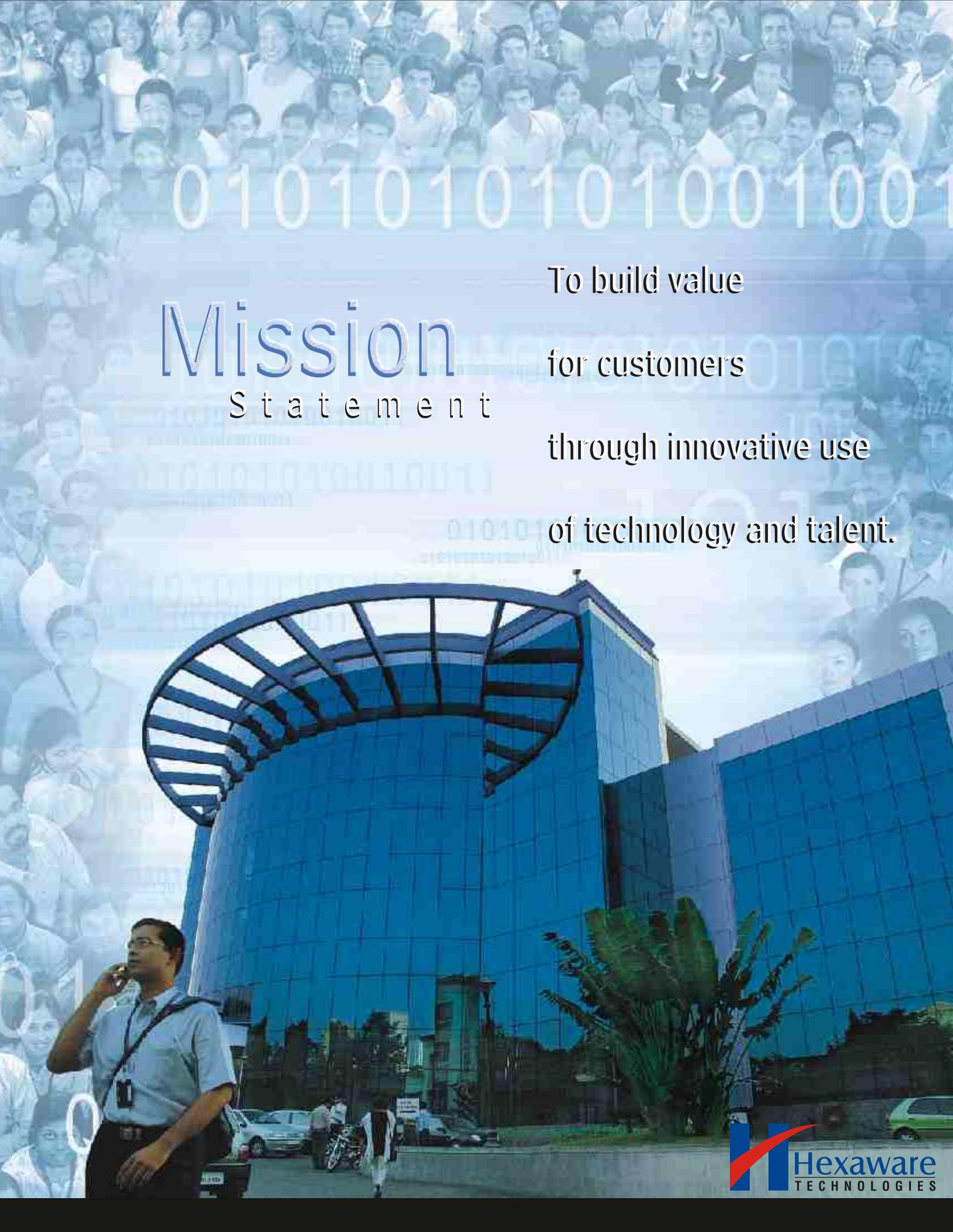


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Nurturing Relationships





Mission

Statement

To build value
for customers
through innovative use
of technology and talent.



Atul K. Nishar

Chairman's communique

Nurturing Relationships... enhancing Value...

Companies are built on values like integrity, ethics, reliability, commitment and passion. These are values that strengthen and nurture relationships; relationships that encourage a company's growth.

In 2004, our focus remained on strengthening relationships, both with our customers and with our employees. At Hexaware Technologies, we believe we are 'partner-in-business' with our customers. We pay attention to our customer's every single requirement and it was an achievement that led to 82% repeat business in 2004. There is immense sense of pride when satisfied partners say 'We are delighted to do business with you'. It is this Customer Delight that our Global Delivery focuses on, in addition to providing world-class solutions.

We are confident that our newly acquired 38 clients will also continue their partnership with the Company in the coming years. We are proud that 1 out of every 3 of our 107 customers belongs to a Global 500 / Fortune 500 list. Hexaware is geared to provide best-in-class services to all its clients.

With global revenue of US \$ 120.8 million, a growth of 65% in dollar terms over last year, Hexaware is the fastest growing Indian company in the industry (among the Nasscom Top 20). Hexaware ranked among the fastest growing technology companies across Asia Pacific, under the prestigious Deloitte Technology Fast 500 Asia Pacific 2004 Program. This was well received at the bourses with the stock touching a new high.

Team Hexaware has been an important element in the Company's accelerated growth. The Company being assessed for Internationally reputed quality and security initiatives, SEI CMMI Level 5 and BS 7799, are our competent Quality Team's efforts. Having worked jointly, the Sales and Delivery Team have been highly successful in winning prestigious clients. The HR team is doing a great task at identifying the right talent and it won't be long before our headcount will be more than 5000 people. The Finance team has not only driven the company's performance by incisive analysis, but has also complemented process changes such as PeopleSoft Financials and becoming US-GAAP compliant.

And as we are poised to repeat the performance for 2005, our focus would remain on partner-in-business. With an Expanded Enterprise Solutions portfolio, which includes Oracle, SAP, Business Intelligence and Content Management and new offerings like Product Engineering and Testing Services, the future surely seems upbeat for all our stakeholders - our partners, our employees and also the shareowners.

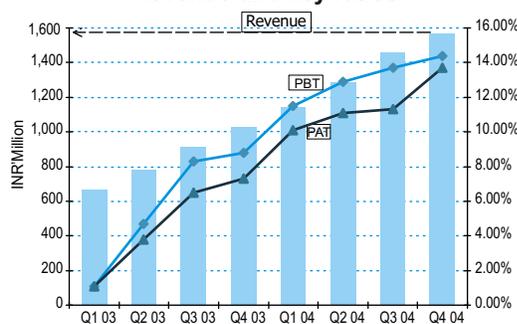
Let me end by thanking all our partners, our employees for their co-operation and support and my thanks to you, the shareowners for being with us in all times.

We value your commitment to Hexaware.

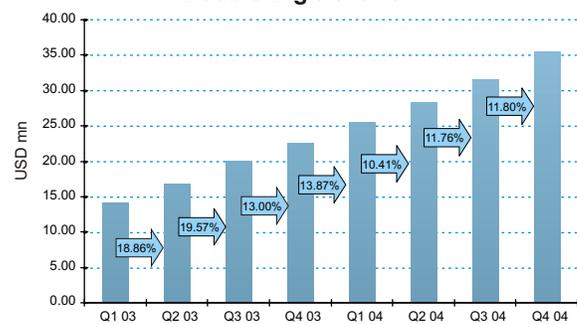
Yours sincerely,

Atul K. Nishar
Executive Chairman

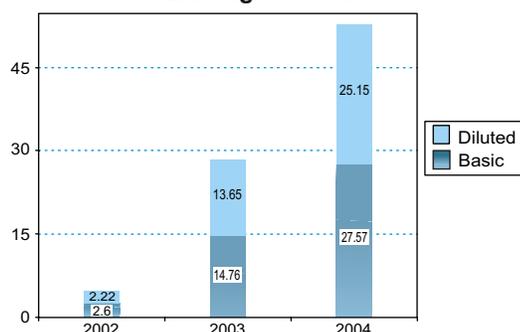
Revenue and key ratios



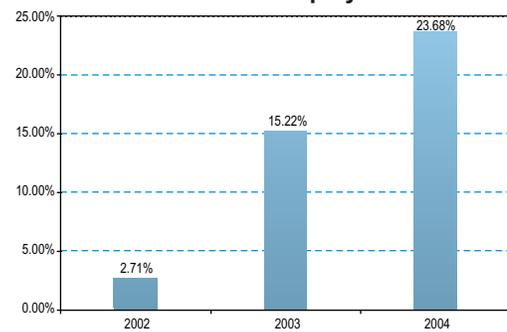
Double Digit Growth



Earning Per Share



Return on equity



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Board of Directors

Atul K. Nishar
Executive Chairman

Rusi Brij
Vice - Chairman

Dr. K. K. Anand
Director

L. S. Sarma
Director

A. P. Kurian
Director

P. G. Kakodkar
Director

Dr. (Mrs.) Alka A. Nishar
Director

P. K. Sridharan
President & Executive Director

Chief Finance Officer
Rajesh Ghonasgi

Company Secretary
Naishadh P. Desai

Auditors
M/s. Deloitte Haskins & Sells
Chartered Accountants

Bankers
IDBI Bank, Bank of India, Citi Bank,
ICICI Bank, Kotak Mahindra Bank

Registered Office
152, Millennium Business Park,
Sector - III, 'A' Block, TTC Industrial Area,
Mahape, Navi Mumbai - 400 710.

Registrars and Transfer Agents
Sharepro Services (India) Private Limited
Unit : Hexaware Technologies Limited
3rd Floor, Satam Estate,
Cardinal Gracious Road,
Andheri (East), Mumbai - 400 099.
Tel. : 2821 5168-69.
Fax : 2837 5646.

NOTICE

NOTICE is hereby given that the Twelfth Annual General Meeting of the Members of Hexaware Technologies Limited will be held on Monday, the 4th day of April, 2005 at M. C. Ghia Hall, 2nd floor, Bhogilal Hargovinddas Building, 18/20, K Dubhash Marg, Behind Prince of Wales Museum / Kala Ghoda, Mumbai - 400 001, 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, 2004 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 Mr. P. G. Kakodkar, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. (Mrs.) Alka A. Nishar, who retires by rotation, and being eligible, offers herself for re-appointment.
5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, Messrs Deloitte Haskins & Sells, Chartered Accountants, Mumbai be and are hereby re-appointed as the Statutory Auditors of the Company, including its branches, 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 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 modifications, the following resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956, and the provisions of the Articles of Association of the Company, and subject to the approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the equity shares of the Company having a nominal face value of Rs. 10/- (Rupees Ten only) per

share, be sub-divided into 5 (Five) equity shares having a nominal face value of Rs. 2 /- (Rupees Two only) per share and the relevant capital clauses in the Memorandum and Articles of Association of the Company be accordingly altered as proposed in the resolutions at Item Nos. 7 and 8 of the notice convening this Annual General Meeting.

RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall also include any Committee thereof duly authorised in this behalf) be and are hereby authorised to issue new share certificates representing the sub-divided shares with new distinctive numbers (except in the case of shares held in demat form) in the aforesaid proportion, subject to the rules laid down in the Companies (Issue of Share Certificates) Rules, 1960 with an option to either exchange the new share certificates in lieu of cancellation of the old share certificates or without physically exchanging the share certificates, by treating the old share certificates as deemed to be cancelled and also to inform the Registrar & Transfer Agents of the Company and Depositories to take the necessary action to give effect to the above.

RESOLVED FURTHER THAT the Board of the Company be and are hereby authorised to do all such acts, deeds, matters and things including issue of fresh share certificates and execute all such documents, instruments and writings as may be required in the said connection and to delegate all or any of the powers herein vested in them to any Committee of Directors or any Director(s) to give effect to the aforesaid resolution."

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

"RESOLVED THAT on the resolution for sub-division of the nominal face value of equity shares being duly passed and becoming effective as stated in resolution at Item No. 6 of the notice convening this Annual General Meeting, Clause V of the Memorandum of Association of the Company be deleted and in place thereof, the following new Clause V be substituted :

'V. The Authorised Share Capital of the Company is Rs. 65,00,00,000 (Rupees Sixty Five Crores only) divided into 17,50,00,000 equity shares of Rs. 2/- (Rupees Two only) each aggregating Rs. 35,00,00,000 (Rupees Thirty Five Crores only) and 30,00,000 Redeemable Preference Shares of Rs. 100/- (Rupees One Hundred only) each aggregating Rs. 30,00,00,000 (Rupees Thirty Crores only) (and such Preference Shares may be either cumulative or non-cumulative and may carry such

dividend as may be decided by the Directors, from time to time with power to the Company to convert the same into Equity Shares at any time) with the rights, privileges and conditions attached thereto as per the relevant provisions contained in that behalf in the Articles of Association of the Company and with power to increase or reduce the capital of the Company and to divide the shares in the capital for the time being into several classes (being those specified in the Companies Act, 1956) and to attach thereto respectively such preferential, qualified or special rights, privileges or conditions as may be determined by or in accordance with the provisions of the Articles of Association of the Company for the time being in force, and to vary, modify, enlarge or abrogate any such rights, privileges or conditions in such manner as may be permitted by the said Act or provided by the Articles of Association of the Company for the time being in force."

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

"RESOLVED THAT on the resolution for sub-division of the nominal face value of equity shares being duly passed and becoming effective as stated at Item No. 6 of the notice convening this Annual General Meeting and pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered by deleting the existing Article 3 and substituting in place thereof, the following as Article 3:

'3. The Authorised Share Capital of the Company is Rs. 65,00,00,000 (Rupees Sixty Five Crores only) divided into 17,50,00,000 equity shares of Rs. 2/- (Rupees Two only) each aggregating Rs. 35,00,00,000 (Rupees Thirty Five Crores only) and 30,00,000 Redeemable Preference Shares of Rs. 100/- (Rupees One Hundred only) each aggregating Rs. 30,00,00,000 (Rupees Thirty Crores only) (and such Preference Shares may be either cumulative or non-cumulative and may carry such dividend as may be decided by the Directors, from time to time with power to the Company to convert the same into Equity Shares at any time) with the rights, privileges and conditions attached thereto as per the relevant provisions contained in that behalf in the Articles of Association of the Company and with power to increase or reduce the capital of the Company and to divide the shares in the capital for the time being into several classes (being those specified in the Companies Act, 1956) and to attach thereto respectively such preferential, qualified or special rights, privileges or conditions as may be determined by or in accordance with the provisions of the Articles of Association of the Company for the time being in force, and to vary, modify, enlarge or abrogate any such rights, privileges or conditions in such manner as may be permitted by the said Act or provided by

the Articles of Association of the Company for the time being in force."

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

"RESOLVED THAT in supersession of the resolution passed by the Company at its Seventh Annual General Meeting held on April 10, 2000 and its Extra-Ordinary General Meeting held on October 19, 2004 and subject to the relevant laws, rules and regulations as applicable from time to time and subject to such other approvals, permissions and sanctions as may be considered necessary and subject to the applicable provisions, if any, of the Companies Act, 1956 and subject to such conditions as may be prescribed by any of the authorities while granting such approvals/permissions/sanctions, which the Board of Directors of the Company (hereinafter referred to as "the Board"), be and is hereby authorised to accept, the consent of the shareholders be and is hereby accorded for the acquisition and holding of equity shares of the Company by Foreign Institutional Investors ("FIIs") registered with the Securities and Exchange Board of India in this regard up to a maximum aggregate limit of 100% of the paid up equity share capital of the Company, subject to the condition that the equity shareholding of each FII/SEBI approved sub-account of FII in the Company shall not at any time exceed 10 per cent of its total paid up share capital.

RESOLVED FURTHER THAT the Board of the Company be and is hereby authorized to do all such acts, deeds, matters and things and to execute such documents or writings as may be necessary, proper or expedient for the purpose of giving effect to the aforesaid resolution and for matters connected therewith or incidental thereto."

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, and in modification of the resolution passed by the Members at its Eleventh Annual General Meeting held on June 9, 2004, consent of the Company be and is hereby accorded to Mr. Atul Nishar, Executive Chairman of the Company to hold and continue 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 225,000 (USD Two Hundred Twenty Five 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 Ltd. Singapore subject to an annual increments not exceeding 15% every year."

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, and in modification of the resolution passed by the Members at its Eleventh Annual General Meeting held on June 9, 2004, consent of the Company be and is hereby accorded to Dr. (Mrs.) Alka Nishar, Director of the Company to hold and continue to hold an office or place of profit as a Director of Hexaware Technologies UK Limited, UK and Hexaware Technologies Asia Pacific Pte. Limited, Singapore a 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 100,000 (GBP One Hundred Thousand only) per annum in her capacity as a Director of Hexaware Technologies UK Limited, UK and Hexaware Technologies Asia Pacific Pte. Limited, Singapore subject to an annual increments not exceeding 15% every year."

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 314, and other applicable provisions, if any, of the Companies Act, 1956 and in modification of the resolution passed by the Members at its Eleventh Annual General Meeting held on June 9, 2004, consent of the Company be and is hereby accorded to Mr. Rusi Brij, Director of the Company to hold and continue 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 USD 600,000 (USD Six Hundred Thousand only) per annum by Hexaware Technologies Inc., USA in his capacity as Director of Hexaware Technologies Inc., USA subject to an annual increment not exceeding 15% every year."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as "the said Act") (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), and in

modification of the resolution passed by the Members in its Meeting held on March 15, 2002, and subject to the approval of the Central Government, if any, the consent of the Company be and is hereby accorded to the increase in / revision of remuneration payable to Mr. P K Sridharan - President and Executive Director of the Company, with effect from April 1, 2005 for the remaining tenure of his appointment, i.e January 6, 2007 as approved by the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include the Remuneration and Compensation Committee constituted by the Board) at its meeting held on February 21, 2005 and as set out in the Explanatory Statement annexed to the Notice.

RESOLVED FURTHER THAT the Board be and is hereby authorized to alter, vary and modify the said remuneration including salary, allowances and perquisites in such manner as may be agreed to between the Board and Mr. P K Sridharan within and in accordance with and subject to the limits prescribed in Schedule XIII to the said Act or any amendment(s) and/or any statutory modification(s) thereto..

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 Director 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 President and Executive Director 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."

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

"RESOLVED THAT the consent of the Company be and is hereby accorded to the payment of sitting fees to non-executive directors, including independent directors within the maximum permissible limits prescribed under the Companies Act, 1956 or by the Central Government from time to time for each meeting of the Board and /or of one or more Committee(s) of the Board attended by them.

By Order of the Board of Directors

Naishadh P. Desai
Company Secretary

Place : Mumbai

Date : February 21, 2005

Registered Office:

152, Millennium Business Park, Sector - III, 'A' Block, TTC Industrial Area, Mahape, Navi Mumbai - 400 710.

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 **Friday, the 1st day of April, 2005 to Monday, the 4th day of April, 2005**, 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 31st March, 2005 and to the beneficial owners as furnished by NSDL / CDSL, subject to deduction of tax, if any.
- 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 (India) Private Limited and to their respective Depository 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, 1998 onwards, may approach the Registrar and Share Transfer Agent, M/s. Sharepro Services (India) Private Limited, 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) Members 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 (India) Private Limited 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 as amended, and in accordance with the resolution of the general meeting will be available for inspection to members at the Annual General Meeting.
- 13) Members seeking any information relating to the Accounts may write to the Company at its registered office at 152, Millennium Business Park, Sector - III, 'A' Block, TTC Industrial Area, Mahape, Navi Mumbai - 400 710, for the attention of Company Secretary.
- 14) Re-appointment of Directors
At this Annual General Meeting, Mr. P. G. Kakodkar and Dr. (Mrs.) Alka A. Nishar retire by rotation and being eligible offer themselves for re-appointment. 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

The Board of Directors of the Company at its meeting held on February 21, 2005 have decided to reduce the nominal face value of the equity shares of the Company by sub-dividing the equity shares, in order to improve liquidity, to make more attractive and affordable for all class of investors, especially the small investors. In view of this, it is proposed that the nominal face value of the equity shares of the Company be reduced from Rs.10/- each to Rs.2/- each.

Except to the extent of their shareholding in the Company, none of the Directors of the Company is concerned or interested in this resolution.

Item Nos. 7 and 8

Consequent to the sub-division of shares, it is necessary to alter the Capital clause of the Memorandum of Association and the Articles of Association of the Company. The Ordinary Resolution in item No.7 and the Special Resolution in item No.8 seek to make corresponding amendment in Clause V of the Memorandum of Association and Article 3 of the Articles of Association to give effect to the above resolution.

After the resolution has been adopted by the members, the Company will fix a Record Date for splitting the share certificates. Shareholders holding shares in electronic form will be allotted split/sub-divided shares in electronic form (demat mode). Shareholders holding shares in the form of physical share certificates will have the opportunity to either receive split/sub-divided shares in demat mode or in the form of physical certificates. In view of the fact that the Company's shares are now tradable only in the demat mode and sale in physical form (to the extent permissible), apart from causing delays/risks associated with postal interception and potential fraud, often also leads to the realisation of a significantly lower price, it will be in the interest of the members to opt for receiving split shares in lieu of their existing holding in physical form, in the demat mode. Members may like to bear this aspect in mind while exercising their option.

None of the Directors of the Company is concerned or interested in the said resolutions except to the extent of their shareholding in the Company.

The Board commends the passing of the resolutions at Item Nos. 7 and 8 of the notice convening the meeting.

Item No. 9

Under Regulation 5(2) of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, ("Regulations"), a registered Foreign Institutional Investor ("FII") may purchase shares or convertible debentures of an Indian company under the Portfolio Investment Scheme, subject to

the terms and conditions specified in Schedule 2 of the Regulations up to the sectoral cap/statutory ceiling on investment in the Indian company.

In the case of the Company, the sectoral cap on investment by persons resident outside India is 100%.

With a view to improve the free float available for FII's and also increasing the foreign exchange inflow into the country, it is proposed to enhance the investment limit by Foreign Institutional Investors which is presently fixed at 74% to 100% of the paid up equity share capital of the Company.

Your Directors recommend the resolution for approval of the Members.

None of the Directors of the Company is, in any way, concerned or interested in the resolution.

Item Nos. 10 and 11

At the Eleventh Annual General Meeting of the Company held on June 9, 2004, the members accorded their consent to the holding of office or place of profit by:

i) Mr. Atul K Nishar - Executive Chairman of the Company 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 on payment of an aggregate remuneration to him by the aforesaid subsidiaries of the Company of a sum not exceeding USD 60,000; and

(ii) Dr. (Mrs.) Alka Nishar, Director of the Company as a Director of Hexaware Technologies UK Limited, UK and Hexaware Technologies Asia Pacific Pte. Limited, Singapore, wholly owned subsidiaries of the Company on payment of an aggregate remuneration to of a sum not exceeding GBP 80,000.

Mr. Atul K. Nishar and Dr. (Mrs.) Alka Nishar are continuing to provide on a regular basis, directional and strategic inputs to the aforesaid wholly owned subsidiaries of the Company in which they are associated as Directors. The respective Boards of the said subsidiary companies in recognition of their contribution towards the growth of the said subsidiaries have decided to increase / revise an aggregate remuneration of a sum not exceeding USD 225,000 (USD Two Hundred Twenty Five Thousand only) per annum and GBP 100,000 (GBP One Hundred Thousand only) respectively, subject to an annual increments not exceeding 15% every year.

The revised remuneration payable to Mr. Atul K. Nishar and Dr. (Mrs.) Alka Nishar by the respective subsidiaries of the Company, viz. namely, Hexaware Technologies Inc., U.S.A., Hexaware Technologies UK Ltd., UK and Hexaware Technologies Asia Pacific 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 and would necessitate prior consent of the shareholders by a special resolution.

Your Directors commend Resolutions at Item Nos. 10 and 11 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 Mr. Atul K. Nishar and Dr. (Mrs.) Alka Nishar, none of the other Directors are concerned or interested in the said resolutions.

Item No. 12

At the Eleventh Annual General Meeting of the Company held on June 9, 2004, the members accorded their consent to the holding of office or place of profit by Mr. Rusi Brij, Director of the Company as a Director of Hexaware Technologies Inc., U.S.A., wholly owned subsidiary of the Company on payment of an aggregate remuneration to him of a sum not exceeding USD 500,000 per annum.

Mr. Rusi Brij, Director continues to be actively associated with the management of the business and the affairs of Hexaware Technologies Inc., U.S.A. as a member of its Board. The Board of Hexaware Technologies Inc., U.S.A. in recognition of his contribution towards the growth of the said subsidiary have decided to increase/revise an aggregate remuneration of a sum not exceeding USD 600,000 (US\$ Six Hundred Thousand only) per annum subject to annual increments not exceeding 15% every year.

However, his appointment is subject to the provisions of Section 283(1) of the Companies Act, 1956, if at any time, he ceases to be in the employment of the company or its subsidiaries for any reason whatsoever, he shall cease to be a director of the Company or its subsidiaries.

The revised remuneration payable to Mr. Rusi Brij, Director 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 subsidiary of the Company, which would necessitate prior consent of the shareholders by a special resolution.

Your Directors commend the resolution at Item No. 12 for your approval. Save Mr. Rusi Brij, none of the other Directors are concerned or interested in the said resolutions.

Item No. 13

Mr. P K Sridharan was appointed as President and Executive Director of the Company on remuneration as approved by the Members at its meeting held on March 15, 2002 for a period of five years with effect from January 7, 2002.

Subject to the approval of shareholders, the Directors of the Company at its meeting held on February 21, 2005 have decided to increase/revise the remuneration payable to Mr. P K Sridharan - President and Executive Director with effect from April 1, 2005, for the remaining tenure of his appointment, i.e. January 6, 2007. The details of the proposed revised remuneration payable to Mr. P K Sridharan - President and Executive Director are as under:

1. Salary

- (i) Rs. 1,20,000 (Rupees One Lac Twenty Thousand only) per month with effect from 01.04.2005 (with an annual increment of not more than 20% over the previous Basic Salary as may be decided by the Board or any committee thereof)
- (ii) Mr. Sridharan shall be entitled to personal allowance at Rs. 1,04,000 (Rupees One Lac Four Thousand only) per month.
- (iii) Mr. Sridharan 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 as under:
 - (i) He shall be entitled to rent free residential accommodation (furnished or otherwise) or House Rent Allowance at the rate of 60% 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 Medclaim 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 telephone at the residence of Mr. P K Sridharan at the entire cost of the Company. However, personal long distance telephone calls shall be billed by the Company to Mr. P K Sridharan.

- 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. P K Sridharan 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 Mr. P K Sridharan shall be the maximum amount permitted as per Schedule XIII, as amended from time to time.

4. Other Terms

- (i) Mr. P K Sridharan 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. P K Sridharan shall be entitled for reimbursement of entertainment expenses incurred in the course of business.
- (iii) The agreement with Mr. P K Sridharan may be terminated by either party by giving to other party three months notice in writing of such termination or salary in lieu thereof.

Performance Bonus: An amount limited as may be determined by the Board or any Committee thereof subject to a maximum of Rs. 27,00,000/- p.a. based on such performance parameters as may be laid down by the Board or Committee thereof.

Your Directors commend the Resolution at Item No.13 for your approval.

Except Mr. P K Sridharan, 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 payment of remuneration to Mr. P K Sridharan as required to be circulated under Section 302 of the Companies Act, 1956.

Item No. 14

Regulation 49 I (B) of SEBI Circular No. /CFD /DIL/ CG/1/2004/ 12/ 10 dated October 29, 2004 provides that all fees/compensation, if any paid to non-executive directors, including independent directors, shall be fixed by the Board of Directors and shall require previous approval of shareholders in general meeting.

All existing listed companies having a paid up share capital of Rs. 3 crores and above or net worth of Rs. 25 crores or more at any time in the history of the company, have to comply with the new regulations by April 1, 2005. Hence the resolution.

The Board at its meeting held on April 26, 2001 has approved the payment of sitting fees of Rs. 5,000 for each meeting or a committee to non-executive directors, including independent directors within the maximum permissible limits prescribed under the Companies Act, 1956 for each meeting of the Board or of one or more Committee(s) of the Board attended by them.

The Directors recommend the resolution for your approval.

Mr. L. S. Sarma, Dr. K K. Anand, Mr. A. P. Kurian and Mr. P. G. Kakodkar, the non-executive directors of the Company who qualify to receive sitting fees for attending the meeting of the Board or Committee thereof. Save as aforesaid, none of the other Directors of the Company is in any way concerned or interested in the said resolution.

By Order of the Board of Directors

Naishadh P. Desai
Company Secretary

Place : Mumbai

Date : February 21, 2005

Registered Office:

152, Millennium Business Park, Sector - III, 'A' Block, TTC Industrial Area, Mahape, Navi Mumbai - 400 710.

DIRECTORS' REPORT

Dear Members,

Your Directors have great pleasure to present their twelfth 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, 2004.

Financial Performance:

Global Operations:

Year ended December 31,	2004 Rs. million	2003 Rs. million	Growth %
Income from Operations	5,458.91	3,389.85	61.04%
Other Income	116.35	58.07	100.36%
Gain on sale of stake in associate	-	89.21	
Total Income from Operations	5,575.26	3,537.13	57.62%
Profit before Depreciation & Tax	884.65	449.63	96.75%
Less: Depreciation	161.07	149.73	7.57%
Profit before taxation	723.58	299.90	141.27%
Less: Provision for taxation	86.22	14.23	605.90%
Net Profit after tax	637.36	285.67	123.11%
Income Tax – Earlier Years	5.10	24.86	-
Share of Profit in Associate	-	68.05	-
Net Profit after Tax and Share of Profit in Associate	632.26	328.86	92.26%

India Operations:

Year ended December 31,	2004 Rs. million	2003 Rs. million	Growth %
Income from Operations	2,540.42	1,547.59	64.15%
Other Income	124.11	257.42	-51.79%
Total Income from Operations	2,664.52	1,805.01	47.62%
Profit before Depreciation & Tax	594.17	454.27	30.80%
Less: Depreciation	142.47	124.43	14.50%
Profit before taxation	451.70	329.84	36.95%
Less: Provision for taxation	14.00	1.25	1020.00%
Net Profit after tax	437.70	328.59	33.21%
Income Tax – earlier years	4.36	24.86	
Add: Balance b/f from previous year	141.59	119.89	
Balance available for appropriation	574.93	423.63	
Appropriation			
Transfer to / (from) General Reserve	50.00	231.00	
Proposed Dividend on Equity Shares	117.21	45.24	
Tax on Dividends	15.30	5.80	
Balance carried to Balance Sheet	392.42	141.59	

Results of Operations

a) Global operations

Your Company reported a robust growth in its global operations.

Your Company recorded consolidated income (as per Indian GAAP) of Rs.5,575.26 million in 2004 compared to Rs. 3,537.13 million in 2003. The revenue from software business grew 61.04 % to Rs. 5,458.90 million in 2004 from Rs. 3,389.85 million in 2003. The profit after tax grew by 123.11 % to Rs 637.36 million in 2004 from Rs. 285.67 million in the previous year.

Hexaware's ability to nurture and sustain excellent customer relationships was the mantra of success for winning large accounts, repeat business from existing clients. Effective delivery management ensured steady improvement in utilization and cost rationalization. In 2004, your Company acquired 38 new clients, strengthened its active customer base to 107. Our customer list is also a very healthy list as we have today more than 25 clients with whom we bill more than US\$ 1 Million annually.

Also, the number of customers with an annual billing of more than US\$ 10 million rose to 2 (from none the previous year); customers who billed between US\$ 5 - 10 million annually stood at 3 (from 4 the previous year) while number of clients with a billing of US\$ 1 - 5 million increased to 25 (from 12 in 2003).

b) India operations

Your Company recorded total income of Rs. 2,664.52 million in 2004 compared to Rs. 1,805.01 million in 2003, a growth of 47.62%. The revenue from Software business grew 64.15 % to Rs.2,540.42 million in 2004 from Rs. 1,547.59 million in 2003. The profit after tax jumped to Rs.437.70 million in 2004 from Rs. 328.59 million in 2003, an increase of 33.21 % over previous year.

Dividend

The Directors are pleased to recommend a dividend of 50% i.e. Rs. 5/- per share (previous year Rs. 2/- per share) for the financial year ended on December 31, 2004. The total gross amount of dividend for the year December 31, 2004 is Rs.117.21 million as against Rs. 45.24 million for the previous year. The tax on distributed profits, payable by the Company would amount to Rs. 15.30 million (previous year 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 Annual General Meeting.

Share capital

During the year, the paid-up Share Capital of your Company increased from Rs. 226.23 million to Rs. 233.04 million comprising 23,303,605 equity shares of Rs. 10/- each. This increase was a result of the exercise of 759,180 Warrants (equivalent to 253,060 equity shares) and 427,297

Options (equivalent to 427,297 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 made an investment of Rs. 74 million in Caliber Point Business Solutions Limited, a wholly owned subsidiary, doing business in the Business Process Outsourcing (BPO) domain.

Infrastructure

During the year, your Company has acquired a building from MIDC admeasuring built up area of 55,088 sq. ft. at Mahape, Navi Mumbai - 400 710. The Company has also acquired state-of-art building on lease basis at Chennai and Bangalore with a built up area of 27,470 sq.ft and 1,90,445 sq.ft. respectively. Keeping in line with the future growth, the Company has also acquired land admeasuring 27.78 acres in Chennai from SIPCOT of Government of Tamilnadu.

Business

In the previous year, your Company achieved significant advancement in key areas such as new business launches, key client acquisitions and strategic reorganization of service delivery into scalable customer centric units. The company also attained new milestones in process quality and information security.

During the year, Hexaware achieved various milestones; a few of them are listed below:

Business Portfolio enhancement:

- Caliber Point Business Solutions Limited, the BPO subsidiary of Hexaware was launched and incorporated on 14th May 2004.
- The Enterprise Solutions portfolio was expanded by adding Oracle, SAP, Business Intelligence, and Content Management offerings, thereby enabling the Company to position as market leader.

Process quality and security standards:

- Hexaware achieved Level 5 of the SEI CMMI, the highest standards in security and quality process compliance.
- Achieved BS 7799 certification for Information Security.

Service delivery excellence:

- The Company restructured global operations into a highly scalable, customer-centric organization with an aim to enriching employee experience and technological depth.
- Hexaware successfully delivered the critical phase of one of the largest re-engineering projects for a leading European customer.

Establishing a global footprint

- Hexaware opened a new office and proximity center in Bad Homburg, Germany, which further established the Company as one of the leading service providers in this principal European region.

- During the year 2004, Hexaware also entered two new markets - Australia and Netherlands.
- Acknowledged amongst the fastest growing technology companies across Asia Pacific, by achieving the prestigious Deloitte Technology Fast 500 Asia Pacific 2004 Program.
- Won six multi-million, multi year contracts in the last two quarters of financial year 2004.

Operations

In keeping with the significant improvement in the overall business scenario for off shoring, your Company reported robust growth for the year 2004. Your Company's outstanding financial performance in 2004 showed the comprehensive advancement of the Company's operations. This was made possible by various factors as elaborated below:

Verticals/Horizontal/New Initiatives

A deep understanding of business processes across numerous service sectors and a range of cutting-edge technologies enables the company to engineer scalable, robust solutions to meet specific business needs. The focus service sectors where the company has built significant domain expertise and attained a strong position in the market are Banking and Financial Services, Insurance, Transportation and HR. The company operates the largest product support center in the world and is also provides services to world leaders in the Airline and Banking space.

Hexaware offers a unique differentiated offering in the HR domain, with the capability to provide services such as global consolidation, shared services, HR-IT, and HR-BPO. This business segment contributed 22% of the revenue in 2004.

Our outsourcing solutions mix consists of:

1. Application Development and Management
2. Product Engineering
3. Packaged Enterprise Applications: Oracle, SAP, PeopleSoft, CRM & BI products
4. Infrastructure Services
5. Application testing
6. Business Process Outsourcing
7. Embedded Software & RFID

Hexaware has concentrated its efforts equally on all the above areas through its built-up capabilities in the various Business and Service Delivery Units. The focus on these areas is likely to continue in the future.

Strategy

In an increasingly dynamic world, our customers' business is being transformed by broad market trends. These include intense competition - impacting their ability to sustain and create shareholder value; rapid globalization - cost and value arbitrage is leading to new outsourcing paradigms across several industries;

and re-engineered business processes - technology is increasingly shaping the way business is done by further reducing time to market and cost structures.

Change, as always, has created several new opportunities for technology-intensive Indian IT vendors.

Hexaware's business strategy of leadership through focus is built on the following:

- Ability to identify underserved but scalable market segments. These are market spaces that are not targeted by the larger IT vendors, and hence make it relatively easier to become the best-of-breed player.
- Substantial investments upfront to create market leadership status in these focus areas. Market leaders get the best deals and best rates.
- Make account mining and customer relationship a company-wide priority. By aggressively building customer relationships, an opportunity is created to grow revenue in key customers by cross-selling other Application Development and Management services.

Thus, by initially targeting the PeopleSoft market where Hexaware quickly emerged as a leading global vendor, and then taking the same approach to building a larger HR-IT practice across other ERP's like Oracle and SAP, Hexaware has created a fast growth trajectory.

Similarly, the Airlines sector, Enterprise Content Management (Filenet solutions), Eagle (Portfolio Management Solutions), Product Engineering, etc. have been other go-to-market service offerings that have lent Hexaware a string capability to create and sustain customer acquisition and growth strategy.

The focus on Germany is yet another model of Hexaware's ability to identify relatively untapped markets. Today, the Company is among the leading Indian vendors in the top five IT markets globally.

To execute this strategy, Hexaware has consciously invested more in building its customer-facing organization over the past few years. While this has led to a significantly higher SG&A cost structure, the order book, impressive list of customers acquired (every third customer is a Fortune/Global 500), and fast growing Top 25 customer revenue has enabled Hexaware to create a sustainable growth model and strong revenue visibility.

The sales organization is ably supported by a world-class delivery organization that has kept pace in building technology competencies and a consistent project execution track record that is the envy of peers.

PROSPECTS

"It's not the strongest species that survive, nor the most intelligent, but the most responsive to change".

--- Charles Darwin

True to the maxim, Hexaware's business model is pivoted on managing change and sound leadership. Leadership is often linked

to vision, and it's true that reinventing the 'strategic wheel' in response to accelerated change has become the order of the day. More often than not, companies cannot make the best of the typical business cycle for the want of clear vision and direction.

Hexaware's proactive strategy - 'Leadership through focus' has enabled the Company carve out a niche in the dynamic IT and BPO industry and capitalize on a wealth of opportunities. By focusing on this strategy, Hexaware has not only translated its marketing initiatives to generate high revenue growth opportunities but also enhanced customer fulfillment in the business domain.

The Company's core business philosophy has always focused on the customer. The Company's customer orientation centers on 'committing correctly but delivering more'. This committed approach has enhanced customer delight and fulfillment levels - a crucial success determinant in the broad-based IT industry.

Bolstered by excellent customer reviews and feedback, Your Company expects to increase our growth rate on two strategic dimensions - proactive customer acquisition and aggressive customer retention. Your Company's belief is that the creation of an extended and enriched customer relationship would be the premise on which our new business initiatives will be built on.

Besides generating healthy revenues from its major customer accounts, the company's key revenue streams for this fiscal would be from BFSI, Transportation industry segments, and the horizontal segment of PeopleSoft. With improved customer fulfillment and customer care planning, Hexaware is well poised to offset challenges and capitalize on the opportunities of tomorrow. True to expectations, the Company will be a front-runner for acquiring major turnkey IT projects in the coming fiscal. By focusing on expanding management bandwidth coupled with a judicious onsite-offshore mix, Hexaware is looking towards improving on its rate of growth.

In new markets of Australia and Netherlands, investments have been planned in 2005 to further strengthen these geographies.

Hexaware, thanks to its sustained efforts in 2004 has built up a strong order book. This would help your Company plan infrastructure development and people investments with greater precision for the future - a key to sustain profitability.

With a firm commitment to multiplying shareholder value, the target for this fiscal is to reach out and cater to a wider client base. Hexaware through its sustained performance ethic and a stable business model is now all set for the next stage of breakthrough growth.

Quality

Your company is committed to achieving world-class delivery of services through a concerted focus on continuous improvement. Your company has attained high standards of process maturity as evident from the achievements in 2004. Hexaware has rigorously implemented the SEI-CMM/CMMI Level 5, ISO-9001-TickIT and BS7799.

Your Company was assessed at Level 5 of the capability Maturity models (CMMI and CMM). Hexaware also achieved the BS7799

certification for information security standards. *"Hexaware is committed to manage information security to ensure Confidentiality, Integrity and Availability of organizational and customer assets."*

Thrust areas for 2005 include SAS-70 and SEI-PCMM standards. Going forward - your Company's initiatives in SEI-PCMM is to further improve workforce practices. The Company's current focus is also on enhancing the process of automation and internal systems to improve its process efficiency and performance.

Talent Management

Your company believes that employees form the fulcrum of growth and differentiation for the organization. Hexaware recognizes that people are its principal assets and that its continued growth is dependent upon the Company's ability to attract and retain quality people. The total headcount increased to 3,833 at the end of the year compared to 2,343 of the previous year. Technical personnel comprised 89% of the total work force. The net addition to employees during the year was 1490.

Hexaware encourages long-term commitment to the Company by rewarding its people for the opportunities they create and the value generated for clients and shareholders.

Hexavarsity: Hexaware believes that learning is unbounded, continuous, and a key success factor in our industry. Therefore, the Company has made all efforts to ensure that knowledge and skills are assimilated properly and leveraged correctly, by launching Hexavarsity, Hexaware's in-house university for continuous learning, skill up gradation and new skill development. Annual training programs, relationships with leading internationally reputed institutions, use of web based training methods etc, further provide opportunities for the workforce to learn new skills.

The Company invested 80 hours per person in training in 2004 on technical and non-technical training (soft and managerial skills).

Pinnacle: Some of our other resource initiatives like an enhanced Performance Management System, Pinnacle, which was introduced in 2003 showed outstanding results. Today, Hexaware is well equipped to make faster, better-informed and more effective decisions on human resources issues and requirements, which would translate into a positive impact on bottom lines.

Helix: Hexaware has taken knowledge management to the next dimension by intelligently and dynamically accessing, retrieving, storing and analyzing information in real time. The knowledge management model orbits around the maxim 'Information is power'. Your Company, in its very early evolutionary stages, recognized that knowledge has a key competitive advantage and initiated knowledge management practices in the workplace. Your Company launched 'Helix', an intranet portal, as a part of a concerted effort to e-enable various processes that interconnect various functions within Hexaware. Helix connects service delivery, sales and marketing and other support functions across the global locations of Hexaware.

Community Contribution

Hexaware has consistently responded to various community initiative programs and understands the larger role that it can play in social development. It has always endeavoured to harness company resources to help in times of natural disasters and calamities. In the wake of the Tsunami disaster, which left thousands homeless, the Company & its employees contributed Rs. 1 crore for the relief and rehabilitation of the affected families.

Corporate Governance and Management Discussion and Analysis

Your Company has been practicing 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 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 680,357 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 3,600,000 Warrants and 2,209,829 Options respectively. During the year, the Company has abandoned "Aptech Limited - Employee Stock Option Trust" Scheme.

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)	31,51,763	24,37,150
Total No. of equivalent Shares	10,50,588	24,37,150
The Pricing Formula	At the fair value as on date of	At the fair value as on date of
Number of Warrants / Options vested	3,151,763	1,218,575
Number of Warrants / Options Exercised	1,727,874	629,355
Number of Warrants / Options lapsed / forfeited	576,630	316,737
Money realized by exercise of Warrants / Options	Rs. 11,387,700	Rs. 21,423,005
Total no. of Warrants / Options in force as on December 31, 2004.	847,257	1,491,058
Grant to Senior Management and Independent Director	936,620	547,000
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

The diluted earnings per share were Rs. 25.15 and Rs. 13.65 for the financial year ended December 31, 2004 and December 31, 2003 respectively.

