation are converted at year-end rate.

We further state that we have not carried out any audit and we have relied on the amounts as appearing in the Audited Annual Accounts produced before us for the purpose of said conversion.

The Audited Annual Accounts have been reformatted in accordance with the requirements of the Companies act 1956 and do not contain any material changes or adjustments to the Audited Annual Accounts.

This certificate is issued for the purpose of publishing the Rupee figure alongwith the Singapore $ figure in the Audited Annual Accounts of the Hexaware Asia Pacific PTE Ltd.

For **Mahendra Kumbhat & Associates**
Chartered Accountants

Manoj P. Shah
Partner.

Date : 27th January, 2004
Place : Mumbai

Balance Sheet as at 31st October, 2003

Particulars	Schedule	As at 31st October 2003 Rupees	Rupees	Sing $	Sing $	As at 31st October 2002 Rupees	Rupees	Sing $	Sing $
SOURCES OF FUNDS									
1. **Share Holders' Funds:**									
Share Capital	"1"	**12,476,000**		**500,000**		12,476,000		500,000	
Currency Translation Reserve		**779,302**		-		1,336,158		-	
			13,255,302		**500,000**		13,812,158		500,000
2. **Loan Funds:**									
Unsecured Loans	"2"		**4,193,100**		**159,780**		6,525,000		247,380
			17,448,402		**659,780**		20,337,158		747,380
APPLICATION OF FUNDS									
1. **Fixed Assets:**	"3"								
Gross Block		**3,281,328**		**125,996**		3,606,763		132,019	
Less: Depreciation		**2,442,086**		**93,772**		1,819,106		66,585	
			839,242		**32,224**		1,787,657		65,434
2. **A) Current Assets, Loans and Advances:**	"4"								
i) Sundry Debtors		**12,696,409**		**487,515**		5,508,853		201,642	
ii) Cash and Bank Balances		**4,740,426**		**182,022**		11,746,547		429,961	
iii) Loans and Advances		**1,621,235**		**62,252**		1,291,352		47,268	
		19,058,070		**731,789**		18,546,752		678,871	
Less:									
B) Current Liabilities and Provisions:	"5"								
Current Liabilities		**12,533,280**		**481,251**		5,396,333		197,523	
		12,533,280		**481,251**		5,396,333		197,523	
Net Current Assets (A-B)			**6,524,790**		**250,539**		13,150,419		481,348
Profit and Loss Account			**10,084,370**		**377,017**		5,399,082		200,598
			17,448,402		**659,780**		20,337,158		747,380
Significant Accounting Policies & Notes forming part of Accounts	"10"								

Schedules 1 to 10 form an integral part of the Accounts.

This is the Balance Sheet referred to in our report of even date.

For Mahendra Kumbhat & Associates
Chartered Accountants

Manoj P. Shah
Partner.

Uday M. Tembulkar
(Director)

P. K. Sridharan
(Director)

Place : Mumbai
Date : 27th January, 2004

Profit and Loss Account for the year ended 31st October, 2003

Particulars	Schedule	For the year ended 31st October 2003				For the year ended 31st October 2002			
		Rupees	Rupees	Sing $	Sing $	Rupees	Rupees	Sing $	Sing $
INCOME									
Income from Operations		**51,343,191**		**1,925,413**		63,081,568		2,335,099	
Other Income	"6"	**47,498**		**1,792**		205,270		7,514	
			51,390,689		**1,927,205**		63,286,838		2,342,613
EXPENDITURE									
Software, Development Expenses	"7"	**22,447,171**		**844,087**		14,842,151		549,450	
Employment Expenses	"8"	**26,240,034**		**982,045**		43,424,949		1,607,141	
Administration and Other Expenses	"9"	**6,654,155**		**250,070**		3,994,461		147,834	
Depreciation		**949,520**		**35,532**		996,725		36,907	
			56,290,880		**2,111,734**		63,258,286		2,341,332
Profit / (Loss) before Tax			**-4,900,191**		**-184,529**		28,552		1,281
Taxation			**214,903**		**8,110**		100,346		3,673
Profit / (Loss) after Tax			**-4,685,288**		**-176,419**		128,898		4,954
Significant Accounting Policies & Notes forming Part of Accounts	"10"								

Schedules 1 to 10 form an integral part of the Accounts.

This is the Profit and Loss Account referred to in our report of even date.

For Mahendra Kumbhat & Associates,
Chartered Accountants

Manoj P. Shah
Partner.