Fixed deposits

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

Insurance

All the properties of the Company are 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. 2,584.06 million for 2004 as against Rs. 1,731.77 million in 2003 and the profit was Rs. 50.95 million against a profit of Rs. 21.36 million in 2003.

Hexaware Technologies Canada Limited, Canada: During the year under review, the total income of the company was Rs. 36.50 million for 2004 against Rs. 6.66 million in 2003 and the profit after tax was Rs. 2.64 million as against Rs. 0.49 million in 2003.

Specsoft Consulting Inc., USA: During the year under review, the total income of the company was Rs. 202.44 million for 2004 as against Rs. 182.58 million in 2003 and loss for the year was Rs. 30.32 million against Rs. 13.33 million in 2003.

Hexaware Technologies UK Limited, UK: During the year under review, the total income of the company was Rs. 607.80 million against Rs. 507.22 million and the profit for the year was Rs. 151.96 million against a profit of Rs. 79.36 million in 2003.

Hexaware Technologies GmbH, Germany: During the year under review, the total income of the company was Rs. 780.06 million for 2004 as against Rs. 601.99 million in 2003 and profit for the year was Rs.3.34 million against a profit of Rs. 3.82 million in 2003.

Hexaware Technologies Asia-Pacific Pte. Limited, Singapore: During the year under review, the revenue of the company was Rs.66.34 million for 2004 as against Rs.51.39 million in 2003 and profit for the year was Rs. 3.58 million as against the loss of Rs. 4.69 million in 2003.

Caliber Point Business Solutions Limited, India: During the year, the wholly owned subsidiary company was formed on May 14, 2004 to carry out Business Process Outsourcing (BPO) business. However, commercial activities commenced from September 2004. During the period under review, the revenue of the company was Rs. 55.85 million for 2004 and profit for the period was Rs. 13.25 million.

Specsoft Consulting India Limited, India: During the year, the wholly owned subsidiary of Specsoft Consulting Inc. USA was formed. The commercial activities are likely to commence by April 1, 2005.

As per Section 212 of the Companies Act, 1956, your company is required to attach the Balance Sheets, Profit and Loss Accounts, Directors' Reports and Auditors' Report on the Accounts (as applicable under the relevant laws of the Countries of Incorporation of the respective subsidiaries) of these subsidiaries. Your company applied to central government for an exemption from attachment as it presents the audited consolidated accounts of the Company and its

subsidiaries in the annual report. Your company believes that the consolidated accounts present a full and fair practice of the state of affairs and the financial conditions as is done globally.

Directors

During the year Mr. Rusi Brij was elevated as Vice-Chairman, additionally along with his current post of CEO.

In accordance with the Articles of Association of the Company, Mr. P. G. Kakodkar and Dr. (Mrs.) Alka Nishar, Directors of the Company, retire by rotation at this Annual General Meeting and, being eligible, offer themselves for re-appointment.

Auditors

M/s. Deloitte Haskins & Sells, Auditors of the Company, retire at this Annual General Meeting and being eligible, offer themselves for re-appointment.

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

The Board wishes to place on record its sincere appreciation of the effort put in by the company's senior management team, executives and consultants at all levels, who through their competence, hard work, dedication and teamwork, achieved impressive results for year 2004.

Your Directors would like to thank all investors, customers, financial institutions, vendors, banks, government authorities, the registrars and share transfer agents, business / alliance and technology partner for their support.

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 : January 27, 2005

ANNEXURE TO THE DIRECTORS' REPORT

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:

Hexaware requires minimal energy consumption for its operations. 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 through automation, (i.e. using timers, automatic level controllers, etc.); and 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, Hexaware has also attached tremendous significance to indigenous development and up

gradation of technology through its extensive Research and Development operations.

RESEARCH & DEVELOPMENT :

Hexaware has a well equipped Research and Development wing carrying on Research and Development activities. This is in line with the company's philosophy of maintaining and sustaining leadership status and in the long run, R & D will be a crucial differentiator.

The total expenditure incurred on Research and Development by your Company for the year 2004 was Rs. 9.47 million. This expenditure is 0.37% of the total revenues of your Company.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

The details of Foreign Exchange Earnings and Outgo are mentioned in Para III & IV of Schedule 14 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 : January 27, 2005

Report on Corporate Governance:

The detailed report on Corporate Governance, for the financial year January 1, 2004 to December 31, 2004 as per the format prescribed by SEBI and incorporated in clause 49 of the Listing Agreement is set out below:

1. Company's philosophy on code of governance:

The Company believes in adopting & adhering global recognized standards of corporate conduct towards its employees, clients and society. 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.

2. Board of Directors:

2.1 Composition and category of Directors:

The Board comprises 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
Mr. Rusi Brij	Vice-Chairman	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
Dr. (Mrs.) Alka Atul Nishar	Director	Non-executive, non-independent Director
Mr. P. K. Sridharan	President & 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 eight board meetings during the year ended 31st December 2004. These were held on 27.01.2004, 15.04.2004, 27.04.2004, 09.06.2004, 27.07.2004, 20.08.2004, 18.10.2004 and 08.12.2004.

The attendance of the directors at the board meeting and the annual general meeting held during the year 2004 was as follows:

Directors	Board Meetings Attended during the year	Whether attended last AGM	Other Directorships/ Board Committees (Numbers)	
			Directorships	Board Committee
Mr. Atul K. Nishar	8	Yes	4	1
Mr. Rusi Brij	6	Yes	5	–
Dr. K.K. Anand	7	Yes	4	3
Mr. L.S. Sarma	7	Yes	3	5
Mr. A. P. Kurian	6	Yes	5	6
Mr. P. G. Kakodkar	4	Yes	10	7
Dr. (Mrs.) Alka Atul Nishar	5	Yes	2	–
Mr. P. K. Sridharan	8	Yes	1	–

None of the Directors of the Company holds membership of more than ten Committees nor is a Chairperson of more than five committees (as specified in Clause 49), across all companies of which he/she is a director.

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 Europe Limited - UK Specsoft Consulting Inc - USA Flora Projects Consultancy Private Limited
Mr. Rusi Brij	Hexaware Technologies Inc - USA Specsoft Consulting Inc - USA DQ Entertainment Limited - India Hexaware Technologies Canada Limited - Canada CaliberPoint Business Solutions Limited - India
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 Flora Projects Consultancy Private Limited CaliberPoint Business Solutions Limited
Mr. A. P. Kurian	Geojit Financial Services Limited National Stock Exchange of India Limited Muthoot Capital Services Limited Granules India Limited Association of Mutual Fund in India (AMFI)
Mr. P. G. Kakodkar	Goa Carbon Limited Uttam Galva Steel Limited Financial Technologies (I) Limited Sesa Goa Limited Mastek Limited Fomento Resorts & Hotels Limited Centrum Finance Limited Sesa Industries Limited SBI Funds Management Limited Auditime Information Systems Private Limited.
Dr. (Mrs.) Alka Atul Nishar	Hexaware Technologies Inc - USA Hexaware Technologies UK Limited - UK
Mr. P. K. Sridharan	Hexaware Technologies Asia-Pacific Pte. Limited - Singapore

2.4 Information provided to the Board:

The Board of the Company is 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:

1. Annual operating plans of businesses, capital budgets, updates.
2. Quarterly results of the Company and its operating divisions or business segments.

3. Minutes of the Audit Committee and other committees.
4. Information on recruitment and remuneration of senior officers just below the Board level.
5. Materially important litigations, show cause, demand, prosecution and penalty notices.
6. Fatal or serious accidents.
7. Any material default in financial obligations to and by the Company or substantial non-payment for services rendered by the Company.
8. Details of any joint venture or collaboration agreement or new client wins.
9. Any issue, which involves possible public liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
10. Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
11. Significant development in the human resources front.
12. Sale of material nature of investments, subsidiaries, assets which is not in the normal course of business.
13. Quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement.
14. Quarterly update on the return from deployment of surplus funds.
15. 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 this Annual General Meeting of the Company:

Mr. P. G. Kakodkar, aged 68 years, has been the Director of Hexaware Technologies Limited since 2000. Mr. Kakodkar is ex-Chairman of State Bank of India.

Dr.(Mrs.) Alka Nishar, aged 49, has been the Director of Hexaware Technologies Limited since inception. Dr. (Mrs.) Alka Nishar has extensive experience in Strategic

Planning, Information and Infrastructure Planning, Logistics, Control Systems and Marketing. Dr. (Mrs.) Nishar is an MBBS from the Grant Medical College, Mumbai and is a Master of Management Studies, Sydenham Institute of Management Studies, Mumbai.

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, focusing 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. Mr. L. S. Sarma (Chairman), Dr. K. K. Anand and Mr. A. P. Kurian.

During the year, Dr. K. K. Anand resigned as Chairman of the Committee and will continue as member of the Committee. Mr. L. S. Sarma has been appointed as Chairman of the Committee w.e.f. October 18, 2004.

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

3.3 Meetings and Attendance during the Year 2004:

Name of the Director	Attended
Dr. K. K. Anand	7
Mr. L. S. Sarma	6
Mr. A. P. Kurian	6

4. Remuneration & Compensation Committee

4.1 Brief description and terms of reference:

The Remuneration & Compensation Committee ("Committee") of the Company comprises of Mr. L.S. Sarma

(Chairman), Dr. K.K. Anand, Mr. Rusi Brij, Mr. P.K. Sridharan and Mr. Atul K Nishar. The scope of this Committee is to determine the compensation of Executive Directors and senior management. The Committee also approves, allocates and administers the Employee Stock Option Scheme, 1999 and the Employee Stock Option Plan, 2002 and as prescribed by the Listing Agreement from time to time.

During the year, the name of the Committee has changed to "Remuneration & Compensation Committee".

4.2 Remuneration Policy

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.

4.3 Meetings and Attendance during the Year 2004:

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

Name of the Director	Attended
Dr. K. K. Anand	6
Mr. L. S. Sarma	4
Mr. P. K. Sridharan	1
Mr. Rusi Brij	1
Mr. Atul Nishar	3

4.4 Details of Remuneration paid or payable to Directors during the year 2004:

Name of Director	Mr. Atul K. Nishar - Executive Chairman Amount in Rs.	Mr. P. K. Sridharan - Executive Director Amount in Rs.
Salary & Allowances	2,375,000	4,959,763
Perquisites	530,565	359,440
Contribution to Provident Fund and Other Funds	414,545	325,445
Total	3,320,110	5,644,648

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	-	-	-	-
Mr. Rusi Brij	660,000	220,000	-	-
Dr. K. K. Anand	-	10,000	130,000	500,000
Mr. L. S. Sarma	30,000	10,000	115,000	500,000
Mr. A. P. Kurian	-	5,000	95,000	500,000
Mr. P. G. Kakodkar	-	5,000	20,000	500,000
Dr. (Mrs.) Alka Nishar	-	-	20,000	-
Mr. P. K. Sridharan	102,620	186,000	-	-

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 2004:

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

Name of the Director	Attended
Mr. A. P. Kurian	4
Dr. K. K. Anand	4
Mr. L. S. Sarma	4
Mr. P. K. Sridharan	1

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

Nature of Complaints	Received	Cleared	Pending
Transfer, Transmission etc.	40	40	Nil
Dividend, Interest & redemption	147	147	Nil
Annual Report	10	10	Nil
Others/ Miscellaneous	28	28	Nil
TOTAL	225	225	Nil

Pending Transfers:

There were 5 (five) transfers, involving 88 (eighty eight) Equity Shares pending as on December 31, 2004. These transfers have been processed and shares have been dispatched in January 2005.

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- III, "A" Block, TTC Industrial Area, Mahape, Navi Mumbai - 400 710.
Contact telephone	+91 22 55919595
E-mail	naishadd@hexaware.com
Fax	+91 22 55919500

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

6.1 Location, date and time where the Annual/Extraordinary General Meetings were held:

Financial Year	General Meeting	Location	Date	Time
2004	Extra-Ordinary General Meeting	M. C. Ghia Hall, Bhogilal Hargovinddas Building, 18/20, K Dubhash Marg, Behind Princess of Wales Museum, Kala Ghoda, Mumbai - 400 001.	19/10/2004	11.30 A.M.
2004	Annual General Meeting	Yashwantrao Chavan Pratishthan Mumbai, General Jagannath Bhosale marg, Opp. Mantralaya, Nariman Point, Mumbai - 400 021.	09/06/2004	11.30 A.M.
2003	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.
2002	Annual General Meeting	Shree Vile Parle Gujarati Mandal, Navinbhai Thakkar Hall, Shradhanand Road, Vile Parle (East), Mumbai - 400 057.	03/06/2002	11.30 A.M.
2002	Extra Ordinary General Meeting	Shree Vile Parle Gujarati Mandal, Navinbhai Thakkar Hall, Shradhanand Road, Vile Parle (East), Mumbai - 400 057.	15/03/2002	11.30 A.M.

All resolutions, ordinary and special were passed either unanimously or by majority of votes. There was no resolution before the meetings, which required a postal ballot.

7. Disclosures:

- (a) There are no transactions with related parties i.e with the Promoters, Directors, Management, subsidiaries or relatives that may have potential conflict of interest of the Company at large. Transactions with related parties are disclosed in note no. 5 of schedule 13B to the Accounts of the Company in the Annual Report.
- (b) There has been no instance of non compliance by the company on any matter related to capital markets and hence the question of penalties or strictures being imposed on the Company by the stock exchanges or SEBI or any statutory authority does not arise.

8. Means of communication:

- (a) The quarterly and half yearly results were generally 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 and the presentations made to institutional investors and analysts are posted on the Company's web site - www.hexaware.com
- (c) The Management Discussion and Analysis (MD&A) report has 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 : **April 4, 2005, 11.30 a.m.**
- Venue : M. C. Ghia Hall, 2nd floor,
Bhogilal Hargovinddas Building,
18/20, K Dubhash Marg,
Kala Ghoda, Mumbai - 400 001.

9.2. Financial Year : January 1 to December 31

- Financial reporting for the quarter ending
- March 31, 2005 : By April 30, 2005
- June 30, 2005 : By July 31, 2005
- September 30, 2005 : By October 31, 2005
- December 31, 2005 : By February 28, 2006

9.3. Book Closure Date : April 1, 2005 to April 4, 2005
(both days inclusive)

9.4. Registered Office : 152, Sector - III,
Millennium Business Park,
'A' Block, TTC Industrial Area, Mahape,
Navi Mumbai - 400 710

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		

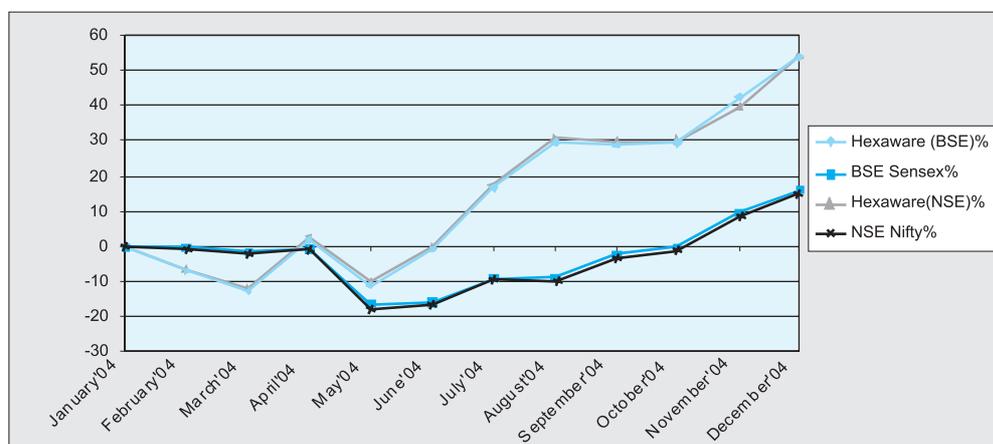
9.7 Stock Market Data :

The high/low of the shares of the Company from January 2004 to December 2004 is given below:

Year/ Month	Bombay Stock Exchange (Rs.)		National Stock Exchange (Rs.)	
	High	Low	High	Low
January'04	430.00	309.00	430.00	307.15
February'04	410.00	325.00	409.45	325.00
March'04	402.00	338.00	403.00	338.45
April'04	433.00	340.10	440.00	342.05
May'04	417.50	320.00	417.00	310.00
June'04	401.00	309.00	401.00	315.00
July'04	482.00	365.00	485.00	365.75
August'04	547.55	443.25	547.50	412.70
September'04	548.05	421.25	548.00	450.10
October'04	531.00	477.10	531.80	476.00
November'04	570.00	503.00	572.00	481.80
December'04	619.00	491.00	618.80	491.00

During the year, there has been no trading of GDRs on London Stock Exchange.

9.8. Stock Performance : (Indexed)



9.9 Stock Performance: For the year 2004

	In Percentage
Hexaware Technologies Limited	+46.89%
BSE Sensex	+11.62%
S & P CNX NIFTY	+8.80%

9.10 Registrar and Share Transfer Agents : M/s Sharepro Services (India) Private Limited
 Unit: Hexaware Technologies Limited
 Satam Estate, 3rd Floor,
 Cardinal Gracious Road,
 Chakala, Andheri (East),
 Mumbai - 400 099
 Tel. : +91 22 28215168/28215169
 Fax : + 91 22 28375646
 E-mail : sharepro@vsnl.com

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 :

No. of Equity Shares held	As on December 31, 2004			
	No. of Share holders	% of Share holders	Total No. of Shares held	% of share holding
1-500	72,495	99.39	20,208,200	11.88
501-1000	200	0.27	1,512,800	0.65
1001-2000	112	0.15	1,608,010	0.69
2001-3000	34	0.05	854,630	0.37
3001-4000	12	0.02	418,450	0.18
4001-5000	14	0.02	662,080	0.28
5001-10000	23	0.03	1,593,970	0.68
10001 and above	51	0.07	206,178,800	88.48
TOTAL	72,841	100.00	233,036,050	100.00

9.13. Categories of Shareholding (as on December 31, 2004) :

SR.NO.	CATEGORY OF HOLDER	NO. OF SHARES	% OF EQUITY
1.	Promoters Holdings	8,194,476	35.16
2.	Mutual funds / UTI	1,187,438	5.10
3.	Banks / Financial Institutions / Insurance Companies (Central / State Govt. Institutions / Non Govt. Institutions)	1,154,705	4.96
4.	FII's / GDR	5,667,242	24.32
5.	Others		
	Private Corporate Bodies	221,018	0.95
	Indian Public	2,595,630	11.14
	NRIs / OCBs / Foreign Companies	4,277,468	18.35
	Trust	5,628	0.02
	Sub Total	7,094,116	30.46
	TOTAL	23,303,605	100.00

9.14 Dematerialization of Shares and liquidity :

Procedure for dematerialization / rematerialization 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 96% of outstanding shares have been dematerialized upto December 31, 2004.

9.15 Dividend payment date : On or after 4th April, 2005.

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

1. Global Depository Receipts (GDR) :

The outstanding GDR as on December 31, 2004 is 88,110.

2. Warrants / Options :

- 36,00,000 Warrants allotted under ESOP Scheme 1999 of erstwhile Hexaware Technologies Limited entitles the holder to get allotted one 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.
- 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.

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 22,04,516 Equity shares.

9.17 Transfer of unclaimed dividend to Investor Education and Protection Fund :

Pursuant to provisions of Section 205A(5) of the Companies Act, 1956, dividend which remains unpaid or unclaimed for a period of seven years from the date of its transfer to unpaid dividend account, is required to be transferred by the Company to the Investor

Education and Protection Fund ('IEPF'), established by the Central Government under the provisions of Section 205C of the Companies Act, 1956. Shareholders are advised to claim the un-cashed dividend lying in the unpaid dividend account if the company before the due date. Given below are the dates of declaration of dividend and corresponding dates when unclaimed dividends are due for transfer to IEPF.

Date of declaration/payment of dividend	Dividend for the year	Due date for transfer to IEPF
April 6, 1998	1997	May 12, 2005
March 8, 1999	1998	April 14, 2006
April 10, 2000	1999	May 16, 2007
June 19, 2001	2000	July 25, 2008
June 9, 2004	2003	July 15, 2011

9.18 Investor Correspondence :

The Company Secretary
 152, Sector III, Millennium Business Park,
 'A' Block, TTC Industrial Area, Mahape, Navi Mumbai - 400 710
 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 examined the compliance of conditions of Corporate Governance by Hexaware Technologies Limited, for the year ended on 31st December 2004, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of 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 certify that the Company has complied in all material respect with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor grievances is pending for a period exceeding one month against the Company as certified by the share transfer agents of the Company, based on the records maintained by them.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Deloitte Haskins & Sells**
 Chartered Accountants

P. R. Barpande
Partner

Membership No. : 15291
 Mumbai: 27th January 2005.

Details of the Directors seeking appointments / re-appointment at the Annual General Meeting (In pursuance of Clause 49 (VI)(A) of the Listing Agreement.

At the ensuing Annual General Meeting, Mr. P G Kakodkar and Dr.(Mrs.) Alka A Nishar, Directors of the Company 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 no. 3 and 4, as required under clause 49 of the Listing Agreement are furnished below :

Name of the Director	Mr. P. G. Kakodkar	Dr. (Mrs.) Alka A Nishar
Date of Birth	10.03.1937	06.01.1956
Age	68 years	49 years
Date of Appointment	11.03.2000	20.11.1992
Experience in specific functional area	Ex-Chairman of State Bank of India	Extensive experience in Strategic Planning, Information & Infrastructure planning, Logistics, Control Systems, Marketing, Advertising & Publicity, Human Resources and Accounting.
Qualification	MA in Economics	M.B.B.S & Master of Management studies both from Bombay University
List of Companies in which directorship held in other companies	Hexaware Technologies Limited Goa Carbon Limited Uttam Galva Steel Limited Financial Technologies Limited Sesa Goa Limited Mastek Limited Fomento Resorts & Hotels Limited Centrum Finance Limited Sesa Industries Limited SBI Funds Management Limited Auditime Information System P. Ltd.	Hexaware Technologies Limited Hexaware Technologies Inc., USA Hexaware Technologies UK Limited, UK
Chairman / Members of the Committee of the Board of Companies in which she / he is Director	Chairman - Three Committee - Four	Nil

Management Discussion and Analysis

1. Overview

Your Company is a leading Information Technology services provider that offers powerful process-driven solutions impacting critical processes of the clients business. The company provides turnkey IT outsourcing solutions such as Application Development and Management, Enterprise Package Solutions, Infrastructure Management, Product Engineering and Independent Testing. These services are offered across multiple platforms and technologies employing sound practices such as Business Process Modelling and Architecture design to provide the business fit to customer needs.

Hexaware's business strategy of *leadership through focus* has enabled the company to identify niche, scalable markets in which the company has invested significantly to develop strong capabilities. This strategy allows the company the opportunity to gain leadership positions in the focus segments.

Subsidiaries: Hexaware subsidiaries in the Embedded Software business and BPO business fully complement the company's service offerings and combined, the group companies have the capability to become the technology engine for a customer.

Geographies: Your Company is among the leading Indian IT vendors in the top five IT markets globally. Operations are well established in the top IT markets as well as several select underserved markets. The company's focus on Germany, Australia, Netherlands and the response from these markets is an indicator of the success of this strategy.

Global Operations: The Company has a customer base of 35 Global/Fortune 500 clients, the largest among peers in the industry. The focus on building long-term customer relationships and Company organization into customer business units emphasise Hexaware's commitment to providing value added services to customers continuously.

Hexaware's U.S. offices are located in Jamesburg, Boston, Minneapolis, Lisle, and San Jose. Europe offices include Germany, France, Belgium, Netherlands and the United Kingdom; Asia Pacific locations are at Australia, Japan, Singapore, and Chennai, Bangalore and Mumbai in India.

2. Industry Structure & Developments

Your Company provides services to customers across North America, Europe and the Asia Pacific regions. While the company's largest market is North America, Hexaware has a significant presence in Europe and Asia Pacific regions. The growing share of revenues in Europe and Asia Pacific reflect enhanced global presence. The presence of near shore centre in Germany is also expected to strengthen Europe operations. The Company has established a new office in Amsterdam, Netherlands and commenced marketing activities.

The Global IT industry is concentrated with several global and Indian IT players fighting for market share. In 2004, several global corporations have set up operations in India and this trend is likely to continue and impact Indian IT majors in terms of pricing, resourcing and scaling up of operations. Resource supply is also likely to be impacted with the increased presence of these global companies, thereby making quality of training, employee experience and career development crucial to retention. From the buyer side, there is a clear trend towards increased global sourcing and aggregated, single vendor sourcing of IT and BPO service areas. The India factor continues to lead the outsourcing trends with growing global companies expressing confidence in the outsourcing model.

North America: Your Company's North America offices are located in Jamesburg, Chicago, Minneapolis, San Jose, and Ottawa. Overall the market scenario has been very conducive for growth and contributes to the objectives of your Company greatly. There has been a very positive post-election impact. It has ensured policy continuity and enhanced credibility of the Global Sourcing Model. As indicated by market statistics as well as your Company's experience, the vendor-side mainstreaming of the Global Development Model has led to increasing competition from international services companies with legacy relationships. There has also been a very clear and distinct value movement upward. Your company has addressed these market conditions well and continually leveraged them for business growth.

Some of the key outsourcing trends relate to the areas of HR, Infrastructure, BPO and Enterprise Solutions and Business Intelligence. RFID and related services also show positive growth signs. The company is well equipped to respond to these trends with a high degree of comfort.

Europe: Your Company's European operations are in UK, Germany, France, Belgium and the Netherlands. The Company commenced operations in Netherlands in 2004, in addition to increased market penetration in the other four countries. The European market trends show an inclination towards strategic sourcing with off shoring figuring high on the list. HR outsourcing is also an area of interest in countries such as France, a trend Hexaware can leverage. With an overall improvement in Capex and increased momentum in tactical spending European prospects appear very favourable for the Company. Challenges include gearing up to respond to sophisticated and demanding buyers and longer sales cycles

Asia Pacific: With the region's economy on the rebound, IT services revenue in Asia/Pacific is expected to grow at a rapid rate annually through 2008. Local exchange rates remain a key factor impacting business in this segment. Hexaware's new focus areas in the Asia Pacific region, Australia and Japan are an example of capitalizing underserved markets where the company can see large opportunities.

The Indian IT services market is set for a high growth trajectory and the company expects to capitalize on business opportunities with multinationals in India. The Company will also leverage strengths in HR solutions and Enterprise Applications such as Oracle, PeopleSoft, SAP, Business Intelligence suites.

In 2004 Hexaware was acknowledged and honoured among the fastest-growing technology companies across Asia Pacific, by the prestigious Deloitte Technology Fast 500 Asia Pacific 2004 Program.

3. Opportunities & Strengths

Your Company has identified several business opportunity areas with a view to enhancing market presence. Significant areas are:

- Expanding market reach by increasing focus on Australia, Netherlands, and France
- Enhancing the service portfolio through investment and marketing of newly introduced services, which are being further strengthened: Product Engineering, Oracle, SAP
- Continued sales focus on areas of distinct competitive strength - Airlines, HR IT, Germany,
- Improving key wallet share in Top 20 accounts and strong new customer acquisition
- Aggressive growth in key customer relationships through wider horizontal offerings
- Significant focus on developing leadership to manage future growth

The global delivery model of outsourcing is increasingly becoming accepted as a strategic imperative by more organizations today than ever before. Our customer base, including Fortune / Global 500 companies, offers significant scope for expanding our share of their IT budgets and is indicative of the potential for growth.

In terms of improved operational performance the Company sees opportunities in further improving margins by holistic measure:

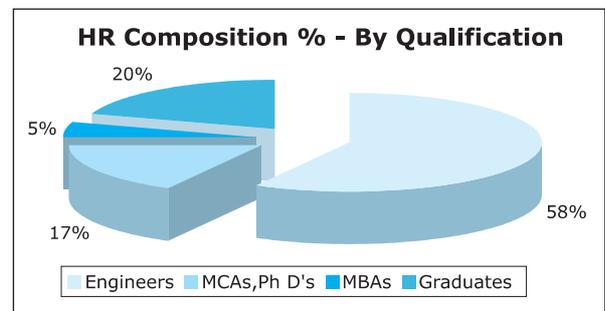
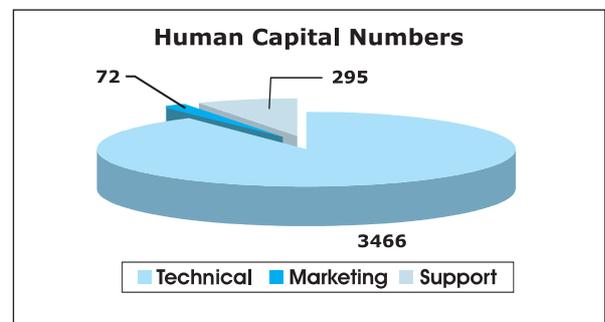
- Continuing Operating Leverage;
- Reduction in SG & A to under 20% levels;
- Improvement in offshore utilization;
- Effort to raise offshore volumes;
- Reducing delivery costs through faster addition of entry level engineers;
- Premium pricing and rates of high value added new services;
- Better mining of large customers to improve sales productivity.

Human Capital: Hexaware recognizes the value of the resources and talent in the Company and invests continuously in both

career & personnel development. Hexaware increased its headcount from 2,343 employees as on December 31, 2003 to 3,833 as on December 31, 2004. During the year, the attrition rate was 15% compared to 12% in the previous year, and the Company was able to enlarge its intellectual pool during the year.

A number of Hexaware's initiatives in 2004 are expected to produce better acquisition and retention rates of skilled professionals, in turn, strengthening domain knowledge, and adding value.

The following chart depicts Hexaware's employee numbers (As of December 31, 2004) breakdown by job role:



4. Threats & Risks

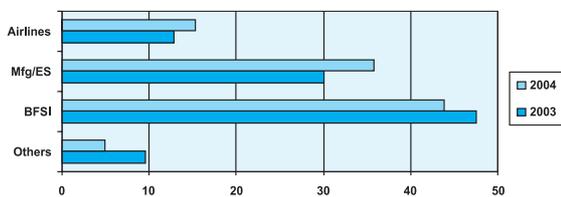
The risks discussed herein are those identified within the purview of the current business areas and business model of the Company. As with any other business, these are susceptible to uncertainties and the Company's risk management approach would also depend on changes in the business climate. Stakeholders are requested to exercise their own judgements in assessing risks associated with the Company.

Hexaware has an effective, scalable organisation structure, systems and procedures in place to proactively manage risk. These systems and procedures become more significant with regard to the Company's global operations. The Board of Directors is responsible for monitoring risk levels on various parameters and the management team ensures implementation of risk mitigation measures, wherever require. The Company's approach to risk management is detailed in the section:

5. Segment-wise Performance

The Company achieved a segment-wise Performance as shown below.

Business segments/ Verticals	Proportion of revenue in FY04	Proportion of revenue in FY03
Airlines	15	13
Banking, Financial Services and Insurance	44	47
Manufacturing / Enterprise Solutions	36	30
Others	5	10



The performance of each of these vertical for the year 2004 compared to Year 2003 is shown below.

6. Outlook - 05

Aided by growth in customers and new initiatives, the Company's outlook for the financial year ending December 31, 2005 is as follows:

- Estimated Revenue of US\$ 170 million, a growth of 40% over 2004
- Estimated Net Profit of US\$ 25.2 million, a growth of 80% over 2004.

7. Report on Risk Management

Overview

The mission of your company is **"to build value for customers through innovative use of technology and talent"** and managing the business risk effectively is paramount to achieving this mission.

Hexaware leads the "next wave" of outsourcing companies that have both the competency and the capability to provide globally delivered IT and BPO services with a high degree of understanding of the clients business. The Company's position as a mid-cap player poised for high growth gives us the ability to invest in domains and technology capabilities ahead of the demand curve, de-risk client engagements, and differentiate through "Value" services.

The company focuses on maximizing client returns from outsourcing by leveraging Partnerships, intrinsic technology innovations and global service delivery. Key business areas are

Application Development and Management, Infrastructure Management, Packaged enterprise applications such as Oracle, SAP, PeopleSoft and Siebel, Product Engineering, BPO and Embedded Technologies. Focus industries are Transportation, Banking and Financial Services and Insurance. Other niche, leadership areas are HR-IT services and Content Management. The Company leverages strategic partnerships with global leaders in technology and business with a view to providing high value best solution to the customers' business IT requirement.

"Imagination is more important than knowledge. Knowledge is limited. Imagination encircles the world."
 — Albert Einstein (1879-1955)

As a relatively smaller sized market player in the Industry, your business environment is characterized by several factors that bring about new challenges and risks. These need to be countered through effective strategies, and include accelerated scaling up of offshore facilities and resources, talent management, changes in immigration regulations, financial regulations and exchange fluctuation, dependency on few customers, narrow service spectrum and need to continuously meet heightened customer expectations.

Your Company has implemented an innovative customer delivery structure, and taken several initiatives in 2004 to effectively manage risks emanating from above factors.

Hexaware firmly believes that building and sustaining long-term customer relationships provide the building blocks for sustainable, predictable and stable growth. Hexaware has systems and procedures in place to proactively manage risk. These systems and procedures become even more significant given the challenges of managing global operations.

Risk Governance: Your Company has implemented a management structure that encompasses the Customer, business units, service delivery and global competencies. The Board of directors, and the Executive Council is responsible for identifying and managing risks at the corporate level.

The business units are structured into Customer business units (CBU's), where the head of the Customer Unit and the respective account managers are responsible for managing transactional risks

The Company's business objectives are:

- Financial performance
- Deliver superior Customer Experience
- Achieve further market focus: To become a leading vendor in select markets such as HR solutions, product engineering, transportation, insurance, et al.
- Create an effective organisation: Become among top Employers of Choice in our key markets by 2007, enabling a richer Employee Experience by broadening technology skill sets and embracing a culture of hi-performance

- Manage Operations & alliances in all key markets - N America, Germany, UK, France, China, Australia, Japan, India & Asean

In relation to these objectives, the Company has identified environmental and Internal risk factors, and taken the necessary steps to mitigate them. Some of these risks and mitigation strategies are discussed herein.

1. Revenue Concentration Risks

a. Service concentration

Your Company has invested on broadening the service portfolio and reduced dependency on any select service category. The table below illustrates the % of revenue from the current service mix.

Service offerings	FY 04	FY 03	FY 02
E-commerce and Application management	42	46	55
Research and development	3	6	17
ERP	40	29	21
HR IT	3	3	—
Others	12	16	7

The Company has added Oracle and SAP Services to the Enterprise Solutions service portfolio, and also launched Independent testing and Process Consulting services during 2004.

b. Client concentration

The Company reduced client concentration significantly in 2004 thereby successfully managing high exposures to large clients. The Company added 38 new clients, thereby enlarging the client base and reducing client concentration. The table below provides information on the current client concentration.

Parameters	FY 04	FY 03	FY 02
Billed clients	107	93	70
Clients added during the year	38	28	28
% of revenue from the largest client	12.4%	12.5%	11%
% of revenue from top 5 clients	42.5%	46.3%	35%
% of revenue from top 10 clients	57.7%	64%	50%
No. of 1 million dollar clients(USD)	25	16	10
No. of 5 -10 million dollar clients(USD)	3	4	-
No. of 10 million dollar clients(USD)	2	-	-

c. Geographic concentration

Geographical concentration of business in a particular country or region exposes the company to a higher risk and is avoided. A high level of concentration in a particular business and in a particular geographical region could potentially lead to risk from overexposure to that specific region's political and economic volatility.

Hexaware continues to explore new markets, which also increases the total revenues. During this period, the Company has ventured into new markets such as Australia, the Netherlands, and France. We expect this trend to continue thereby increasing geographical mix. The graph below depicts the geographic area distribution of company's revenue.

Geography	FY04	FY03	FY 02
USA	70	69	74
Europe	24	25	18
Rest of the world	6	6	8

2. Financial risks

a. Foreign Currency risk

Over the last year, the Indian Rupee has appreciated between 4 and 5 percent. The Rupee appreciation affects operations both by way of margin reduction and translation losses.

Your Company proposes to mitigate the impact of appreciation of the Rupee by appropriately hedging the Rupee against various currencies and enhancing translation losses.

b. Liquidity risk

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

Your Company has adequate liquidity. Year ending 2004, cash and bank balances accounted for 19.20% of the Company's total assets and a substantial amount of its funds were invested in mutual funds, which accounted for 12.36% of the Company's total assets.

3. Legal and statutory risks

There is a growing concern in some of the developed countries on the security-related aspects, specifically in regards to data protection and intellectual property rights. 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

Your Company has world-class security and data protection practices in place.

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

The Company takes the required steps to comply with all statutory requirements. All of the positions and actions are based on advice received from expert legal counsel and from the management team. Hexaware is also adequately structured to advise the Board on legal issues.

4. Disaster risk

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

To minimize the possibility of a disruption 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.

5. General

The rollback of H1 visa limit to 65,000 per year has had a negative impact on the Indian IT industry. Hexaware is adequately equipped to overcome the effects of the reduction, both in the short and long term. In the long run, this could result in potential onsite wage pressures and limitation on onsite headcount. There are some positive developments in this area, however, through certain federal bills aimed at removing student visas from the 65,000 limit, and enhancing the quota available. The industry trade bodies are also working on influencing the thinking of opinion leaders to delink trade and immigration under the framework of WTO to further enhance the global trade in computer and related services.

8. Internal Control System & their adequacy

The Company's internal control systems are well established. An Audit Committee comprising of the Company's Directors is at the foundation of the system, and any change recommended in the internal control is studied and implemented. The Company also has an information technology system that supports the organisation and ensures adequate information flow across the Company's location.

9. Financial Performance

The financial statements comply with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India.

a. Share capital

The authorized share capital of the company is Rs. 650 million. The share capital saw an increase from Rs 226.23 million in 2003 to Rs 233.04 million in 2004. This increase is attributed to the issue and allotment of 680,357 equity shares as fully paid-up as per the Employee Stock Option scheme of the Company.

In 2004, 145 employees exercised 253,060 equity shares issued under the 1999 stock option plan and 275 employees' exercised 427,297 equity shares issued under the 2002 stock option plan.

b. Reserves and surplus

Hexaware's global Reserves increased by 25.82% from Rs. 1932.17 million to Rs.2430.99 million. This growth is due mainly to a transfer of profits and premium on exercise of equity shares by employees under various ESOP's schemes, to the reserves.

c. Loan funds

Hexaware's secured loans increased by Rs. 26.20 million from Rs 25.94 million in 2003 to Rs. 52.14 million in 2004. Mainly, the proceeds from secured loans were used for the purchase of building by a subsidiary company and for purchase of Computers and laptops by the company. These loans are mortgaged / hypothecated to the banks / financial institutions as security for the amounts borrowed.

d. Fixed assets

The addition to fixed assets for the year is Rs. 354.33 million. This capital expenditure was primarily incurred for the expansion of existing facilities in India and for the creation of new facility at Navi Mumbai and purchase of land from SIPCOT at Tamilnadu. In order to keep pace with the expansion plans of the Company, state-of-art facilities were developed in Navi Mumbai, Chennai and Bangalore.

e. Investments

Investments increased from Rs 391.85 million in 2003 to Rs 392.94 million in 2004 on account of increase in investment in Mutual Funds of Rs. 1.09 million.

f. Cash and Cash Equivalents

During the year, the Company generated a net cash flow of Rs. 441.52 million from the operating activities. From this amount, the net cash flow was used to finance the capital expenditure (including capital work-in-progress) Rs. 461.62 million and payment of dividends Rs. 45.99 million.

g. Sundry debtors

In 2004, sundry debtors amounted to Rs 1,360.76 million as against Rs.888.23 million in the previous year. During 2004, the company made provisioning of Rs.28.01 million for the doubtful debts. The increase in debtors was primarily on account of increase in business operations.

h. Loans and Advances

During the year, Loans and advances amounted to Rs.564.31 million as against Rs.326.19 million in the previous year. Mainly increase in loans and advances is due to increase in advances from Rs. 94.85 million to Rs. 188.03 million in 2004, increase in deposits for office premises at Chennai & Bangalore & other deposits from Rs. 123.13 million to Rs. 195.64 million in 2004.

i. Current Liabilities and Provisions

The current liability and provisions have increased from Rs. 612.78 million in 2003 to Rs. 1023.61 million in 2004. This is mainly on account of increase in proposed dividend (inclusive of tax) from Rs.51.05 million to Rs.132.51 million in 2004 and increase in other liabilities from Rs.283.12 million to Rs.575.49 million in 2004.

j. Deferred Tax Assets & Deferred Tax Liability

The Company accounts for deferred tax in compliance with the Accounting Standard 22 issued by the Institute of Chartered Accountants of India. The Company has recognized the deferred tax asset of Rs. 67.41 million in 2004 as against Rs. 129.69 million in 2003 after reviewing virtual certainty of the assets. The Company has recognized the deferred tax liability of Rs. 0.68 million in 2004 as compared to Rs. Nil in 2003 towards accumulated depreciation of wholly-owned subsidiary of the Company.

Results of operations

1. Income

Hexaware recorded consolidated global revenue of Rs 5,458.91 million and a net consolidated profit of Rs 637.36 million in 2004. These results favourably compare with consolidated revenues of Rs 3,389.85 million in 2003, representing a growth of 61.04% and consolidated profit of Rs 285.67 million (excluding share of profit in associate) in the previous year recording a growth of 123.11% in profits in the current year.

The increased consolidated global turnover resulted in the Income from Indian operations increasing from Rs. 1,547.59 million in the previous year to Rs. 2,540.42 million in the current year, an increase of 64.15 percent. The profits after tax increased from Rs. 328.59 million in 2003 to Rs. 437.70 million in 2004, an increase of 33.21%.

During 2004, Hexaware strengthened its focus to offer technology-intensive solutions in fewer market segments and select geographies, emerging as a reputable service provider in

these chosen segments. As a result, Hexaware added 38 clients in 2004, translating into multi-million and multi-year contracts. These new contracts provide Hexaware with a steady increase in offshore revenues as a percentage of total income and a corresponding cost reduction.

Other Income

Other Global Income was reported at Rs. 116.35 million as compared to Rs. 58.07 million the previous year, (excluding gain on sale of stake in associate) a growth of 100.36%. The other income was mainly from rent of Rs. 27.62 million, sale of fixed assets of Rs. 20.27 million, and income earned from investment of surplus in Mutual Funds of Rs. 18.17 million.

2. Expenditure

Software Development expenses

The company's Software and Development expenses increased from Rs. 538.36 million in 2003 to Rs. 815.36 million in 2004, a growth of 66.02%. The increase was attributed to consultant and related expenses, which increased from Rs. 248.03 million in 2003 to Rs. 335.51 million.

Employment expenses

Global Employment expenses increased from Rs. 1,962.79 million in 2003 to Rs. 3,123.71 million, in 2004, an increase of 59.15%. This was mainly due to the recruitment of 1490 software engineers and domain specialists for the new business added during the year. The benefit of this selective recruitment will be visible in 2005 due to the Company acquiring long-term large orders. As a percentage of software revenues, employment expenses decreased to 57.22% for the year 2004 from 57.90% in 2003.