Uday M. Tembulkar
(Director)

P. K. Sridharan
(Director)

Place : Mumbai
Date : 27th January, 2004

Schedules to Balance Sheet

Particulars	As at 31st October 2003 Rupees	Rupees	Sing $	Sing $	As at 31st October 2002 Rupees	Rupees	Sing $	Sing $
SCHEDULE "1" - STOCK HOLDERS' EQUITY								
AUTHORISED								
500,000 Ordinary shares of S$1 each								
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL								
500,000 Ordinary Shares of S$1 each (The whole of the common stock is held by the holding company Hexaware Technologies Limited - India)		12,476,000		500,000		12,476,000		500,000
		12,476,000		500,000		12,476,000		500,000
SCHEDULE "2" - UNSECURED LOANS								
From Parent Company		4,193,100		159,780		6,525,000		247,380
		4,193,100		159,780		6,525,000		247,380
SCHEDULE "3" - FIXED ASSETS								
GROSS BLOCK								
Computer	3,005,853		115,418		3,317,781		121,441	
Furniture and Fixtures	214,298		8,229		224,805		8,229	
Office Equipment	61,177		2,349		64,177		2,349	
		3,281,328		125,996		3,606,763		132,019
Less : Accumulated Depreciation		2,442,086		93,772		1,819,106		66,585
NET BLOCK		839,242		32,224		1,787,657		65,434
SCHEDULE "4" - CURRENT ASSETS, LOANS AND ADVANCES								
Sundry Debtors (Unsecured - Considered Good)								
(Net of Provision)								
Due over six months	182,552		7,010		-		-	
Others	12,513,857		480,506		5,508,852		201,642	
		12,696,409		487,515		5,508,852		201,642
Cash And Bank Balances								
Cash in hand	12,885		495		5,412		198	
Balance with Bank in current accounts	4,727,541		181,527		11,741,135		429,763	
		4,740,426		182,022		11,746,547		429,961
Loans And Advances (Unsecured - Considered Good)								
Advances recoverable in cash or in kind or for value to be received	1,066,830		40,964		931,329		34,090	
Deferred Income Tax	554,405		21,288		360,023		13,178	
		1,621,235		62,252		1,291,352		47,268
		19,058,070		731,789		18,546,752		678,871
SCHEDULE "5" - CURRENT LIABILITIES AND PROVISIONS								
Sundry Creditors	12,290,799		471,940		4,868,563		178,205	
Other Liabilities	242,481		9,311		527,769		19,318	
		12,533,280		481,251		5,396,333		197,523
		12,533,280		481,251		5,396,333		197,523

Schedules to Profit and Loss Account

Particulars	For the year ended 31st October 2003				For the year ended 31st October 2002			
	Rupees	Rupees	Sing $	Sing $	Rupees	Rupees	Sing $	Sing $
SCHEDULE "6" - OTHER INCOME								
Interest and Exchange Differences		**47,498**		**1,792**		205,270		7,514
		47,498		**1,792**		205,270		7,514
SCHEDULE "7" - SOFTWARE DEVELOPMENT EXPENSES								
Software and Consulting Expenses		**22,439,716**		**843,806**		14,810,132		548,265
Advertisement and Publicity		**7,455**		**281**		32,019		1,185
		22,447,171		**844,087**		14,842,151		549,450
SCHEDULE "8" - EMPLOYMENT EXPENSES								
Salary and Other Allowances		**25,172,715**		**942,083**		42,598,315		1,576,548
Contribution to Provident Fund and Other Funds		**1,067,319**		**39,962**		826,634		30,593
		26,240,034		**982,045**		43,424,949		1,607,141
SCHEDULE "9" - ADMINISTRATION AND OTHER EXPENSES								
Rent		**1,112,233**		**41,634**		1,137,434		42,096
Travelling and Conveyance Expenses		**533,224**		**20,009**		459,309		16,999
Communication Expenses		**919,624**		**34,377**		1,055,640		39,069
Repairs and Maintenance - Building		**33,774**		**1252**		33,829		1252
Repairs and Maintenance - Others		**108,280**		**4,059**		75,164		2,782
Printing and Stationery		**86,694**		**3,242**		119,422		4,420
Auditors Remuneration								
Audit Fees		**203,435**		**7,675**		182,527		6,755
Legal and Professional Fees		**56,883**		**2,113**		132,933		4,921
Bank Interest and Other Charges		**34,789**		**1,311**		50,952		1,886
Insurance Premium		**400,076**		**14,977**		496,979		18,393
Provision for Bad Debts		**3,051,841**		**115,170**				
Membership and Subscription		**38,740**		**1,450**		31,073		1,150
Miscellaneous Expenses		**74,562**		**2,801**		219,199		8,113
		6,654,155		**250,070**		3,994,461		147,834

Notes to the Financial Statements - 31 October 2003

1. CORPORATE INFORMATION

The company's principal place of business is at:

180 Cecil Street #09-03

Bangkok Bank Building

Singapore 069546

The principal activities of the company are developing, designing, licensing of software products and programs and providing information technology consultancy services. There have been no significant changes in the nature of these activities during the financial year.