Administration and other expenses

Global Administration expenses increased from Rs. 568.78 million in 2003 to Rs. 748.37 million in 2004. This increase is due mainly to increased business and added costs due to new software development centres and offices. As a percentage of software revenues, administrative and other expenses decreased to 13.71% for the year 2004 from 16.78% in 2003.

3. Operating margin

Global Operating profit (EBITDA) increased from Rs 449.63 million to Rs. 884.65 million in 2004, a substantial increase of 96.75% over the previous year. The increase was largely due to increased productivity, better billing rates and cost rationalization measures. The Company's prudent investments in infrastructure, processes and manpower are expected to translate into even higher margins from 2004.

4. Depreciation

Depreciation for 2004 increased to Rs. 161.07 million from Rs. 149.73 in 2003, an increase of Rs. 11.34 million. During the year, the Company revised the estimated useful life of the certain

assets considering the obsolescence, usage and wear & tear due to efflux of time.

5. Provision for Taxation

Provision for taxation for the current year increased to Rs. 86.22 million in 2004 from Rs. 14.23 million in 2003. These increases are primarily due to MAT and increase in the quantum of taxable profits in overseas countries. The Company has recognised the deferred tax of Rs. 59.98 million during the year as compared to Rs. 4.78 million in 2003.

6. Dividend

The Company declared a dividend of 50% for the current year as compared to 20% in 2003. The total gross amount of dividend for the year December 31, 2004 is Rs.117.21 million as against Rs. 45.24 million for the previous year. The tax on distributed profits, payable by the Company would amount to Rs. 15.30 million (previous year Rs. 5.80 million).

7. Transactions in which the Management is Interested in their personal capacity

There are no materially significant related party transactions during the year 2004 that may have potential conflict with the interest of the Company. Refer Note No. 9 in Notes to Accounts.

Cautionary Statement

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward 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, and litigation and labour relations.

Statement Pursuant to Section 212 of the Companies Act, 1956 Relating to Subsidiary Companies

1. Name of the Subsidiary	Hexaware Technologies Inc., USA	Specsoft Consulting Inc., USA	Hexaware Technologies GmbH, Germany	Hexaware Technologies UK Limited, UK	Hexaware Technologies Asia Pacific Pte. Ltd., Singapore	Hexaware Technologies Canada Limited, Canada	Caliber Point Business Solutions Limited, India
2. The Financial Year of the Company ended on	31st December, 2004	31st December, 2004	31st December, 2004	31st December, 2004	31st October, 2004	31st December, 2004	31st December, 2004
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	Hexaware Technologies Limited, India
4. Holding Company's Interest	100%	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	30,67,000 equity shares of GBP 1 each	5,00,000 equity shares of S\$ 1 each	1 Common Stock of no par value	69,00,000 equity shares of Rs 10 each
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 b. not dealt with provided for in the accounts of the Company	NIL Rs. 50,945,660	NIL US\$ (674,912)	NIL Rs. 3,343,563	NIL GBP 1,829,229	NIL S\$ 133,317	NIL Rs. 2,640,836	NIL Rs. 13,252,352
7. The aggregate of profits or losses for the previous financial years 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 b. not dealt with provided for in the accounts of the Company	NIL Rs. (153768764)	NIL US\$ (461,534)	NIL Rs. 6,656,474	NIL GBP (2,987,824)	NIL S\$(377,017)	NIL Rs.79,570	NIL NIL
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 b. Investments c. Money Lent d. Money borrowed other than those for meeting Current Liabilities	NIL NIL NIL NIL	NIL NIL NIL NIL	NIL NIL NIL NIL	NIL NIL NIL NIL	NIL NIL NIL NIL	NIL NIL 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 holding company has made investment in the equity of the following subsidiary company which is pending to be allotted, since not shown above

— Specsoft Consulting Inc. Rs. 51,212,478

— Caliber Point Business Solutions Limited Rs. 5,000,000

For and on behalf of the Board

Atul K. Nishar

Executive Chairman

Annexure to the Directors' Report

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 Directors' Report for the year ended 31st December, 2004

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	Atul K Nishar	50	Executive Chairman	3,320,110	B.Com, ACA.	1-Jan-04	Founder
2	P K Sridharan	56	President and Executive Director	5,644,648	M.Tech, 31 Years	1-Apr-01	Hexaware Technologies Ltd. 3Yrs - 2 Months
3	Baalasundaram K	54	Senior Vice President - HR	3,657,622	B.A., 32 Years	1-Apr-01	Hexaware Technologies Ltd. 3Yrs - 2 Months
4	Ramanan R V	40	Senior Vice President	3,486,404	M.Tech, 16 Years	21-Oct-02	Orbitech Solutions India Limited, 1 Year
5	Avijit Bardhan	46	Senior Vice President	3,264,861	B.Sc, M.Sc, PGDCM, 22 Years	1-Apr-01	Hexaware Technologies Ltd. 5 Yrs - 4 Months
6	P K Venkateshwaran	50	Vice President	3,505,601	B.E., M.Tech., 26 Years	17-Jun-02	SCM Micro Systems Pvt. Ltd 1 Year - 6 Months
7	K N Narayanan	46	Senior Vice President	3,689,091	B.E. , 24 Years	1-Apr-01	Hexaware Technologies Inc. 1 Year
8	V B Singh	49	Vice President	2,415,366	B Tech, 20 Years	1-Apr-01	Hexaware Technologies Ltd. 5 Months
9	Moorthi Chokkanathan	44	Senior Vice President	3,704,829	B.E. MBA, 23 Years	02-Apr-01	DSQ Software Ltd., 1 Year
10	Rajesh B Ghonasgi	43	Chief Financial Officer	2,586,604	B.Com., F.C.A, A.C.S., Grad. C.W.A. 18 years	08-Jul-02	ICICI Venture Funds Mgmt. Co. Ltd., 1Year
11	Sulochana Ganeshan	55	Vice President - Quality	2,629,660	B.A. (Hons) 20 years	1-Apr-01	Hexaware Technologies Ltd. 2 Years - 9 Months
B Employed for part of the Year							
1	Ashok Bildikar	47	Senior Vice President	3,378,236	B.Sc., MMS (PG), 27 Years	1-Apr-01	Hexaware Technologies Ltd, 3 yrs - 2 Months
2	Ashok Sundaram	39	Vice President	2,803,126	B sc, 19 Years	1-Apr-01	Hexaware Technologies Ltd, 3 yrs - 1 Month
3	Subramanian Krishnan	35	Project Director	1,488,397	PhD, 8.07 Years	14-May-04	i2 Tech, 7 Years
4	Chandrashekar Shetty	37	Project Director	692,800	Mtech, 14.04 Years	1-Oct-04	Accenture, 3 Months
5	Soubir Bose	35	Project Director	211,367	B.E., 12.03 Years	6-Dec-04	Symphony Service Corp, 11 Months

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. Atul K Nishar and Mr. P K Sridharan who are Directors of the Company during the Year.
- 4 Project Directors are not part of the Board of Directors.

For and on behalf of the Board

Atul K. Nishar
Executive Chairman

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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	Hexaware Technologies Limited, India
4. Holding Company's Interest	100%	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	30,67,000 equity shares of GBP 1 each	5,00,000 equity shares of S\$ 1 each	1 Common Stock of no par value	69,00,000 equity shares of Rs 10 each
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 b. not dealt with provided for in the accounts of the Company	NIL Rs. 50,945,660	NIL US\$ (674,912)	NIL Rs. 3,343,563	NIL GBP 1,829,229	NIL S\$ 133,317	NIL Rs. 2,640,836	NIL Rs. 13,252,352
7. The aggregate of profits or losses for the previous financial years 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 b. not dealt with provided for in the accounts of the Company	NIL Rs. (153768764)	NIL US\$ (461,534)	NIL Rs. 6,656,474	NIL GBP (2,987,824)	NIL S\$(377,017)	NIL Rs.79,570	NIL NIL
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 b. Investments c. Money Lent d. Money borrowed other than those for meeting Current Liabilities	NIL NIL NIL NIL	NIL NIL NIL NIL	NIL NIL NIL NIL	NIL NIL NIL NIL	NIL NIL NIL NIL	NIL NIL 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 holding company has made investment in the equity of the following subsidiary company which is pending to be allotted, since not shown above

- Specsoft Consulting Inc. Rs. 51,212,478
- Caliber Point Business Solutions Limited Rs. 5,000,000

For and on behalf of the Board

Atul K. Nishar
Executive Chairman

Annexure to the Directors' Report

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 Directors' Report for the year ended 31st December, 2004

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	Atul K Nishar	50	Executive Chairman	3,320,110	B.Com, ACA.	1-Jan-04	Founder
2	P K Sridharan	56	President and Executive Director	5,644,648	M.Tech, 31 Years	1-Apr-01	Hexaware Technologies Ltd. 3Yrs - 2 Months
3	Baalasundaram K	54	Senior Vice President - HR	3,657,622	B.A., 32 Years	1-Apr-01	Hexaware Technologies Ltd. 3Yrs - 2 Months
4	Ramanan R V	40	Senior Vice President	3,486,404	M.Tech, 16 Years	21-Oct-02	Orbitech Solutions India Limited, 1 Year
5	Avijit Bardhan	46	Senior Vice President	3,264,861	B.Sc, M.Sc, PGDCM, 22 Years	1-Apr-01	Hexaware Technologies Ltd. 5 Yrs - 4 Months
6	P K Venkateshwaran	50	Vice President	3,505,601	B.E., M.Tech., 26 Years	17-Jun-02	SCM Micro Systems Pvt. Ltd 1 Year - 6 Months
7	K N Narayanan	46	Senior Vice President	3,689,091	B.E. , 24 Years	1-Apr-01	Hexaware Technologies Inc. 1 Year
8	V B Singh	49	Vice President	2,415,366	B Tech, 20 Years	1-Apr-01	Hexaware Technologies Ltd. 5 Months
9	Moorthi Chokkanathan	44	Senior Vice President	3,704,829	B.E. MBA, 23 Years	02-Apr-01	DSQ Software Ltd., 1 Year
10	Rajesh B Ghonasgi	43	Chief Financial Officer	2,586,604	B.Com., F.C.A, A.C.S., Grad. C.W.A. 18 years	08-Jul-02	ICICI Venture Funds Mgmt. Co. Ltd., 1Year
11	Sulochana Ganeshan	55	Vice President - Quality	2,629,660	B.A. (Hons) 20 years	1-Apr-01	Hexaware Technologies Ltd. 2 Years - 9 Months
B Employed for part of the Year							
1	Ashok Bildikar	47	Senior Vice President	3,378,236	B.Sc., MMS (PG), 27 Years	1-Apr-01	Hexaware Technologies Ltd, 3 yrs - 2 Months
2	Ashok Sundaram	39	Vice President	2,803,126	B sc, 19 Years	1-Apr-01	Hexaware Technologies Ltd, 3 yrs - 1 Month
3	Subramanian Krishnan	35	Project Director	1,488,397	PhD, 8.07 Years	14-May-04	i2 Tech, 7 Years
4	Chandrashekar Shetty	37	Project Director	692,800	Mtech, 14.04 Years	1-Oct-04	Accenture, 3 Months
5	Soubir Bose	35	Project Director	211,367	B.E., 12.03 Years	6-Dec-04	Symphony Service Corp, 11 Months

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. Atul K Nishar and Mr. P K Sridharan who are Directors of the Company during the Year.
- 4 Project Directors are not part of the Board of Directors.

For and on behalf of the Board

Atul K. Nishar
Executive Chairman

Auditors' report to the Board of Directors of Hexaware Technologies Limited on the consolidated financial statements of Hexaware Technologies Limited and its subsidiaries

1. We have examined the attached Consolidated Balance Sheet of Hexaware Technologies Limited ("the Company") and its subsidiaries as at 31st December, 2004, and the Consolidated Profit and Loss account for the year then ended annexed thereto and the Consolidated Cash Flow Statement for the year ended on that date.
2. 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 generally accepted auditing standards in India. Those 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.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 648,941,209 as at 31st December 2004 and total revenues of Rs. 1,453,784,980 for the year then ended. These financial statements have been audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors except in case of one subsidiary, whose accounts are not audited (total assets Rs. 25,689,150 as at 31st December, 2004 and total revenues Rs. 66,339,465 for the year then ended).
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, 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 its subsidiaries included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiaries, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 31st December, 2004;
 - (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year then ended and
 - (c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year then ended.

For **Deloitte Haskins & Sells**
Chartered Accountants

P. R. Barpande
Partner

Membership No. 15291

Place : Mumbai
Dated : 27th January 2005

Consolidated Balance Sheet as at 31st December, 2004

Particulars	Schedule	As At		As At	
		31st December, 2004		31st December, 2003	
		Rupees	Rupees	Rupees	Rupees
SOURCES OF FUNDS					
Share Holders' Funds :					
A) Share Capital	"1"	233,036,050		226,232,480	
B) Share Warrants (refer note no 8(b) of schedule 13 part B)		561,637		1,009,391	
C) Share Application Money		5,642,597		1,934,939	
D) Reserves and Surplus	"2"	2,430,994,440		1,932,174,272	
			2,670,234,724		2,161,351,082
Loan Funds :					
Secured Loans	"3"		52,142,545		25,948,634
Deferred Tax Liability (refer note no. 5 to schedule 13 part B)			678,009		—
TOTAL			2,723,055,278		2,187,299,716
APPLICATION OF FUNDS					
Fixed Assets :					
A) Gross Block	"4"	1,401,617,140		1,165,200,857	
B) Less: Depreciation		541,046,210		418,870,621	
C) Net Block		860,570,930		746,330,236	
D) Capital Work-in-progress		109,332,099		—	
			969,903,029		746,330,236
Investments :					
Deferred Tax Asset (refer note no. 5 to schedule 13 part B)	"5"		392,942,815		391,847,002
Current Assets, Loans and Advances :	"6"		67,410,453		129,688,963
A) Sundry Debtors		1,360,757,735		888,231,773	
B) Cash and Bank Balances		391,336,733		315,927,291	
C) Loans and Advances		564,313,059		326,188,366	
		2,316,407,527		1,530,347,430	
Less:					
Current Liabilities and Provisions :	"7"				
A) Current Liabilities		771,869,863		507,737,263	
B) Provisions		251,738,683		105,047,655	
		1,023,608,546		612,784,918	
Net Current Assets			1,292,798,981		917,562,512
Miscellaneous Expenditure (To the extent not written off or adjusted)					
Preliminary Expenses			—		366,203
Deferred Revenue Expenditure			—		1,504,800
TOTAL			2,723,055,278		2,187,299,716
Significant Accounting Policies and Notes Forming Part of Accounts	"13"				

Schedules 1 To 13 form an Integral Part of the Accounts.

As per our attached Report of even date

For **Deloitte Haskins & Sells,**

Chartered Accountants

P. R. Barpande

Partner

Place : Mumbai

Date : 27th January, 2005

For and on behalf of the Board

Atul K. Nishar
(Chairman)

Dr. K. K. Anand
(Director)

L. S. Sarma
(Director)

A. P. Kurian
(Director)

Dr. (Mrs.) Alka Nishar
(Director)

Rusi Brij
(Vice-Chairman)

P. K. Sridharan
(Executive Director)

Rajesh B Ghonasgi
(Chief Financial Officer)

Naishadh Desai
(Company Secretary)

Consolidated Profit and Loss Account for the Year Ended 31st December 2004

Particulars	Schedule	For the year ended 31st December, 2004		For the year ended 31st December, 2003	
		Rupees	Rupees	Rupees	Rupees
Income					
Software and Consultancy		5,458,905,322		3,389,853,001	
Other Income	"8"	116,350,770		147,277,334	
			5,575,256,092		3,537,130,335
Expenditure					
Software and Development Expenses	"9"	815,357,611		538,359,729	
Employment Expenses	"10"	3,123,710,679		1,962,786,955	
Administration and Other Expenses	"11"	748,365,311		568,775,836	
Interest	"12"	3,164,479		17,570,189	
Depreciation		161,073,360		149,734,785	
			4,851,671,440		3,237,227,194
Profit Before Tax			723,584,652		299,902,841
Less : Provision For Taxation					
Income Tax - Current			25,985,592		9,265,563
- Deferred			59,978,945		4,776,103
Wealth Tax			257,000		195,770
Profit After Tax			637,363,115		285,665,405
Income Tax - earlier years			5,105,392		24,855,547
Share of Profit in Associate			—		68,049,241
Profit after Tax and share of profit in associate			632,257,723		328,859,099
Add : Balance Brought Forward From Previous Year			33,515,582		(13,299,811)
Balance Available For Appropriation			665,773,305		315,559,288
Appropriations :					
Proposed Dividend		117,211,265		45,246,496	
Dividend Tax		15,298,643		5,797,210	
Transfer To General Reserve		50,000,000		231,000,000	
			182,509,908		282,043,706
Balance Carried To Balance Sheet			483,263,397		33,515,582
Earnings Per Share (Refer Note No. 11 Of Schedule 13 Part B)					
Basic			27.57		14.76
Diluted			25.15		13.65
Significant Accounting Policies and Notes Forming Part of Accounts	"13"				

Schedules 1 To 13 form an Integral Part of the Accounts.

As per our attached Report of even date

For **Deloitte Haskins & Sells,**
Chartered Accountants

P. R. Bapande
Partner

Place : Mumbai
Date : 27th January, 2005

For and on behalf of the Board

Atul K. Nishar
(Chairman)

Rusi Brij
(Vice-Chairman)

Dr. K. K. Anand
(Director)

P. K. Sridharan
(Executive Director)

L. S. Sarma
(Director)

Rajesh B Ghonasgi
(Chief Financial Officer)

A. P. Kurian
(Director)

Dr. (Mrs.) Alka Nishar
(Director)

Naishadh Desai
(Company Secretary)

Consolidated Cash Flow Statement for the Year Ended 31st December, 2004

	Current year Rupees	Current year Rupees	Previous year Rupees
A Cash Flow from operating activities			
Net profit before tax	723,584,652		299,902,841
Adjustments for:			
Depreciation	161,073,360		149,734,785
Dividend Income	(18,173,540)		(16,653,481)
Interest Income	(6,774,142)		(8,313,445)
ESOP warrants cancelled	(220,000)		—
(Profit) / loss on sale of investments	8,188,645		(98,942,088)
Loss on closure of subsidiary	—		559,858
(Profit) / loss on sale of fixed assets	(20,266,627)		28,178,354
Interest expense	3,164,479		17,570,189
Miscellaneous expenditure written off	1,871,003		—
Operating profit before working capital changes	852,447,830		372,037,013
Adjustments for:			
Trade and other receivables	(695,440,728)		(318,866,800)
Trade and other payables	307,777,286		336,872,936
Cash generated from operations	464,784,388		390,043,149
Direct taxes paid	(30,033,652)		(12,695,770)
Interest received	6,774,142		8,313,445
Net cash from operating activities		441,524,878	385,660,824
B Cash flow from investing activities			
Additions to fixed assets	(461,620,258)		(281,751,493)
Sale of fixed assets	97,240,734		9,257,043
Purchase of investments	(1,175,408,772)		(169,556,325)
Sale of investments	1,166,110,255		—
Income from investments	18,173,540		16,653,481
Net cash from investing activities		(355,504,501)	(425,397,294)
C Cash flow from financing activities			
Proceeds from issue of share capital	30,875,766		22,473,207
Share application money	5,642,597		1,934,939
Interest paid	(3,164,479)		(17,570,189)
Dividend paid	(45,987,825)		—
(Repayments)/proceeds of long term and other borrowings	26,193,911		(160,653,733)
Net cash used in financing activities		13,559,970	(153,815,776)
Net Increase / (Decrease) in cash and cash equivalents		99,580,347	(193,552,246)
Cash and cash equivalents at the beginning of the year		315,927,291	507,621,319
Effect of exchange rate change on cash and cash equivalent		(24,170,905)	1,858,218
Cash and cash equivalents at the end of the year		391,336,733	315,927,291

Notes:

- Components of cash and cash equivalents include cash and bank balances as stated in Schedule 6 of the Balance Sheet.
- Interest income on bank deposits etc. are classified as cash flow from operating activities.
- Purchase of Fixed Assets (including movements in Capital work in progress) are considered as a part of investing activities.
- The Cash Flow Statement has been prepared in accordance with the requirements of Accounting Standard 3 "Cash Flow Statement" (AS 3) issued by the Institute of Chartered Accountants of India.

As per our attached Report of even date

For **Deloitte Haskins & Sells,**

Chartered Accountants

P. R. Barpande
Partner

Place : Mumbai
Date : 27th January, 2005

For and on behalf of the Board

Atul K. Nishar
(Chairman)

Dr. K. K. Anand
(Director)

L. S. Sarma
(Director)

A. P. Kurian
(Director)

Dr. (Mrs.) Alka Nishar
(Director)

Rusi Brij
(Vice-Chairman)

P. K. Sridharan
(Executive Director)

Rajesh B Ghonasgi
(Chief Financial Officer)

Naishadh Desai
(Company Secretary)

Schedules To Consolidated Balance Sheet

PARTICULARS	As At 31st December, 2004 Rupees		As At 31st December, 2003 Rupees	
SCHEDULE "1" : SHARE CAPITAL				
AUTHORISED				
35,000,000 (35,000,000) Equity Shares of Rs. 10/- each.		350,000,000		350,000,000
3,000,000 (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 :				
23,303,605 (22,623,248) Equity Shares of Rs.10/- each Fully Paid Of the Above Equity Shares:-		233,036,050		226,232,480
1) 2,226,925 (2,226,925) Equity Shares have been allotted as fully paid up without receiving consideration in cash in accordance with the composite scheme of Reconstruction and Arrangement.				
2) 7,237,774 (7,237,774) Equity Shares have been allotted as fully paid up by way of Bonus Share by capitalization of General Reserve/Securities Premium Account.				
3) 2,090,593 (2,090,593) Equity Shares of Rs. 10/- each fully paid up have been allotted against underlying 4,181,186 Global Depository receipts of US \$ 3.59 each issued by the company.				
4) 10,000,000 (10,000,000) Equity Shares issued to the shareholders of erstwhile Hexaware Technologies Limited ('HTL') without receiving consideration in cash. In accordance with the composite scheme of reconstruction and arrangement.				
5) 575,958 (322,898) Equity Shares have been allotted to employees under ESOP 1999.				
6) 629,355 (202,058) Equity Shares have been allotted to employees under ESOP 2002.				
TOTAL		233,036,050		226,232,480
SCHEDULE "2" : RESERVES AND SURPLUS				
Securities Premium Account				
As Per Last Balance Sheet		1,692,904,677		1,674,749,384
Add : Received during the year		26,234,889		18,155,293
		1,719,139,566		1,692,904,677
Employee Stock Options Outstanding Account				
As per last Balance Sheet		2,200,000		2,200,000
Less : Transferred to General Reserve (Refer Note No 8(a) of Schedule 13 Part B)		2,200,000		—
				2,200,000
General Reserve				
As per Last Balance Sheet		211,459,827		219,766,533
Less : Loss on Impairment of Assets		—		239,306,706
Add : Transferred from Profit and Loss Account		50,000,000		231,000,000
Add : Transfer from Employee Stock Options Outstanding Account		2,200,000		—
		263,659,827		211,459,827

Schedules To Consolidated Balance Sheet

PARTICULARS	As At 31st December, 2004 Rupees		As At 31st December, 2003 Rupees	
Amalgamation Reserve				
As per last Balance Sheet		2,879,812		2,879,812
Currency Translation Reserve				
As per last Balance Sheet	(10,785,626)		10,940,817	
Deduction During the year (Net)	(27,162,536)		(21,726,443)	
		(37,948,162)		(10,785,626)
Surplus In Profit And Loss Account		483,263,397		33,515,582
TOTAL		2,430,994,440		1,932,174,272
SCHEDULE "3" - SECURED LOANS				
Term Loan from a Bank		30,000,000		—
(To be secured by Equitable mortgage of premises of the Company located at Navi Mumbai. The said loan is also secured by guarantee issued by Hexaware Technologies Limited, the holding company)				
Loan under Finance Agreement		22,142,545		25,948,634
(Secured by a charge on the specified assets acquired and financed viz. Computers and Vehicles)				
TOTAL		52,142,545		25,948,634

SCHEDULE "4" - FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As At 01.01.2004	Additions	Deductions	As At 31.12.2004	As At 01.01.2004	For the Year	Deductions	As at 31.12.2004	As at 31.12.2004	As at 31.12.2003
A Own Assets										
1 Land - Freehold	153,699	-	-	153,699	-	-	-	-	153,699	153,699
Land - Leasehold	-	38,988,800	-	38,988,800	-	182,115	-	182,115	38,806,685	-
2 Building(Refer Note No.1)	297,196,253	74,782,500	44,794,620	327,184,133	12,287,265	2,399,844	1,945,380	12,741,729	314,442,404	284,908,988
3 Plant and Machinery (Includes Computers and Softwares)	595,946,827	189,096,760	29,081,828	755,961,759	358,824,120	109,546,119	16,500,803	451,869,436	304,092,323	237,122,707
4 Furniture and Fixtures	220,450,088	22,407,830	22,363,038	220,494,880	37,742,189	34,586,525	11,701,530	60,627,184	159,867,696	182,707,899
5 Improvements to Leasehold Premises	2,282,688	3,236,873	1,776,851	3,742,710	1,929,943	531,937	1,604,452	857,428	2,885,282	352,745
6 Vehicles	37,196,328	23,865,617	19,337,607	41,724,338	6,180,900	12,221,102	8,937,717	9,464,285	32,260,053	31,015,428
B Leased Assets										
Furniture and Fixtures	1,506,034	-	70,347	1,435,687	161,361	166,634	13,939	314,056	1,121,631	1,344,673
C Intangible Assets										
Softwares #	10,468,940	1,951,194	489,000	11,931,134	1,744,843	3,480,497	235,363	4,989,977	6,941,157	8,724,097
Current Year	1,165,200,857	354,329,574	117,913,291	1,401,617,140	418,870,621	163,114,773	40,939,184	541,046,210	860,570,930	746,330,236
Previous Year	1,267,864,524	281,010,932	383,674,599	1,165,200,857	375,586,949	149,734,785	106,451,113	418,870,621	746,330,236	—
Capital Work In Progress (Including Capital Advances)									109,332,099	—
									969,903,029	746,330,236

Internally generated

Notes:

- The Company has acquired buildings alongwith land from MIDC at Mumbai and has entered into necessary agreements and taken possession of these buildings. The final agreements are being executed.

Schedules To Consolidated Balance Sheet

- 2 In the earlier year the Company had purchased building from MIDC and the consideration was payable in instalments with interest. Consequent to negotiations with MIDC the Company paid the instalments due during the year and reversed the liability of Rs. 18,336,420/- created in the earlier years. Accordingly depreciation of Rs. 898,289/- excess charged on the said amount pertaining to prior period has been credited to the depreciation for the year.
- 3 Depreciation for the year on Plant and Machinery is net of Rs. 33,202,237/- being the depreciation excess provided in the earlier year written back.
- 4 Depreciation charged Rs. 2,041,413/- on Computer and office equipments (included in Plant and Machinery) has been capitalised during the year.
- 5 Capital Work in progress is in respect of Building and Development of Software.
- 6 Exchange difference on account of translation of fixed assets into INR included under additions/deductions is as follows:

Particulars		Gross Block	Depreciation
Own Assets	Plant and Machinery	3,791,413	3,678,197
	Furniture and Fixtures	(28,180)	(27,531)
	Improvements to Leasehold Premises	27,690	24,747
Leased Assets	Furniture and Fixtures	70,347	13,939
Intangible Assets	Softwares	488,999	235,360
Total		4,350,269	3,924,712

PARTICULARS	As At 31st December, 2004		As At 31st December, 2003	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE "5" - INVESTMENTS				
A LONG TERM				
1. Trade Investments - Quoted (At Cost)				
2,000 (2,000) Shares of Rs. 10/- each fully paid up in Aptech Limited		20,000		20,000
2. Trade Investments - Unquoted (At Cost)				
CNMP Networks Inc.		286,902		300,960
3. Other Investments - Unquoted (At Cost)				
Investment in Long Term Capital Gain Bonds (Bond of Rs. 10,000/- each unless otherwise stated)	Nos		Nos	
National Bank of Agriculture and Rural Development	3,000	30,000,000	3,000	30,000,000
National Housing Bank	2,000	20,000,000	2,000	20,000,000
Rural Electrification Corporation	1,450	14,500,000	1,450	14,500,000
		64,500,000		64,500,000
B Current Investments				
Investment In Mutual Funds (At cost or fair value whichever is lower) (Unit of Rs. 10/- each unless otherwise stated)				

Schedules To Consolidated Balance Sheet

PARTICULARS	As At 31st December, 2004			As At 31st December, 2003		
	Units	Rupees	Rupees	Units	Rupees	Rupees
Name Of Mutual Fund						
Alliance Capital - Monthly Income Plan	—	—		4,047,918	45,984,346	
Birla Cash Plus Inst. Plan	2,976,129	32,080,381		—	—	
DSP Merrill Lynch - DSP Floating Rate Fund -weekly Dividend	3,154	23,232		—	—	
Franklin Templeton - Floating Rate Income Fund	13,454,684	134,766,772		—	—	
HDFC Prudence Fund - HDFC Cash Management Fund	5,669,338	56,530,446		—	—	
ICICI - ICICI Floating Fund	2,195,344	22,043,665		—	—	
JM Floater Fund	2,600,148	26,068,936		—	—	
Kotak - Kotak Floater	2,304,480	23,021,586		—	—	
Principal Asset Management - Cash Management Fund	3,359,451	33,600,895		—	—	
Franklin Templeton - Monthly Income Plan A	—	—		9,567,593	112,585,698	
Birla Sun Life - Monthly Income Plan	—	—		2,748,750	31,139,759	
Reliance Capital Mutual Fund - Monthly Dividend Plan	—	—		2,000,000	20,000,000	
DSP Merrill Lynch - Savings Plus	—	—		3,595,696	38,018,014	
Sundaram Mutual Fund - Bond Saver Dividend	—	—		704,953	7,867,281	
Tata Mutual Fund - Monthly Income Fund	—	—		6,085,859	71,430,944	
		328,135,913				327,026,042
Total		392,942,815				391,847,002
(i) Aggregate cost of Quoted Investments		328,155,913				327,046,042
Aggregate Market Value of Quoted Investments and NAV of Mutual Fund Units		328,820,303				327,178,342
(ii) Aggregate Value of Unquoted Investments. (At Cost)		64,786,902				64,800,960
		392,942,815				391,847,002
SCHEDULE "6" - CURRENT ASSETS						
Sundry Debtors						
Unsecured						
Debts Outstanding For A Period Exceeding Six Months		70,265,956			86,210,243	
Other Debts		1,318,505,094			869,663,207	
		1,388,771,050			955,873,450	
Less: Provision For Doubtful Accounts		28,013,315			67,641,677	
		1,360,757,735				888,231,773
Sundry Debtors						
Considered Good		1,360,757,735			888,231,773	
Considered Doubtful		28,013,315			67,641,677	
		1,388,771,050			955,873,450	

Schedules To Consolidated Balance Sheet

PARTICULARS	As At 31st December, 2004 Rupees		As At 31st December, 2003 Rupees	
Cash And Bank Balances				
Cash In Hand	502,198		258,476	
Balances With Scheduled Banks				
In Fixed Deposit Accounts	11,181,619		104,129,315	
In Exchange Earner's Foreign Currency Account	9,308,299		19,815,130	
In Current Accounts	76,075,256		63,048,402	
Others	294,269,361		128,675,968	
		391,336,733		315,927,291
Loans And Advances (Unsecured - Considered Good)				
Advances Recoverable in cash or in kind or for value to be received.	188,033,916		94,851,970	
Deposits	195,636,573		123,127,354	
Unbilled Services	142,114,693		84,891,092	
Income Tax (Net of Provision)	38,527,877		23,317,950	
		564,313,059		326,188,366
Note : Loans and Advances includes Loan given to Directors Rs. 5,041,832/- (Rs. 9,225,238/-) (Out of the above, loan was granted to an Executive Director of Holding Company before his becoming a director, and the same is being repaid as per the Company's policy.) (Maximum balance outstanding during the year Rs. 9,225,238/-)				
Total		2,316,407,527		1,530,347,430
SCHEDULE "7" - CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities				
Sundry Creditors				
i) Total outstanding dues to Small Scale Industrial Undertakings	—		—	
ii) Total outstanding dues to Creditors other than Small Scale Industrial Undertakings	165,494,330		168,917,931	
Liability for Leased Assets	889,821		1,378,140	
Other Liabilities (Other Liabilities includes Rs. 8,898,334/- [Rs. 419,018/-] being temporarily overdrawn bank balance as per books of account)	575,493,581		283,116,347	
Unclaimed Dividend	5,055,881		—	
Deposits received from Leased Premises	24,936,250		54,324,845	
		771,869,863		507,737,263
Provisions				
- Provision for Leave Encashment	77,743,183		39,042,616	
- Proposed Dividend	117,211,265		45,246,496	
- Corporate Tax On Dividend	15,298,643		5,797,210	
- Provision for Gratuity	15,500,000		5,500,000	
- Provision for Taxation	25,985,592		9,461,333	
		251,738,683		105,047,655
Total		1,023,608,546		612,784,918

Schedules to Consolidated Profit and Loss Account

PARTICULARS	For the year ended 31st December, 2004		For the year ended 31st December, 2003	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE "8" - OTHER INCOME				
Income from Current Investments				
— Dividend		18,173,540		16,653,481
— Profit on Sale of Investment		—		9,728,658
Interest Income (Tax Deducted at Source Rs. 4,083/- (Rs. 23,716/-))		6,774,142		8,313,445
Profit on Sale of Investment in Associate		—		89,213,430
Profit on Sale of Fixed Assets		20,266,627		—
Exchange Rate Difference		19,268,426		—
Rental Income (Tax deducted at source Rs. 2,301,780/- (Rs. 4,340,224/-))		27,618,523		15,908,094
Miscellaneous Income (Including Rs. 220,000/- (Rs. Nil) in respect of ESOP cancellation)		24,249,512		7,460,226
Total		116,350,770		147,277,334
SCHEDULE "9" - SOFTWARE AND DEVELOPMENT EXPENSES				
Consultant and Related Expenses		335,514,324		248,025,934
Software License Fees		39,525,673		13,744,889
Software Services		440,317,614		276,588,906
Total		815,357,611		538,359,729
SCHEDULE "10" - EMPLOYMENT EXPENSES				
Salary and other Allowances		2,803,893,455		1,776,102,550
Contribution to Provident and other Funds		235,624,217		143,355,873
Staff Welfare Expenses		84,193,007		43,328,532
Total		3,123,710,679		1,962,786,955
SCHEDULE "11" - ADMINISTRATION AND OTHER EXPENSES				
Rent		127,341,514		87,086,059
Rates and Taxes		6,741,979		8,337,466
Travelling and Conveyance Expenses		170,504,630		103,916,591
Electricity Charges		39,035,887		23,484,193
Communication Expenses		95,023,926		73,680,922
Repairs and Maintenance				
Buildings	10,412,922		5,201,427	
Plant and Machinery	9,741,669		4,669,356	
Others	11,982,667		6,312,661	
		32,137,258		16,183,444

Schedules to Consolidated Profit and Loss Account

PARTICULARS	For the year ended 31st December, 2004		For the year ended 31st December, 2003	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE "11" - ADMINISTRATION AND OTHER EXPENSES (Contd....)				
Printing and Stationery		15,734,851		11,372,624
Auditors Remuneration				
Audit Fees	3,618,152		3,192,734	
Tax Audit Fees	36,690		270,000	
Certification Fees	553,265		—	
Out of Pocket Expenses	58,841		75,796	
		4,266,948		3,538,530
Legal and Professional Fees		60,333,545		69,485,948
Advertisement and Publicity		19,673,805		11,549,594
Seminar and Conference Expenses		37,182,970		14,922,157
Bank and Other Charges		11,403,770		7,159,613
Exchange Rate Differences		—		1,100,194
Directors' Sitting Fees		468,729		410,000
Insurance Premium		19,512,479		16,408,046
Loss on Closure of Subsidiary		—		559,858
Loss on Sale of Investment		8,188,645		—
Loss on Sale of Fixed Assets		—		28,178,354
Bad Debts written off		6,211,350		—
Provision for Doubtful Debts		7,872,825		38,943,743
Preliminary Expenses written off		397,648		63,438
Staff Recruitment Expenses		32,183,920		21,150,438
Service Charges		14,505,425		6,906,963
Miscellaneous Expenses		39,643,207		24,337,661
Note : Miscellaneous Expenses includes Stamp Duty and Filing Fees, Registrar and Share Transfer Expenses, Membership and Subscription etc.				
Total		748,365,311		568,775,836
SCHEDULE "12" - INTEREST EXPENSES				
On Fixed Loans		2,704,805		15,893,600
Others		459,674		1,676,589
Total		3,164,479		17,570,189

Schedule 13 - Significant Accounting Policies and Notes Forming Part of Consolidated Accounts

A) Significant Accounting Policies

1. Basis of preparation of financial statements

The accompanying consolidated financial statements of Hexaware Technologies Limited ("the holding company") and its wholly - owned foreign subsidiaries ("the Company") are prepared under the historical cost convention in accordance with generally accepted accounting principles applicable in India (Indian GAAP), the provisions of the Companies Act, 1956 and the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent possible in the same format as that adopted by the holding company for its separate financial statements.

The financial statements of the subsidiaries used in the consolidation are drawn upto the same reporting date as that of the holding company, namely December 31, 2004.

2. Principles of consolidation

The financial statements of the holding company and its subsidiaries have been consolidated on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenses, after eliminating intra- group balances, intra-group transactions and any unrealised gain or losses on balances remaining within the group in accordance with the Accounting Standard (AS 21) "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

The financial statements of the holding company and its subsidiaries have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances.

The excess of the cost to the holding company of its investments in each of the subsidiaries over and above the share of equity in the respective subsidiary, on the acquisition date, is recognised in the financial statements as goodwill.

3. Use of Estimates

The preparation of the financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognised in the period in which the results are known/materialise.

4. Fixed Assets

Fixed assets, are valued at cost of acquisition less accumulated depreciation, amortisation and impairment if any. Cost includes all expenses incurred for acquisition of assets.

5. Depreciation and Amortisation

Depreciation on Fixed Assets is provided on straight-line method based on the estimated useful lives of the assets as determined by the Management except buildings, which are depreciated over the useful lives as prescribed under Schedule XIV to the Companies Act, 1956.

The Management estimates the useful lives for various fixed assets as follows (Refer note 12 of Part-B):

Asset Class	Estimated Life from 01-04-2004	Estimated life upto 31-03-2004
Computers and Software (included in Plant and Machinery)	3 years	3 years
Office Equipment (included in Plant and Machinery)	5 years	Upto 21 years
Electrical Fittings (included in Plant and Machinery)	8 years	20 years
Furniture and Fixtures (owned and leased)	8 years	15 years
Vehicles	4 years	10 years
Leasehold Land	Over the lease period	Over the lease period
Lease Improvements	Over the lease period	Over the lease period
Intangible Assets - Software	3 years	3 years

Schedule 13 - Significant Accounting Policies and Notes Forming Part of Consolidated Accounts (Contd...)

6. Investments

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

7. Foreign Currency Transaction / Translation

Transactions in foreign currency are recorded at the original rate of exchange in force at the time transactions are effected. Exchange differences arising on repayment of foreign currency liabilities incurred for the purpose of acquiring fixed assets are adjusted in the carrying amount of the respective fixed assets. Exchange differences arising on settlement of other transactions are recognised in the Profit and Loss Account.

Monetary items (other than those related to acquisition of fixed assets) denominated in foreign currency and not covered by forward contracts are restated using the exchange rate prevailing at the date of the Balance Sheet and the resulting net exchange difference is recognised in the Profit and Loss account. The exchange gain/loss arising on restatement of foreign currency liability relating to fixed assets is adjusted in the value of the related fixed assets.

Monetary items covered by forward exchange contracts are translated at the rate on the date of transaction. Premium / Discount arising on such forward exchange contracts are amortised as income / expense over the life of contract. Any profit or loss arising on cancellation of such forward exchange contract is recognised as income / expense.

Foreign Branches

All revenues and expenses (except depreciation) during the year reported at average rate. Monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. Balance in 'head office' account whether debit or credit is translated at the amount of the balance in the 'branch account' in the books of the head office. Net gain/loss on foreign currency translation is recognised in the Profit and Loss account.

8. Translation and Accounting of Financial Statements of Foreign subsidiaries

The local accounts of the subsidiaries are maintained in local currency of the country of incorporation. The financial statements are translated to Indian Rupees in accordance with the guidance issued by the Institute of Chartered Accountants of India in the background material to AS 21 as follows.

1. All income and expenses are translated at the average rate of exchange prevailing during the year.
2. Assets and liabilities are translated at the closing rate on the Balance Sheet date.
3. Share Capital and share application money are translated at historical rate.
4. The resulting exchange differences are accumulated in currency translation reserve.

9. 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 funds is charged to Profit and Loss Account.
- ii. The amount of Gratuity liability as ascertained on the basis of actuarial valuation and funded through a scheme (Group Gratuity) administered by Life Insurance Corporation of India and charged to Profit and Loss Account.
- iii. Provision is made towards liability for leave encashment on the basis of the group's policy in this respect.

10. Revenue Recognition

- i. Revenues from software solutions and consulting services are recognised 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 recognised 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 advance of services performed are recorded as unearned revenue. Unbilled services included in loans and advances, represents amount recognised based on services performed in advance of billing in accordance with contract terms.

Revenue from business process outsourcing services arises from unit-priced contracts and engagement services. Such revenue is recognised on completion of the related services and is billed in accordance with the specific terms of the contract with the client. Revenue from per incident services is based on the performance of specific criteria at contracted rates.

- ii. Dividend income is recognised when right to receive is established.

11. Borrowing Costs

Borrowing cost attributable to the acquisition or construction of qualifying assets is capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue.

12. Taxes on Income

Income Taxes are accounted for in accordance with Accounting Standard 22 on "Accounting for Taxes on Income", (AS 22) issued by The Institute of Chartered Accountants of India. Tax expense comprises both current tax and deferred tax. Current tax is measured at the amount expected to be paid or recovered from the tax authorities using the applicable tax rates. Deferred tax assets and liabilities are recognised for future tax consequence attributable to timing difference between taxable income and accounting income that are measured at relevant enacted tax rates. At each Balance Sheet date the Company reassesses unrealised deferred tax assets, to the extent they become reasonably certain or virtually certain of realisation, as the case may be.

13. Impairment of fixed assets

At the end of each year, the Company determines whether a provision should be made for impairment loss on fixed assets by considering the indications that an impairment loss may have occurred in accordance with Accounting Standard (AS-28) 'Impairment of Assets' issued by the Institute of Chartered Accountants of India where the recoverable amount of any fixed assets is lower than its carrying amount, a provision for impairment loss on fixed assets is made for the difference.

14. Intangible Assets

Internally generated intangible asset arising from development activity is recognised only on demonstration of its technical feasibility, the intention and ability of the Company to complete, use or sell it, only if it is probable that the asset would generate future economic benefit and the expenditure attributable to the said assets during its development can be measured reliably.

15. Leases

Finance Lease

The lower of fair value of assets and present value of the minimum lease rentals is capitalised as fixed assets and the corresponding amount is shown as lease liability in accordance with Accounting Standard on "Leases", (AS 19) issued by The Institute of Chartered Accountants of India. Lease payments are apportioned between finance charge and reduction in outstanding liability.

Operating Leases

Assets taken on lease under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognised as expenses on accrual basis in accordance with the respective lease agreements.

Building leased out under operating lease is capitalised in the books of the Company. Lease income is recognised in Profit and Loss Account over the lease term.

B) Notes Forming Part of Consolidated Accounts

1. Description of Business

The Company is engaged in the business of providing software, application, development, maintenance, re-engineering, consultancy and business process outsourcing services.

2. Subsidiaries to consolidation

The consolidated financial statements present the consolidated accounts of Hexaware Technologies Limited with the following subsidiaries

Name of the Subsidiary company	Country of Incorporation	Extent of Holding (%) as on 31-12-2004
Hexaware Technologies Inc.	United States of America	100%
Specsoft Consulting Inc.	United States of America	100%
Hexaware Technologies UK Ltd.	United Kingdom	100%
Hexaware Technologies Europe Ltd. (Refer note below)	United Kingdom	100%
Hexaware Technologies Asia Pacific Pte. Limited	Singapore	100%
Hexaware Technologies GmbH	Germany	100%
Hexaware Technologies Canada Limited	Canada	100%
Caliber Point Business Solutions Ltd.	India	100%

Note: On August 16, 2004, an application was made with the Registrar of Companies, United Kingdom to voluntarily strike off Hexaware Technologies Europe Ltd. (holding by Hexaware Technologies UK Ltd.) and it was formally dissolved on January 11, 2005. There were no balances/transactions in the said subsidiary as at/for the year ended December 31, 2004.

3. Contingent Liabilities

	Particulars	31-12-2004 (Rupees)	31-12-2003 (Rupees)
A	Counter Guarantees outstanding in respect of guarantees given by bank on behalf of the Company	5,927,031	105,272,174
B	Letter of Credit outstanding	686,478	720,115
C	Claims against the Company not acknowledged as Debts	13,720,300	37,977,700
D	Income tax disputed in appeal and pending decision, Company is hopeful of getting a favourable decision	1,612,736	13,887,983

4. Estimated amount of contracts remaining to be executed on capital account not provided for (Net of Advances) Rupees 70,893,023/- (Previous year Rupees 6,573,559/-)

5. Income Taxes

The breakup of the deferred tax assets and deferred tax liability as accounted, as at 31st December 2004 is as under :

Particulars	As at 31-12-2004 (Rupees)	As at 31-12-2003 (Rupees)
Deferred Tax Assets		
Provision for doubtful accounts	10,171,980	23,985,600
Depreciation	6,216,210	6,436,805
Provision for Leave Encashment	17,388,000	13,680,000
Alternative Minimum Tax Credit ("AMT")	1,260,630	1,778,400
Net operating Losses carry forward	26,766,003	72,727,358
Others	5,607,630	11,080,800
Total	67,410,453	129,688,963
Deferred Tax Liabilities		
Accumulated depreciation	678,009	Nil
Total	678,009	Nil

One of the subsidiaries of the Company had in the earlier year, created a deferred tax asset (DTA) and the balance carried forward as on 1st January, 2004 aggregated to Rupees 16,485,677/-. During the year, considering the requirement of Accounting Standard 22 (AS -22) "Accounting for taxes on income", on review of such DTA and virtual certainty has written down to Rupees Nil as at 31st December, 2004. Consequently, there is a charge on account of such written down in Profit & Loss Account.

6. Specsoft Consulting Inc., a subsidiary company, has accumulated losses at the Balance Sheet date, and the net worth of the said company is substantially eroded. However the said company has future plans for its operations and has orders in hand and is hopeful of improved profitability, which would result in substantial improvement of its net worth. Accordingly, the accounts of the said company have been prepared on going concern basis, which is dependent on future growth in operations and profitability.
7. a) The Company takes on lease office space, accommodation and vehicles for its employees under operating leases for a period ranging between one to five years. The lease rental expenses recognised in the Profit and Loss Account for the year is Rupees 127,341,514/- (Previous Year Rupees 87,086,059/-) .The future minimum lease payments and payment profile of non-cancellable operating leases are as follows:

	Total minimum lease payments outstanding as on 31-12-2004 (Rupees)	Total minimum lease payments outstanding as on 31-12-2003 (Rupees)
Not later than one year	167,715,053	77,865,266
Later than one year but not later than five years	220,117,855	137,623,120
Later than five years	Nil	Nil
Total	387,832,908	215,488,386

- b) The Company has taken furniture and fixtures on finance leases, which expire in August 2007. The lease rentals are charged on the basis of agreed terms. The said furniture is capitalized using interest rates determined at the inception of the lease.

The aggregate maturities under these finance leases are as follows:

	Total Minimum Lease Payments Outstanding as on		Future Interest Outstanding		Present Value of Minimum Lease Payments	
	2004 (Rupees)	2003 (Rupees)	2004 (Rupees)	2003 (Rupees)	2004 (Rupees)	2003 (Rupees)
Not later than one year	377,103	526,863	43,992	82,262	333,111	444,600
Later than one year but not later than five years	597,050	1,022,004	40,340	88,464	556,710	933,540
Later than five years	Nil	Nil	Nil	Nil	Nil	Nil
	974,153	1,548,867	84,332	170,726	889,821	1,378,140

- c) The Company has given furnished premises on operating lease for a period of three years the income from which amounting to Rupees 27,618,523/- (Previous Year Rupees 15,908,094/-) is included in 'Other income'. Details of assets given on lease are as under:

Type Of Assets	Gross Block as on 31-12-2004	Accumulated Depreciation upto 31-12-2004	Depreciation provided for the year 2004
	(Rupees)	(Rupees)	(Rupees)
Premises	105,918,975 (124,285,395)	4,716,048 (3,583,385)	1,132,663 (1,685,542)
Plant and Machinery	32,884,672 (32,529,827)	5,292,908 (690,463)	4,602,445 (766,302)
Furniture and Fixtures	42,589,065 (41,951,316)	5,479,653 (717,883)	4,761,770 (919,171)

The future minimum lease rentals receivable for non-cancellable operating leases are as follows:

	Total minimum lease receivables outstanding as on 31-12-2004 (Rupees)	Total minimum lease receivables outstanding as on 31-12-2003 (Rupees)
Not later than one year	20,716,063	24,210,131
Later than one year but not later than five years	14,092,626	34,808,689
Later than five years	Nil	Nil
	34,808,689	59,018,820

8. ESOP

- (a) The Company had allotted 550,000 warrants of Re 1/- each to "Aptech Limited - Employee Stock Option Trust" ("trust") under Employee Stock Option Scheme ("ESOS") of the Company. Out of 550,000 Warrants, 220,000 Warrants were retained with the Company and 330,000 Warrants were transferred to Aptech Limited at the ratio of (60:40) as per the Scheme of Arrangement or Reconstruction ("Scheme"). Each warrant holder was entitled for one equity share of Rupees 10/- each at a price of Rupees 490/- per share together with bonus entitlement. Considering that the majority of the employees covered under the Scheme had left and the exercise price being less favourable to employees than the prevailing subsequent ESOP Scheme. The Board of Directors of the Company at its meeting held on April 27, 2004, approved the cancellation of 220,000 Warrants and abandonment of the entire Scheme due to redundancy. In view of the cancellation of 220,000 warrants, the amount of Re. 1/- per warrant cancelled, an amount aggregating to Rupees 220,000/- is credited to Profit and Loss Account as "Miscellaneous Income" (refer schedule 8). Similarly, the Employee Stock Options Outstanding account of Rupees 2,200,000/- credited in earlier years (refer schedule 2) is transferred to General Reserve.
- (b) 1,872,126 (2,631,305) warrants under Employee Stock Option Scheme - 1999 aggregating to Rupees 561,637/- (Rupees 789,391/-) of Rupees 0.30 each were allotted. Each block of 3 warrants entitles the holder to get allotted one equity share of Rupees 10/- each at a price of Rupees 45/- per share, within a period of ten years from the date of allotment i.e. December 31, 1999. The particulars of warrants granted and lapsed under the Scheme are tabulated below.
- (c) 1,580,470 (2,007,767) Options of Re. 1 each were allotted under Hexaware Technologies Limited - Employee Stock Option Plan - 2002 at a price as per the SEBI guideline in force from time to time. Each Option entitles the holder to exercise the right to apply for and seek allotment of one equity share of Rupees 10/- each. The Options are to be exercised on specified dates in four equal instalments on or before December 29, 2009 or at the discretion of the Compensation Committee. The particulars of warrants granted & lapsed under the Scheme are tabulated below.

	Warrants-1999 (Warrants)	Options-2002
Opening Balance	1,616,437 (3,063,145)	1,836,517 (1,690,750)
Additions during the year	Nil (19,333)	254,400 (475,750)
Exercised during the year	759,180 (925,086)	427,297 (202,058)
Cancelled during the year	10,000 (540,955)	172,562 (127,925)
Closing Balance	847,257 (1,616,437)	1,491,058 (1,836,517)

Figures for the previous year are given in brackets.

9. Related Parties:

Names of related parties and description of relationship:

Associate

Mentorix Technologies Inc. (applicable for year ended December 31, 2003)

Key Managerial Personnel

Mr. Atul K. Nishar - Executive Chairman

Mr. Rusi Brij - Vice Chairman and Chief Executive Officer

Mr. P. K. Sridharan - Executive Director

Mr. Somnath Ghosh - Whole Time Director (till July 02, 2004)

Mr. Ashok Bildikar - President and Executive Director

Mr. Sunil Surya - Whole Time Director

Others (entities in which key management personnel have control and/or significant influence)

Hexaware Technologies Employee Stock Option Trust

CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rupees)

Sr. No.	Description of Nature of Transaction	Associate	Key Managerial personnel	Others	Total
1	Remuneration				
	Atul K. Nishar	— (—)	6,447,608 (—)	— (—)	6,447,608 (Nil)
	Rusi Brij	— (—)	22,487,234 (16,265,834)	— (—)	22,487,234 (16,265,834)
	P. K. Sridharan	— (—)	5,644,648 (4,592,240)	— (—)	5,644,648 (4,592,240)
	Somnath Ghosh	— (—)	5,555,114 (4,933,904)	— (—)	5,555,114 (4,933,904)
	Ashok Bildikar	— (—)	1,157,130 (—)	— (—)	1,157,130 (Nil)
	Sunil Surya	— (—)	16,680,184 (8,935,108)	— (—)	16,680,184 (8,935,108)
2	Loan given				
	Opening balance as on January 1	— (—)	9,225,238 (9,268,992)	1,080,000 (1,066,918)	10,305,238 (10,335,910)
	Add: given during the year	— (—)	259,210 (488,355)	— (13,082)	259,210 (501,437)
	Less: repaid during the year	— (—)	4,442,616 (532,109)	518,362 (—)	4,960,978 (532,109)
	Closing balance as on December 31	— (—)	5,041,832 (9,225,238)	561,638 (1,080,000)	5,603,470 (10,305,238)
3	Software and Consultancy revenues	— (557,602)	— (—)	— (—)	— (557,602)
4	Investment				
	Balance as at January 1	— (191,937,689)	— (—)	— (—)	— (191,937,689)
	Sold during the year	— (191,937,689)	— (—)	— (—)	— (191,937,689)
	Balance as at December 31	— (—)	— (—)	— (—)	— (—)

Figures for the previous year are given in brackets.

10. Segments:

(Amount in Rupees)

Primary Segment: Business segments	Airlines and Transport	Finance Banking and Insurance	Manufacturing and enterprise solution	Others	Total
Segment Revenue	897,889,858 (460,266,557)	2,451,611,890 (1,789,988,850)	1,578,892,807 (605,498,866)	530,510,767 (534,098,728)	5,458,905,322 (3,389,853,001)
Segment Results	162,795,131 (60,262,178)	300,767,459 (161,893,941)	288,271,651 (66,359,671)	19,637,480 (31,414,691)	771,471,721 (319,930,481)
Less: Unallocable Expenses					161,073,360 (149,734,784)
Add: Other Income					116,350,770 (147,277,334)
Less: Interest					3,164,479 (17,570,189)
Profit before tax					723,584,652 (299,902,841)
Less: Provision for tax					
– Current Income / Wealth tax					26,242,592 (9,461,333)
– Deferred tax					59,978,945 (4,776,103)
Less: Income tax earlier years					5,105,392 (24,855,547)
Add: Share of profit in Associate					— (68,049,241)
Profit after tax					632,257,723 (328,859,099)
Other Information - Segment Assets					
Debtors	199,593,708 (58,882,851)	634,689,637 (412,521,406)	412,612,686 (205,997,435)	113,861,704 (210,830,081)	1,360,757,735 (888,231,773)
Secondary Segment - Geographic Segment					
	USA	Europe	India	Rest of the World	Total
Revenue attributable to location of customers	3,889,217,518 (2,263,554,395)	1,383,899,258 (881,706,883)	79,545,681 (40,285,935)	106,242,865 (204,305,788)	5,458,905,322 (3,389,853,001)
Segment assets based on their Locations	1,031,895,349 (865,649,518)	623,252,059 (305,168,445)	2,062,053,604 (1,590,584,594)	29,462,812 (38,682,077)	3,746,663,824 (2,800,084,634)
Additions to Fixed Assets (including Capital Work in progress)	22,090,460 (17,003,510)	8,503,100 (627,300)	433,049,078 (263,276,108)	19,036 (104,014)	463,661,676 (281,010,932)

Notes:

- The Company has identified business segment as the primary segment. Segments have been identified taking into account the nature of services, differing risks and returns, the organisational structure and the internal reporting system.
- Assets (except debtors) and liabilities contracted have not been identified to any of the reportable segments as the assets are used interchangeably between segments and it is not practicable to reasonably allocate the liabilities to individual segments. Accordingly, no disclosure relating to segment assets, except debtors, and segment liabilities are made.
- Figures for the previous year are given in brackets.

11. Earning Per Share (EPS):

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

(Amount in Rupees)

Particulars	31st December, 2004	31st December, 2003
Net Profit after Tax	637,363,115	285,665,405
Income Tax - earlier years	5,105,392	24,855,547
Share of profit in associate	-	68,049,241
Net income available to equity shareholders	632,257,723	328,859,099
Weighted average outstanding equity shares considered for basic EPS (Nos.)	22,931,757	22,286,574
Add: Effect of dilutive issue of stock options (including share application money received on exercise of options) (Nos.)	2,204,516	1,806,031
Considered for diluted EPS	25,136,273	24,092,605
Earning Per Share		
Basic	27.57	14.76
Diluted	25.15	13.65

12. During the year considering the obsolescence, usage and wear and tear due to efflux of time, the Company revised the estimated useful life as stated in Note 5 to Schedule 13 A.

Consequently the provision for depreciation for the year is higher by Rupees 55,012,340/- and correspondingly the net profit, reserves and surplus and net fixed assets are lower by Rupees 55,012,340/-.

13. Figures for the previous year have been regrouped / rearranged wherever necessary to correspond with the figures of the current year.

Schedules 1 To 13 form an Integral Part of the Accounts.

As per our attached Report of even date

For **Deloitte Haskins & Sells,**

Chartered Accountants

P. R. Barpande

Partner

Place : Mumbai

Date : 27th January, 2005

For and on behalf of the Board

Atul K. Nishar
(Chairman)

Dr. K. K. Anand
(Director)

L. S. Sarma
(Director)

A. P. Kurian
(Director)

Dr. (Mrs.) Alka Nishar
(Director)

Rusi Brij
(Vice-Chairman)

P. K. Sridharan
(Executive Director)

Rajesh B Ghonasgi
(Chief Financial Officer)

Naishadh Desai
(Company Secretary)

Auditors' Report

To the shareholders of Hexaware Technologies Limited

1. We have audited the attached Balance Sheet of Hexaware Technologies Limited as at 31st December 2004, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 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 purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
 - c) The Balance Sheet, Profit and Loss Account and Cash

Flow Statement dealt with by this report are in agreement with the books of account;

- d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- e) On the basis of the written representations received from the directors as on 31st December, 2004 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st December 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- 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 accounting policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2004;
 - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended as on that date.

For **Deloitte Haskins & Sells**

Chartered Accountants

P. R. Barpande

Partner

Membership No. 15291

Mumbai, dated: 27th January 2005

Annexure to the Auditors' Report

Re: Hexaware Technologies Limited

Referred to in Paragraph 3 of our report of even date

- i) In respect of its fixed assets:
- a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) As per information and explanation given to us, physical verification of fixed assets was carried out by the management during the year and no material discrepancies were noticed by the management on such verification. In our opinion, the frequency of verification is reasonable.
 - c) The Company has not disposed off substantial part of fixed assets during the year.
- ii) The activities of the Company and the nature of its business do not involve the use of inventory. Accordingly, clause (ii) of the Companies (Auditor's Report) Order is not applicable.
- iii) The Company has not granted or taken any loan secured/unsecured to/from companies, firms or parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clause (iii) of the Companies (Auditor's Report) Order is not applicable to the Company.
- iv) In our opinion, and according to the information and explanations given to us, there is an internal control system commensurate with the size of the Company and nature of its business for purchase of fixed assets and sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. During the course of our audit we have not observed any continuing failure to correct major weaknesses in internal control system.
- v) According to the information and explanation given to us, there are no contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered in a register required to be maintained under that section. Therefore the provisions of clause (V) are not applicable to the Company.
- vi) The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sec 58A, 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 1975 with regard to the deposits accepted from the public are not applicable to the Company.
- vii) In our opinion, the internal audit functions carried out during the year, by firms of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and nature of its business.
- viii) According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act. Therefore the provisions of clause (viii) of the Companies (Auditor's Report) Order are not applicable to the Company.
- ix) a) The Company has generally been regular in depositing with the appropriate authorities, undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and any other material statutory dues applicable to it. According to the information and explanation given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, custom duty, excise duty and cess were in arrears as at 31st December, 2004 for a period of more than six months from the date they became payable.
- b) According to information and explanations given to us there are no dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess, which have not been deposited with the appropriate authorities on account of any dispute except in case of income tax demands aggregating to Rs. 1,612,736/- related to assessment year 2001-02 under Income Tax Act, 1961 which is pending with the Income Tax Appellate Tribunal.
- x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in such financial year and in the immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.
- xii) According to the information and explanations given to us, the Company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and hence the question of maintenance of adequate records for this purpose does not arise.
- xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xv) In our opinion, the terms and conditions on which the

Company has given a guarantee for loan taken by a subsidiary company from a bank is not prejudicial to the interest of the Company.

- xvi) The Company has not taken any term loan during the year and hence the question of applying term loans for the purpose for which the loans were obtained does not arise.
- xvii) According to information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, funds raised on short term basis have, prima-facie, not been used for long term investment.
- xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- xix.) The Company has not issued any debentures during the

year, hence the question of creation of security or charge in respect of debentures issued does not arise.

- xx) The Company has not raised any money by way of public issues during the year.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants

P. R. Barpande
Partner

Membership No. 15291

Mumbai, dated : 27th January 2005

Balance Sheet as at 31st December, 2004

Particulars	Schedule	As At		As At	
		31st December, 2004		31st December, 2003	
		Rupees	Rupees	Rupees	Rupees
SOURCES OF FUNDS					
Share Holders' Funds :					
A) Share Capital	"1"	233,036,050		226,232,480	
B) Share Warrants (See note No. 3(b) of Schedule 13 Part B)		561,637		1,009,391	
C) Share Application Money		5,642,597		1,934,939	
D) Reserves And Surplus	"2"	2,378,095,342		2,051,031,150	
			2,617,335,626		2,280,207,960
Loan Funds :					
Secured Loans	"3"		22,142,545		25,948,634
Total			2,639,478,171		2,306,156,594
APPLICATION OF FUNDS					
Fixed Assets :					
A) Gross Block	"4"	1,142,792,304		1,037,521,273	
B) Less: Depreciation		432,264,715		316,655,769	
C) Net Block		710,527,589		720,865,504	
D) Capital Work-in-progress		93,797,000		—	
			804,324,589		720,865,504
Investments :					
Current Assets, Loans and Advances :					
A) Sundry Debtors	"5"	885,961,925		480,031,736	
B) Cash and Bank Balances	"6"	76,402,389		190,101,519	
C) Loans and Advances		592,067,372		561,834,334	
		1,554,431,686		1,231,967,589	
Less:					
Current Liabilities and Provisions :					
A) Current Liabilities	"7"	328,853,208		263,920,934	
B) Provisions		181,769,693		61,183,727	
		510,622,901		325,104,661	
Net Current Assets			1,043,808,785		906,862,928
Significant Accounting Policies and Notes Forming Part of Accounts	Total		2,639,478,171		2,306,156,594

Schedules 1 To 13 form an Integral Part of the Accounts.

As per our attached Report of even date

For **Deloitte Haskins & Sells,**
Chartered Accountants

P. R. Barpande
Partner

Place : Mumbai
Date : 27th January, 2005

Atul K. Nishar
(Chairman)

Rusi Brij
(Vice-Chairman)

Dr. K.K. Anand
(Director)

P. K. Sridharan
(Executive Director)

L. S. Sarma
(Director)

Rajesh B Ghonasgi
(Chief Financial Officer)

A. P. Kurian
(Director)

Naishadh Desai
(Company Secretary)

Dr. (Mrs.) Alka Nishar
(Director)

Profit and Loss Account for the Year Ended 31st December, 2004

Particulars	Schedule	For The Year Ended 31st December, 2004		For The Year Ended 31st December, 2003	
		Rupees	Rupees	Rupees	Rupees
INCOME					
Software and Consultancy		2,540,418,002		1,547,590,286	
Other Income	"8"	124,105,002		257,415,693	
			2,664,523,004		1,805,005,979
EXPENDITURE					
Software and Development Expenses	"9"	277,599,737		239,232,728	
Employment Expenses	"10"	1,373,634,412		798,711,461	
Administration and Other Expenses	"11"	416,140,432		295,592,901	
Interest	"12"	2,981,873		17,204,676	
Depreciation		142,466,794		124,426,730	
			2,212,823,248		1,475,168,496
Profit Before Tax			451,699,756		329,837,483
Less : Provision for Taxation					
Income Tax - Current		13,745,893		1,050,000	
Wealth Tax		250,000		195,770	
			13,995,893		1,245,770
Profit After Tax			437,703,863		328,591,713
Income Tax - Earlier Years			4,364,652		24,855,547
Add : Balance brought forward from Previous Year			141,586,834		119,894,374
Balance Available For Appropriation			574,926,045		423,630,540
Appropriations :					
Proposed Dividend		117,211,265		45,246,496	
Dividend Tax		15,298,643		5,797,210	
Transfer to General Reserve		50,000,000		231,000,000	
			182,509,908		282,043,706
Balance carried to Balance Sheet			392,416,137		141,586,834
Earnings Per Share (Refer Note No. 8 of Schedule 13 Part B)					
Basic			18.90		13.63
Diluted			17.24		12.61
Significant Accounting Policies and Notes Forming Part of Accounts	"13"				

Schedules 1 To 13 form an Integral Part of the Accounts.

As per our attached Report of even date

For **Deloitte Haskins & Sells,**
Chartered Accountants

P. R. Bapande
Partner

Place : Mumbai
Date : 27th January, 2005

Atul K. Nishar
(Chairman)

Rusi Brij
(Vice-Chairman)

Dr. K.K. Anand
(Director)

P. K. Sridharan
(Executive Director)

L. S. Sarma
(Director)

Rajesh B Ghonasgi
(Chief Financial Officer)

A. P. Kurian
(Director)

Naishadh Desai
(Company Secretary)

Dr. (Mrs.) Alka Nishar
(Director)

Cash Flow Statement for the year ended 31st December, 2004

	Current year		Previous year	
	Rupees	Rupees	Rupees	Rupees
A Cash Flow from operating activities				
Net profit before tax	451,699,756		329,837,483	
Adjustments for:				
Depreciation	142,466,794		124,426,730	
Dividend income	(18,173,540)		(16,653,481)	
Interest income	(16,321,372)		(18,615,725)	
ESOP warrants cancelled	(220,000)		—	
(Profit)/loss on sale of investments	8,188,645		(199,585,913)	
Loss on closure of subsidiary	—		559,858	
Provision for diminution in value of investment	13,405,714		—	
(Profit)/loss on sale of fixed assets (net)	(20,710,369)		23,744,770	
Interest expense	2,981,873		17,204,676	
Operating profit before working capital changes	563,317,501		260,918,398	
Adjustments for:				
Trade and other receivables	(424,856,730)		(67,589,720)	
Trade and other payables	86,558,604		128,474,543	
Cash Generated From Operations	225,019,375		321,803,221	
Direct Taxes Paid	(17,229,489)		(12,695,770)	
Interest received	16,321,372		18,615,725	
Net cash from operating activities		224,111,258		327,723,176
B Cash flow from investing activities				
Additions to fixed assets	(295,688,846)		(267,724,769)	
Purchase of investments	(1,244,408,772)		(130,859,470)	
Share application money paid	(56,212,478)		—	
Sale of investments	1,166,110,255		—	
Income from investments	18,173,540		16,653,481	
Sale of fixed assets	90,473,337		9,257,043	
Net Cash Used In Investing Activities		(321,552,964)		(372,673,715)
C Cash flow from financing activities				
Proceeds from issue of shares	30,875,766		22,473,207	
Share application money	5,642,597		1,934,939	
Interest paid	(2,981,873)		(17,204,676)	
Dividend paid	(45,987,825)		—	
Repayments of long term and other borrowings	(3,806,089)		(152,498,833)	
Net cash used in financing activities		(16,257,424)		(145,295,363)
Net Decrease in cash and cash equivalents		(113,699,130)		(190,245,902)
Cash and cash equivalents at the beginning of the year		190,101,519		380,347,421
Cash and cash equivalents at the end of the year		76,402,389		190,101,519

Notes:

- Components of cash and cash equivalents include cash and bank balances as stated in Schedule 6 of the Balance sheet.
- Interest income on bank deposits etc. are classified as cash flow from operating activities.
- Purchase of Fixed Assets (including movements in Capital work in progress) are considered as a part of investing activities.
- The Cash Flow Statement has been prepared in accordance with the requirements of Accounting Standard 3 "Cash Flow Statement" (AS 3) issued by the Institute of Chartered Accountants of India.

As per our attached Report of even date

For **Deloitte Haskins & Sells,**
Chartered Accountants

P. R. Barpande
Partner

Place : Mumbai
Date : 27th January, 2005

Atul K. Nishar
(Chairman)

Rusi Brij
(Vice-Chairman)

Dr. K.K. Anand
(Director)

P. K. Sridharan
(Executive Director)

L. S. Sarma
(Director)

Rajesh B Ghonagsi
(Chief Financial Officer)

A. P. Kurian
(Director)

Naishadh Desai
(Company Secretary)

Dr. (Mrs.) Alka Nishar
(Director)

Schedules To Balance Sheet

Particulars	As At 31st December, 2004		As At 31st December, 2003	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE "1" : SHARE CAPITAL				
AUTHORISED				
35,000,000 (35,000,000) Equity Shares of Rs. 10/- each.		350,000,000		350,000,000
3,000,000 (3,000,000) Preference Shares of Rs. 100/- each.		300,000,000		300,000,000
		<u>650,000,000</u>		<u>650,000,000</u>
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL				
Equity:				
23,303,605 (22,623,248) Equity Shares of Rs.10/- each Fully Paid of the above Equity Shares:-		233,036,050		226,232,480
1) 2,226,925 (2,226,925) Equity Shares have been allotted as fully paid up without receiving consideration in cash in accordance with the Composite Scheme of Reconstruction and Arrangement.				
2) 7,237,774 (7,237,774) Equity Shares have been allotted as fully paid up by way of Bonus Share by capitalization of General Reserve/Securities Premium Account.				
3) 2,090,593 (2,090,593) Equity Shares of Rs. 10/- each fully paid up have been allotted against underlying 4,181,186 Global Depository Receipts of US \$ 3.59 each issued by the Company.				
4) 10,000,000 (10,000,000) Equity Shares issued to the Shareholders of erstwhile Hexaware Technologies Limited ('HTL') without receiving consideration in cash in accordance with the Composite Scheme of Reconstruction and Arrangement.				
5) 575,958 (322,898) Equity Shares have been allotted to employees under ESOP 1999.				
6) 629,355 (202,058) Equity Shares have been allotted to employees under ESOP 2002.				
Total		<u>233,036,050</u>		<u>226,232,480</u>
SCHEDULE "2" : RESERVES AND SURPLUS				
Securities Premium Account				
As Per Last Balance Sheet		1,692,904,677		1,674,749,384
Add : Received during the year		26,234,889		18,155,293
		<u>1,719,139,566</u>		<u>1,692,904,677</u>
Employee Stock Options Outstanding Account				
As Per Last Balance Sheet		2,200,000		2,200,000
Less : Transferred to General Reserve		2,200,000		—
(Refer Note No 3(a) of Schedule 13 Part B)		—		2,200,000
General Reserve				
As Per Last Balance Sheet		211,459,827		219,766,533
Less : Loss on Impairment of Assets		—		239,306,706
Add : Transferred from Profit and Loss Account		50,000,000		231,000,000
Add : Transfer from Employee Stock Options Outstanding Account		2,200,000		—
		<u>263,659,827</u>		<u>211,459,827</u>
Amalgamation Reserve				
As Per Last Balance Sheet		2,879,812		2,879,812
Surplus In Profit And Loss Account				
		392,416,137		141,586,834
Total		<u>2,378,095,342</u>		<u>2,051,031,150</u>

Schedules To Balance Sheet

Particulars	As At 31st December, 2004 Rupees		As At 31st December, 2003 Rupees	
SCHEDULE "3" : SECURED LOANS				
Loan Under Finance Agreement		22,142,545		25,948,634
(Secured by a charge on the Specified Assets acquired and financed Viz. Computers and Vehicles)				
Total		22,142,545		25,948,634

SCHEDULE "4" - FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As At 01.01.2004	Additions	Deductions	As At 31.12.2004	As At 01.01.2004	For the Year	Deductions	As at 31.12.2004	As at 31.12.2004	As at 31.12.2003
1 Land - Freehold	153,699	—	—	153,699	—	—	—	—	153,699	153,699
Land - Leasehold	—	38,988,800	—	38,988,800	—	182,115	—	182,115	38,806,685	—
2 Building	297,196,253	—	44,794,620	252,401,633	12,287,265	2,383,146	1,945,380	12,725,031	239,676,602	284,908,988
3 Plant and Machinery Includes Computers and Softwares	487,295,775	136,984,584	11,256,860	613,023,499	263,831,943	94,422,189	4,965,370	353,288,762	259,734,737	223,463,832
4 Furniture and Fixtures	215,679,218	4,342,890	21,231,728	198,790,380	34,355,660	33,445,765	11,009,380	56,792,045	141,998,335	181,323,558
5 Vehicles	37,196,328	21,575,572	19,337,607	39,434,293	6,180,901	12,033,579	8,937,718	9,276,762	30,157,531	31,015,427
Current Year Total	1,037,521,273	201,891,846	96,620,815	1,142,792,304	316,655,769	142,466,794	26,857,848	432,264,715	710,527,589	720,865,504
Previous Year Total	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	—
Capital Work In Progress (In respect of Building including Capital advances)									93,797,000	—
									804,324,589	720,865,504

Notes:

- The Company has acquired the building alongwith land from MIDC at Mumbai and has entered into necessary agreements and taken possession of the Building. Balance payment of principal instalments has been made during the year and the final agreement is being executed.
- In the earlier year the Company had purchased premises from MIDC and the consideration was payable in instalments with interest. Consequent to negotiations with MIDC the Company paid the instalments due during the year and reversed the liability of Rs. 18,336,420/- created in the earlier years. Accordingly depreciation of Rs. 898,289/- excess charged on the said amount pertaining to prior period has been credited to the Depreciation for the year.
- Depreciation for the year ended under Plant and Machinery is net of Rs. 33,202,237/- being the depreciation excess provided in the earlier year written back.

Schedules To Balance Sheet

Particulars	As At 31st December, 2004		As At 31st December, 2003	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE "5" - INVESTMENTS				
A Long Term:				
1 Trade Investments - Quoted (at cost)				
2,000 (2,000) Shares of Rs. 10/- each Fully Paid Up in Aptech Limited		20,000		20,000
2 Trade Investments - Unquoted				
Investment In Subsidiaries (At Cost / Carrying amount unless otherwise stated)				
150,000 (150,000) No par value common stock of Specsoft Inc.,U.S.A.	254,808,194		254,808,194	
22,450 (22,450) Common stock at no par value in Hexaware Technologies Inc. USA	295,275,970		295,275,970	
3,067,000 (3,067,000) Shares of 1 GBP each fully paid up in Hexaware Technologies UK Ltd.	218,870,286		218,870,286	
5,00,000 (5,00,000) Shares of Singapore \$ 1/- each fully paid up in Hexaware Technologies Asia - Pacific Pte. Ltd. Singapore.	12,476,000		12,476,000	
3,618 (3,618) shares of face value 50 Euro in Hexaware Technologies GmbH, Germany	7,570,241		7,570,241	
1 (1) Common stock at no par value in Hexaware Technologies Canada Limited, Canada	727,800		727,800	
6,900,000 (Nil) Shares of Rs. 10/- each in Caliber Point Business Solutions Ltd	69,000,000		—	
	858,728,491		789,728,491	
Less: Provision for diminution in value of investments	516,252,085		502,846,371	
		342,476,406		286,882,120
3 Other Investments - unquoted				
Investment in Long Term Capital Gain Bonds (at cost) Nos.				
(Bond of Rs. 10,000/- each unless otherwise stated)				
National Bank of Agriculture and Rural Development	3,000	30,000,000	3,000	30,000,000
National Housing Bank	2,000	20,000,000	2,000	20,000,000
Rural Electrification Corporation	1,450	14,500,000	1,450	14,500,000
		64,500,000		64,500,000

Schedules to Balance Sheet

(iii) Details of Investment Purchased and Sold during the Year (Face Value of Rs. 10/- each, unless otherwise stated).

Equity Shares	Nos	Cost
Tata Consultancy Services Ltd.	4,167	3,541,950
Mutual Funds	Units	Cost
Alliance - 95	686,692	30,912,988
Alliance Capital - Monthly Dividend	69,623	461,330
Alliance - Weekly Dividend	4,752,745	47,509,408
DSP Merrill Lynch Saving Plus Fund	106,169	1,016,266
DSP Merrill Lynch Saving Plus Fund - Floating Rate Fund Weekly Dividend	6,816,588	68,289,688
Franklin Templeton (I) Monthly Income Plan	187,066	2,166,158
Franklin Templeton India Balance Fund	3,261,872	50,000,000
Franklin Templeton India Treasury Mgmt. Daily Dividend (FV Rs. 1,500/-)	52,567	79,416,580
Franklin Templeton Floating Rate Income Fund	20,515,199	205,352,014
HDFC Cash Management Fund - Weekly Dividend	9,119,645	93,171,759
HDFC Prudence Fund	5,857,577	114,493,729
ICICI Floating Rate Plan	2,982,671	29,978,502
JM Floater Fund	1,991,953	19,983,692
Kotak Floater	3,249,058	32,482,509
Tata Balance Fund	1,437,431	33,605,018
Tata Liquid Fund Daily Dividend	2,841,152	31,523,887
Tata Monthly Income Fund	22,020	256,490
Birla Sunlife Mutual Fund	79,899	889,124

Particulars	As At 31st December, 2004		As At 31st December, 2003	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE "6": CURRENT ASSETS				
Sundry Debtors				
Unsecured				
Debts Outstanding for a period exceeding six months	6,014,189		18,732,003	
Other Debts	881,410,509		471,632,518	
	887,424,698		490,364,521	
Less: Provision for Doubtful Accounts	1,462,773		10,332,785	
		885,961,925		480,031,736
Sundry Debtors				
Considered Good	885,961,925		480,031,736	
Considered Doubtful	1,462,773		10,332,785	
	887,424,698		490,364,521	
Debts due from companies under the same management Rs. 629,392,957/- (Rs. 316,561,761/-)				
Cash and Bank Balances				
Cash in Hand	446,167		210,685	
Balances with Scheduled Banks				
In Fixed Deposit Accounts	4,651,550		3,333,138	
In Exchange Earner's Foreign Currency Account	3,364,813		1,526,753	
In Current Accounts (includes in Remittance in Transit)	61,671,784		80,471,062	
Balances with Non-scheduled Banks				
In Deposit Accounts in Foreign Currency				
Deutsche Bank - Singapore	—		99,798,075	
[Maximum Balance outstanding during the Year Rs. 99,798,075/- (Rs. 112,205,250/-)] Account closed during the year				

Schedules To Balance Sheet

Particulars	As At 31st December, 2004 Rupees		As At 31st December, 2003 Rupees	
In Current Accounts - in Foreign Currency				
A) ABN Amro Bank - Amsterdam [Maximum balance outstanding during the year Rs.418,901/- (Rs. 418,901/-)]	418,901		418,901	
B) Union Bank of California , Tokyo - Japan [Maximum balance outstanding during the year Rs. 4,587,843/- (Rs. 2,752,552/-)]	4,412,722		2,752,552	
C) Union Bank of Switzerland - Switzerland [Maximum balance outstanding during the year Rs. 649,670/- (Rs. 1,293,173/-)]	649,670		781,501	
D) Royal Bank Of Scotland - United Kingdom [Maximum balance outstanding during the year Rs. 786,782/- (Rs. 824,331/-)]	786,782		808,852	
		76,402,389		190,101,519
Loans and Advances (Unsecured - Considered Good)				
Loans and Advances to Subsidiaries	216,828,406		335,954,614	
Advances recoverable in cash or in kind or for value to be received	138,782,035		95,385,678	
Deposits	189,359,842		113,676,063	
Unbilled Services	19,581,344		608,731	
Income Tax (Net of Provision)	27,515,745		16,209,248	
		592,067,372		561,834,334
Note : Loans and advances includes loan given to Executive Director Rs. 416,474/- (Rs. 512,090/-) (Loan was granted to him before becoming a director, and is being repaid as per the Company's Policy.) (Maximum balance outstanding during the year Rs. 512,090/-)				
Total		<u>1,554,431,686</u>		<u>1,231,967,589</u>
SCHEDULE "7" - CURRENT LIABILITIES AND PROVISIONS				
CURRENT LIABILITIES				
Sundry Creditors				
i) Total outstanding dues to Small Scale Industrial Undertakings	—		—	
ii) Total outstanding dues to Creditors other than Small Scale Industrial Undertakings	56,196,037		75,304,424	
Due to Subsidiaries	69,687,598		46,249,397	
Deposit Received for Leased Premises	24,936,250		54,324,845	
Unclaimed Dividend	5,055,881		—	
Other Liabilities	172,977,442		88,042,268	
		328,853,208		263,920,934
Provisions				
Provision for Leave Encashment	20,272,232		3,590,021	
Provision for Gratuity	15,500,000		5,500,000	
Proposed Dividend	117,211,265		45,246,496	
Corporate Tax on Dividend	15,298,643		5,797,210	
Provision for Taxation	13,487,553		1,050,000	
		181,769,693		61,183,727
Total		<u>510,622,901</u>		<u>325,104,661</u>

Schedules To Profit And Loss Account

Particulars	For the year ended 31st December, 2004		For the year ended 31st December, 2003	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE "8" : OTHER INCOME				
Income from Current Investments				
Dividend		18,173,540		16,653,481
Profit on Sale of Investments (Net)		—		9,728,658
Interest Income [Tax deducted at source Rs. 443,224/- (Rs. 23,716/-)]		16,321,372		18,615,725
Exchange Rate Difference		18,509,116		—
Profit on Sale of Investment in Associate		—		189,857,255
Profit on Sale of Fixed Assets (Net)		20,710,369		—
Rental Income [Tax Deducted at Source Rs. 2,301,780/- (Rs. 4,340,224/-)]		27,394,133		15,908,094
Miscellaneous Income (Including Rs. 220,000/- (Rs. Nil) in respect of ESOP cancellation)		22,996,472		6,652,480
Total		124,105,002		257,415,693
SCHEDULE "9" : SOFTWARE AND DEVELOPMENT EXPENSES				
Consultant and Related Expenses		170,817,566		168,007,492
Software License Fees		39,043,152		13,744,889
Software Services		67,739,019		57,480,347
Total		277,599,737		239,232,728
SCHEDULE "10" - EMPLOYMENT EXPENSES				
Salary and Other allowances		1,250,569,224		737,899,140
Contribution to Provident and Other Funds		52,899,577		25,857,613
Staff Welfare Expenses		70,165,611		34,954,708
Total		1,373,634,412		798,711,461

Schedules To Profit And Loss Account

Particulars	For the year ended 31st December, 2004		For the year ended 31st December, 2003	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE "11" : ADMINISTRATION AND OTHER EXPENSES				
Rent		72,125,077		42,233,124
Rates and Taxes		3,709,100		6,992,554
Travelling and Conveyance Expenses		83,276,487		53,832,196
Electricity Charges		37,000,100		23,172,346
Communication Expenses		62,498,301		45,824,803
Repairs and Maintenance				
– Buildings	10,412,922		5,201,427	
– Plant and Machinery	9,404,650		4,399,140	
– Others	7,918,025		3,507,001	
		27,735,597		13,107,568
Printing and Stationery		12,743,297		8,435,704
Auditors Remuneration				
– Audit Fees	1,527,707		810,000	
– Tax Audit Fees	—		270,000	
– Certification Fees	545,000		—	
– Out of Pocket Expenses	—		71,100	
(Includes Service Tax of Rs. 45,500/-)				
		2,072,707		1,151,100
Legal and Professional Fees		22,556,448		13,842,063
Advertisement and Publicity		501,367		860,258
Seminar and Conference Expenses		13,173,489		6,800,129
Bank Charges		5,113,528		3,032,976
Exchange Rate Differences		—		8,475,726
Directors' Sitting Fees		375,000		410,000
Insurance Premium		3,303,590		2,329,181
Loss on Closure of Subsidiary		—		559,858
Loss on Sale of Investment (Net)		8,188,645		—
Loss on Sale of Fixed Assets (Net)		—		23,744,770
Bad Debts Written off		6,211,350		—
Provision for Diminution in Value of Investment		13,405,714		—
Provision for Doubtful Debts		1,462,773		10,332,785
Staff Recruitment Expenses		24,135,987		15,445,343
Service Charges		13,851,197		6,821,061
Miscellaneous Expenses		2,700,678		8,189,356
Note : Miscellaneous Expenses includes Stamp Duty and Filing Fees, Registrar and Share Transfer Expenses, Membership and Subscription etc.				
Total		416,140,432		295,592,901
SCHEDULE "12" : INTEREST				
On Fixed Loans		2,548,455		12,363,462
Others		433,418		4,841,214
Total		2,981,873		17,204,676

SCHEDULE "13": SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS

A) SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention and Concepts

The accompanying financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles, the provisions of the Companies Act, 1956 and the applicable accounting standards issued by the Institute of Chartered Accountants of India.

2. Use of Estimates

The preparation of the financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognised in the period in which the results are known/materialise.

3. Revenue Recognition

a) Revenues from software solutions and consulting services are recognised 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 recognised 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 advance of services performed are recorded as unearned revenue. Unbilled services included in loans and advances, represents amount recognised based on services performed in advance of billing in accordance with contract terms.

b) Dividend income is recognised when right to receive is established.

4. Fixed Assets

Fixed assets, are valued at cost of acquisition less accumulated depreciation, amortisation and impairment if any. Cost includes all expenses incurred for acquisition of assets.