The number of staff employed as of 31 October 2003 was 16 (2002: 18).

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The financial statements are prepared in accordance with and comply with Singapore Statements of Accounting Standard ("SAS").

The financial statements expressed in Singapore dollars are prepared in accordance with the historical cost convention.

The company has adopted all the applicable new or revised Singapore Statements of Accounting Standard ("SAS") which became effective during the financial year. The adoption of the new or revised SAS has resulted in some changes in the company's accounting policies. However, none of these amendments have given rise to any adjustment to the opening balance of accumulated losses and current year's results.

b) Currency translation

Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at rates of exchange closely approximate to those ruling at the balance sheet date and transactions in foreign currencies during the year are translated at rates ruling on transaction dates. Translation differences are dealt with through the income statement.

c) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the income statement. When plant and equipment are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the income statement.

d) Depreciation of plant and equipment

Depreciation is calculated to write off the cost of plant and equipment by the straight-line method over their estimated useful lives. The annual rates used are as follows:

Office equipment	4.75 %
Computer software and hardware	33.33 %
Furniture and fittings	6.33 %

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

e) Trade and other receivables

Trade and other receivables are recognised and carried at original invoiced amount less any provision for uncollectible amounts. A provision for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

f) Trade and other payables

Trade and other payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

g) Revenue recognition

Software development and consulting revenue are recognised upon performance of services. Fixed price revenue are recognised on percentage of completion method.

h) Income tax

Income tax expense is calculated on the basis of tax effect accounting, using the liability method and is applied to all significant temporary differences.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable, that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or subsequently enacted at the balance sheet date.

i) Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date. If any indication of impairment exists, an impairment loss is recognised to the extent of the excess of the carrying amount over the estimated recoverable amount.

j) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

k) Employee benefits

Defined contribution plan

As required by law, the company makes contributions to the state pension scheme, the Central Provident Fund (CPF). CPF contributions are recognised as an expense in the income statement in the same period as the employment that gives rise to the contributions.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made of the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

3. CASH AND CASH EQUIVALENTS

	2003 S$	2003 RS	2002 S$	2002 RS
Cash in hand	**495**	**12,885**	198	5,412
Cash at bank	**143,303**	**3,732,046**	376,963	10,298,639
Fixed deposits	**38,224**	**995,495**	52,800	1,442,496
	182,022	**4,740,426**	429,961	11,746,547

Fixed deposits have been pledged to the bank as security for bank guarantees (Note 15).

4. TRADE RECEIVABLES

	2003 S$	2003 RS	2002 S$	2002 RS
Trade receivables	**587,515**	**15,346,259**	201,642	5,508,852
Less Provision for doubtful debts	**(100,000)**	**(2,649,850)**	-	-
	487,515	**12,696,409**	201,642	5,508,852

5. OTHER RECEIVABLES

	2003 S$	2003 RS	2002 S$	2002 RS
Deposits	**29,054**	**756,656**	23,824	650,872
Other debtors	**4,500**	**117,195**	3,701	101,101
Prepayments	**7,410**	**192,979**	6,565	179,356
	40,964	**1066,830**	34,090	931,329

6. AMOUNT OWING BY/(TO) A RELATED PARTY

Related party in the context of these financial statements means an entity with a common shareholder.

The amount owing by a related party is non-trade in nature, unsecured, interest free and repayable within the next six months.

The amount owing to a related party is trade in nature, unsecured, interest free and repayable within the next six months.

7. AMOUNTS OWING BY/(TO) HOLDING COMPANY

The company's immediate and ultimate holding company is Hexaware Technologies Limited, a company incorporated in India.

The amount owing by holding company is non-trade in nature, unsecured, interest free and repayable within the next six months.

The amounts owing to the holding company are unsecured, interest-free and repayable within the next six months.