5. Depreciation and Amortisation

Depreciation on Fixed Assets is provided on straight-line method based on the estimated useful lives of the assets as determined by the management except buildings, which are depreciated over the useful lives as prescribed under Schedule XIV to the Companies Act, 1956.

The Management estimates the useful lives for various fixed assets as follows (Refer note 10 of Part-B)

Asset Class	Estimated Life from 1-4-2004	Estimated Life Up to 31-3-2004
Computers and Software (included in Plant and Machinery)	3 years	3 years
Office Equipment (included in Plant and Machinery)	5 years	20 years
Electrical Fittings (included in Plant and Machinery)	8 years	20 years
Furniture and Fixtures	8 years	15 years
Vehicles	4 years	10 years
Leasehold Land	Over the lease period	Over the lease period

6. Investments

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

7. Foreign Currency Transaction / Translation

Transactions in foreign currency are recorded at the original rate of exchange in force at the time transactions are effected. Exchange differences arising on repayment of foreign currency liabilities incurred for the purpose of acquiring fixed assets are adjusted in the carrying amount of the respective fixed assets. Exchange differences arising on settlement of other transactions are recognized in the Profit and Loss Account.

Monetary items (other than those related to acquisition of fixed assets) denominated in foreign currency and not covered by forward contracts are restated using the exchange rate prevailing at the date of the Balance Sheet and the resulting net exchange difference is

recognized in the Profit and Loss Account. The exchange gain/loss arising on restatement of foreign currency liability relating to fixed assets is adjusted in the value of the related fixed assets.

Monetary items covered by forward exchange contracts are translated at the rate on the date of transaction. Premium / Discount arising on such forward exchange contracts are amortised as income / expense over the life of contract. Any profit or loss arising on cancellation of such forward exchange contract is recognized as income / expense.

Foreign Branches

All revenues and expenses (except depreciation) during the year reported at average rate. Monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. Balance in 'head office' account whether debit or credit is translated at the amount of the balance in the 'branch account' in the books of the head office. Net gain/loss on foreign currency translation is recognized in the Profit and Loss Account.

8. 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 actuarial valuation and funded through a scheme (Group Gratuity) administered by Life Insurance Corporation of India and charged to Profit and Loss Account.
- iii) Provision is made towards liability for leave encashment as per rules of the Company.

9. Borrowing Costs

Borrowing cost attributable to the acquisition or construction of qualifying assets is capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue.

10. Finance Lease

Assets taken on finance lease are accounted for as fixed assets in accordance with Accounting Standard on "Leases", (AS 19) issued by The Institute of Chartered Accountants of India. Accordingly, the assets are accounted at fair value. Lease payments are apportioned between finance charge and reduction in outstanding liability.

Operating Leases

Assets taken on lease under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognised as expenses on accrual basis in accordance with the respective lease agreements.

Building leased out under operating lease is capitalised in the books of the Company. Lease income is recognised in Profit and Loss Account over the lease term.

11. Taxes on Income

Income Taxes are accounted for in accordance with Accounting Standard 22 on "Accounting for Taxes on Income", (AS 22) issued by The Institute of Chartered Accountants of India. Tax expense comprises both current tax and deferred tax. Current tax is measured at the amount expected to be paid or recovered from the tax authorities using the applicable tax rates. Deferred tax assets and liabilities are recognised for future tax consequence attributable to timing difference between taxable income and accounting income that are measured at relevant enacted tax rates. At each Balance Sheet date the company reassesses unrealised deferred tax assets, to the extent they become reasonably certain or virtually certain of realisation, as the case may be.

12. Impairment of fixed assets

At the end of each year, the Company determines whether a provision should be made for impairment loss on fixed assets by considering the indications that an impairment loss may have occurred in accordance with Accounting Standard (AS-28) "Impairment of Assets" issued by the Institute of Chartered Accountants of India where the recoverable amount of any fixed assets is lower than its carrying amount, a provision for impairment loss on fixed assets is made for the difference.

13. Intangible Assets

Internally generated intangible asset arising from development activity is recognised only on demonstration of its technical feasibility, the intention and ability of the Company to complete, use or sell it, only if it is probable that the asset would generate future economic benefit and the expenditure attributable to the said assets during its development can be measured reliably.

B) Notes forming part of Accounts

1) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) Rupees 59,405,737/- (Previous year Rupees 6,573,559/-).

2) Contingent Liabilities in respect of

- a) Claims not acknowledged as debt amount to Rupees 13,720,300/- (Previous Year Rupees 37,977,700/-).
- b) (i) Counter Guarantee given to Banks Rupees 3,952,511/- (Previous Year Rupees 5,474,099/-)
(ii) Guarantees given by the Company to a bank on behalf of the Company's wholly-owned subsidiary Rupees 30,000,000/- (Previous Year Rupees 99,798,075/-)
- c) Income tax disputed in appeal and pending decision Rupees 1,612,736/- (Previous Year Rupees 13,887,983), Company is hopeful of getting a favourable decision.

3) ESOP

- (a) The Company had allotted 550,000 warrants of Re 1/- each to "Aptech Limited - Employee Stock Option Trust" ("trust") under Employee Stock Option Scheme ("ESOS") of the Company. Out of 550,000 Warrants, 220,000 Warrants were retained with the Company and 330,000 Warrants were transferred to Aptech Limited at the ratio of (60:40) as per the composite Scheme of Arrangement or Reconstruction ("Scheme") approved by the High Court. Each warrant holder was entitled for one equity share of Rupees 10/- each at a price of Rupees 490/- per share together with bonus entitlement. Considering that the majority of the employees covered under the Scheme had left and the exercise price being less favourable to employees than the prevailing subsequent ESOP Scheme, the Board of Directors of the Company at its meeting held on April 27, 2004, approved the cancellation of 220,000 Warrants and abandonment of the entire Scheme due to redundancy. In view of the cancellation of 220,000 warrants, the amount of Re. 1/- per warrant cancelled, an amount aggregating to Rupees 220,000/- is credited to Profit and Loss Account and is included in "Miscellaneous Income" (refer schedule 8). Similarly, the Employee Stock Options Outstanding Account of Rupees 2,200,000/- credited in earlier years (refer schedule 2) is transferred to General Reserve.
- (b) 1,872,126 (2,631,305) warrants under Employee Stock Option Scheme - 1999 aggregating to Rupees 561,637/- (Rupees 789,391/-) of Rupees 0.30 each were allotted. Each block of 3 warrants entitles the holder to get allotted one equity share of Rupees 10/- each at a price of Rupees 45/- per share, within a period of ten years from the date of allotment i.e. December 31, 1999. The particulars of warrants granted and lapsed under the Scheme are tabulated below.
- (c) 1,580,470 (2,007,767) Options of Rupee 1 each were allotted under Hexaware Technologies Limited - Employee Stock Option Plan - 2002 at a price as per the SEBI guideline in force from time to time. Each Option entitles the holder to exercise the right to apply for and seek allotment of one equity share of Rupees 10/- each. The Options are to be exercised on specified dates in four equal instalments on or before December 29, 2009 or at the discretion of the Compensation Committee. The particulars of warrants granted and lapsed under the Scheme are tabulated below.

	Warrants- 1999 (Warrants)	Options-2002
Opening Balance	1,616,437 (3,063,145)	1,836,517 (1,690,750)
Additions during the year	Nil (19,333)	254,400 (475,750)
Exercised during the year	759,180 (925,086)	427,297 (202,058)
Cancelled during the year	10,000 (540,955)	172,562 (127,925)
Closing Balance	847,257 (1,616,437)	1,491,058 (1,836,517)

Figures for the previous year are given in brackets.

4) Income Taxes

Provision for current tax has been made on the basis of minimum alternative tax in accordance with section 115 JB of the Income Tax Act, 1961. No provision has been made for deferred tax in the accounts considering the requirement of certainty / virtual certainty referred to in Accounting Standard 22 (Accounting for Taxes on Income) issued to Institute of Chartered Accountants of India.

5) Related Parties

The Company has entered into transactions with following related parties

Sr. No.	Name of the Related Parties	Country
	Subsidiaries	
1	Hexaware Technologies Inc.	United States of America
2	Specsoft Consulting Inc.	United States of America
3	Hexaware Technologies UK Ltd.	United Kingdom
4	Hexaware Technologies Asia Pacific Ltd.	Singapore
5	Hexaware Technologies GmbH.	Germany
6	Hexaware Technologies Canada Ltd.	Canada
7	Caliberpoint Business Solutions Ltd.	India
8	Aptech Technology Pty Ltd. (Closed in year 2003)	Australia
9	Hexaware Technologies Europe Ltd (Refer note below)	United Kingdom
	Key Managerial Personnel	
1	Mr. Atul K. Nishar - Executive Chairman	
2	Mr. Rusi Brij - CEO and Vice Chairman	
3	Mr. P. K. Sridharan - President and Executive Director	
	Others	
1	Hexaware Technologies Employee Stock Option Trust	

Note: During the year, an application was made with the Registrar of Companies; United Kingdom to voluntarily strike off Hexaware Technologies Europe Ltd. (holding by Hexaware Technologies UK Ltd) and it was formally dissolved on January 11, 2005. There were no balances/transactions in the said subsidiary as at/for the year ended December 31, 2004.

Transactions with related parties are:

(Amount in Rupees)

Nature of Transactions	Subsidiaries	Key Management Personnel	Others	Total
1) Finance (Including loans and equity contributions) in cash or in kind				
a) Loans Given (Including Interest)				
Balance as at January 1, 2004	295,489,294 (288,913,278)	512,090 (607,706)	1,080,000 (1,066,918)	297,081,384 (290,587,902)
Fresh Loans During the year	29,737,424 (13,758,780)	Nil (Nil)	Nil (13,082)	29,737,424 (13,771,862)
Repaid /Adjusted during the Year	197,978,516 (7,182,764)	95,616 (95,616)	518,362 (Nil)	198,592,494 (7,278,380)
Balance as at December 31, 2004	127,248,202 (295,489,294)	416,474 (512,090)	561,638 (1,080,000)	128,226,314 (297,081,384)
b) Investment in Equity (including share application money)				
Balance as at January 1, 2004	789,728,491 (694,696,126)	Nil (Nil)	Nil (Nil)	789,728,491 (694,696,126)
Purchased During the year	125,212,478 (96,836,795)	Nil (Nil)	Nil (Nil)	125,212,478 (96,836,795)
Sold During the year	Nil (1,804,430)	Nil (Nil)	Nil (Nil)	Nil (1,804,430)
Provision for diminution in value of Investment	516,252,085 (502,846,371)	Nil (Nil)	Nil (Nil)	516,252,085 (502,846,371)
Balance as at December 31, 2004	398,688,884 (286,882,120)	Nil (Nil)	Nil (Nil)	398,688,884 (286,882,120)
c) Guarantee and Collateral	30,000,000 (99,798,075)	Nil (Nil)	Nil (Nil)	30,000,000 (99,798,075)
2) Sales	1,272,341,246 (900,164,887)	Nil (Nil)	Nil (Nil)	1,272,341,246 (900,164,887)
3) Interest Income	11,726,919 (13,430,721)	Nil (Nil)	Nil (Nil)	11,726,919 (13,430,721)
4) Receiving of Services and reimbursement of Cost	301,475,648 (206,210,060)	8,964,758 (4,592,240)	Nil (Nil)	310,440,406 (210,802,300)
5) Advances during the year	159,682,190 (80,299,124)	Nil (Nil)	Nil (Nil)	159,682,190 (80,299,124)
6) Purchase of Assets	5,656,519 (Nil)	Nil (Nil)	Nil (Nil)	5,656,519 (Nil)
7) Sale of Assets	2,206,411 (Nil)	Nil (Nil)	Nil (Nil)	2,206,411 (Nil)
8) Closing Balances as on 31-12-2004				
Receivables	629,392,957 (316,561,761)	Nil (Nil)	Nil (Nil)	629,392,957 (316,561,761)
Advances	89,580,204 (40,465,320)	Nil (Nil)	Nil (Nil)	89,580,204 (40,465,320)
Payable towards services and reimbursement of cost	69,687,598 (46,249,397)	Nil (Nil)	Nil (Nil)	69,687,598 (46,249,397)

Previous year figures are given in brackets.

6) Details of Loans and advances in the nature of loans (As required by clause 32 of the listing agreement with the stock exchanges)

Name of party	Relationship	Amount outstanding as at 31-12-2004	Maximum amount outstanding during the year
Specsoft Consulting, Inc	Wholly Owned Subsidiary	13,125,000	23,782,429
Hexaware Technologies, Inc	Wholly Owned Subsidiary	109,868,596	231,868,674
Hexaware Technologies Asia-Pacific Pte Ltd	Wholly Owned Subsidiary	4,254,606	4,288,495
Hexaware Technologies UK Ltd	Wholly Owned Subsidiary	Nil	55,817,708

Notes

- The interest rate applicable to the above loans / advances is as follows:
 - Specsoft Consulting, Inc, Hexaware Technologies Asia-Pacific Pte Ltd and Hexaware Technologies UK Ltd - NIL
 - Hexaware Technologies Inc = LIBOR + 500 bases points
 - These loans / advances are repayable on demand except loan to Specsoft Consulting Inc., which is repayable on or before 28th December, 2006.
 - Loans to employees as per the company's policy are not considered.
 - There are no investments by the loanee in the shares of the Company.
 - Reimbursement in nature of advances, is not included above.
- 7) **Segments** : The Company has presented data relating to its segments based on its consolidated financial statements, which are presented in the same annual report. Accordingly in terms of the provisions of accounting standard (AS)17 "Segment Reporting", no disclosures related to segments are presented in its stand-alone financial statements.

8) **Earning Per Share (EPS)**

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

(Amount in Rupees)

Particulars	31st December, 2004	31st December, 2003
Net Profit after Tax	437,703,863	328,591,713
Income Tax - earlier years	4,364,652	24,855,547
Net income available to equity shareholders	433,339,211	303,736,166
Weighted average outstanding equity shares considered for basic EPS (Nos.)	22,931,757	22,286,574
Add: Effect of dilutive issue of stock options (including share application money received on exercise of options) (Nos.)	2,204,516	1,806,031
Considered for diluted EPS	25,136,273	24,092,605
Earning Per Share		
Basic	18.90	13.63
Diluted	17.24	12.61

9) a) Managerial Remuneration :

(Amount in Rupees)

	For the year ended 31-12-2004	For the year ended 31-12-2003
- Salaries and allowances	7,334,763	4,258,792
- Contribution to provident and other funds	739,990	250,620
- Perquisites	890,005	82,828
Total	8,964,758	4,592,240

Current year's remuneration is for two directors on a full year basis whereas in the previous year it was for only one director.

Above amount does not include remuneration paid by subsidiary company to the directors aggregating to Rupees 25,614,733/- (Previous year Rupees 16,265,834/-)

- b) Computation of net profit in accordance with Section 198 read with section 309 (5) of the Companies Act 1956, and calculation of commission payable to non-whole time directors. (Amount In Rupees)

Particulars	For the Year ended 31-12-2004	For the Year ended 31-12-2004	For the Year ended 31-12-2003	For the Year ended 31-12-2003
Net Profit after tax		437,703,863		328,591,713
Add :				
Remuneration to whole time director	8,964,758		4,592,240	
Directors' Sitting Fees	375,000		410,000	
Loss on sale of Investment (Net)	8,188,645		Nil	
Loss on Investment in Subsidiary	Nil		559,858	
Provision for doubtful debts	1,462,773		10,332,785	
Depreciation as per books of Accounts	142,466,794		124,426,730	
Provision for Taxation	13,745,893		1,050,000	
Commission to Non whole time Director	2,000,000		1,000,000	
Provision for diminution on investment	13,405,714		Nil	
		190,609,577		142,371,613
Less :				
Profit on sale of Investment (Net)	Nil		199,585,913	
Depreciation as envisaged under Section 350 of the Companies Act	142,466,794		124,426,730	
Profit on sale of Asset (Net)	20,710,369		Nil	
		163,177,163		324,012,643
Net Profit on which commission is payable		465,136,277		146,950,683
Maximum allowed as per Companies Act, 1956 at 1%		4,651,363		1,469,507
Commission provided for		2,000,000		1,000,000

- 10) During the year considering the obsolescence, usage and wear and tear due to efflux of time, the Company revised the estimated useful life of assets and computed the depreciation prospectively over the revised remaining useful life of such assets as stated in note No. 5 of Schedule 13 part A.

Consequently the provision for depreciation for the year is higher by Rupees 53,818,303/- and correspondingly the net profit, reserves and surplus and net fixed assets are lower by Rupees 53,818,303/-.

- 11)a) The Company takes on lease office space and accommodation for its employees under operating leases cancellable at the option of lessee for a period ranging between one to five years. The lease rentals recognised in the Profit and Loss Account for the year are Rupees 72,125,077/- (Previous Year Rupees 42,233,124/-). The future minimum lease payments and payment profile of non-cancellable operating leases are as follows:

	Total minimum lease payments outstanding as on 31-12-2004 (Rupees)	Total minimum lease payments outstanding as on 31-12-2003 (Rupees)
Not later than one year	137,400,918	54,190,299
Later than one year but not later than five years	169,967,947	116,479,800
Later than five years	Nil	Nil
	307,368,865	170,670,099

- b) The Company has given furnished premises on operating lease, the income from which amounting to Rupees 27,394,133/- (Previous Year Rupees 15,908,094/-) is included in 'Other Income'. Details of leased assets is as under:

Type Of Assets	Gross Block as on 31-12-2004	Accumulated Depreciation upto 31-12-2004	Depreciation provided for the year 2004
	(Rupees)	(Rupees)	(Rupees)
Premises	105,918,975 (124,285,395)	4,716,048 (3,583,385)	1,132,663 (1,685,542)
Plant and Machinery	32,884,672 (32,529,827)	5,292,908 (690,463)	4,602,445 (766,302)
Furniture and Fixtures	42,589,065 (41,951,316)	5,479,653 (717,883)	4,761,770 (919,171)

The future minimum lease rental receivable for non-cancellable operating leases are as follows:

	Total minimum lease receivable outstanding as on 31-12-2004 (Rupees)	Total minimum lease receivables outstanding as on 31-12-2003 (Rupees)
Not later than one year	20,716,063	24,210,131
Later than one year but not later than five years	14,092,626	34,808,689
Later than five years	Nil	Nil
	34,808,689	59,018,820

- 12) The Company has equity investments aggregating to Rupees 306,020,672/- in Specsoft Consulting Inc., a wholly owned subsidiary company against which provision of Rupees 241,452,869/- in the earlier year and Rupees 13,405,714/- during the year (total provision aggregating to Rupees 254,858,583/-) was made in the accounts towards diminution in the value of such investments. The accumulated losses of the said subsidiary company have substantially eroded its net worth. An amount of Rupees 13,125,000/- is outstanding as on December 31, 2004 on account of loans and Rupees 9,605,140/- towards debt recoverable. During the year, the Company has converted its loan into shares for an amount aggregating to Rupees 51,212,478/-. The said subsidiary company has improved its income from operations, reduced the losses and has a positive net worth at the year-end. Considering the future plans of its operations and orders in hand, the Company is hopeful of future profitability resulting into substantial improvement in the net worth. Accordingly, in the opinion of the Company, no additional provision towards diminution or towards loans / debts is considered, necessary at this stage.

- 13) The Company has equity investments aggregating to Rupees 514,146,256/- in respect of two subsidiary companies namely,

- 1) Hexaware Technologies Inc.
- 2) Hexaware Technologies UK Ltd.

In the earlier years considering the losses and the net worth of said subsidiary companies, provision aggregating to Rupees 261,393,502/- was made in accounts for diminution in value of investments in the said subsidiary companies. The sundry debtors included Rupees 434,675,860/- as at 31st December 2004 recoverable from the said subsidiary companies and Rupees 109,868,596/- being loans recoverable from the said subsidiary companies. The said subsidiary companies have made profits during the year and have positive net worth as at the Balance Sheet date. Considering the income from operations of the said subsidiary companies, future growth plan, in the opinion of the management, no additional provision towards diminution is considered necessary in the accounts and balances of loans, debtors and advances outstanding are considered good and recoverable.

- 14) Additional information pursuant to the provisions of Paragraphs 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956 (To the extent applicable).
- 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 31-12-2004 (Rupees)	For the year ended 31-12-2003 (Rupees)
II. CIF value of Imports:		
a) Capital Goods	70,129,284	35,331,132
III. Expenditure in Foreign Currency:		
a) Foreign Travelling Expenses	126,006,715	95,771,603
b) Membership and Subscription	Nil	794,425
c) Business Promotion, Seminar and Conference Expenses	332,348	717,561
d) Books and Periodicals	5,520	13,447
e) Software and Capital Goods	69,834,041	35,331,132
f) Legal and Professional Charges	501,884	647,300
g) Communication Expenses	3,596,053	2,123,360
h) Miscellaneous	1,449,344	319,072
Remittance in foreign currency on account of dividend		
The Company has paid dividend in respect of shares held by non - residents on repatriation basis. This inter-alia includes portfolio investment and direct Investment, where the amount is also credited to Non- Resident External Account (NRE A/c). The exact amount of dividend remitted in foreign currency cannot be ascertained. The total amount remittable in this respect is given herein below:		
a) Net amount remitted in the year ended December 31, 2004 (Rupees)	8,000,000	
b) Number of shares held by non-resident share-holders	4,000,000	
c) Year to which dividend relates	2003	
d) Number of Non resident Shareholders	101	
IV. Earnings in foreign currency:		
a) Income from software solutions and consulting services	2,436,352,338	1,561,776,039
b) Interest income	12,791,360	Nil
c) Sale of investment	Nil	324,673,930

Auditors' Report

To,

The Shareholders of **HEXAWARE TECHNOLOGIES INC.**

We have audited the Balance Sheet of Hexaware Technologies Inc. as at 31st December, 2004, the Profit and Loss Account and also the Cash Flow Statement of the Company for the year ended on that date (the financial statements) attached hereto, which have been prepared in accordance with the Generally Accepted Accounting Principles in India.

Respective Responsibilities of the Management and Auditors

The management of the Company is responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit of the financial statements and to express our opinion thereon.

Basis of Opinion

We conducted our audit in accordance with the auditing standards issued by the Institute of Chartered Accountants of India. 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 judgments made by the management in the preparation of the financial statements and whether the accounting policies are appropriate to the circumstances to the Company, consistently applied and adequately disclosed. We

planned and performed audit so as to obtain all information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit.

The financial statements dealt with by this report are in agreement with books of accounts of the Company.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements read with the accounting policies and notes thereon give a true and fair view:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2004;
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

P. R. Barpande
Partner

Membership No.15291

Place : Mumbai

Date : 25th January, 2005

Balance Sheet as at 31st December , 2004

Particulars	Schedule	As At 31st December, 2004		As At 31st December, 2004		As At 31st December, 2003		As At 31st December, 2003	
		Rupees	Rupees	US \$	US \$	Rupees	Rupees	US \$	US \$
SOURCES OF FUNDS									
Share Holders' Funds :									
Share Capital	"1"	295,275,970		6,945,000		295,275,970		6,945,000	
Reserves and Surplus	"2"	15,467,579		—		27,612,087		—	
			310,743,549		6,945,000		322,888,057		6,945,000
Loan Funds :									
Unsecured Loans	"3"		99,822,465		2,296,353		219,307,044		4,809,365
Total			410,566,014		9,241,353		542,195,101		11,754,365
APPLICATION OF FUNDS									
Fixed Assets :									
Gross Block	"4"	85,545,231		1,967,914		82,717,991		1,813,991	
Less: Depreciation		75,863,858		1,745,200		75,123,687		1,647,449	
			9,681,373		222,714		7,594,304		166,542
Deferred Tax Asset (Refer Note No. 2.2 to Schedule 11)			66,074,400		1,520,000		112,632,000		2,470,000
Current Assets, Loans and Advances :									
Sundry Debtors	"5"	707,988,771		16,286,836		498,267,330		10,926,915	
Cash and Bank Balances		108,790,479		2,502,656		48,194,896		1,056,905	
Loans and Advances		158,474,001		3,645,595		145,925,915		3,200,130	
		975,253,251		22,435,087		692,388,141		15,183,950	
Less:									
Current Liabilities and Provisions :									
Current Liabilities	"6"	691,941,623		15,917,682		383,397,370		8,407,837	
Provisions		51,324,511		1,180,688		40,790,758		894,534	
		743,266,134		17,098,370		424,188,128		9,302,371	
Net Current Assets			231,987,117		5,336,717		268,200,013		5,881,579
Profit And Loss Account			102,823,124		2,161,922		153,768,784		3,236,244
Total			410,566,014		9,241,353		542,195,101		11,754,365

Significant Accounting
Policies and Notes
forming part of Accounts "11"

Schedules 1 to 11 form an integral part of the accounts.
As per our attached Report of even date

For **Deloitte Haskins & Sells,**
Chartered Accountants

P.R. Barpande
Partner

Place : Mumbai
Date : 25th January, 2005

For and on behalf of the Board

Atul K. Nishar
(Director)

Rusi Brij
(Director)

Profit and Loss Account for the year ended 31st December , 2004

Particulars	Schedule	For The Year Ended 31st December, 2004		For The Year Ended 31st December, 2004		For The Year Ended 31st December, 2003		For The Year Ended 31st December, 2003	
		Rupees	Rupees	US \$	US \$	Rupees	Rupees	US \$	US \$
Income									
Software and Consultancy		2,581,918,859		57,069,239		1,721,682,274		37,091,030	
Other Income	"7"	2,136,587		47,236		10,084,186		217,665	
		2,584,055,446		57,116,475		1,731,766,460		37,308,695	
Expenditure									
Software and Development Expenses	"8"	1,184,326,013		26,227,238		727,322,876		15,668,192	
Employment Expenses	"9"	1,079,382,804		23,877,315		753,280,950		16,228,677	
Administration and Other Expenses	"10"	202,158,318		4,471,170		183,127,601		3,944,290	
Interest on Unsecured Loan		12,294,504		271,856		12,818,742		275,501	
Depreciation		4,429,114		97,974		19,184,808		412,166	
		2,482,590,753		54,945,553		1,695,734,977		36,528,826	
Profit For The Year		101,464,693		2,170,922		36,031,483		779,869	
Less : Provision For Taxes									
- Current Year		6,522,967		146,600		6,781,778		146,000	
- Deferred Tax		43,996,066		950,000		7,887,358		173,000	
		50,519,033		1,096,600		14,669,136		319,000	
Profit After Tax		50,945,660		1,074,322		21,362,347		460,869	
Add : Balance brought forward from Previous Year		(153,768,784)		(3,236,244)		(175,131,131)		(3,697,113)	
Balance carried to Balance Sheet		(102,823,124)		(2,161,922)		(153,768,784)		(3,236,244)	
Earnings per Share (refer note no. 2.4 to Schedule 11)									
- Basic and Diluted		2,269.29		47.85		951.55		20.53	

Significant Accounting Policies and Notes forming part of Accounts "11"

Schedules 1 to 11 form an integral part of the accounts. As per our attached Report of even date

For **Deloitte Haskins & Sells,**
Chartered Accountants

P. R. Barpande
Partner

Place : Mumbai
Date : 25th January, 2005

For and on behalf of the Board

Atul K. Nishar
(Director)

Rusi Brij
(Director)

Cash Flow Statement for the Year ended 31st December, 2004

Particulars	Current Year		Previous Year	
	Rupees	US \$	Rupees	US \$
A Cash Flow from operating activities				
Net profit before tax	101,464,693	2,170,922	36,031,483	779,869
Adjustments for:				
Depreciation	4,429,114	97,974	19,184,808	412,166
Loss on sale / surrender of fixed assets (net)	—	—	4,409,652	96,408
Interest income	(1,215,079)	(26,546)	(2,899,530)	(62,205)
Interest expense	12,294,504	271,856	12,818,742	275,501
Operating profit before working capital changes	116,973,232	2,514,206	69,545,155	1,501,739
Adjustments for:				
Trade and other receivables	(216,264,476)	(5,660,587)	(176,833,280)	(4,377,578)
Trade and other payables	317,756,690	7,758,449	80,781,799	2,136,432
Cash generated from / (used in) operations	218,465,446	4,612,068	(26,506,326)	(739,407)
Direct Taxes Paid/Refund	(11,206,701)	(253,849)	2,700,673	55,128
Interest received	1,215,079	26,546	2,899,530	62,205
Net cash from / (used in) operating activities	208,473,824	4,384,765	(20,906,123)	(622,074)
B Cash flow from investing activities				
Additions to fixed assets	(6,773,624)	(155,823)	(4,523,260)	(99,194)
Sale of /Adjustments to fixed assets	257,440	1,677	1,467,685	5,554
Net cash used in investing activities	(6,516,184)	(154,146)	(3,055,575)	(93,640)
C Cash flow from financing activities				
Interest Paid	(12,294,504)	(271,856)	(12,818,742)	(275,501)
(Repayments of) / Proceeds from borrowings	(119,484,579)	(2,513,012)	13,275,894	514,365
Net cash from / (used in) financing activities	(131,779,083)	(2,784,868)	457,152	238,864
Net Increase / (Decrease) in cash and cash equivalents	70,178,557	1,445,751	(23,504,546)	(476,850)
Cash and cash equivalents at the beginning of the year	48,194,896	1,056,905	73,574,250	1,533,755
Effect of exchange rate change on cash and cash equivalents	(9,582,974)	—	(1,874,808)	—
Cash and cash equivalents at the end of the year	108,790,479	2,502,656	48,194,896	1,056,905

Notes:

- Components of cash and cash equivalents include cash and bank balances as stated in Schedule 5 of the Balance Sheet.
- Interest income on bank deposits etc. is classified as cash flow from operating activities.
- Purchase of Fixed Asset is considered as a part of investing activities.
- The Cash Flow Statement has been prepared in accordance with the requirements of Accounting Standard 3 "Cash Flow Statement" (AS 3) issued by the Institute of Chartered Accountants of India.

As per our attached Report of even date

For **Deloitte Haskins & Sells,**
Chartered Accountants

P. R. Barpande
Partner

Place : Mumbai
Date : 25th January, 2005

For and on behalf of the Board

Atul K. Nishar
(Director)

Rusi Brij
(Director)

Schedules to Balance Sheet

Particulars	As At 31st December, 2004		As At 31st December, 2004		As At 31st December, 2003		As At 31st December, 2003	
	Rupees	Rupees	US \$	US \$	Rupees	Rupees	US \$	US \$
SCHEDULE "1" - SHARE CAPITAL								
Authorised								
25,000 (25,000) Common Stock of No Par Value		—		—		—		—
Total		—		—		—		—
Issued, Subscribed and Paid-up Stocks								
22,450 (22,450) Common Stock of No Par Value		295,275,970		6,945,000		295,275,970		6,945,000
(The whole of the Common Stock is held by the holding Company Hexaware Technologies Limited)								
Total		295,275,970		6,945,000		295,275,970		6,945,000
SCHEDULE "2" - RESERVES AND SURPLUS								
Currency Translation Reserve								
Balance at the commencement of the year		27,612,087		—		35,752,247		—
Deduction during the year (Net)		(12,144,508)		—		(8,140,160)		—
Total		15,467,579		—		27,612,087		—
SCHEDULE "3" - UNSECURED LOANS								
Other Loans and Advances								
From Holding Company		99,822,465		2,296,353		219,307,044		4,809,365
Total		99,822,465		2,296,353		219,307,044		4,809,365

SCHEDULE "4" - FIXED ASSETS

(Amount In Rupees)

Description of the Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.01.2004	Additions	Deductions	As at 31.12.2004	As at 01.01.2004	For the year	Deductions	As at 31.12.2004	As at 31.12.2004	As at 31.12.2003
Own Assets :										
Furniture and Fixtures	659,322	829,509	30,797	1,458,034	392,199	87,874	21,696	458,377	999,657	267,123
Plant and Machinery (Including Computer and Software)	79,959,825	4,857,382	3,817,550	80,999,657	74,214,443	3,962,888	3,628,561	74,548,770	6,450,887	5,745,382
Leasehold Improvements	592,810	1,086,733	27,690	1,651,853	355,685	211,718	24,747	542,656	1,109,197	237,125
Sub-total	81,211,957	6,773,624	3,876,037	84,109,544	74,962,327	4,262,480	3,675,004	75,549,803	8,559,741	6,249,630
Leased Assets:										
Furniture and Fixtures	1,506,034	—	70,347	1,435,687	161,360	166,634	13,939	314,055	1,121,632	1,344,674
Sub-total	1,506,034	—	70,347	1,435,687	161,360	166,634	13,939	314,055	1,121,632	1,344,674
Current year total	82,717,991	6,773,624	3,946,384	85,545,231	75,123,687	4,429,114	3,688,943	75,863,858	9,681,373	7,594,304
Previous year total	98,489,330	4,523,260	20,294,599	82,717,991	70,595,940	19,184,808	14,657,061	75,123,687	7,594,304	—

Schedules to Balance Sheet

(Amount In US \$)

Description of the Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.01.2004	Additions	Deductions	As at 31.12.2004	As at 01.01.2004	For the year	Deductions	As at 31.12.2004	As at 31.12.2004	As at 31.12.2003
Own Assets :										
Furniture and Fixtures	14,459	19,082	—	33,541	8,601	1,944	—	10,545	22,996	5,858
Plant and Machinery (Including Computer and Software)	1,753,505	111,741	1,900	1,863,346	1,627,509	87,661	223	1,714,947	148,399	125,996
Leasehold Improvements	13,000	25,000	—	38,000	7,800	4,683	—	12,483	25,517	5,200
Sub-total	1,780,964	155,823	1,900	1,934,887	1,643,910	94,288	223	1,737,975	196,912	137,054
Leased Assets:										
Furniture and Fixtures	33,027	—	—	33,027	3,539	3,686	—	7,225	25,802	29,488
Sub-total	33,027	—	—	33,027	3,539	3,686	—	7,225	25,802	29,488
Current year total	1,813,991	155,823	1,900	1,967,914	1,647,449	97,974	223	1,745,200	222,714	166,542
Previous year total	2,053,144	99,194	338,347	1,813,991	1,471,669	412,166	236,386	1,647,449	166,542	

Notes : Exchange difference on account of translation of fixed assets into INR included under deductions for the year ended 31st December 2004 is as follows :

Own Assets :	Gross Block	Depreciation
Furniture and Fixtures	30,797	21,696
Plant and Machinery (Including Computers and Software)	3,734,950	3,618,852
Leasehold Improvements	27,690	24,747
Leased Assets :		
Furniture and Fixtures	70,347	13,939
	<u>3,863,784</u>	<u>3,679,234</u>

Particulars	As At 31st December, 2004		As At 31st December, 2004		As At 31st December, 2003		As At 31st December, 2003	
	Rupees	Rupees	US \$	US \$	Rupees	Rupees	US \$	US \$
SCHEDULE *5* - CURRENT ASSETS								
Sundry Debtors								
Unsecured								
Debts Outstanding for a period exceeding six months	151,348,938		3,481,687		71,284,256		4,277,774	
Other Debts	582,008,994		13,388,751		486,992,674		7,965,141	
	733,357,932		16,870,438		558,276,930		12,242,915	
Less : Provision for Doubtful Debts	25,369,161		583,602		60,009,600		1,316,000	
	707,988,771		16,286,836		498,267,330		10,926,915	
Note : Sundry Debtors include :								
Considered Good	707,988,771		16,286,836		498,267,330		10,926,915	
Considered Doubtful	25,369,161		583,602		60,009,600		1,316,000	
	733,357,932		16,870,438		558,276,930		12,242,915	

Schedules to Balance Sheet

Particulars	As At		As At		As At		As At	
	31st December, 2004	31st December, 2004	31st December, 2004	31st December, 2004	31st December, 2003	31st December, 2003	31st December, 2003	31st December, 2003
	Rupees	Rupees	US \$	US \$	Rupees	Rupees	US \$	US \$
Cash and Bank Balances								
Balances with bank								
A) With scheduled banks in								
Current Account	840,927		19,345		865,716		18,985	
B) With others in Current Account								
– Bank of America	105,398,627		2,424,629		41,908,787		919,052	
(Maximum balance outstanding during the year Rs.120,641,742/- US \$ 2,775,287 (Previous year Rs.144,677,151/- US \$ 3,172,745))								
– Bank of Montreal	2,108,173		48,497		3,873,954		84,955	
(Maximum balance outstanding during the year Rs.5,323,714/- US \$ 122,469 (Previous year Rs.5,610,136/- US \$ 123,029))								
– Bank Nova Scotia	442,752		10,185		1,546,439		33,913	
(Maximum balance outstanding during the year Rs.2,877,388/- US \$ 66,193 (Previous Year Rs.4,457,066/- US \$ 95,851))								
	<u>108,790,479</u>		<u>2,502,656</u>		<u>48,194,896</u>		<u>1,056,905</u>	
Loans and Advances (Unsecured - Considered Good)								
Loan to Fellow Subsidiary	—		—		27,360,000		600,000	
Advances recoverable in Cash or in kind or for value to be received	38,934,636		895,667		30,463,204		668,053	
Unbilled Services	103,254,849		2,375,313		79,360,919		1,740,371	
Deposits	4,084,496		93,961		2,546,822		55,851	
Advance Tax	12,200,020		280,654		6,194,970		135,855	
	<u>158,474,001</u>		<u>3,645,595</u>		<u>145,925,915</u>		<u>3,200,130</u>	
Total	<u>975,253,251</u>		<u>22,435,087</u>		<u>692,388,141</u>		<u>15,183,950</u>	
SCHEDULE "6" - CURRENT LIABILITIES AND PROVISIONS								
Current Liabilities								
Sundry Creditors								
i) Total outstanding dues to Small Scale Industrial Undertakings	—		—		—		—	
ii) Total outstanding dues to Creditors other than Small Scale Industrial Undertakings	493,417,788		11,350,766		243,178,256		5,332,857	
Liability for Leased Assets	889,821		20,470		1,378,140		30,222	
Other Liabilities	197,634,014		4,546,446		138,840,974		3,044,758	
	<u>691,941,623</u>		<u>15,917,682</u>		<u>383,397,370</u>		<u>8,407,837</u>	
Provisions								
- Provision for Leave Encashment	43,345,595		997,138		34,133,158		748,534	
- Provision for Taxation	7,978,916		183,550		6,657,600		146,000	
	<u>51,324,511</u>		<u>1,180,688</u>		<u>40,790,758</u>		<u>894,534</u>	
Total	<u>743,266,134</u>		<u>17,098,370</u>		<u>424,188,128</u>		<u>9,302,371</u>	

Schedules To Profit And Loss Account

Particulars	For The Year Ended 31st December, 2004		For The Year Ended 31st December, 2004		For The Year Ended 31st December, 2003		For The Year Ended 31st December, 2003	
	Rupees	Rupees	US \$	US \$	Rupees	Rupees	US \$	US \$
SCHEDULE "7" - OTHER INCOME								
Interest								
- On Loans	770,078		16,672		2,578,518		55,300	
- Others	445,001		9,874		321,012		6,905	
		1,215,079		26,546		2,899,530		62,205
Exchange Differences (Net)		—		—		1,132,787		23,770
Miscellaneous Income		921,508		20,690		6,051,869		131,690
Total		2,136,587		47,236		10,084,186		217,665
SCHEDULE "8" - SOFTWARE AND DEVELOPMENT EXPENSES								
Consultant Expenses		135,138,168		2,989,294		13,581,770		290,985
Software Development Expenses		1,049,187,845		23,237,944		713,741,106		15,377,207
Total		1,184,326,013		26,227,238		727,322,876		15,668,192
SCHEDULE "9" - EMPLOYMENT EXPENSES								
Salary and Other Allowances		953,739,917		21,095,450		668,836,142		14,411,725
Contribution to other Funds		118,995,152		2,635,264		80,319,529		1,728,252
Staff Welfare Expenses		6,647,735		146,601		4,125,279		88,700
Total		1,079,382,804		23,877,315		753,280,950		16,228,677
SCHEDULE "10" - ADMINISTRATION AND OTHER EXPENSES								
Lease Rent		32,406,311		717,515		31,644,754		679,231
Travelling and Conveyance Expenses		53,093,886		1,164,804		21,454,372		462,539
Communication Expenses		19,452,919		430,825		20,363,375		438,628
Repairs and Maintenance - Others		1,965,719		43,369		2,251,137		48,794
Audit Fees		489,445		11,000		452,715		10,000
Legal and Professional Fees		19,208,732		427,853		41,777,682		903,268
Advertisement and Publicity		14,622,527		324,166		9,202,614		197,899
Insurance Premium		13,743,299		304,002		11,671,936		250,635
Loss on Sale of Assets and Surrender of Assets (Net)		—		—		4,409,652		96,408
Provision for Bad Debts		8,750,868		191,956		25,313,627		543,174
Membership and Subscription		9,448,148		208,599		2,896,839		62,655
Exchange Differences (Net)		302,649		7,268		—		—
Miscellaneous Expenses		28,673,815		639,813		11,688,898		251,059
Note : Miscellaneous Expenses includes Printing and Stationery, Seminar and Conference, Bank Charges, Staff Recruitment Expenses etc.								
Total		202,158,318		4,471,170		183,127,601		3,944,290

SCHEDULE "11"

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS

1. Significant Accounting Policies

1.1 Basis of preparation

- i. The accompanying financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles and the applicable accounting standards issued by the Institute of Chartered Accountants of India.
- ii. The local accounts are maintained in local and functional currency, which is US dollar ('US \$'). The accounts are translated to Indian Rupees as follows -
 - a. All income and expenses are translated at the average rate of exchange prevailing during the year.
 - b. Assets and Liabilities are translated at the closing rate on the Balance Sheet date.
 - c. Share Capital is translated at historical rates.
 - d. The resulting exchange difference are accumulated in 'Currency Translation Reserve'

1.2 Use of Estimates

The preparation of the financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the period in which the results are known/ materialize.

1.3 Revenue Recognition

Revenue from software development and maintenance contracts priced on a time and material basis is recognized on the basis of billable time spent by employees working on the project, priced at the contracted rate. For fixed fee engagements or projects, revenues and profits are recorded under the percentage-of-completion method based on labour 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.

1.4 Fixed Assets and Depreciation

Fixed assets are valued at cost less accumulated depreciation, amortization and impairment, if any. Cost includes all expenses incurred for acquisition of assets.

Depreciation on fixed assets is provided on Straight-Line method on a pro rata basis and the fixed assets are depreciated over their estimated useful lives as stated below (Refer note 2.9 of schedule 11): -

Assets	Estimated Useful Lives	
	From April 2004	Till March, 2004
Furniture and Fixtures (Own and Leased)	8 years	15 years
Plant and Machinery		
- Computers and Software	3 years	3 years
- Office Equipments	5 years	20 years
Leasehold Improvement	5 years	5 years

1.5 Foreign Currency Transactions

- i) Transactions in foreign currency are recorded at the original rates of the exchange in force at the time transactions are effected. Exchange differences arising on repayment of liabilities incurred for the purpose of acquiring fixed assets are adjusted in the carrying amount of the respective fixed asset. Exchange differences arising on settlement of other transactions are recognized in the Profit and Loss Account.
- ii) Monetary items (other than those related to acquisition of fixed assets) denominated in foreign currency are restated using the exchange rates prevailing at the date of Balance Sheet and the resulting net exchange difference is recognized in the Profit and Loss Account. The exchange gain/loss arising on restatement of foreign currency liability relating to fixed assets is adjusted in the value of the related fixed assets.

1.6 Retirement Benefits

Company's contribution to The State and Federal pension plans is charged to Profit and Loss Account. Provision is made towards liability for leave encashment on actual basis in accordance with the policy followed by the Company.