	2003 S$	2003 RS	2002 S$	2002 RS
Amounts owing to holding company:				
Trade in nature	**421,348**	**10,891,603**	—	—
Loan (non-trade in nature)	**159,780**	**4,193,100**	247,380	6,525,000
	581,128	**15,084,703**	247,380	6,525,000

8. DEFERRED TAX ASSET

	2003 S$	2003 RS	2002 S$	2002 RS
Balance at beginning of the year	**13,178**	**360,023**	9,505	262,908
Transfer from income statement (Note 14)	**8,110**	**214,903**	3,673	100,346
Adjustment for currency translation	**—**	**-20,521**	3,673	-3,231
Balance at end of the year	**21,288**	**554,405**	13,178	360,023

The above balances comprise excess of net book values of plant and equipment over tax written down values and timing differences in exchange difference arising from trade transactions.

9. OTHER PAYABLES

	2003 S$	2003 RS	2002 S$	2002 RS
Accruals	**29,436**	**766,605**	7,955	217,331
Other creditors	**12,940**	**336,998**	16,526	451,490
	42,376	**1,103,603**	24,481	668,821

10. SHARE CAPITAL

	2003 S$	2003 RS	2002 S$	2002 RS
Authorised 500,000 ordinary shares of S$1 each	**500,000**	**12,476,000**	500,000	12,476,000
Issued and fully paid 500,000 ordinary shares of S$1 each	**500,000**	**12,476,000**	500,000	12,476,000

11. OTHER REVENUES

	2003 S$	2003 RS	2002 S$	2002 RS
Exchange gain	**731**	**19,364**	7,107	194,152
Interest income	**1,061**	**28,134**	7	191
Others	**—**	**—**	400	10,927
	1,792	**47,498**	7,514	205,270

12. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/Profit before taxation is arrived at after charging:

	2003 S$	2003 RS	2002 S$	2002 RS
Auditors' remuneration	**7,500**	**198,736**	7,500	202,650
Bad debt written off	**15,170**	**401,991**	—	—
CPF Contributions	**28,660**	**765,438**	3,709	100,217
Director's remuneration and CPF	**126,340**	**3,374,232**	127,520	3,445,590
Director's benefits	**24,500**	**654,263**	24,000	648,480
Office rental	**41,634**	**1,113,233**	42,096	1,137,434
Provision for doubtful debts	**100,000**	**2,649,850**	—	—

13. TAXATION

	2003 S$	**2003 RS**	2002 S$	2002 RS
Deferred taxation (Note 8)	**8,110**	**214,903**	3,673	100,346

No provision for tax has been made in view of the loss for the financial year. The company has unabsorbed tax losses and unutilised capital allowances amounting to approximately Indian Rs. 40,62,724 and Indian Rs. 234,388 (2002: Indian Rupees 29,42,870 and Indian Rupees Nil) available for offsetting against future taxable income of the company subject to there being no substantial change in the shareholders of the company and their shareholdings within the meaning of the Sections 23 and 37 of the Singapore Income Tax Act and agreement by the Inland Revenue Authority of Singapore. Future tax benefits of Indian Rs. 214,903 (2002: Indian Rupees 100,346) arising from temporary differences have been recognised since there is a reasonable expectation of realisation.

14. OPERATING LEASE COMMITMENTS

At the balance sheet date, the commitments in respect of operating leases were as follows:

	2003 S$	**2003 RS**	2002 S$	2002 RS
Due within one year	**67,296**	**1,752,596**	31,540	852,211
Due within two to five years	**32,240**	**839,630**	—	—
	99,536	**2,592,226**	31,540	852,211

15. RELATED PARTY TRANSACTIONS

The company had significant transactions with the following parties on terms agreed between them as follows:

	2003 S$	**2003 RS**	2002 S$	2002 RS
Software development expenses payable to holding company	**802,350**	**20,895,681**	425,621	11,500,279
Software development expenses payable to a related party	**—**	**—**	78,400	2,118,368

16. CONTINGENT LIABILITIES

	2003 S$	**2003 RS**	2002 S$	2002 RS
Bank guarantees	**—**	**—**	37,300	1,007,846

The above bank guarantees are fully secured by a charge over the company's fixed deposits (Note 4).

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The company has no significant liquidity risk.

Foreign currency risk

Foreign currency risk arises from potential changes in foreign exchange rates that have an adverse effect on the company in the current reporting year or in future years.

The majority of the company's trade transactions are denominated in Singapore dollars, therefore, no significant risk arises from changes in foreign exchange rates.

Credit risk

Credit risk arises when one party to a financial instrument fails to discharge an obligation and cause the other party to incur a financial loss.

The carrying amounts of trade and other receivables represent the company's maximum exposure to credit risk. The company has significant concentrations of credit risk with a single customer.

Interest rate risk

Interest rate risk arises from potential changes in interest rates that may have adverse effect on the company in the current reporting years or in future years.