1.7 Borrowing costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue.

1.8 Lease

Finance Lease:

The lower of fair value of assets and present value of the minimum lease rentals is capitalised as fixed assets and the corresponding amount is shown as lease liability in accordance with Accounting Standard on "Leases", (AS 19) issued by The Institute of Chartered Accountants of India. Lease payments are apportioned between finance charge and reduction in outstanding liability.

Operating Lease:

Assets taken on lease under which all risk and rewards of ownership are effectively retained by the lessor and classified as operating lease. Lease payments under operating leases are recognized as expenses on accrual basis in accordance with the respective lease agreements.

1.9 Income Taxes

Income Taxes are accounted for in accordance with Accounting Standard 22 on "Accounting for Taxes on Income", (AS 22) issued by The Institute of Chartered Accountants of India. Tax expense comprises both current tax and deferred tax. Current tax is measured at the amount expected to be paid or recovered from the tax authorities using the applicable tax rates. Deferred tax assets and liabilities are recognized for future tax consequence attributable to timing difference between taxable income and accounting income that are measured at relevant enacted tax rates. At each balance sheet date the company reassesses unrealized deferred tax assets, to the extent they become reasonably certain or virtually certain of realization, as the case may be.

1.10 Contingent Liabilities

These are disclosed by way of notes on the Balance Sheet. Provision is made in the accounts in respect of those liabilities

2.2 Deferred tax assets

Breakup of deferred tax asset is as under:

Sr. No.	Particulars	2004		2003	
		Rupees	US \$	Rupees	US \$
1	Provision for doubtful debts	10,171,980	234,000	23,985,600	526,000
2	Depreciation	6,216,210	143,000	5,882,400	129,000
3	Provision for Leave encashment	17,388,000	400,000	13,680,000	300,000
4	Alternative Minimum Tax Credit ("AMT")	1,260,630	29,000	1,778,400	39,000
5	Carry forward loss	25,429,950	585,000	56,224,800	1,233,000
6	Others	5,607,630	129,000	11,080,800	243,000
	Deferred Tax Asset	66,074,400	1,520,000	112,632,000	2,470,000

which are likely to materialize after year end, till the finalization of accounts and have material effect on the position stated in the Balance Sheet.

1.11 Impairment of Fixed Assets

At the end of each year, the Company determines whether a provision should be made for impairment loss on fixed assets by considering the indications that an impairment loss may have occurred in accordance with Accounting standard (AS 28 "Impairment of assets") issued by The Institute of Chartered Accountants of India where the recoverable amount of any fixed asset is lower than its carrying amount, a provision for impairment loss on fixed assets is made for the difference.

2. Notes to Accounts

2.1 Company Overview

Hexaware Technologies, Inc. (HTI or the Company), incorporated in March 1994 under the laws of the State of New Jersey, is a wholly owned subsidiary of Hexaware Technologies Limited, a foreign corporation incorporated in India. (Hexaware or the Holding Company). These accounts have been prepared and audited for the purpose of consolidation and to comply with the provisions of the Indian Companies Act, 1956.

Hexaware Technologies, Inc. provides information technology ("IT") services and solutions to its clientele, primarily in the form of professional IT consulting services. Its technological and managerial infrastructure also provides other IT services, including client/server systems consultation and development, systems migration, re-engineering, E-commerce and maintenance services.

The Company has various regional sales offices in the United States and operations in Canada.

2.3 Related Parties Disclosures

1. Name of Related parties and description of relationship:

- Holding Company – Hexaware Technologies Limited, India
- Fellow Subsidiaries – Hexaware Technologies Canada Limited, Canada
Specsoft Consulting Inc.
Caliber Point Business Solution Limited
Hexaware Technologies GmbH
Hexaware Technologies UK Limited.
- Key Management Personnel – Mr. Rusi Brij

2. Related Party Transactions:

Sr. No.	Description and Nature of Transaction	Holding Company (Rupees)	Holding Company (US \$)	Fellow Subsidiary (Rupees)	Fellow Subsidiary (US \$)	Key Management Personnel (Rupees)	Key Management Personnel (US \$)	Total (Rupees)	Total (US \$)
1	Fixed Asset								
	Assets transferred/sold during the year	72,891	1,677	—	—	—	—	72,891	1,677
		—	—	—	—	—	—	—	—
2	Expenditure								
	Reimbursement of Costs	97,407,337	2,188,929	3,120,077	70,114	25,614,733	575,677	126,142,147	2,834,720
		(46,464,933)	(1,019,154)	(5,598,064)	(122,787)	(16,265,834)	(356,772)	(68,328,831)	(1,498,713)
	Receiving of services	677,051,802	15,214,647	82,905,580	1,863,047	—	—	759,957,382	17,077,694
		(391,484,637)	(8,586,758)	(78,826,402)	(1,728,965)	—	—	(470,311,039)	(10,315,723)
3	Turnover								
	Sales of services	—	—	19,139,500	423,002	—	—	19,139,500	423,002
		—	—	(3,715,626)	(79,819)	—	—	(3,715,626)	(79,819)
4	Other Income/Recovery of Cost								
	Interest Received	—	—	431,226	9,160	—	—	431,226	9,160
		—	—	(1,735,500)	(37,340)	—	—	(1,735,500)	(37,340)
	Recovery of Cost	261,234,860	5,870,446	29,369,408	659,987	—	—	290,604,268	6,530,433
		(187,124,216)	(4,104,351)	(5,225,945)	(114,625)	—	—	(192,350,161)	(4,218,976)
5	Sundry Debtors								
	Balance as at 31st December	60,104,824	1,382,674	10,931,107	251,463	—	—	71,035,931	1,634,137
		(30,343,243)	(665,422)	(18,566,678)	(407,164)	—	—	(48,909,921)	(1,072,586)
6	Sundry Creditors								
	Balance as at 31st December	436,849,372	10,049,445	11,135,969	256,176	—	—	447,985,341	10,305,621
		(222,799,822)	(4,885,961)	(18,317,429)	(401,698)	—	—	(241,117,251)	(5,287,659)
7	Loans given								
	Balance as at 1st January	—	—	—	—	8,713,148	200,440	8,713,148	200,440
		—	—	—	—	(8,661,286)	(189,940)	(8,661,286)	(189,940)
	Interest charged during the year	—	—	—	—	259,210	5,750	259,210	5,750
		—	—	—	—	(488,355)	(10,500)	(488,355)	(10,500)
	Repaid/Adjustment during the year	—	—	—	—	4,347,000	100,000	4,347,000	100,000
		—	—	—	—	(436,493)	—	(436,493)	—
	Balance as at December 31	—	—	—	—	4,625,358	106,190	4,625,358	106,190
		—	—	—	—	(8,713,148)	(200,440)	(8,713,148)	(200,440)

Sr. No.	Description and Nature of Transaction	Holding Company (Rupees)	Holding Company (US \$)	Fellow Subsidiary (Rupees)	Fellow Subsidiary (US \$)	Key Management Personnel (Rupees)	Key Management Personnel (US \$)	Total (Rupees)	Total (US \$)
8	Unsecured Loan								
	Balance as at 1st January	219,307,044 (211,151,003)	4,809,365 (4,542,520)	— —	— —	— —	— —	219,307,044 (211,151,003)	4,809,365 (4,542,520)
	Interest charged during the year	12,074,203 (12,417,084)	266,889 (266,845)	— —	— —	— —	— —	12,074,203 (12,417,084)	266,889 (266,845)
	Repaid during the year	131,558,782 (4,261,043)	2,779,901 —	— —	— —	— —	— —	131,558,782 (4,261,043)	2,779,901 —
	Balance as at December 31	99,822,465 (219,307,044)	2,296,353 (4,809,365)	— —	— —	— —	— —	99,822,465 (219,307,044)	2,296,353 (4,809,365)

Notes: 1. Related party relationship is as identified by the Company and relied upon by the Auditors
2. Previous year figures are given in brackets.

Out of the above items transactions with fellow subsidiary in excess of 10 % of total related party transactions are as under:

Sr. No.	Description and Nature of Transaction	Fellow Subsidiary Specsoft Consulting Inc. (Rupees)	Fellow Subsidiary Specsoft Consulting Inc. (US \$)
1	Expenditure		
	Reimbursement of Costs	296,064 (1,216,021)	6,653 (26,672)
	Receiving of services	64,254,393 (78,826,402)	1,443,919 (1,728,965)
2	Turnover		
	Sales of services	19,139,500 (3,715,626)	423,002 (79,819)
3	Other Income/Recovery of Cost		
	Interest Received	431,226 (1,735,500)	9,160 (37,340)
	Recovery of Cost	10,450,542 (1,877,784)	234,844 (41,187)
4	Sundry Debtors		
	Balance as at 31st December	8,685,479 (10,671,540)	199,804 (234,025)
5	Sundry Creditors		
	Balance as at 31st December	5,533,860 (14,185,750)	127,303 (311,091)

2.4 Earning Per Share (EPS)

The components of earnings per share are as follows:

Earnings per share is calculated as follows	31st December, 2004		31st December, 2003	
	Rupees	US \$	Rupees	US \$
Net Profit as per Profit and Loss Account	50,945,660	1,074,322	21,362,347	460,869
Weighted average outstanding common stock (Nos.)	22,450	22,450	22,450	22,450
Nominal Value of common stock	No Par	No Par	No Par	No Par
Basic and diluted earnings per share	2,269.29	47.85	951.55	20.53

2.5 Remuneration to Directors

Particulars	For The Year Ended 31st December 2004		For The Year Ended 31st December 2003	
	Rupees	US \$	Rupees	US \$
Salary	23,691,798	532,460	15,018,625	329,416
Contribution to Other Funds	820,781	18,447	564,519	12,382
Perquisites	1,102,154	24,770	682,690	14,974
Total	25,614,733	575,677	16,265,834	356,772

Note: Remuneration for the year ended 31st December 2004 is for two directors whereas in the previous year the same was for one director.

2.6 Segments

Primary Segment: Business Segment:

Year Ended December 31, 2004 (Rupees)

Consolidated	Airlines and Transportation	Banking and Financial Services	Enterprise Services and Consultancy	Others	Total
Revenue	529,357,334 351,885,048	1,119,813,605 672,547,151	542,160,170 222,980,191	390,587,750 474,269,884	2,581,918,859 1,721,682,274
Segment result-Profit/(Loss)	21,594,832 8,380,873	50,037,809 49,166,515	35,099,100 8,546,764	9,319,983 (7,010,518)	116,051,724 59,083,634
Less: Unallocable expenses					4,429,114
Add: Miscellaneous Income					19,184,808
Less: Interest (Net)					921,508
Profit from Ordinary Activities					6,051,869
Aggregate Profit					11,079,425
Other information:					9,919,212
Segment Debtors	121,456,790 93,947,587	325,015,513 230,326,858	148,745,964 79,624,011	112,770,504 94,368,874	707,988,771 498,267,330

Year Ended December 31, 2004 (US \$)

Consolidated	Airlines and Transportation	Banking and Financial Services	Enterprise Services and Consultancy	Others	Total
Revenue	11,700,608 7,580,829	24,751,712 14,489,007	11,983,594 4,803,770	8,633,325 10,217,424	57,069,239 37,091,030
Segment result-Profit/(Loss)	463,992 180,663	1,075,125 1,059,862	754,153 184,239	200,246 (151,123)	2,493,516 1,273,641
Less: Unallocable expenses					97,974
Add: Miscellaneous Income					412,166
Less: Interest (Net)					20,690
Profit from Ordinary Activities					131,690
Aggregate Profit					245,310
Other Information:					213,296
Segment Debtors	2,794,037 2,060,253	7,476,777 5,051,028	3,421,807 1,746,141	2,594,215 2,069,493	16,286,836 10,926,915

Notes:

1. The Company has identified business segment as the primary segment. Segments have been identified taking into account the nature of services, differing risks and returns, the organizational structure and the internal reporting system.
2. Assets (except debtors) and liabilities contracted have not been identified to any of the reportable segments as the assets are used interchangeably between segments and it is not practicable to reasonably allocate the liabilities to individual segments. Accordingly, no disclosure relating to segment assets, except debtors, and segment liabilities are made.
3. The Company operates mainly in local markets (United States of America) and in the opinion of the management has only one reportable geographical segment, the results of which are disclosed in the financial statements.
4. Previous year figures are given in italics.

2.7 Lease

Operating Lease:

The Company takes on lease office space, accommodation for its employees and vehicles under various operating leases ranging from one month to five years.

The future minimum lease payments and payment profile of operating leases are as follows:

	Total Minimum Lease Payments Outstanding as on 31st December 2004		Total Minimum Lease Payments Outstanding as on 31st December 2003	
	Rupees	US \$	Rupees	US \$
Not later than one year	23,092,784	531,235	18,915,735	414,866
Later than one year but not later than five years	24,979,015	574,627	17,717,896	388,627
Later than five years	Nil	Nil	Nil	Nil
	48,071,799	1,105,862	36,633,631	803,493

Finance Lease:

The Company has taken furniture and fixtures on finance lease, which expires in August 2007. The lease rentals are charged on the basis of agreed terms. The said furniture is capitalized using interest rates determined at the inception of the lease.

The aggregate maturities under these capital leases are as follows:

	Total Minimum Lease Payments Outstanding as on 31st December				Future Interest Outstanding				Present Value of Minimum Lease Payments			
	2004		2003		2004		2003		2004		2003	
	Rupees	US \$	Rupees	US \$	Rupees	US \$	Rupees	US \$	Rupees	US \$	Rupees	US \$
Not later than one year	377,103	8,675	526,863	11,554	43,992	1,012	82,262	1,804	333,111	7,663	444,600	9,750
Later than one year but not later than five years	597,050	13,735	1,022,004	22,412	40,340	928	88,464	1,940	556,710	12,807	933,540	20,472
Later than five years	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	974,153	22,410	1,548,867	33,966	84,332	1,940	170,726	3,744	889,821	20,470	1,378,140	30,222

2.8 Contingent Liability

The Company is contingently liable on a standby letter of credit aggregating to Rs.686,478/-, US \$15,792 (Rs.720,115/-, US \$ 15,792)

2.9 The Company hitherto depreciated fixed assets on straight-line method basis over the estimated useful lives given in the Note 1.4 to Schedule 11. However, the estimated useful life is revised considering physical wear and tear and obsolescence. Consequently, unamortized depreciation amount is charged over the revised remaining useful life resulting into additional charge on account of additional depreciation, which is not material.

2.10 Additional information pursuant to the provisions of Paragraphs 3,4C and 4D of Part II of Schedule VI of the Companies Act, 1956 (To the extent applicable).

- 1) The Company is engaged in software development and consultancy and hence the sale and related services cannot be expressed in any generic unit. Hence, it is not possible to give quantitative details of sales and the information as required under paragraphs 3,4C and 4D of part II of Schedule VI to the Companies Act, 1956.
- 2) Expenditure in Foreign Currency:

	Rupees	US \$
Software development expenses	14,222,347 (3,687,338)	314,723 (79,426)
Other expenses	166,871,990 (119,168,777)	3,749,292 (2,613,890)

Note: Previous year figures are given in brackets.

- 2.11** The information contained in these financial statements for the years ended December 31, 2004 and 2003 disclosed in US \$ is extracted from books of account locally maintained and converted into Indian Rupees as disclosed under 'Basis of preparation' stated above. Such disclosures in US \$ are only for additional information.

2.12 Balance Sheet Abstract & Company's General Business Profile

I. Registration Details

Federal ID No.:

State Code :

Balance Sheet Date :
Date Month Year

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

Public Issue	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Right Issue	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Bonus Issue	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Private Placement	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

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

Total Liabilities	<input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="2"/>	Total Assets	<input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="2"/>
Sources of Funds	Subscribed & Paid-up Capital	Share Application Money	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
	<input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="6"/>	Secured Loans	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
	Reserves & Surplus	Unsecured Loans	
	<input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="7"/>	<input type="text" value="9"/> <input type="text" value="9"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="2"/>	Investments
Application of Funds	Net Fixed Assets	Net Current Assets	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
	<input type="text" value="9"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="1"/>	<input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="8"/> <input type="text" value="7"/>	Accumulated Losses
	Deferred Tax Asset	Misc. Expenditure	<input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="3"/>
	<input type="text" value="6"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="4"/>	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	

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

Turnover	<input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="5"/>	Total Expenditure	<input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="1"/>
Profit Before Tax	<input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="4"/>	Profit After Tax	<input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="6"/>
Earning Per Share in Rs. - Basic & Diluted	<input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="."/> <input type="text" value="2"/> <input type="text" value="9"/>	Dividend Rate %	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)

Product Description

2.13 The figures for the previous accounting year have been regrouped/rearranged wherever necessary to correspond with the figures of current year.

Schedules 1 to 11 form an integral part of the accounts.

As per our attached Report of even date

For **Deloitte Haskins & Sells,**
Chartered Accountants

P.R. Barpande
Partner

Place : Mumbai
Date : 25th January, 2005

For and on behalf of the Board

Atul K. Nishar
(Director)

Rusi Brij
(Director)

Auditors' Report

To the Shareholders of

HEXAWARE TECHNOLOGIES CANADA LIMITED

We have audited the Balance Sheet of Hexaware Technologies Canada Limited as at 31st December, 2004 and the Profit and Loss Account of the Company for the year ended on that date (the financial statements) attached hereto, which have been prepared in accordance with the Generally Accepted Accounting Principles in India.

Respective Responsibilities of the Management and Auditors

The management of the Company is responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit of the financial statements and to express our opinion thereon.

Basis of Opinion

We conducted our audit in accordance with the auditing standards issued by the Institute of Chartered Accountants of India. 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 judgments made by the management in the preparation of the financial statements and whether the accounting policies are appropriate to the circumstances to the Company, consistently applied and adequately disclosed. We

planned and performed audit so as to obtain all information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit.

The financial statements dealt with by this report are in agreement with books of accounts of the Company.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements read with the accounting policies and notes thereon give a true and fair view:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2004; and
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

P. R. Barpande
Partner

Membership No.15291

Place: Mumbai

Dated: 25th January, 2005

Balance Sheet as at 31st December, 2004.

Particulars	Schedule	As At 31st December, 2004		As At 31st December, 2004		As At 31st December, 2003		As At 31st December, 2003	
		Rupees	Rupees	CAD	CAD	Rupees	Rupees	CAD	CAD
SOURCES OF FUNDS									
Share Holders' Funds :									
Share Capital	"1"		727,800		23,385		727,800		23,385
Reserves and Surplus	"2"		2,989,666		79,570		252,484		4,392
	Total		3,717,466		102,955		980,284		27,777
APPLICATION OF FUNDS									
Current Assets, Loans and Advances :									
Sundry Debtors	"3"	6,250,416		173,105		11,952,677		338,685	
Cash and Bank Balances		3,210,228		88,907		1,431,023		40,549	
Loans and Advances		—		—		49,997		1,417	
		9,460,644		262,012		13,433,697		380,651	
Less:									
Current Liabilities and Provisions :									
Current Liabilities	"4"	4,208,997		116,568		12,364,515		350,355	
Provisions		1,534,181		42,489		433,046		12,271	
		5,743,178		159,057		12,797,561		362,626	
Net Current Assets			3,717,466		102,955		636,136		18,025
Miscellaneous Expenditure									
(Refer note 2.2 to Schedule 7)									
(To the extent not Written Off or Adjusted)									
			—		—		344,148		9,752
	Total		3,717,466		102,955		980,284		27,777

Significant Accounting Policies & notes forming part of Accounts "7"

Schedules 1 to 7 form an integral part of the accounts.

As per our attached Report of even date

For **Deloitte Haskins & Sells,**
Chartered Accountants

P. R. Barpande
Partner

Place : Mumbai
Date : 25th January, 2005

For and behalf of the Board

Rusi Brij
(Director)

Yogen Shah
(Director)

Profit and Loss Account for the year ended 31st December, 2004

Particulars	Schedule	For The Year Ended 31st December, 2004		For The Year Ended 31st December, 2004		For The Year Ended 31st December, 2003		For The Year Ended 31st December, 2003	
		Rupees	Rupees	CAD	CAD	Rupees	Rupees	CAD	CAD
INCOME									
Software and Consultancy		36,450,714		1,044,046		6,665,874		190,495	
Miscellaneous Income		46,054		1,245		—		—	
			36,496,768		1,045,291		6,665,874		190,495
EXPENDITURE									
Software and Development Expenses		683,173		19,171		—		—	
Employment Expenses	"5"	31,039,995		889,422		5,796,412		165,648	
Administration and other expenses	"6"	844,941		23,520		216,346		6,233	
			32,568,109		932,113		6,012,758		171,881
PROFIT FOR THE YEAR			3,928,659		113,178		653,116		18,614
Less : Provision for Tax – Current Tax			1,287,823		38,000		162,224		4,636
PROFIT AFTER TAX			2,640,836		75,178		490,892		13,978
Add : Balance brought forward from previous year			196,594		4,392		(294,298)		(9,586)
BALANCE CARRIED TO BALANCE SHEET			2,837,430		79,570		196,594		4,392

Significant Accounting Policies & notes forming part of Accounts "7"

Schedules 1 to 7 form an integral part of the accounts.
As per our attached Report of even date

For **Deloitte Haskins & Sells,**
Chartered Accountants

P. R. Barpande
Partner

Place : Mumbai
Date : 25th January, 2005

For and on behalf of the Board

Rusi Brij
(Director)

Yogen Shah
(Director)

Schedules to Balance Sheet

Particulars	As At 31st December, 2004		As At 31st December, 2004		As At 31st December, 2003		As At 31st December, 2003	
	Rupees	Rupees	CAD	CAD	Rupees	Rupees	CAD	CAD
SCHEDULE "1" - STOCK HOLDERS' EQUITY								
Authorised								
Unlimited share capital consisting of 9 classes of Shares		—		—		—		—
Total		—		—		—		—
Issued, Subscribed and Paid-up Capital								
1 (1) Common stock of No Par Value (held by the holding Company – Hexaware Technologies Limited)		727,800		23,385		727,800		23,385
Total		727,800		23,385		727,800		23,385
SCHEDULE "2" - RESERVES & SURPLUS								
Currency Translation Reserve								
As per last balance sheet	55,890		—		3,138		—	
Addition during the year (Net)	96,346		—		52,752		—	
		152,236		—		55,890		—
Surplus in Profit and Loss Account		2,837,430		79,570		196,594		4,392
Total		2,989,666		79,570		252,484		4,392
SCHEDULE "3" - CURRENT ASSETS								
Sundry Debtors								
(Unsecured - Considered Good)								
Debts outstanding for a period exceeding six months		—		—		—		—
Other Debts	6,250,416		173,105		11,952,677		338,685	
		6,250,416		173,105		11,952,677		338,685
Cash and Bank Balances								
In Current Account with Nova Scotia Bank		3,210,228		88,907		1,431,023		40,549
(Maximum balance outstanding during the year Rs. 8,870,118/-, CAD 245,658 (Previous Year Rs. 2,246,982/-, CAD 63,669))								
Loans and Advances								
(Unsecured - Considered Good)								
Advances recoverable in Cash or in kind or for value to be received.		—		—	23,528		667	
Deposits		—		—	26,469		750	
						49,997		1,417
Total		9,460,644		262,012		13,433,697		380,651

Schedules to Balance Sheet

Particulars	As At 31st December, 2004		As At 31st December, 2004		As At 31st December, 2003		As At 31st December, 2003	
	Rupees	Rupees	CAD	CAD	Rupees	Rupees	CAD	CAD
SCHEDULE "4" - CURRENT LIABILITIES AND PROVISIONS								
Current Liabilities								
Sundry Creditors:								
i) Total outstanding dues to Small Scale Industrial Undertakings	—		—		—		—	
ii) Total outstanding dues to Creditors other than Small Scale Industrial Undertakings	2,167,777		60,036		10,725,902		303,924	
Other Liabilities	2,041,220		56,532		1,638,613		46,431	
		4,208,997		116,568		12,364,515		350,355
Provisions								
Provision for Leave Encashment	1,128,295		31,248		269,436		7,635	
Provision for Taxation	405,886		11,241		163,610		4,636	
		1,534,181		42,489		433,046		12,271
Total	5,743,178		159,057		12,797,561		362,626	

Schedules to Profit and Loss Account

Particulars	For The Year Ended 31st December, 2004		For The Year Ended 31st December, 2004		For The Year Ended 31st December, 2003		For The Year Ended 31st December, 2003	
	Rupees	Rupees	CAD	CAD	Rupees	Rupees	CAD	CAD
SCHEDULE "5" - EMPLOYMENT EXPENSES								
Salary and Other Allowances		29,309,197		839,196		5,386,507		153,934
Contribution to Other Funds		1,730,798		50,226		409,905		11,714
Total		<u>31,039,995</u>		<u>889,422</u>		<u>5,796,412</u>		<u>165,648</u>
SCHEDULE "6" - ADMINISTRATION AND OTHER EXPENSES								
Audit Fees		36,980		1,000		34,992		1,000
Legal and Professional Fees		444,137		12,534		83,498		2,386
Bank and Other Charges		7,405		211		5,483		159
Miscellaneous Expenses		851		23		8,748		250
Preliminary Expenses Written Off		355,568		9,752		83,625		2,438
Total		<u>844,941</u>		<u>23,520</u>		<u>216,346</u>		<u>6,233</u>

SCHEDULE "7":

Significant Accounting Policies and Notes Forming Part of Accounts

1. Significant Accounting Policies:

1.1 Basis of preparation

- i) The accompanying financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles in India, and the applicable accounting standards issued by the Institute of Chartered Accountants of India.
- ii) The local accounts are maintained in local and functional currency, which is the Canadian dollars ('CAD'). The accounts are translated to Indian Rupees as follows-
 - a. All income and expenses are translated at the average rate of exchange prevailing during the year.
 - b. Assets and liabilities are translated at the closing rate on the Balance Sheet date.
 - c. Share capital is translated at historical rates.
 - d. The resulting exchange difference are accumulated in 'Currency Translation Reserve'

1.2 Use of Estimates

The preparation of the financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognised in the period in which the results are known/materialise.

1.3 Revenue Recognition

Revenue from software development and maintenance contracts priced on a time and material basis is recognised on the basis of billable time spent by employees working on the project, priced at the contracted rate.

1.4 Foreign Currency Transactions

- i) Transactions in foreign currency are recorded at the original rates of the exchange in force at the time transactions are effected. Exchange differences arising on settlement of transactions are recognised in the Profit and Loss Account.
- ii) Monetary items denominated in foreign currency are restated using the exchange rates prevailing

at the date of Balance Sheet and the resulting net exchange difference is recognised in the profit and loss account.

1.5 Retirement Benefits

Company's contribution to The State and Federal pension plans is charged to Profit and Loss Account. Provision is made towards liability for leave encashment on actual basis in accordance with the policy followed by the Company.

1.6 Borrowing costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue.

1.7 Income Taxes

Income Taxes are accounted for in accordance with Accounting Standard 22 on "Accounting for Taxes on Income", (AS 22) issued by The Institute of Chartered Accountants of India. Tax expense comprises both current tax and deferred tax. Current tax is measured at the amount expected to be paid or recovered from the tax authorities using the applicable tax rates. Deferred tax assets and liabilities are recognised for future tax consequence attributable to timing difference between taxable income and accounting income that are measured at relevant enacted tax rates. At each Balance Sheet date the Company reassesses unrealised deferred tax assets, to the extent they become reasonably certain or virtually certain of realisation, as the case may be.

1.8 Contingent Liabilities

These are disclosed by way of notes on the Balance Sheet. Provision is made in the accounts in respect of those liabilities which are likely to materialise after year end, till the finalization of accounts and have material effect on the position stated in the Balance Sheet.

2 Notes to Accounts:

2.1 Company Overview

Hexaware Technologies Canada Limited ('the Company') is a wholly owned subsidiary of Hexaware Technologies Limited, a foreign corporation incorporated in India ('the Holding Company'). These accounts have been prepared and audited for the purpose of consolidation and to comply with the provisions of the Indian Companies Act, 1956.

The Company was organised in October 2001. The Company provides information technology ("IT")

services and solutions to its clientele, primarily in the form of professional IT staffing and consulting services.

2.2 Hitherto the Company had a policy of amortising preliminary expenses over a period of 60 months. During the year, in accordance with accounting standard AS-26 'Intangible Assets' issued by the Institute of Chartered Accountants of India, the Company has written off the entire opening balance to the Profit & Loss Account. Consequently, profit for the year is lower by Rs. 270,462/-, CAD 7,314.

2.3 Additional information pursuant to the provisions of Paragraphs 3,4C and 4D of Part II of Schedule VI of the Companies Act, 1956 (To the extent applicable).

The Company is engaged in software development and consultancy and hence the sale and related services cannot be expressed in any generic unit. Hence, it is not

possible to give quantitative details of sales and the information as required under paragraphs 3,4C and 4D of part II of Schedule VI to the Companies Act, 1956.

Expenditure in foreign currency:

	Rupees	CAD
Contribution to other funds	255,262 (27,469)	6,903 (785)
Other expenses (including travelling)	— (5,358,688)	— (153,139)

Previous years' figures are given in brackets.

2.4 The information contained in these financial statements for the years ended December 31, 2004 and 2003 disclosed in CAD is extracted from books of account locally maintained and converted into Indian Rupees as disclosed under 'Basis of preparation' stated above. Such disclosures in CAD are only for additional information.

AUDITORS' REPORT

To the Shareholders of

SPECISOFT CONSULTING, INC.

We have audited the Balance Sheet of Specisoft Consulting Inc. as at 31st December, 2004 and the Profit and Loss Account of the Company for the year ended on that date (the financial statements) attached hereto, which have been prepared in accordance with the Generally Accepted Accounting Principles in India.

Respective Responsibilities of the Management and Auditors

The management of the Company is responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit of the financial statements and to express our opinion thereon.

Basis of Opinion

We conducted our audit in accordance with the auditing standards issued by the Institute of Chartered Accountants of India. 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 judgments made by the management in the preparation of the financial statements and whether the accounting policies are appropriate to the circumstances to the Company, consistently applied and adequately disclosed. We planned and performed audit so as to obtain all information and explanation, which to the best of our knowledge and belief were

necessary for the purpose of our audit.

The financial statements dealt with by this report are in agreement with books of accounts of the Company.

Opinion

We draw attention to Note No.2.6 of Schedule 13 regarding the preparation of accounts on a going concern basis as stated in the note.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements read with the significant accounting policies and notes thereon give a true and fair view:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2004 and
- (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants
P.R.Barpande
Partner
Membership No.15291

Place: Mumbai

Dated: 25th January, 2005

Balance Sheet as at 31st December, 2004.

Particulars	Schedule	As at 31st December 2004				As at 31st December 2003			
		Rupees	Rupees	US\$	US\$	Rupees	Rupees	US\$	US\$
SOURCES OF FUNDS									
Share Holders' Funds :									
Share Capital	"1"	3,330,925		72,020		3,330,925		72,020	
Share Application Money		51,212,478		1,109,402		—		—	
Reserves and Surplus	"2"	(8,172,881)		—		(7,005,272)		—	
			46,370,522		1,181,422		(3,674,347)		72,020
Loan Funds :									
Unsecured Loans	"3"		13,041,000		300,000		43,320,000		950,000
Total			59,411,522		1,481,422		39,645,653		1,022,020
APPLICATION OF FUNDS									
Fixed Assets :									
Gross Block	"4"	15,810,870		363,719		22,380,746		490,806	
Less: Depreciation		8,078,704		185,845		7,456,238		163,514	
		7,732,166		177,874		14,924,508		327,292	
Capital Work-in-progress		7,371,512		169,577		—		—	
			15,103,678		347,451		14,924,508		327,292
Investment	"5"		286,902		6,600		300,960		6,600
Deferred Tax Asset (Refer note no 2.4 of Schedule "13")			—		—		16,485,677		361,528
Current Assets,									
Loans and Advances :									
Sundry Debtors	"6"	30,058,546		691,478		33,363,267		731,651	
Cash and Bank Balances		15,959,438		367,137		—		—	
Loans and Advances		1,050,450		24,165		7,386,835		161,992	
		47,068,434		1,082,780		40,750,102		893,643	
Less:									
Current Liabilities and Provisions:									
Current Liabilities	"7"	47,215,218		1,086,155		48,134,083		1,055,572	
Provisions		380,560		8,754		273,828		6,005	
		47,595,778		1,094,909		48,407,911		1,061,577	
Net Current Assets			(527,344)		(12,129)		(7,657,809)		(167,934)
Miscellaneous Expenditure (To the Extent not Written Off)			—		—		1,504,800		33,000
Profit and Loss Account			44,548,286		1,139,500		14,087,517		461,534
Total			59,411,522		1,481,422		39,645,653		1,022,020
Significant Accounting Policies and Notes forming part of accounts	"13"								

Schedules 1 to 13 form an integral part of the accounts.
As per our attached Report of even date

For **Deloitte Haskins & Sells,**
Chartered Accountants

P. R. Barpande
Partner.

Place : Mumbai
Date : 25th January, 2005

For and on behalf of the Board

Manab Sen
(Director)

Rusi Brij
(Director)

Profit and Loss Account for the year ended 31st December , 2004

Particulars	Schedule	For the year ended 31st December 2004				For the year ended 31st December 2003			
		Rupees	Rupees	US\$	US\$	Rupees	Rupees	US\$	US\$
INCOME									
Software and Consultancy		202,440,483		4,479,157	182,574,092		3,929,696		
Other Income	"8"	—		—	3,647		80		
			202,440,483	4,479,157		182,577,739		3,929,776	
EXPENDITURE									
Software and Development Expenses	"9"	96,396,384		2,133,843	48,184,830		1,037,783		
Employment Expenses	"10"	97,772,242		2,161,354	120,772,530		2,591,972		
Administration and other Expenses	"11"	14,879,763		329,652	22,107,446		478,128		
Interest	"12"	443,738		9,719	3,116,485		66,814		
Depreciation		7,184,699		157,973	4,546,947		99,364		
			216,676,826	4,792,541		198,728,238		4,274,061	
Loss for the year			(14,236,343)	(313,384)		(16,150,499)		(344,285)	
Less : Provision for Tax									
Current Year			—	—		77,103		1,672	
Deferred Tax (Refer Note No. 2.4 of Schedule "13")			16,086,188	361,528		(2,896,347)		(63,528)	
Loss after tax			(30,322,531)	(674,912)		(13,331,255)		(282,429)	
Less : Income Tax - Earlier Years			138,238	3,054		—		—	
Add : Balance brought forward from Previous Year			(14,087,517)	(461,534)		(756,262)		(179,105)	
Balance Carried To Balance Sheet			(44,548,286)	(1,139,500)		(14,087,517)		(461,534)	
EARNING PER SHARE									
(Refer Note 2.2 of Schedule "13")									
Basic And Diluted			(203.07)	(4.52)		(88.88)		(1.88)	
Significant Accounting Policies and Notes forming part of accounts	"13"								

Schedules 1 to 13 form an integral part of the accounts.
As per our attached Report of even date

For **Deloitte Haskins & Sells,**
Chartered Accountants

P. R. Barpande
Partner.

Place : Mumbai
Date : 25th January, 2005

For and on behalf of the Board

Manab Sen
(Director)

Rusi Brij
(Director)

Schedules to Balance Sheet

Particulars	As at 31st December 2004				As at 31st December 2003			
	Rupees	Rupees	US\$	US\$	Rupees	Rupees	US\$	US\$
SCHEDULE "1" - STOCK HOLDERS' EQUITY								
Authorised								
1,000,000 (Previous Year								
1,000,000) Common Stock of No Par Value		—		—		—		—
		—		—		—		—
		—		—		—		—
Issued, Subscribed And Paid-up Capital								
150,000 (Previous Year 150,000) 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 Holding Company Hexaware								
Technologies Limited)								
Total		3,330,925		72,020		3,330,925		72,020
SCHEDULE "2" - RESERVES AND SURPLUS								
Currency Translation Reserve								
As Per Last Balance Sheet		(7,005,272)		—		946,205		—
Deduction during the Year (Net)		(1,167,609)		—		(7,951,477)		—
Total		(8,172,881)		—		(7,005,272)		—
SCHEDULE "3" - UNSECURED LOANS								
Other Loans and Advances								
From Holding Company		13,041,000		300,000		43,320,000		950,000
Total		13,041,000		300,000		43,320,000		950,000

SCHEDULE "4" - FIXED ASSETS

(Amount in Rupees)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As At 01.01.2004	Additions	Deductions	As At 31.12.2004	As At 01.01.2004	For The Year	Deductions	As At 31.12.2004	As At 31.12.2004	As At 31.12.2003
Computer and office equipment										
(See Note below)	10,985,040	5,994,130	13,982,911	2,996,259	5,484,759	5,581,913	8,350,464	2,716,208	280,051	5,500,281
Furniture and fixtures	926,767	—	43,290	883,477	226,636	163,703	17,823	372,516	510,961	700,131
Sub Total	11,911,807	5,994,130	14,026,201	3,879,736	5,711,395	5,745,616	8,368,287	3,088,724	791,012	6,200,412
Intangible Assets:										
Software #	10,468,939	1,951,194	488,999	11,931,134	1,744,843	3,480,497	235,360	4,989,980	6,941,154	8,724,096
Current Year Total	22,380,746	7,945,324	14,515,200	15,810,870	7,456,238	9,226,113	8,603,647	8,078,704	7,732,166	14,924,508
Previous Year Total	9,900,496	12,480,250	—	22,380,746	3,077,276	4,546,947	167,985	7,456,238	14,924,508	—
Capital Work-in-Progress									7,371,512	—

(Amount in US\$)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As At 01.01.2004	Additions	Deductions	As At 31.12.2004	As At 01.01.2004	For The Year	Deductions	As At 31.12.2004	As At 31.12.2004	As At 31.12.2003
Computer and office equipment (See Note below)	240,900	137,891	309,864	68,927	120,280	122,732	180,527	62,485	6,442	120,620
Furniture and fixtures	20,324	—	—	20,324	4,970	3,599	—	8,569	11,755	15,354
Sub Total	261,224	137,891	309,864	89,251	125,250	126,331	180,527	71,054	18,197	135,974
Intangible Assets:										
Software #	229,582	44,886	—	274,468	38,264	76,527	—	114,791	159,677	191,318
Current Year Total	490,806	182,777	309,864	363,719	163,514	202,858	180,527	185,845	177,874	327,292
Previous Year Total	206,389	284,417	—	490,806	64,150	99,364	—	163,514	327,292	—
Capital Work-in-Progress									169,577	—

Notes :

- Depreciation charged Rs. 2,041,414/- (US\$ 44,885) on Computer and office equipments has been capitalised during the year.
- Exchange difference on account of translation of fixed assets into INR included under deductions is as follows:

	Gross Block	Depreciation
Computer and office equipment	513,107	502,937
Furniture and fixtures	43,290	17,823
Software	488,999	235,360
	<u>1,045,396</u>	<u>756,120</u>

- Capital work-in-progress is in respect of development of new product.

Internally generated

Particulars	As at 31st December 2004				As at 31st December 2003			
	Rupees	Rupees	US\$	US\$	Rupees	Rupees	US\$	US\$
SCHEDULE "5" - INVESTMENT								
Long Term (At Cost)								
Trade - Unquoted								
-CNMP Networks, Inc.								
15,576 Equity Shares of no par value		<u>286,902</u>		<u>6,600</u>		<u>300,960</u>		<u>6,600</u>
Total		<u><u>286,902</u></u>		<u><u>6,600</u></u>		<u><u>300,960</u></u>		<u><u>6,600</u></u>
SCHEDULE "6" - CURRENT ASSETS								
Sundry Debtors (Unsecured)								
Debts Outstanding for a Period								
Exceeding Six Months	<u>1,258,609</u>		<u>28,954</u>		—		—	
Other Debts	<u>29,834,067</u>		<u>686,314</u>		<u>33,363,267</u>		<u>731,651</u>	
	<u>31,092,676</u>		<u>715,268</u>		<u>33,363,267</u>		<u>731,651</u>	
Less : Provision for doubtful debts	<u>1,034,130</u>		<u>23,790</u>		—		—	
		<u>30,058,546</u>		<u>691,478</u>		<u>33,363,267</u>		<u>731,651</u>
Notes: Sundry Debtors Include								
Considered Good	<u>30,058,546</u>		<u>691,478</u>		<u>33,363,267</u>		<u>731,651</u>	
Considered Doubtful	<u>1,034,130</u>		<u>23,790</u>		—		—	
	<u>31,092,676</u>		<u>715,268</u>		<u>33,363,267</u>		<u>731,651</u>	

Schedules to Balance Sheet

Particulars	As at 31st December 2004				As at 31st December 2003			
	Rupees	Rupees	US\$	US\$	Rupees	Rupees	US\$	US\$
Cash and Bank Balances								
Balances with Scheduled Banks								
In Current Accounts	11,264,678		259,137		—		—	
In Deposit Accounts	4,694,760		108,000		—		—	
		15,959,438		367,137		—		—
Loans and Advances (Unsecured - Considered Good)								
Advances Recoverable in cash or in kind or for value to be received	893,958		20,565		1,443,285		31,651	
Deposits	156,492		3,600		5,907,070		129,541	
Income Tax	—		—		36,480		800	
		1,050,450		24,165		7,386,835		161,992
Total		47,068,434		1,082,780		40,750,102		893,643
SCHEDULE *7* - CURRENT LIABILITIES AND PROVISIONS								
Current Liabilities								
Sundry Creditors:								
i) Total outstanding dues to Small Scale Industrial Undertakings		—		—		—		—
ii) Total outstanding dues to Creditors other than Small Scale Industrial Undertakings	42,398,228		975,343		38,019,730		833,766	
Other Liabilities	4,816,990		110,812		10,114,353		221,806	
[Other Liabilities includes Rs. Nil US\$ Nil (Rs. 419,018/-, US\$ 9,189) being temporarily overdraw bank balance as per books of account]		47,215,218		1,086,155		48,134,083		1,055,572
Provisions								
- For Leave Encashment	380,560		8,754		273,828		6,005	
		380,560		8,754		273,828		6,005
Total		47,595,778		1,094,909		48,407,911		1,061,577

Schedules to Profit and Loss Account

Particulars	For the year ended 31st December 2004		For the year ended As at 31st December 2003	
	Rupees	US\$	Rupees	US\$
SCHEDULE "8" - OTHER INCOME				
Other Income	—	—	3,647	80
Total	<u>—</u>	<u>—</u>	<u>3,647</u>	<u>80</u>
SCHEDULE "9" - SOFTWARE DEVELOPMENT EXPENSES				
Consultant Expenses	1,254,853	22,939	45,313	994
Software Development Expenses	95,141,531	2,110,904	48,139,517	1,036,789
Total	<u>96,396,384</u>	<u>2,133,843</u>	<u>48,184,830</u>	<u>1,037,783</u>
SCHEDULE "10" - EMPLOYMENT EXPENSES				
Salary and other Allowances	87,842,245	1,942,111	108,758,152	2,338,898
Contribution to Other Funds	6,050,255	133,845	8,266,809	177,297
Staff Welfare Expenses	3,879,742	85,398	3,747,569	75,777
Total	<u>97,772,242</u>	<u>2,161,354</u>	<u>120,772,530</u>	<u>2,591,972</u>
SCHEDULE "11" - ADMINISTRATION AND OTHER EXPENSES				
Rent	3,466,623	76,618	2,922,957	63,042
Rates and Taxes	20,245	455	27,575	586
Travelling and Conveyance Expenses	3,845,920	84,824	2,192,630	47,799
Communication Expenses	1,369,414	30,207	1,376,045	29,543
Printing and Stationery	517,700	11,463	523,194	11,333
Audit Fees	226,708	5,000	484,561	10,396
Legal and Professional Fees	740,607	16,335	1,916,436	41,467
Seminar and Conference Expenses	1,571,985	35,090	7,040,214	151,287
Bank And other Charges	57,011	1,266	45,494	987
Insurance Premium	1,439,681	31,826	1,097,454	23,793
Research and Development Expenses	-	-	3,542,036	77,395
Debts Written Off	1,053,367	23,790	647,419	14,134
Service Charges	389,020	8,739	-	-
Membership and Subscription	52,060	1,170	51,427	1,128
Miscellaneous Expenses	129,422	2,869	240,004	5,238
Note : Miscellaneous Expenses includes Furniture and Equipment hire charges, Donations, Repairs and Maintenance etc.				
Total	<u>14,879,763</u>	<u>329,652</u>	<u>22,107,446</u>	<u>478,128</u>
SCHEDULE "12" - INTEREST				
- On Unsecured Loan	443,738	9,719	3,116,485	66,814
Total	<u>443,738</u>	<u>9,719</u>	<u>3,116,485</u>	<u>66,814</u>

SCHEDULE "13":

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS

1. Significant Accounting Policies:

1.1 Basis of preparation

- i) The accompanying financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles in India and the applicable accounting standards issued by the Institute of Chartered Accountants of India.
- ii) The local accounts are maintained in local and functional currency, which is US dollar ('US \$'). The accounts are translated to Indian Rupees as follows –
 - a. All income and expenses are translated at the average rate of exchange prevailing during the year.
 - b. Assets and liabilities are translated at the closing rate on the Balance Sheet date.
 - c. Share Capital and share application money are translated at historical rate.
 - d. The resulting exchange differences are accumulated in currency translation reserve.

1.2 Use of Estimates

The preparation of the financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognised in the period in which the results are known/materialise.

1.3 Revenue Recognition

Revenue from software development and maintenance contracts priced on a time and materials basis is recognized on the basis of billable time spent by employees working on the project, priced at the contracted rate. 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.

1.4 Fixed Assets & Depreciation

Fixed assets are valued at cost less accumulated depreciation, amortization and impairment, if any. Cost includes all expenses incurred for acquisition of assets.

Depreciation on Fixed Assets is provided on Straight-Line Method on a pro rata basis and are depreciated over their estimated useful lives as stated below:-

Asset	Estimated Useful Lives	
	Revised	Till March 31, 2004
Computer and office equipments: Computer	3 Years	3 Years
Office Equipments	5 Years	21 Years
Furniture and Fixtures	8 Years	15 Years
Software	3 Years	3 Years

See Note 2.5 to Schedule "13"

1.5 Foreign Currency Transactions

- i) Transactions in foreign currency are recorded at the original rates of the exchange in force at the time transactions are effected. Exchange differences arising on repayment of liabilities incurred for the purpose of acquiring fixed assets are adjusted in the carrying amount of the respective fixed asset. Exchange differences arising on settlement of other transactions are recognized in the Profit and Loss Account.
- ii) Monetary items (other than those related to acquisition of fixed assets) denominated in foreign currency are restated using the exchange rates prevailing at the date of Balance Sheet and the resulting net exchange difference is recognized in the Profit and Loss Account. The exchange gain/loss arising on restatement of foreign currency liability relating to fixed assets is adjusted in the value of the related fixed assets.

1.6 Retirement Benefits

Provision is made towards liability for leave encashment on actual basis in accordance with the policy followed by the Company.

1.7 Borrowing costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue.

1.8 Income Taxes

Income Taxes are accounted for in accordance with Accounting Standard 22 on "Accounting for Taxes on Income", (AS 22) issued by The Institute of Chartered Accountants of India. Tax expense comprises both current tax and deferred tax. Current tax is measured at the amount expected to be paid or recovered from the tax authorities using the applicable tax rates. Deferred tax assets and liabilities are recognized for future tax consequence attributable to timing difference between taxable income and accounting income that are measured at relevant enacted tax rates. At each Balance Sheet date the Company reassesses unrealised deferred tax assets, to the extent they become reasonably certain or virtually certain of realization, as the case may be.

1.9 Contingent Liabilities

These are disclosed by way of notes on the Balance Sheet. Provision is made in the accounts in respect of those liabilities which are likely to materialise after year end, till the finalization of accounts and have material effect on the position stated in the Balance Sheet.

1.10 Intangible Assets

Internally generated intangible assets arising from development activity is recognized only on demonstration of its technical feasibility, the intention and ability of the Company to complete, use or sell it, only if it is probable that the asset would generate future economic benefit and the expenditure attributable to the said assets during its development can be measured reliably.

1.11 Impairment of Fixed Assets

At the end of each year, the Company determines whether a provision should be made for impairment loss on fixed assets by considering the indications that an impairment loss may have occurred in accordance with Accounting Standard (AS 28 "Impairment of assets") issued by The Institute of Chartered Accountants of India where the recoverable amount of any fixed asset is lower than its carrying amount, a provision for impairment loss on fixed assets is made for the difference.

1.12 Investments

Long term investments are stated at cost of acquisition less provision for other than temporary diminution in the value of investments.

2 Notes to Accounts :

2.1 Company Overview

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 Hexaware Technologies Limited, a company organized and existing under the laws of India.

These accounts have been prepared and audited for the purpose of consolidation and to comply with the provisions of the Indian Companies Act, 1956.

2.2 Earning Per Share (EPS)

	December 31, 2004		December 31, 2003	
	(Rupees)	(US\$)	(Rupees)	(US\$)
Loss after tax	(30,322,531)	(674,912)	(13,331,255)	(282,429)
Income Tax- earlier years	(138,238)	(3,054)	-	-
Loss attributable to common stock holders	(30,460,769)	(677,966)	(13,331,255)	(282,429)
Weighted average outstanding common stock (Nos.)	150,000	150,000	150,000	150,000
Basic and Diluted	(203.07)	(4.52)	(88.88)	(1.88)
Nominal value of common stock	No Par	No Par	No Par	No Par

2.3 Remuneration to a Whole time Director

Particulars	December 31, 2004		December 31, 2003	
	(Rupees)	(US\$)	(Rupees)	(US\$)
- Salaries and allowances	4,981,666	110,214	4,244,477	93,081
- Contribution to other funds	305,864	6,767	385,731	8,459
- Perquisites	267,584	5,920	303,696	6,660
Total	5,555,114	122,901	4,933,904	108,200

2.4 Deferred taxes

The Company had in the earlier year, created a deferred tax asset (DTA) and the balance carried forward as on 1st January, 2004 aggregated to Rs. 16,485,677/- (US\$ 361,528). During the year, considering the requirement of Accounting Standard 22 (AS -22 "Accounting for taxes on income"), on review of such said DTA and virtual certainty has written it down to Rs. Nil (US \$ Nil) as at 31st December, 2004. Consequently, there is a charge on account of such write down in Profit & Loss account.

2.5 The Company hitherto depreciated fixed assets on straight line method basis over the estimated useful lives given in the Note 1.4 to Schedule 13. However, the estimated useful life is revised considering physical wear and tear and obsolescence. Consequently, unamortized depreciation amount is charged over the revised remaining useful life resulting into additional charge on account of additional depreciation, which is not material.

2.6 As at 31st December, 2004, the net worth of the Company has been substantially eroded. The software and consultancy business of the Company has improved during the year, which contributed to lower loss during the year as compared to the previous year. However, consequent to charge on account of write down of deferred tax asset, the loss for the year was increased by Rs. 16,086,188/- (US\$ 361,528). The share capital of the Company was increased during the year, which resulted into positive net worth. Considering the position of orders on hand, future plans for operations and support of the holding company, the Company is hopeful of improved profitability, consequently leading to improvement in its net worth. Accordingly the accounts of the Company have been prepared on going concern basis, which is dependant upon future growth in operations and profitability.

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

- i) The Company is engaged in software development and consultancy and hence the sale and related services cannot be expressed in any generic unit. Hence, it is not possible to give quantitative details of sales and the information as required under paragraphs 3,4C and 4D of part II of Schedule VI to the Companies Act, 1956.
- ii) The Company being registered and located in the United States of America, the remittances to and from India are in US dollars and hence there is no income or expenditure in foreign currency which needs disclosure.

2.8 The information contained in these financial statements for the years ended December 31, 2004 and 2003 disclosed in US \$ is extracted from books of account locally maintained and converted into Indian Rupees as disclosed under 'Basis of preparation' stated above. Such disclosures in US \$ are only for additional information.

2.9 Balance Sheet Abstract & Company's General Business Profile

I. Registration Details

Registration No.:

State Code :

Balance Sheet Date : / /

Date Month Year

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

Public Issue
 N I L

Right Issue
 N I L

Bonus Issue
 N I L

Private Placement
 N I L

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

Total Liabilities

Total Assets

Sources of Funds
Subscribed & Paid-up Capital

Share Application Money

Reserves & Surplus

Secured Loans
 N I L

Application of Funds
Unsecured Loans

Investments

Net Fixed Assets

Misc. Expenditure
 N I L

Net Current Assets

Accumulated Losses

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

Turnover

Total Expenditure

Profit Before Tax

Profit After Tax

Earning Per Share in Rs. Basic and Diluted

Dividend Rate %
 N I L

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)

Product Description

2.10 Previous year's figures have been regrouped or reclassified to correspond with the figures of current year.

Signature to Schedules 1 to 13
As per our attached report of even date

For **Deloitte Haskins & Sells,**
Chartered Accountants

P. R. Barpande
Partner.

Place : Mumbai
Date : 25th January, 2005

For and on behalf of the Board

Manab Sen
(Director)

Rusi Brij
(Director)

AUDITORS' 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 2004 and also the Profit and Loss Account for the year ended on that date annexed thereto (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 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 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 2004 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:
 - a) In the case of the Balance Sheet of the state of affairs of the Company as at 31st December 2004, and
 - b) 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

Ashok K.Verma
(Membership No. 082084)

Place : Mumbai

Date : 14.01.2005

ANNEXURE TO THE AUDITORS' 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

- (i) The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. The management has verified all the fixed 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 any of the fixed assets during the year.
- (ii) 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.
- (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) 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 observed any major weaknesses in internal control.
- (v) 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 500,000/- 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.
- (vi) The company has not accepted any deposits from the public during the year and hence 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 which commensurate with the size of company and nature of its business.
- (viii) We have been informed that the Central Government has not prescribed the maintenance of Cost Records under clause (d) of sub-section (1) of Section 209 of the Act.
- (ix) The company is regular in depositing undisputed statutory dues as per Laws with the appropriate authorities. There is no undisputed undeposited amount due over six months since it became payable as on the last day of the financial year.
- (x) The Company does not have any accumulated losses at the end of the financial year, hence Clause (x) of Paragraph 4 of the Order is not applicable.
- (xi) The company has not defaulted in respect of repayment of dues to financial institutions, banks or Debenture holders.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, Clause (xiii) of Paragraph 4 of the Order is not applicable to the Company.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments, therefore, Clause (xiv) of Paragraph 4 of the Order is not applicable to the Company.
- (xv) The company has not given any guarantee for loans taken by others from banks or financial institutions, therefore, Clause (xv) of Paragraph 4 of the Order is not applicable to the Company.
- (xvi) No term loans were obtained by the Company, therefore, Clause (xvi) of Paragraph 4 of the Order is not applicable to the Company.
- (xvii) No funds were raised by the Company, therefore, Clause (xvii) of Paragraph 4 of the Order is not applicable to the Company.
- (xviii) During the year, 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, therefore, Clause (xviii) of Paragraph 4 of the Order is not applicable to the Company.
- (xix) Since the Company has not issued any debentures, the question of creation of security does not arise.
- (xx) Since the Company has not come out with any Public Issue during the year, the Clause (xx) of Paragraph 4 of the Order is not applicable to the Company.
- (xxi) No fraud on or by the Company has been noticed or reported during the year.

For **A.K.Verma & Associates**
Chartered Accountants

Ashok K.Verma

Partner

(Membership No. 082084)

Place : Mumbai

Date : 14.01.2005

Balance Sheet as at 31st December 2004

Particulars	Schedule	As at 31st December, 2004 Rupees	As at 31st December, 2003 Rupees
SOURCE OF FUNDS			
1. SHAREHOLDERS' FUNDS:			
Share Capital	"1"	7,570,241	7,570,241
Reserves and Surplus	"2"	10,473,918	6,656,474
		18,044,159	14,226,715
APPLICATION OF FUNDS			
1. FIXED ASSETS:			
A) Gross Block	"3"	4,672,097	830,639
B) Less Depreciation		1,297,642	351,492
			479,147
2. A) CURRENT ASSETS,			
LOANS AND ADVANCES			
i) Sundry Debtors		277,162,124	163,626,381
ii) Cash and Bank Balance		21,735,108	15,640,648
iii) Loans and Advances		28,457,735	148,173
Less:		327,354,967	179,415,202
B) CURRENT LIABILITIES			
AND PROVISIONS:			
i) Current Liabilities	"5"	283,607,163	155,269,500
ii) Provisions		29,078,100	10,398,134
		312,685,263	165,667,634
NET CURRENT ASSETS (A-B)		14,669,704	13,747,568
		18,044,159	14,226,715
Significant Accounting Policies	"8"		
Notes Forming Part of Accounts	"9"		

Schedule 1 to 9 form an integral part of the accounts.

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

For **A.K. Verma & Associates,**

Chartered Accountants

Ashok K. Verma

Partner

(Membership No. 082084)

Place : Mumbai

Date : 14.01.2005

For and on behalf of the Board

Sunil Surya

(Director)

Profit and Loss Account for the Year Ended 31st December 2004

Particulars	Schedule	For the Year Ended 31st December, 2004		For the Year Ended 31st December, 2003	
		Rupees		Rupees	
INCOME FROM OPERATIONS		779,646,258		601,992,303	
OTHER INCOME					
Interest Income		–		4,907	
Other Income		412,985	412,985	–	4,907
			780,059,243		601,997,210
EXPENDITURE					
Software & Development Expenses		401,711,349		423,039,350	
Employment Expenses	"6"	325,488,484		146,669,185	
Administration and Other Expenses	"7"	43,856,285		26,840,169	
Depreciation		946,150	772,002,268	243,144	596,791,848
Profit (Loss) for the year			8,056,975		5,205,362
Less: Provision for Taxes			4,713,412		1,390,228
Profit after Tax			3,343,563		3,815,134
Less: Balance brought forward			3,404,614		(410,520)
BALANCE CARRIED TO BALANCE SHEET			6,748,177		3,404,614
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 & Loss Account referred to in our Report of even date.

For **A.K. Verma & Associates,**

Chartered Accountants

Ashok K. Verma

Partner

(Membership No. 082084)

Place : Mumbai

Date : 14.01.2005

For and on behalf of the Board

Sunil Surya

(Director)

Schedules to Balance Sheet

	As at 31st December, 2004 Rupees	As at 31st December, 2003 Rupees
Schedule "1" : AUTHORISED SHARE CAPITAL 3618 Equity Shares (Previous Year 3618) of 50/- Euro each	7,570,241 <u>7,570,241</u>	7,570,241 <u>7,570,241</u>
ISSUED, SUBSCRIBED AND PAID UP CAPITAL 3618 Equity Shares (Previous Year 3618) of 50/- Euro each fully paid (Whole of the common stock is held by the Parent Company - Hexaware Technologies Limited, India).	7,570,241 <u>7,570,241</u>	7,570,241 <u>7,570,241</u>
Schedule "2" : RESERVES AND SURPLUS Currency Translation Reserve Profit & Loss account	3,725,741 6,748,177 <u>10,473,918</u>	3,251,860 3,404,614 <u>6,656,474</u>

Schedule "3" : FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	1/1/2004	Additions	Reductions	31/12/2004	1/1/2004	Provided during the Year	Reductions	31/12/2004	31/12/2004	31/12/2003
Computers	830,639	216,467	-	1,047,106	351,492	308,827	-	660,319	386,787	479,147
Software	-	3,077,291	-	3,077,291	-	427,360	-	427,360	2,649,931	-
Office Furniture	-	547,700	-	547,700	-	209,963	-	209,963	337,737	-
Current Year	830,639	3,841,458	-	4,672,097	351,492	946,150	-	1,297,642	3,374,455	479,147
Previous Year	273,065	557,574	-	830,639	108,348	243,144	-	351,492	479,147	164,717

	As at 31st December, 2004 Rupees	As at 31st December, 2003 Rupees
SCHEDULE "4" : CURRENT ASSETS Sundry Debtors (Unsecured - Considered Good) Outstanding for a period exceeding six months Others	- 277,162,124 <u>277,162,124</u>	- 163,626,381 <u>163,626,381</u>

SCHEDULES TO BALANCE SHEET

	As at 31st December, 2004 Rupees	As at 31st December, 2003 Rupees
SCHEDULE "4" : CURRENT ASSETS (Contd.)		
Cash and Bank Balances		
In Current Account in Foreign Currency:-		
Dresdner Bank AG, Frankfurt		
(Maximum balance at any time during the year Rs.137,407,213/- Previous year Rs.144,774,698/-)		
	21,735,108	15,640,648
	21,735,108	15,640,648
Loans & Advances (Unsecured -Considered Good)		
Advances recoverable in cash or in kind or for value to be received.		
Unbilled Jobs	23,574,986	-
Advances to staff	3,788,888	78,082
Advance Income Tax	927,819	47,750
Others	166,042	22,341
	28,457,735	148,173
SCHEDULE "5" : CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors	183,954,383	96,101,325
Advance billing to Customers	59,083,169	49,776,451
Other Liabilities	40,569,611	9,391,724
	283,607,163	155,269,500
Provisions		
Provision for Expenses	23,128,671	8,587,514
Provision for Taxation	5,949,429	1,810,620
	29,078,100	10,398,134

Schedules to Profit and Loss Account

	For the Year Ended 31st December, 2004 Rupees	For the Year Ended 31st December, 2003 Rupees
SCHEDULE "6" : EMPLOYMENT EXPENSES:		
Salary and Other Allowances	282,154,315	126,123,865
Contribution to German Social Security	43,334,169	20,545,320
	325,488,484	146,669,185
SCHEDULE "7" : ADMINISTRATIVE AND OTHER EXPENSES		
Rent	8,733,028	4,512,972
Advertisement	7,241,377	1,486,722
Travelling and Conveyance Expenses	8,143,751	4,774,720
Communications Expenses	2,787,175	978,533
Repairs and Maintenance	1,398,176	165,060
Auditors Remuneration		
Audit Fees	176,524	165,046
Out of Pocket Expenses	58,841	—
Legal, Professional and accounting Fees	11,963,530	8,857,936
Bank and Other Charges	973,849	1,082,104
Insurance Premium	249,546	115,857
Recruitment Expenses	271,150	1,599,663
Membership and Subscription	112,730	311,027
Office Expenses	1,016,805	307,122
Miscellaneous Expenses	729,803	587,426
Difference in Exchange	—	1,895,981
	43,856,285	26,840,169

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:

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, revenue is recognised using percentage completion method of accounting. Amounts received or billed in advance of services performed are recorded as advance billing to customers. Unbilled services included in loans and advances, represents amounts recognised based on services performed in advance of billing in accordance with contract terms.

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 for following assets which are depreciated on straight line method at higher rate of depreciation than specified in schedule XIV

Computer Software - 33.33% p.a.

Office Furniture - 12.50% p.a.

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.

6. Retirement Benefits

The Provision for retirement benefits under German social Security System is made for employees from the date of their respective appointment. Company's contribution to German Social Security is charged to Profit and Loss Account. Provision is made towards Leave Encashment on yearly basis.

7. 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 recognised after considering the temporary timing differences between the accounting income and taxable income for the period. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in the future.

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) Related Parties

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

Sr. No.	Name of the Company	Country
1.	Hexaware Technologies Ltd.	India
2.	Hexaware Technologies Inc.	USA

Related Party Transaction

Sr. No.	Description and Nature of transaction	Transaction for the year 2004 (Rs.)	Closing Balance as at 31.12.2004 (Rs.)	Transaction for the year 2003 (Rs.)	Closing Balance as at 31.12.2003 (Rs.)
1.	Outsourcing/Expenses Payable	282,586,547	158,696,918	357,997,924	80,802,867
2.	Expenses Payable	21,912,552	22,655,550	NIL	NIL
3.	Expenses Payables	1,670,424	1,448,754	NIL	NIL

4) **Remuneration to Whole Time Directors**

	Current Year (Rs.)	Previous Year (Rs.)
Salaries and Allowances	NIL	NIL
Contribution to Provident and Other funds	NIL	NIL
Perquisites	NIL	NIL
Total	NIL	NIL

5) Necessary Provision for Taxation has been made as required under German tax laws for the time being in force

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

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.

	Year Ended 31.12.2004 (Rs.)	Year ended 31.12.2003 (Rs.)
CIF value of Imports	NIL	NIL
Expenditure in Foreign Currency:		
Software Development Expenses	378,371,310	406,584,754

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

Signature to Schedules 1 to 9

For **A.K. Verma & Associates,**

Chartered Accountants

Ashok K. Verma

Partner

(Membership No. 082084)

Place : Mumbai

Date : 14.01.2005

For and on behalf of the Board

Sunil Surya

(Director)

Report from Auditors of Hexaware Technologies Limited

To the Board of Directors of Hexaware Technologies Limited

1. We have performed the procedures agreed with you enumerated below with respect to translation and reformatting of the accompanying Balance Sheet of Hexaware Technologies UK Limited as at December 31, 2004, the Profit and Loss Account and also the Cash Flow Statement of the Company for the year ended on that date. Our engagement was undertaken in accordance with the Auditing and Assurance Standard on Engagements to Perform Agreed-Upon Procedures regarding Financial Information, issued by the Institute of Chartered Accountants of India. In performing the procedures, we have relied upon the financial statements in Great Britain Pound ('GBP') originally audited by the statutory auditors of the Company.
2. The financial statements in Rupee ('INR') currency have been prepared by the Company's management on the basis stated below and reformatted in accordance with the requirements of the Companies Act, 1956. The said financial statements have been approved by the Board of Directors.
 - a. All income and expenses at the average rate of exchange prevailing during the year
 - b. Assets and Liabilities at the closing rate on the Balance Sheet date
 - c. Share Capital at historical rate
 - d. The resulting exchange difference in the Balance Sheet is accumulated in 'Currency Translation Reserve'
3. In relation to the financial statements prepared by the management, the following procedures were performed by us:
 - a. Reviewing the translation of the audited financial statements from GBP into INR on the basis stated in the foregoing paragraph and
 - b. Reviewing the reformatting of the audited financial statements as per the requirements of Companies Act, 1956
4. We report that the financial statements as audited in GBP by the statutory auditors, have been translated in INR on the basis stated in paragraph 2 above and such translated financial statements are presented in accordance with the requirements of the Companies Act, 1956.
5. The above procedures do not constitute an audit and accordingly, we do not express any opinion on the financial statements.
6. This report is issued solely for the purpose of consolidation by the holding company, Hexaware Technologies Limited and to comply with the provisions of the Companies Act, 1956.

For **Deloitte Haskins & Sells**
Chartered Accountants

P. R. Barpande
Partner

Membership No. 15291

Date: 25th January, 2005
Place: Mumbai

Balance Sheet as at 31st December , 2004

Particulars	Schedule	As At		As At		As At		As At	
		31st December, 2004	31st December, 2004	31st December, 2004	31st December, 2004	31st December, 2003	31st December, 2003	31st December, 2003	31st December, 2003
		Rupees	Rupees	GBP	GBP	Rupees	Rupees	GBP	GBP
SOURCES OF FUNDS									
Share Holders' Funds :									
Share Capital	"1"	218,870,286		3,067,000		218,870,286		3,067,000	
Reserves And Surplus	"2"	(12,053,235)		—		(14,098,541)		—	
			206,817,051		3,067,000		204,771,745		3,067,000
Loan Funds :									
Unsecured Loans	"3"		—		—		53,138,387		654,122
Total			206,817,051		3,067,000		257,910,132		3,721,122
APPLICATION OF FUNDS									
Fixed Assets :									
a) Gross Block	"4"	20,225,946		240,619		18,368,977		226,194	
b) Less: Depreciation		15,604,710		185,642		16,609,071		204,523	
			4,621,236		54,977		1,759,906		21,671
A) Current Assets, Loans and Advances :									
Sundry Debtors	"5"	123,270,196		1,466,491		61,111,733		752,524	
Cash And Bank Balances		147,288,922		1,752,231		56,608,433		697,071	
Loans And Advances :		19,828,694		235,892		7,184,251		88,466	
		290,387,812		3,454,614		124,904,417		1,538,061	
Less:									
B) Current Liabilities and Provisions :									
Current Liabilities	"6"	134,316,340		1,597,902		67,113,873		826,434	
Provisions		276,032		3,284		—		—	
		134,592,372		1,601,186		67,113,873		826,434	
Net Current Assets (A-B)			155,795,440		1,853,428		57,790,544		711,627
Profit and Loss Account			46,400,375		1,158,595		198,359,682		2,987,824
Total			206,817,051		3,067,000		257,910,132		3,721,122

Significant Accounting Policies and Notes forming part of Accounts "11"

Schedules 1 to 11 form an integral part of the accounts. As per our attached Report of even date

For Deloitte Haskins & Sells,
Chartered Accountants

P. R. Barpande
Partner

Place : Mumbai
Date : 25th January, 2005

For and on behalf of the Board

Sunil Surya
(Director)

Profit and Loss Account for the Year Ended 31st December , 2004

Particulars	Schedule	For The Year Ended 31st December, 2004		For The Year Ended 31st December, 2004		For The Year Ended 31st December, 2003		For The Year Ended 31st December, 2003	
		Rupees	Rupees	GBP	GBP	Rupees	Rupees	GBP	GBP
Income									
Software and Consultancy		607,799,258		7,322,530		274,687,328		3,476,423	
Other Income	"7"	3,083,798		36,774		5,705,517		72,209	
			610,883,056		7,359,304		280,392,845		3,548,632
Expenditure									
Software and Development Expenses	"8"	228,518,709		2,753,474		74,652,224		944,793	
Employment Expenses	"9"	182,934,598		2,205,307		122,527,210		1,550,696	
Administration and Other Expenses	"10"	46,413,367		558,609		44,222,762		559,682	
Depreciation		762,120		9,179		404,256		5,117	
			458,628,794		5,526,569		241,806,452		3,060,288
Profit Before Tax		152,254,262		1,832,735		38,586,393		488,344	
Less : Provision For Tax		294,955		3,506		—		—	
Profit After Tax		151,959,307		1,829,229		38,586,393		488,344	
Add : Balance brought forward from Previous Year		(198,359,682)		(2,987,824)		(236,946,075)		(3,476,168)	
Balance carried to Balance Sheet		(46,400,375)		(1,158,595)		(198,359,682)		(2,987,824)	
Earning Per Share									
Basic And Diluted			49.55		0.60		14.97		0.19
(Refer Note No. 2.4 of schedule 11)									

Significant Accounting Policies and Notes "11" forming part of Accounts

Schedules 1 to 11 form an integral part of the accounts.
As per our attached Report of even date

For **Deloitte Haskins & Sells,**
Chartered Accountants

P. R. Barpande
Partner

Place : Mumbai
Date : 25th January, 2005

For and on behalf of the Board

Sunil Surya
(Director)

Cash Flow Statement for the Year Ended 31st December, 2004

	Current year		Previous year	
	Rupees	GBP	Rupees	GBP
A Cash Flow from operating activities				
Net (loss) before extra-ordinary items	152,254,262	1,832,735	38,586,393	488,344
Adjustments for:				
Depreciation	762,120	9,179	404,256	5,117
Loss on sale of fixed assets	443,743	5,307	—	—
Operating profit before working capital changes	153,460,125	1,847,221	38,990,649	493,461
Adjustments for:				
Trade and other receivables	(74,802,905)	(861,394)	(45,747,982)	(549,204)
Trade and other payables	58,266,365	665,378	(38,866,857)	(543,389)
Net cash from/(used in) operating activities	136,923,584	1,651,206	(45,624,190)	(599,131)
B Cash Flow from investing activities				
Additions to fixed assets	(4,661,590)	(47,792)	(133,183)	(1,640)
Net cash from investing activities	(4,661,590)	(47,792)	(133,183)	(1,640)
C Cash Flow from financing activities				
Proceeds from issue of share capital	—	—	96,836,794	1,257,000
Repayments of long term and other borrowings	(53,138,387)	(654,122)	(9,903,017)	165,446
Net cash used in financing activities	(53,138,387)	(654,122)	86,933,777	1,091,554
Net Increase in cash and cash equivalents	79,123,607	949,292	41,176,404	490,782
Cash and cash equivalents at the beginning of the year	56,608,433	697,071	15,925,454	206,288
Effect of exchange rate change on cash and cash equivalent	2,658,548	—	(493,425)	
Cash and cash equivalents at the end of the year	138,390,588	1,646,364	56,608,433	697,071

Notes:

- Components of cash and cash equivalents include cash and bank balances as stated in Schedule 5 of the Balance Sheet net of book overdraft as stated in schedule 6 of Balance Sheet.
- Interest income on bank deposits etc. and interest expense are classified as cash flow from operating activities.
- The Cash Flow Statement has been prepared in accordance with the requirements of Accounting Standard 3 "Cash Flow Statement" (AS 3) issued by the Institute of Chartered Accountants of India.

Schedules 1 to 11 form an integral part of the accounts.

As per our attached Report of even date

For **Deloitte Haskins & Sells,**
Chartered Accountants

P. R. Barpande
Partner

Place : Mumbai

Date : 25th January, 2005

For and on behalf of the Board

Sunil Surya
(Director)

Schedules to Balance Sheet

Particulars	As At 31st December, 2004		As At 31st December, 2004		As At 31st December, 2003		As At 31st December, 2003	
	Rupees	Rupees	GBP	GBP	Rupees	Rupees	GBP	GBP
SCHEDULE "1" - SHARE CAPITAL								
Authorised								
11,000,000 (11,000,000) Ordinary Shares of GBP 1 each			11,000,000					11,000,000
Issued, Subscribed and Paid-up Capital								
3,067,000 (3,067,000) Ordinary Shares of GBP 1 each (The entire Shares are held by the holding Company Hexaware Technologies Limited)	218,870,286		3,067,000		218,870,286			3,067,000
Total	218,870,286		3,067,000		218,870,286			3,067,000
SCHEDULE "2" - RESERVES AND SURPLUS								
Currency Translation Reserve								
As per last Balance Sheet	(14,098,541)		—		(13,694,727)			—
Additions /(Deductions) during the year	2,045,306		—		(403,814)			—
Total	(12,053,235)		—		(14,098,541)			—
SCHEDULE "3" - UNSECURED LOANS								
Other Loans And Advances								
From Holding Company		—		—	52,896,000			651,137
From Others		—		—	242,387			2,985
Total		—		—	53,138,387			654,122

SCHEDULE "4" - FIXED ASSETS

(Amount In Rupees)

Description of the Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As at 01.01.2004	Additions	Deductions	As at 31.12.2004	As at 01.01.2004	For the year	Deductions	As at 31.12.2004	As at 31.12.2004	As at 31.12.2003	
1 Plant & Machinery Includes Computers & Softwares	13,715,186	1,595,479	—	15,310,665	12,431,203	1,081,543	(449,519)	13,962,265	1,348,400	1,283,983	
2 Furniture & Fixtures	2,963,913	916,022	1,055,511	2,824,424	2,603,610	(639,677)	636,262	1,327,671	1,496,753	360,303	
3 Improvements to Leasehold Premises	1,689,878	2,150,089	1,749,110	2,090,857	1,574,258	320,254	1,579,738	314,774	1,776,083	115,620	
Current Year	18,368,977	4,661,590	2,804,621	20,225,946	16,609,071	762,120	1,766,481	15,604,710	4,621,236	1,759,906	
Previous Year	17,440,171	1,038,845	110,039	18,368,977	15,498,803	404,256	(706,012)	16,609,071	1,759,606		

Schedules to Balance Sheet

(Amount In GBP)

Description of the Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.01.2004	Additions	Deductions	As at 31.12.2004	As at 01.01.2004	For the year	Deductions	As at 31.12.2004	As at 31.12.2004	As at 31.12.2003
1 Plant & Machinery (Includes Computers & Softwares)	168,887	13,257	—	182,144	153,076	13,026	—	166,102	16,042	15,811
2 Furniture & Fixtures	36,497	9,661	12,557	33,601	32,061	(7,704)	8,562	15,795	17,806	4,436
3 Improvements to Leasehold Premises	20,809	24,874	20,809	24,874	19,385	3,857	19,497	3,745	21,129	1,424
Current Year	226,193	47,792	33,366	240,619	204,522	9,179	28,059	185,642	54,977	21,671
Previous Year	225,908	1,640	1,355	226,193	200,760	5,117	1,355	204,522	21,671	

Note: Exchange difference on account of translation of fixed assets into INR included under Additions/deductions is as follows:

	Gross Block	Depreciation
Plant and Machinery	148,151	(449,519)
Furniture and Fixtures	104,023	(83,360)
Improvements to Leasehold Premises	59,207	(59,137)
	<u>644,381</u>	<u>(592,017)</u>

Particulars	As At 31st December, 2004		As At 31st December, 2004		As At 31st December, 2003		As At 31st December, 2003	
	Rupees	Rupees	GBP	GBP	Rupees	Rupees	GBP	GBP
SCHEDULE "5" - CURRENT ASSETS								
Sundry Debtors								
(Unsecured Considered Good)								
Debts Outstanding for a period exceeding six months	—		—		30,945		381	
Other Debts	<u>123,270,196</u>		<u>1,466,491</u>		<u>61,080,788</u>		<u>752,143</u>	
	123,270,196		1,466,491		61,111,733		752,524	
Cash And Bank Balances								
Cash In Hand	18,286		218		30,145		371	
Balances with Non Scheduled Banks	<u>147,270,636</u>		<u>1,752,013</u>		<u>56,578,288</u>		<u>696,700</u>	
	147,288,922		1,752,231		56,608,433		697,071	
Loans and Advances								
(Unsecured - Considered Good)								
Advances recoverable in cash or in kind or for Value to be received	4,313,847		51,319		3,057,399		37,648	
Deposits	345,688		4,113		197,946		2,438	
Unbilled Services	<u>15,169,159</u>		<u>180,460</u>		<u>3,928,906</u>		<u>48,380</u>	
	19,828,694		235,892		7,184,251		88,466	
Total	290,387,812		3,454,614		124,904,417		1,538,061	

Schedules to Balance Sheet

Particulars	As At 31st December, 2004		As At 31st December, 2004		As At 31st December, 2003		As At 31st December, 2003	
	Rupees	Rupees	GBP	GBP	Rupees	Rupees	GBP	GBP
SCHEDULE "6" - CURRENT LIABILITIES AND PROVISIONS								
Current Liabilities								
Sundry Creditors								
i) Total outstanding dues to Small Scale Industrial Undertakings	—		—		—		—	
ii) Total outstanding dues to Creditors other than Small Scale Industrial Undertakings	61,394,904		730,388		42,531,585		523,730	
Other Liabilities (Other liabilities include Rs. 8,898,334, GBP 105,869 (Rs. Nil, GBP Nil) being temporary overdrawn bank balance as per books of accounts).	72,921,436		867,514		24,582,288		302,704	
		134,316,340		1,597,902		67,113,873		826,434
Provisions								
Provision For Taxation	276,032		3,284		—		—	
		276,032		3,284		—		—
Total		134,592,372		1,601,186		67,113,873		826,434

Schedules To Profit And Loss Account

Particulars	For The Year Ended 31st December, 2004		For The Year Ended 31st December, 2004		For The Year Ended 31st December, 2003		For The Year Ended 31st December, 2003	
	Rupees	Rupees	GBP	GBP	Rupees	Rupees	GBP	GBP
SCHEDULE "7" - OTHER INCOME								
Interest		1,313,925		15,714		225,969		2,860
Exchange Differences		1,618,425		19,186		5,317,415		67,297
Others		151,448		1,874		162,133		2,052
Total		3,083,798		36,774		5,705,517		72,209
SCHEDULE "8" - SOFTWARE AND DEVELOPMENT EXPENSES								
Consultant Expenses		48,161,592		578,750		—		—
Software Development Expenses		180,357,117		2,174,724		74,652,224		944,793
Total		228,518,709		2,753,474		74,652,224		944,793
SCHEDULE "9" - EMPLOYMENT EXPENSES								
Salary and other Allowances		171,394,525		2,066,183		114,813,338		1,453,069
Contribution to Provident Fund and other Funds		10,589,712		127,717		7,118,507		90,092
Staff Welfare Expenses		950,361		11,407		595,365		7,535
Total		182,934,598		2,205,307		122,527,210		1,550,696
SCHEDULE "10" - ADMINISTRATION AND OTHER EXPENSES								
Rent		5,916,648		71,148		4,823,037		61,040
Rates and Taxes		2,969,477		35,798		1,325,696		16,778
Travelling and Conveyance Expenses		17,983,789		216,503		25,535,911		323,181
Electricity Charges		284,845		3,441		274,536		3,475
Communication Expenses		4,699,539		56,644		4,345,740		54,999
Repairs and Maintenance								
Plant & Machinery		303,958		3,671		280,252		3,547
Others		642,003		7,808		367,975		4,657
		945,961		11,479		648,227		8,204
Advertisement and Publicity		2,414,917		28,857		—		—
Seminar and Conference Expenses		2,316,873		27,713		522,842		6,617
Printing and Stationery		316,811		3,822		242,437		3,068
Audit Fees		674,148		8,000		948,172		12,000
Legal and Professional Fees		5,305,829		64,057		2,909,058		36,817
Bank Interest and Other Charges		397,223		4,778		610,201		7,723
Insurance Premium		453,514		5,488		788,064		9,974
Loss on Sale of Assets (Net)		443,743		5,307		—		—
Staff Recruitment Expenses		224,725		2,741		924,603		11,702
Service Charges		290,066		3,498		39,045		494
Membership and Subscription		574,157		6,910		138,018		1,747
Miscellaneous Expenses		201,102		2,425		147,175		1,863
(Miscellaneous Expenses includes Membership and subscription Registration and Stamp Duty etc...)								
Total		46,413,367		558,609		44,222,762		559,682

SCHEDULE "11"

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS

1. Significant Accounting Policies

1.1 Basis of preparation

- i. The accompanying financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles and the applicable accounting standards issued by the Institute of Chartered Accountants of India.
- ii. The local accounts are maintained in local and functional currency, which is GB pound ('GBP'). The accounts are translated to Indian Rupees as follows -
 - a. All income and expenses are translated at the average rate of exchange prevailing during the year.
 - b. Assets and Liabilities are translated at the closing rate on the Balance Sheet date.
 - c. Share Capital is translated at historical rates.
 - d. The resulting exchange difference are accumulated in 'Currency Translation Reserve'

1.2 Use of Estimates

The preparation of the financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the period in which the results are known/materialize.

1.3 Revenue Recognition

Revenue from software development and maintenance contracts priced on a time and material basis is recognized on the basis of billable time spent by employees working on the project, priced at the contracted rate. For fixed fee engagements or projects, revenues and profits are recorded under the percentage-of-completion method based on labour 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.

1.4 Fixed Assets & Depreciation

Fixed assets are valued at cost less accumulated depreciation, amortization and impairment, if any. Cost includes all expenses incurred for acquisition of assets.

Depreciation on Fixed Assets is provided on Straight-Line method on a pro rata basis and are depreciated over their estimated useful lives as stated below (Refer note 2.8 of schedule 11): -

Asset	Estimated Useful Lives	
	From April, 2004	Till March, 2004
Furniture & Fixtures (Own & Leased)	8 years	15 years
Plant and Machinery		
- Computers & Software	3 years	3 years
- Office Equipments	5 years	20 years
Leasehold Improvement	5 years	5 years

1.5 Foreign Currency Transactions

- i) Transactions in foreign currency are recorded at the original rates of the exchange in force at the time transactions are effected. Exchange differences arising on repayment of liabilities incurred for the purpose of acquiring fixed assets are adjusted in the carrying amount of the respective fixed asset. Exchange differences arising on settlement of other transactions are recognized in the Profit and Loss Account.
- ii) Monetary items (other than those related to acquisition of fixed assets) denominated in foreign currency are restated using the exchange rates prevailing at the date of Balance Sheet and the resulting net exchange difference is recognized in the Profit and Loss Account. The exchange gain/loss arising on restatement of foreign currency liability relating to fixed assets is adjusted in the value of the related fixed assets.

1.6 Retirement Benefits

Company's contribution to National Insurance towards pension is charged to Profit and Loss Account. Provision is made towards liability for leave encashment on actual basis in accordance with the policy followed by the Company.

1.7 Borrowing costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue.

1.8 Lease

Finance Lease:

The lower of fair value of assets and present value of the minimum lease rentals is capitalised as fixed assets and the corresponding amount is shown as lease liability in accordance with Accounting Standard on "Leases", (AS 19) issued by The Institute of Chartered Accountants of India. Lease payments are apportioned between finance charge and reduction in outstanding liability.

Operating Lease:

Assets taken on lease under which all risk and rewards of ownership are effectively retained by the lessor and classified as operating lease. Lease payments under operating leases are recognized as expenses on accrual basis in accordance with the respective lease agreements.

1.9 Income Taxes

Income Taxes are accounted for in accordance with Accounting Standard 22 on "Accounting for Taxes on Income", (AS 22) issued by The Institute of Chartered Accountants of India. Tax expense comprises both current tax and deferred tax. Current tax is measured at the amount expected to be paid or recovered from the tax authorities using the applicable tax rates. Deferred tax assets and liabilities are recognized for future tax consequence attributable to timing difference between taxable income and accounting income that are measured at relevant enacted tax rates. At each Balance Sheet date the Company reassesses unrealized deferred tax assets, to the extent they become reasonably certain or virtually certain of realization, as the case may be.

1.10 Contingent Liabilities

These are disclosed by way of notes on the Balance Sheet. Provision is made in the accounts in respect of those liabilities which are likely to materialize after year end, till the finalization of accounts and have material effect on the position stated in the Balance Sheet.

1.11 Impairment of Fixed Assets

At the end of each year, the Company determines whether a provision should be made for impairment loss on fixed assets by considering the indications that an impairment loss may have occurred in accordance with Accounting standard on Impairment of assets (AS 28) issued by The Institute of Chartered Accountants of India where the recoverable amount of any fixed asset is lower than its carrying amount, a provision for impairment loss on fixed assets is made for the difference.

2. Notes to Accounts

2.1 Company Overview

Hexaware Technologies UK Ltd. (HTUK or the Company), incorporated in England and Wales, is a wholly owned subsidiary of Hexaware Technologies Limited, a foreign corporation incorporated in India, (Hexaware or the Holding Company). These accounts have been prepared and audited for the purpose of attachment to the accounts of the Holding Company to comply with the provisions of the Companies Act, 1956.

Hexaware Technologies UK Ltd. provides information technology ("IT") services and solutions to its clientele, primarily in the form of professional IT consulting services. Its technological and managerial infrastructure also provides other IT services, including client/server systems consultation and development, systems migration, re-engineering, E-commerce and maintenance services.