The company has no significant exposure to market risk for changes in interest rates as it has no interest bearing borrowings.

Fair values

Fair value is the amount for which an asset could be exchange, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The carrying amounts of trade and other receivables, cash and cash equivalents, trade and other payables, holding company and related parties' balances approximate their fair values due to their short-term nature.

HEXAWARE TECHNOLOGIES LIMITED

Regd. Office : Unit No. 158, SDF – V, Seepz-Sez, Andheri (East), Mumbai – 400 096.

PROXY FORM

For Dematted Shares

DP ID	
CLIENT ID	

For Physical Shares

REGD. FOLIO NO.	
NO. OF SHARES HELD	

I/We ______________________________ s/o, w/o, d/o ______________________ residing at ______________ ____being member/ member(s) of the above named company hereby appoint Mr./Ms. ____________________ residing at ________________ ______________________________________ or failing him/her Mr./Ms. ______________________________________ residing at ____ as my/our proxy to vote for me/us and on my/our behalf at the Eleventh Annual General Meeting of the Company to be held on Wednesday the 9th day of June, 2004 at 11.30 a.m. at Yashwantrao Chavan Pratishthan, Mumbai, General Jagannath Bhosale Marg, Opposite Mantralaya, Nariman Point, Mumbai - 400 021 and at any adjournment thereof.

Signed this _________ day of _______________, 2004.

Affix Re. 1.00 Revenue Stamp

Signature
(Please sign across the Stamp)

Note: This form in order to be valid should be duly stamped, completed and signed and must reach the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.

HEXAWARE TECHNOLOGIES LIMITED

Regd. Office : Unit No. 158, SDF – V, Seepz-Sez, Andheri (East), Mumbai – 400 096.

ATTENDANCE SLIP

For Dematted Shares

DP ID	
CLIENT ID	

For Physical Shares

REGD. FOLIO NO.	
NO. OF SHARES HELD	

I certify that I am a registered shareholder/ proxy for the registered shareholder of the Company. I hereby record my presence at the Eleventh Annual General Meeting of the Company held on Wednesday the 9th day of June, 2004 at 11.30 a.m. at Yashwantrao Chavan Pratishthan, Mumbai, General Jagannath Bhosale Marg, Opposite Mantralaya, Nariman Point, Mumbai - 400 021.

____
Member's / Proxy's name in BLOCK letters

____
Member's / Proxy's Signature

(Shareholders attending the meeting in person or by proxy are requested to complete the attendance slip and hand over the same at the entrance of the meeting Hall.)

HEXAWARE TECHNOLOGIES LIMITED

Regd. Office : Unit No. 158, SDF – V, Seepz-Sez, Andheri (East), Mumbai – 400 096.

ECS / BANK MANDATE FORM

To
Sharepro Services
Unit: Hexaware Technologies Limited
Satam Estate, 3rd floor, Above Bank of Baroda,
Cardinal Gracious Road, Chakala, Andheri (East),
Mumbai – 400 099.

Re: Payment of Dividend through ECS or Incorporation of Bank Account Details on Dividend Warrants.

I wish to participate in the Electronic Clearing Services for payment of dividend to me. Given below are the details of my Bank Account.

I do not wish to opt for Electronic Clearing Services for payment of dividend to me. Given below are the details of my Bank Account to be printed against my name on the dividend warrant.

Name of the Sole / First Shareholder	
Folio No.	
Bank Name	
Branch (Name, Address & Telephone No.)	
Type of Account (Saving or Current)	
Account No. (As appearing in Cheque Book)	
Ledger folio No. (if any) of your Bank Account	
9 Digit MICR No. (as appearing on the Cheque issued by the Bank – Please attach a photocopy of your Cheque Leaf which contains your Bank Account No.	
PAN / GIR No.	

I hereby declare that the above particulars given are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information for any reasons, I would not hold the Company responsible. I also undertake to advise changes, if any, in the particulars of my account to facilitate updation of records for purposes of credit of dividend amount through ECS.

____
Signature of sole / first shareholder

Date:

Note:

1. Please send us ECS / Bank Mandate form duly filled and signed by June 2, 2004.
2. Please complete the form and send it to Registrar of the Company if you are holding share certificate(s) in physical form.
3. In case your shares are in Dematerialized form, inform / update the Depository Participant (DP) with whom you are maintaining Demat account.
4. In case of more than on Folio, please complete the details on separate sheets.
5. Shareholders are also requested to note that changes directly intimated to the Registrar or its Company will not be considered in respect of Demat accounts.
6. In case there is a change in address/Bank A/c./Bank Branch, inform/update the Company/DP immediately.