2.2 Related Parties Disclosures

1. Name of Related parties and description of relationship:

Holding Company	-	Hexaware Technologies Limited.
Fellow Subsidiaries	-	Hexaware Technologies Canada Limited. Specsoft Consulting Inc. Caliber Point Business Solutions Limited. Hexaware Technologies GmbH Hexaware Technologies Inc. Hexaware Technologies Asia Pacific Pte. Ltd.
Key Management Personnel	-	Sunil Surya

2.3 Related Party Transactions:

Sr. No.	Description and Nature of Transaction	Holding Company (Rupees)	Holding Company (GBP)	Fellow Subsidiary (Rupees)	Fellow Subsidiary (GBP)	Key Mgmt. Personnel (Rupees)	Key Mgmt. Personnel (GBP)	Total (Rupees)	Total (GBP)
1	Expenditure								
	Reimbursement of Costs	35,805,561 (18,362,985)	431,489 (238,029)	424,533 (1,863,307)	5,116 (24,153)	211,105 (157,609)	2,544 (2,043)	36,441,199 (20,383,902)	439,149 (264,225)
	Receiving of services	162,982,606 (74,224,635)	1,964,086 (962,132)	NIL (558,234)	NIL (7,236)	25,146,767 (11,865,873)	303,042 (153,809)	188,129,373 (86,648,742)	2,267,128 (1,123,177)
2	Recovery of Cost	275,581 (277,883)	3,321 (3,602)	2,652,003 (NIL)	31,959 (NIL)	NIL (NIL)	NIL (NIL)	2,927,584 (277,883)	35,280 (3,602)
3	Sundry Creditors								
	Balance as at 31st December	58,830,107 (32,030,535)	699,876 (394,421)	NIL (8,130,583)	NIL (100,118)	NIL (NIL)	NIL (NIL)	58,830,107 (40,161,118)	699,876 (494,539)
4	Loans given								
	Balance as at 1st January	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)
	Loan advanced during the year	NIL (NIL)	NIL (NIL)	10,860,720 (NIL)	129,202 (NIL)	NIL (NIL)	NIL (NIL)	10,860,720 (NIL)	129,202 (NIL)
	Repaid/Adjustment during the year	NIL (NIL)	NIL (NIL)	10,680,720 (NIL)	129,202 (NIL)	NIL (NIL)	NIL (NIL)	10,860,720 (NIL)	129,202 (NIL)
	Balance as at December 31	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)
5	Unsecured Loan								
	Balance as at 1st January	53,138,387 (58,958,135)	654,121 (725,996)	NIL (7,598,901)	NIL (93,571)	NIL (NIL)	NIL (NIL)	53,138,387 (67,457,036)	654,122 (819,567)
	Interest charged during the year	NIL (NIL)	NIL (NIL)	NIL (376,083)	NIL (4,631)	NIL (NIL)	NIL (NIL)	NIL (376,083)	NIL (4,631)
	Repaid/Adjustment during the year	53,138,387 (5,819,748)	654,121 (71,875)	NIL (7,974,984)	NIL (98,202)	NIL (NIL)	NIL (NIL)	53,138,387 (14,694,733)	654,122 (170,077)
	Balance as at 31st December	NIL (53,138,387)	NIL (654,122)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (NIL)	NIL (53,138,387)	NIL (654,122)

Notes : 1. Related party relationship is as identified by the Company and relied upon by the Auditors

2. Previous year figures are given in brackets.

Out of the above items transactions with fellow subsidiary in excess of 10 % of total related party transactions are as under:

Sr. No.	Description and Nature of Transaction	Fellow Subsidiary (Rupees)	Fellow Subsidiary (GBP)
1	Recovery of Cost Hexaware Technologies Inc.	2,652,003	31,959
2	Loans Given Granted / Repaid during the year Hexaware Technologies GmbH	10,860,720	129,202
3	Loans Taken Hexaware Technologies Inc Interest Charged during the year	NIL (376,083)	NIL (4,631)
	Repaid /Adjusted during the year	NIL (7,974,984)	NIL (98,202)

2.4 Earnings Per Share (EPS)

The components of basic & diluted earnings per share are as follows:

Earnings per share is calculated as follows	31st December, 2004		31st December, 2003	
	Rupees	GBP	Rupees	GBP
Net Profit as per Profit and Loss Account	151,959,307	1,829,229	38,586,393	488,344
Weighted average number of equity shares	3,067,000	3,067,000	2,578,000	2,578,000
Nominal Value of Equity shares	£ 1.00	£ 1.00	£ 1.00	£ 1.00
Earnings per share- Basic and Diluted	49.55	0.60	14.97	0.19

2.5 Remuneration to Directors

Particulars	For The Year Ended 31st December 2004		For The Year Ended 31st December 2003	
	Rupees	GBP	Rupees	GBP
Salary	20,447,530	246,412	9,440,840	122,375
Contribution to Other Funds	2,516,826	30,330	1,139,844	14,775
Perquisites	2,182,411	26,300	1,285,189	16,659
Total	25,146,767	303,042	11,865,873	153,809

Note: Current year remuneration is for two directors on a full year basis whereas in the previous year it was for one director.

2.6 Segments

Primary Segment: Business segment

Amount in GBP
Year ended December 31, 2004

	Airlines and Transportation	Banking and Financial Services	Enterprise Services and Consultancy	Others	Total
Revenue	1,066,219 (711,114)	940,789 (296,640)	2,210,915 (458,905)	3,104,608 (2,009,765)	7,322,530 (3,476,423)
Segment result-Profit/(Loss)	154,104 (44,892)	273,829 (34,171)	643,048 (100,826)	730,653 (248,354)	1,801,634 (428,243)
Less: Unallocable expenses					9,179 (5,117)
Add: Miscellaneous Income					36,774 (70,157)
Less: Interest (Net)					NIL (4,938)
Profit from Ordinary Activities					1,829,229 (488,344)
Other information:					
Segment Debtors	276,977 (246,611)	178,465 (122,554)	306,891 (124,277)	704,158 (259,083)	1,466,491 (752,524)

Amount in Rupees

	Airlines and Transportation	Banking and Financial Services	Enterprise Services and Consultancy	Others	Total
Revenue	88,500,405 (56,188,210)	78,089,227 (23,438,810)	183,514,760 (36,260,044)	257,694,864 (158,800,264)	607,799,258 (274,687,328)
Segment result-Profit/(Loss)	12,824,557 (3,530,093)	22,788,149 (2,687,030)	53,514,682 (7,928,515)	60,805,197 (19,529,666)	149,932,584 (33,675,305)
Less: Unallocable expenses					762,120 (404,256)
Add: Miscellaneous Income					3,083,798 (5,705,517)
Less: Interest (Net)					NIL (390,173)
Profit from Ordinary Activities					152,254,262 (38,586,393)
Other information:					
Segment Debtors	23,282,081 (20,026,993)	15,001,387 (9,952,504)	25,796,622 (10,092,396)	59,190,106 (21,039,840)	123,270,196 (61,111,733)

Notes:

1. The Company has identified business segment as the primary segment. Segments have been identified taking into account the nature of services, differing risks and returns, the organizational structure and the internal reporting system.
2. Assets (except debtors) and liabilities contracted have not been identified to any of the reportable segments as assets are used interchangeably between segments and it is not practicable to reasonably allocate the liabilities to individual segments. Accordingly, no disclosure relating to segment assets, except debtors, and segment liabilities are made.
3. The Company operates mainly in European markets and in the opinion of the management has only one reportable geographical segment, the results of which are disclosed in the financial statements.

2.7 Lease

Operating Lease:

The Company takes on lease office space, accommodation for its employees and vehicles under various operating leases ranging from one month to five years.

The future minimum lease payments and payment profile of operating leases are as follows:

	Total Minimum Lease Payments Outstanding as on 31st December 2004		Total Minimum Lease Payments Outstanding as on 31st December 2003	
	Rupees	GBP	Rupees	GBP
Not later than one year	6,046,184	71,927	4,923,356	60,625
Later than one year but not later than five years	20,508,791	243,978	24,473,608	301,362
	26,554,975	315,905	29,396,964	361,987

- 2.8 The Company hitherto depreciated fixed assets on straight-line method basis over the estimated useful lives given in the Note 1.4 to Schedule 11. However, the estimated useful life is revised considering physical wear and tear and obsolescence. Consequently, unamortized depreciation amount is charged over the revised remaining useful life resulting into additional charge on account of additional depreciation, which is not material.

- 2.9 Additional information pursuant to the provisions of Paragraphs 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956 (To the extent applicable).

- 1) The Company is engaged in software development and consultancy services and hence the sale and related services cannot be expressed in any generic unit. Hence, it is not possible to give quantitative details of sales and the information as required under paragraphs 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.

- 2) Expenditure in Foreign Currency:

	Rupees	GBP
Software development expenses	2,995,048 (3,142,576)	36,093 (40,735)
Other expenses	10,597,472 (4,017,267)	127,709 (52,073)

- 3) Earnings in foreign currency:

	Rupees	GBP
Income from software solutions and consulting services	106,126,822 (31,076,980)	1,278,923 (402,829)

Note: Previous year figures are given in brackets.

- 2.10 The information contained in these financial statements for the years ended December 31, 2004 and 2003 disclosed in Pound Sterling extracted from books of account locally maintained and converted into Indian Rupees as disclosed under 'Basis of preparation' stated above.

- 2.11 Previous year figures are given in brackets.

2.12 Balance Sheet Abstract & Company's General Business Profile

I. Registration Details

Registration No.: 3 6 4 7 0 0 7

State Code : [][]

Balance Sheet Date :

3 1 1 2 0 4
Date Month Year

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

Public Issue
[][][][] N I L

Right Issue
[][][][] N I L

Bonus Issue
[][][][] N I L

Private Placement
[][][][] N I L

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

Total Liabilities
[][] 3 4 1 4 0 9

Total Assets
[][] 3 4 1 4 0 9

Sources of Funds
Subscribed & Paid-up Capital
[][] 2 1 8 8 7 0

Share Application Money
[][][][] N I L

Reserves & Surplus
[][] (1 2 0 5 3)

Secured Loans
[][][][] N I L

Application of Funds
Unsecured Loans
[][][][] N I L

Net Fixed Assets
[][][][] 4 6 2 1

Investments
[][][][] N I L

Net Current Assets
[][] 1 5 5 7 9 6

Misc. Expenditure
[][][][] N I L

Accumulated Losses
[][][] 4 6 4 0 0

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

Turnover
[][] 6 1 0 8 8 3

Total Expenditure
[][] 4 5 8 6 2 9

Profit Before Tax
[][] 1 5 2 2 5 4

Profit After Tax
[][] 1 5 1 9 5 9

Earning Per Share in Rs. Basic and Diluted
[][][] 4 9 . 5 5

Dividend Rate %
[][][][] N I L

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code) [][] 8 5 2 4 9 0

Product Description
[][][] S O F T W A R E
[][][][] D E V E L O P M E N T

2.13 Previous year's figures have been regrouped or reclassified to correspond with the figures of current year.

Schedules 1 to 11 form an integral part of the accounts.
As per our attached Report of even date

For Deloitte Haskins & Sells,
Chartered Accountants

P. R. Barpande
Partner

Place : Mumbai
Date : 25th January, 2005

For and on behalf of the Board

Sunil Surya
(Director)

Report from Auditors of Hexaware Technologies Limited

To the Board of Directors of Hexaware Technologies Limited

1. We have performed the procedures agreed with you enumerated below with respect to translation and reformatting of the accompanying Balance Sheet of Hexaware Technologies Asia Pacific Pte Ltd as at October 31, 2004 and the Profit and Loss Account of the Company for the year ended on that date. Our engagement was undertaken in accordance with the Auditing and Assurance Standard on Engagements to Perform Agreed-Upon Procedures regarding Financial Information, issued by the Institute of Chartered Accountants of India. In performing the procedures, we have relied upon the financial statements in Singapore Dollars ('Sing \$') originally audited by the statutory auditors of the Company.
2. The financial statements in Rupee ('INR') currency have been prepared by the Company's management on the basis stated below and reformatted in accordance with the requirements of the Companies Act, 1956. The said financial statements have been approved by the Board of Directors.
 - a. All income and expenses at the average rate of exchange prevailing during the year
 - b. Assets and Liabilities at the closing rate on the Balance Sheet date
 - c. Share Capital at historical rate
 - d. The resulting exchange difference in the Balance Sheet is accumulated in 'Currency Translation Reserve'
3. In relation to the financial statements prepared by the management, the following procedures were performed by us:
 - a. Reviewing the translation of the audited financial statements from Sing \$ into INR on the basis stated in the foregoing paragraph and
 - b. Reviewing the reformatting of the audited financial statements as per the requirements of Companies Act, 1956.
4. We report that the financial statements as audited in Sing \$ by the statutory auditors, have been translated in INR on the basis stated in paragraph 2 above and such translated financial statements are presented in accordance with the requirements of the Companies Act, 1956.
5. The above procedures do not constitute an audit and accordingly, we do not express any opinion on the financial statements.
6. This report is issued solely for the purpose of consolidation by the holding company, Hexaware Technologies Limited and to comply with the provisions of the Companies Act, 1956.

For **Deloitte Haskins & Sells**

Chartered Accountants

P. R. Barpande

Partner

Membership No. 15291

Place : Mumbai

Date : 25th January, 2005

Balance Sheet as at 31st October, 2004

Particulars	Schedule	As At		As At		As At		As At	
		31st October, 2004	31st October, 2004	31st October, 2004	31st October, 2004	31st October, 2003	31st October, 2003	31st October, 2003	31st October, 2003
		Rupees	Rupees	Sing \$	Sing \$	Rupees	Rupees	Sing \$	Sing \$
SOURCES OF FUNDS									
Share Holders' Funds :									
Share Capital	"1"	12,476,000		500,000		12,476,000		500,000	
Reserves And Surplus	"2"	1,017,524		—		779,302		—	
			13,493,524		500,000		13,255,302		500,000
Loan Funds :									
Unsecured Loans	"3"		4,361,393		159,780		4,193,100		159,780
Total			17,854,917		659,780		17,448,402		659,780
APPLICATION OF FUNDS									
Fixed Assets :									
A) Gross Block	"4"	3,458,736		126,711		3,281,328		125,996	
B) Less: Depreciation		3,298,756		120,851		2,442,086		93,772	
C) Net Block			159,980		5,860		839,242		32,224
Deferred Tax Asset :			1,369,589		50,175		554,380		21,288
Current Assets, Loans And Advances :									
A) Sundry Debtors	"5"	25,169,590		922,090		12,416,342		476,761	
B) Cash And Bank Balances		2,541,102		93,094		4,740,425		182,022	
C) Loans And Advances :		1,248,871		45,751		1,346,923		51,719	
		28,959,563		1,060,935		18,503,690		710,502	
Less:									
Current Liabilities and Provisions :									
A) Current Liabilities	"6"	19,131,679		700,890		12,533,280		481,251	
B) Provisions		—		—		—		—	
		19,131,679		700,890		12,533,280		481,251	
Net Current Assets			9,827,884		360,045		5,970,410		229,251
Profit And Loss Account			6,497,464		243,700		10,084,370		377,017
Total			17,854,917		659,780		17,448,402		659,780

Significant Accounting Policies & "10"
Notes Forming Part Of Accounts

Schedules 1 to 10 form an integral part of the accounts.
As per our attached Report of even date

For **Deloitte Haskins & Sells,**
Chartered Accountants

P. R. Barpande
Partner

Place : Mumbai
Date : 25th January, 2005

For and on behalf of the Board

Arangannal S/o Kathamuthu
(Director)

P. K. Sridharan
(Director)

Profit and Loss Account for the year ended 31st October , 2004

Particulars	Schedule	For The Year Ended 31st October, 2004		For The Year Ended 31st October, 2004		For The Year Ended 31st October, 2003		For The Year Ended 31st October, 2003	
		Rupees	Rupees	Sing \$	Sing \$	Rupees	Rupees	Sing \$	Sing \$
Income									
Software And Consultancy		68,892,369		2,576,784		51,343,191		1,925,413	
Other Income	"7"	7,351		272		47,498		1,792	
			68,899,720		2,577,056		51,390,689		1,927,205
Expenditure									
Software and Development Expenses		28,771,455		1,075,688		21,930,035		824,641	
Employment Expenses	"8"	27,003,333		1,011,097		26,240,034		982,045	
Administration and Other Expenses	"9"	9,597,745		358,762		7,171,291		269,516	
Depreciation		721,600		27,079		949,520		35,532	
			66,094,133		2,472,626		56,290,880		2,111,734
Profit / (Loss) Before Tax			2,805,587		104,430		(4,900,191)		(184,529)
Less : Provision For Tax									
– Deferred			(781,319)		(28,887)		(214,903)		(8,110)
Profit / (Loss) After Tax			3,586,906		133,317		(4,685,288)		(176,419)
Add : Balance brought forward from previous year			(10,084,370)		(377,017)		(5,399,082)		(200,598)
Balance carried to Balance Sheet			(6,497,464)		(243,700)		(10,084,370)		(377,017)

Significant Accounting Policies & "10"
Notes Forming Part Of Accounts

Schedules 1 to 10 form an integral part of the accounts.

As per our attached Report of even date

For **Deloitte Haskins & Sells,**
Chartered Accountants

P. R. Barpande
Partner

Place : Mumbai
Date : 25th January, 2005

For and on behalf of the Board

Arangannal S/o Kathamuthu
(Director)

P. K. Sridharan
(Director)

Schedules to Balance Sheet

Particulars	As At 31st October, 2004		As At 31st October, 2004		As At 31st October, 2003		As At 31st October, 2003	
	Rupees	Rupees	Sing \$	Sing \$	Rupees	Rupees	Sing \$	Sing \$
SCHEDULE "1" - SHARE CAPITAL								
Authorised								
500,000 Ordinary Shares of S\$1 each				500,000				500,000
Issued, Subscribed And Paid-up Capital								
500,000 Ordinary Shares of S\$1 each (The entire shares are held by the holding Company Hexaware Technologies Limited)		12,476,000		500,000		12,476,000		500,000
Total		12,476,000		500,000		12,476,000		500,000
SCHEDULE "2" - RESERVES AND SURPLUS								
Currency Translation Reserve								
As Per Last Balance Sheet		779,302		—		1,336,158		—
Addition / (Deduction) During The Year		238,222		—		(556,856)		—
Total		1,017,524		—		779,302		—
SCHEDULE "3" - UNSECURED LOANS								
Other Loans and Advances								
From holding Company		4,361,393		159,780		4,193,100		159,780
Total		4,361,393		159,780		4,193,100		159,780

SCHEDULE "4" - FIXED ASSETS

(Amount In Rupees)

Description of the Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.11.2003	Additions	Deductions	As at 31.10.2004	As at 01.11.2003	For the year	Deductions	As at 31.10.2004	As at 31.10.2004	As at 31.10.2003
Plant and Machinery includes Computers & Softwares	3,067,030	167,096	—	3,234,126	2,299,889	708,340	(127,864)	3,136,093	98,033	767,141
Furniture & Fixtures	214,298	10,312	—	224,610	142,197	13,261	(7,205)	162,663	61,947	72,101
Current Year	3,281,328	177,408	—	3,458,736	2,442,086	721,601	(135,069)	3,298,756	159,980	839,242
Previous Year	3,606,763	104,014	429,449	3,281,328	1,819,106	949,520	326,539	2,442,086	839,242	

Note: Exchange difference on account of translation of fixed assets into INR included under Additions/deductions is as follows:

	Gross Block	Depreciation
Plant and Machinery	148,057	(127,864)
Furniture and fixtures	10,312	(7,205)
	158,369	(135,069)

(Amount In Sing \$)

Description of the Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.11.2003	Additions	Deductions	As at 31.10.2004	As at 01.11.2003	For the year	Deductions	As at 31.10.2004	As at 31.10.2004	As at 31.10.2003
Plant & Machinery (includes Computers and Softwares)	117,767	715	—	118,482	88,311	26,581	—	114,892	3,590	29,456
Furniture and Fixtures	8,229	—	—	8,229	5,461	498	—	5,959	2,270	2,768
Current Year	125,996	715	—	126,711	93,772	27,079	—	120,851	5,860	32,224
Previous Year	132,019	3,876	9,899	125,996	66,585	35,532	8,345	93,772	32,224	

Schedules to Balance Sheet

Particulars	As At 31st October, 2004		As At 31st October, 2004		As At 31st October, 2003		As At 31st October, 2003	
	Rupees	Rupees	Sing \$	Sing \$	Rupees	Rupees	Sing \$	Sing \$
SCHEDULE "5" - CURRENT ASSETS								
Sundry Debtors								
Unsecured								
Debts outstanding for a period exceeding six months	182,552		17,489		182,562		7,010	
Other Debts	24,987,038		904,601		14,838,091		569,751	
	<u>25,169,590</u>		<u>922,090</u>		<u>15,020,653</u>		<u>576,761</u>	
Less: Provision for Doubtful Debts	—		—		2,604,311		100,000	
	<u>25,169,590</u>		<u>922,090</u>		12,416,342		476,761	
Sundry Debtors								
Considered Good	25,169,590		922,090		12,416,342		476,761	
Considered Doubtful	—		—		2,604,311		100,000	
	<u>25,169,590</u>		<u>922,090</u>		<u>15,020,653</u>		<u>576,761</u>	
Cash And Bank Balances								
Cash In Hand	12,811		469		12,891		495	
Balances With Non Scheduled Banks								
In Fixed Deposit Accounts	1,050,814		38,497		995,473		38,224	
In Current Accounts	1,477,477		54,128		3,732,061		143,303	
	<u>2,541,102</u>		<u>93,094</u>		4,740,425		182,022	
Fixed Deposits have been pledged to the Bank as Security for Bank Guarantees. Subsequent to the year end, the Company is in Process of Cancelling the Bank Guarantees								
Loans And Advances (Unsecured - Considered Good)								
Advances Recoverable in Cash or in kind or for Value To Be Received.	158,796		5,816		590,267		22,665	
Deposits	1,090,075		39,935		756,656		29,054	
	<u>1,248,871</u>		<u>45,751</u>		<u>1,346,923</u>		<u>51,719</u>	
Total	<u><u>28,959,563</u></u>		<u><u>1,060,935</u></u>		<u><u>18,503,690</u></u>		<u><u>710,502</u></u>	
SCHEDULE "6" - CURRENT LIABILITIES AND PROVISIONS								
Current Liabilities								
Sundry Creditors								
Total outstanding dues to Small Scale Industrial Undertaking	—		—		—		—	
Total outstanding dues to Creditors other than Small Scale Industrial Undertaking	17,427,597		638,461		12,290,799		471,940	
Other Liabilities	1,704,082		62,429		242,481		9,311	
	<u>19,131,679</u>		<u>700,890</u>		<u>12,533,280</u>		<u>481,251</u>	
Total	<u><u>19,131,679</u></u>		<u><u>700,890</u></u>		<u><u>12,533,280</u></u>		<u><u>481,251</u></u>	

Schedules To Profit And Loss Account

PARTICULARS	For the year ended 31st October, 2004		For the year ended 31st October, 2004		For the year ended 31st October, 2003		For the year ended 31st October, 2003	
	Rupees	Rupees	Sing \$	Sing \$	Rupees	Rupees	Sing \$	Sing \$
SCHEDULE "7" - OTHER INCOME								
Interest		—		272		28,122		1,061
Exchange Rate Differences		7,351		—		19,376		731
Total		7,351		272		47,498		1,792
SCHEDULE "8" - EMPLOYMENT EXPENSES								
Salary and other Allowances		26,347,529		986,480		25,208,303		943,432
Contribution To Provident Fund and Other Funds		655,804		24,617		1,031,731		38,613
Total		27,003,333		1,011,097		26,240,034		982,045
SCHEDULE "9" - ADMINISTRATION AND OTHER EXPENSES								
Rent		1,031,097		38,589		1,112,233		41,634
Rates and Taxes		5,746		216		7,663		288
Travelling and Conveyance Expenses		1,593,532		59,909		533,224		20,009
Electricity Charges		47,911		1,801		36,375		1,367
Communication Expenses		652,112		24,475		919,624		34,377
Repairs and Maintenance		4,299		161		33,774		1,252
Loss on Disposal of Asset		—		—		24,055		904
Printing and Stationery		64,075		2,402		86,694		3,242
Audit Fees		270,474		10,000		198,796		7,500
Legal and Professional Fees		68,805		2,580		56,883		2,113
Seminar and Conference Expenses		151,550		5,639		517,442		19,446
Bank and Other Charges		67,643		2,520		34,789		1,311
Directors' Sitting Fees		40,205		1,500		—		—
Exchange Rate Differences		135,593		5,198		—		—
Insurance Premium		204,356		7,664		400,076		14,977
Bad Debts Written Off		5,138,496		191,543		401,983		15,170
Provision for Doubtful Debts		—		—		2,649,858		100,000
Service Charges		48,300		1,800		39,906		1,500
Membership and Subscription		44,925		1,682		38,740		1,450
Miscellaneous Expenses		28,626		1,083		79,176		2,976
Total		9,597,745		358,762		7,171,291		269,516

SCHEDULE "10"

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS

1. Significant Accounting Policies

1.1 Basis of preparation

- i. The accompanying financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles and the applicable accounting standards issued by the Institute of Chartered Accountants of India.
- ii. The local accounts are maintained in local and functional currency, which is Sing Dollar ("S \$"). The accounts are translated to Indian Rupees as follows -
 - a. All income and expenses are translated at the average rate of exchange prevailing during the year.
 - b. Assets and Liabilities are translated at the closing rate on the Balance Sheet date.
 - c. Share Capital is translated at historical rates.
 - d. The resulting exchange difference are accumulated in 'Currency Translation Reserve'

1.2 Use of Estimates

The preparation of the financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the period in which the results are known/materialize.

1.3 Revenue Recognition

Revenue from software development and maintenance contracts priced on a time and material basis is recognized on the basis of billable time spent by employees working on the project, priced at the contracted rate. For fixed fee engagements or projects, revenues and profits are recorded under the percentage-of-completion method based on labour 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.

1.4 Fixed Assets and Depreciation

Fixed assets are valued at cost less accumulated depreciation, amortization and impairment, if any. Cost includes all expenses incurred for acquisition of assets. Depreciation on Fixed Assets is provided on Straight-Line method on a pro rata basis and are depreciated over their estimated useful lives as stated below (Refer note 2.6 of schedule 10):-

Assets	Estimated Useful Lives	
	From April 2004	Till March, 2004
Furniture and Fixtures (Own & Leased)	8 years	15 years
Plant and Machinery		
– Computers and Software	3 years	3 years
– Office Equipments	5 years	20 years

1.5 Foreign Currency Transactions

- i) Transactions in foreign currency are recorded at the

original rates of the exchange in force at the time transactions are effected. Exchange differences arising on repayment of liabilities incurred for the purpose of acquiring fixed assets are adjusted in the carrying amount of the respective fixed asset. Exchange differences arising on settlement of other transactions are recognised in the Profit and Loss Account.

- ii) Monetary items (other than those related to acquisition of fixed assets) denominated in foreign currency are restated using the exchange rates prevailing at the date of Balance Sheet and the resulting net exchange difference is recognized in the Profit and Loss Account. The exchange gain/loss arising on restatement of foreign currency liability relating to fixed assets is adjusted in the value of the related fixed assets.

1.6 Retirement Benefits

Company's contribution to Central Provident Fund(CPF) is charged to Profit and Loss Account. Provision is made towards liability for leave encashment on actual basis in accordance with the policy followed by the Company.

1.7 Borrowing costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue.

1.8 Lease

Operating Lease:

Assets taken on lease under which all risk and rewards of ownership are effectively retained by the lessor and classified as operating lease. Lease payments under operating leases are recognized as expenses on accrual basis in accordance with the respective lease agreements.

1.9 Income Taxes

Income Taxes are accounted for in accordance with Accounting Standard 22 on "Accounting for Taxes on Income", (AS 22) issued by The Institute of Chartered Accountants of India. Tax expense comprises both current tax and deferred tax. Current tax is measured at the amount expected to be paid or recovered from the tax authorities using the applicable tax rates. Deferred tax assets and liabilities are recognized for future tax consequence attributable to timing difference between taxable income and accounting income that are measured at relevant enacted tax rates. At each Balance Sheet date the company reassesses unrealized deferred tax assets, to the extent they become reasonably certain or virtually certain of realization, as the case may be.

1.10 Contingent Liabilities

These are disclosed by way of notes on the Balance Sheet. Provision is made in the accounts in respect of those liabilities which are likely to materialize after year end, till the finalization of accounts and have material effect on the position stated in the Balance Sheet.

1.11 Impairment of Fixed Assets

At the end of each year, the Company determines whether a provision should be made for impairment loss on fixed assets by considering the indications that an impairment

loss may have occurred in accordance with Accounting Standard (AS 28 "Impairment of assets") issued by The Institute of Chartered Accountants of India where the recoverable amount of any fixed asset is lower than its carrying amount, a provision for impairment loss on fixed assets is made for the difference.

2. Notes to Accounts

2.1 Company Overview

Hexaware Technologies Asia Pacific Pte Ltd. (HTAPAC or the Company), incorporated in Singapore under the laws The Companies Act, is a wholly owned subsidiary of Hexaware Technologies Limited, a foreign corporation incorporated in India. (Hexaware or the Holding Company). These accounts have been prepared and audited for the purpose of attachment to the accounts of the Holding Company to comply with the provisions of the Companies Act, 1956.

Hexaware Technologies Asia Pacific Pte Ltd. provides information technology ("IT") services and solutions to its clientele, primarily in the form of professional IT consulting services. Its technological and managerial infrastructure also provides other IT services, including client/server systems consultation and development, systems migration, re-engineering, E-commerce and maintenance services.

2.2 Deferred tax assets

Breakup of Deferred tax asset is as under:

Sr. No.	Particulars	31st October, 2004		31st October, 2003	
		Rupees	Sing \$	Rupees	Sing \$
	Deferred Tax Asset				
1	Depreciation	662,070	24,255	558,547	21,448
2	Losses carry forward	707,519	25,920	—	—
	Deferred Tax Liability				
1	Others	—	—	(4,167)	(160)
	Net Deferred Tax Asset	1,369,589	50,175	554,380	21,288

2.3 Earning Per Share (EPS)

The components of basic earnings per share were as follows:

Earnings per share is calculated as follows	31st October, 2004		31st October, 2003	
	Rupees	Sing \$	Rupees	Sing \$
Net Profit/(Loss) as per Profit and Loss Account	3,586,906	133,317	(4,685,288)	(176,419)
Weighted average number of equity shares	500,000	500,000	500,000	500,000
Nominal Value of Equity shares	S \$ 1/-	S \$ 1/-	S \$ 1/-	S \$ 1/-
Basic Earnings per share	7.17	0.27	(9.37)	(0.35)

2.4 Remuneration to Directors

Particulars	For the year ended 31st October 2004		For the year ended 31st October 2003	
	Rupees	Sing \$	Rupees	Sing \$
Salary	1,724,535	64,516	3,065,467	115,000
Contribution to Other Funds	123,280	4,612	302,282	11,340
Perquisites	356,850	13,350	653,078	24,500
Total	2,204,665	82,478	4,020,827	150,840

Note: Current year's remuneration to a director is for part year whereas in the previous year it is for full year.

2.5 Lease

Operating Lease:

The Company takes on lease office space and accommodation for its employees and Director under various operating leases ranging from one month to five years.

The future minimum lease payments and payment profile of operating leases are as follows:

	Total Minimum Lease Payments Outstanding as on 31st October 2004		Total Minimum Lease Payments Outstanding as on 31st October 2003	
	Rupees	Sing \$	Rupees	Sing \$
Not later than one year	383,074	14,032	1,833,063	67,096
Later than one year but not later than five years	—	—	880,797	32,240
	383,074	14,032	2,713,860	99,536

2.6 The Company hitherto depreciated fixed assets on straight-line method basis over the estimated useful lives given in the Note 1.4 to Schedule 10. However, the estimated useful life is revised considering physical wear and tear and obsolescence. Consequently, unamortized depreciation amount is charged over the revised remaining useful life resulting into additional charge on account of additional depreciation, which is not material.

2.7 Additional information pursuant to the provisions of Paragraphs 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956 (To the extent applicable).

1) The Company is engaged in software development and consultancy services and hence the sale and related services cannot be expressed in any generic unit. Hence, it is not possible to give quantitative details of sales and the information as required under paragraphs 3,4C and 4D of part II of Schedule VI to the Companies Act, 1956.

2) Expenditure in Foreign Currency : NIL

3) Earnings in Foreign Currency:

	Rupees	Sing \$
Income from software solution and consulting services	42,417,221 (11,471,928)	1,586,533 (430,207)

Note: Previous year figures are given in brackets.

2.8 The information contained in these financial statements for the years ended October 31, 2004 and 2003 disclosed in S \$ is extracted from books of account locally maintained and converted into Indian Rupees as disclosed under 'Basis of preparation' stated above. Such disclosures in S \$ are only for additional information.

2.9 Balance Sheet Abstract & Company's General Business Profile

I. Registration Details

Business No.:
State Code :

Balance Sheet Date :
Date Month Year

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

Public Issue	<input type="text"/>	Right Issue	<input type="text"/>
Bonus Issue	<input type="text"/>	Private Placement	<input type="text"/>
	<input type="text"/>		<input type="text"/>

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

	Total Liabilities	Total Assets
Sources of Funds	<input type="text"/>	<input type="text"/>
	Subscribed & Paid-up Capital	Share Application Money
	<input type="text"/>	<input type="text"/>
	Reserves & Surplus	Secured Loans
	<input type="text"/>	<input type="text"/>
Application of Funds	Unsecured Loans	Investments
	<input type="text"/>	<input type="text"/>
	Net Fixed Assets	Deferred Tax Assets
	<input type="text"/>	<input type="text"/>
	Net Current Assets	
	<input type="text"/>	
	Accumulated Losses	
	<input type="text"/>	

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

Turnover	<input type="text"/>	Total Expenditure	<input type="text"/>
Profit Before Tax	<input type="text"/>	Profit After Tax	<input type="text"/>
Earning Per Share in Rs.	<input type="text"/>	Dividend Rate %	<input type="text"/>
	<input type="text"/>		<input type="text"/>

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)
Product Description

2.10 Figures for previous accounting year have been regrouped/rearranged wherever necessary to correspond with the figures of current year.

Schedules 1 to 10 form an integral part of the accounts.
As per our attached Report of even date

For **Deloitte Haskins & Sells,**
Chartered Accountants

P. R. Barpande
Partner

Place : Mumbai
Date : 25th January, 2005

For and on behalf of the Board

Arangannal s/o kathamuthu
(Director)

P K Sridharan
(Director)

Directors' Report

To,

The Members of Caliber Point Business Solutions Limited

The Directors are pleased to present their First Annual Report on the business and operations of Caliber Point Business Solutions Limited (hereafter referred to as ("Caliber Point") for the period 14th May, 2004 to 31st December, 2004.

Financial Highlights:

Year ended 31st December 2004	Rs. in lacs
Income from Operations	558.14
Other Income	0.34
Total Income from Operations	558.48
Profit before Depreciation & Tax	186.64
Less: Depreciation	47.04
Profit before taxation	139.60
Less: Provision for taxation	7.08
Net Profit after tax	132.52
Appropriation :	
Balance carried to Balance Sheet	132.52

RESULTS OF OPERATIONS

Your Company was incorporated on the 14th May, 2004 and began operations from the 23rd August 2004. The Company in its first year of operations performed exceedingly well and registered a total income of Rs. 558.14 lacs and a Net profit of Rs. 132.52 lacs.

The Company started its operations with a new facility operating on a 3 shift basis at Millennium Business Park, Mahape, Navi Mumbai. This facility has a capacity of up to 700 seats and can accommodate over 2000 employees.

The Company has purchased this facility from MIDC admeasuring over 60,000 sq. feet from a long term perspective with primarily funding from Banks and partly by equity funding from the parent company.

The Company invested Rs. 1291.96 lacs in building, equipments, computers, software, furniture and fixtures etc.

Auditors

Our statutory Auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants, Mumbai retire at the ensuing Annual General Meeting and are eligible for re-appointment.

Prospects

Caliber Point is strongly poised to leverage its existing strengths to emerge as a leader in the Indian BPO industry. With strong backing

from its parent company - Hexaware Technologies, a clear focus on lucrative BPO domains including Healthcare and HR, world class processes, a robust offshore service delivery model, strong domain expertise, state-of-the-art infrastructure and a go-to-market strategy in place, your company has a strong chance of capturing large market shares in our target market segments and creating value for our Investors, customers and employees.

Quality

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

An aggressive process management program and a focused 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 customer's 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 has just started with the initiation of ISO 9001:2000 certification to be assessed in the next year followed by BS7799 certification for information security.

Human Capital Management

Your Company's Human Capital Management (HCM) philosophy can be summed in a nutshell - Attract, Retain and Develop. We currently have an attrition rate of 9.5% one of the lowest in the BPO industry. Some of the salient features of our HCM practices are:-

- State-of-the-art infrastructure equipped with latest training facilities
- Teaming up with various institutes for education and professional local courses
- Internal Job posting program to best utilize our in house talent.
- Employee Satisfaction Surveys to manage employee satisfaction
- Staggered working hours/shifts for HCM to cater to the 24x7 organisation
- Consistent communication through Notice Boards, Intranet & Management meetings.

Corporate governance and Management Discussion and Analysis

Your Company has been practicing the principles of good corporate governance. 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.

Directors' responsibility statement

As required under Section 217(2AA) of the Companies Act, 1956, your Directors' of the Company 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.

Fixed deposits

During the year under review, your Company did not accept or invite any deposits from the public, and as such, no amount of principal or interest was outstanding as on the Balance Sheet date.

Managerial remuneration

During 2004, the managerial remuneration paid to Mr. Ashok S.

Bildikar - President & Executive Director was Rs. 11,57,130 (Rupees Eleven lacs fifty seven thousand one hundred thirty 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 to and forms part of this Report.

Employees

Information as per section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is annexed to and forms part of this Report.

Acknowledgment

Your directors thank all customers, vendors, bankers for their continued support of your Company's growth. Your directors place on record their appreciation of the contribution made by the employees 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 various agencies like STPI, Customs, MIDC 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

Ashok S. Bildikar

President & Executive Director

Place : Navi Mumbai

Date : 25th January, 2005

Annexure to Directors' Report

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 operations of the Company are not energy-intensive. However, the Company makes evaluation on a continuous basis to explore new technologies and techniques to make the infrastructure more energy efficient.

TECHNOLOGY ABSORPTION:

Caliber Point has made substantial investments in the following technology infrastructure:-

- Fibre optic Technology for the backbone of Local area Network.
- Gigabit UTP Network.
- Layer 3 Network with 3 Com Products
- Dell Intel Xeon Servers
- 2 Mbps Internet from MCI and Satyam.
- Network Security using Stonegate Firewall and IDS.
- Tata Honeywell CCTV

RESEARCH & DEVELOPMENT :

Research & development is a continuous process in Caliber Point. A number of tools are developed in house to complete the various projects in the healthcare, finance and other segments.

The various tools currently in use are listed as follows :-

- Pro TraK which handles complete end to end tracking of transactions
- AllocateX which handles automatic work allocation
- iClaim is a complete customizable tool for healthcare projects with high speed and accuracy
- FeTCH is a completely automated FTP transaction tool.
- UniVIEW is online reports viewer and project status monitor for the end client.

Caliber Point has also developed state-of-art systems to streamline its day-to-day operations by effective use of Intranet.

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

Ashok S. Bildikar

President & Executive Director

Place : Navi Mumbai

Date : 25th Janaury, 2005

Particulars of employees pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors Report for the period ended 31st December, 2004

Name of the Employee	Age	Designation	Gross Remuneration (Rs.)	Qualification	Date of Commencement of Employment	Experience No. of Years	Last Employment held & Period (years)	Designation
Mr. Ashok S. Bildikar	47	President & Executive Director	11,57,130	B.Sc., MMS (PG)	01-Aug-2004	27 Years	Hexaware Technologies Limited - 3 years & 4 months	Senior Vice President

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. Mr. Ashok Bildikar is President and Executive Director of the Company.

For and on behalf of the Board of Directors

Ashok S. Bildikar

President & Executive Director

Place : Navi Mumbai

Date : 25th January, 2005

Auditors' Report

To the Shareholders of Caliber Point Business Solutions Limited

1. We have audited the attached Balance Sheet of Caliber Point Business Solutions Limited, as at 31st December, 2004, the Profit and Loss Account and also the Cash Flow Statement for the period from 14th May, 2004 to 31st December, 2004 annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 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 purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e) On the basis of the written representations received from the directors as on 31st December, 2004 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st December 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - 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 accounting policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2004;
 - ii) in the case of the Profit and Loss Account, of the profit for the period from 14th May, 2004 to 31st December, 2004; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the period from 14th May, 2004 to 31st December, 2004.

For **Deloitte Haskins & Sells**
Chartered Accountants

P. R. Barpande
Partner

Membership No. 15291

Place : Mumbai

Dated : 25th January 2005

Annexure to the Auditors' Report

Re: Caliber Point Business Solutions Limited

Referred to in Paragraph 3 of our report of even date

- i) The nature of the Company's business /activities during the period have been such that clauses (ii), (vii), (viii), (x), (xiii) and (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company for the period.
- ii) In respect of its fixed assets:
- a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) As per information and explanation given to us, physical verification of fixed assets was carried out by the management during the period and no material discrepancies were noticed by the management on such verification. In our opinion, the frequency of verification is reasonable.
- c) The Company has not disposed off a substantial part of fixed assets during the period.
- iii) The Company has not granted/taken any loans to or from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Accordingly, sub clause (a), (b), (c), (d), (e), (f) and (g) are not applicable to the Company.
- iv) In our opinion, and according to the information and explanations given to us, there is an internal control system commensurate with the size of the Company and nature of its business for purchase of fixed assets and sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. During the course of our audit we have not observed any continuing failure to correct major weaknesses in internal controls.
- v) a) According to the information and explanation given to us, we are of the opinion that the transactions that need to be entered into the Register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- b) According to the information and explanations given to us, there are no transactions, which are in excess of Rs. 5 lakhs in respect of each party covered under section 301 of the Companies Act, 1956. Hence, clause (v) (b) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 is not applicable.
- vi) The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sec 58A, 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 1975 with regard to the deposits accepted from the public are not applicable to the Company.
- vii) a) The Company has generally been regular in depositing with the appropriate authorities, undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Custom duty, cess and any other material statutory dues applicable to it.
- b) According to the information and explanation given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, custom duty and cess were in arrears, as at 31st December, 2004 for a period of more than six months from the date they became payable.
- c) According to information and explanations given to us there are no dues of sales tax, income tax, customs duty, wealth tax and cess, which have not been deposited with the appropriate authorities on account of any dispute.
- viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.
- ix) According to the information and explanations given to us, the Company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and hence clause 4(xii) is not applicable.
- x) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xi) To the best of our knowledge and belief and according to the information and explanations given to us, the term loan availed by the Company was, prima facie, applied by the Company, during the year, for the purpose for which it was obtained.
- xii) According to information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the no funds raised on short term basis have prima-facie been used during the period for long term investment.
- xiii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- xiv) The Company has not issued any debentures during the period, hence the question of creation of security or charge in respect of debentures issued does not arise.
- xv) The Company has not raised any money by way of public issues during the period.
- xvi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the period.

For **Deloitte Haskins & Sells**
Chartered Accountants

P. R. Barpande
Partner

Membership No. 15291

Place : Mumbai

Dated : 25th January 2005

Balance Sheet as at 31st December, 2004

Particulars	Schedule	As At 31st December, 2004	
		Rupees	Rupees
SOURCES OF FUNDS			
Share Holders' Funds :			
A) Share Capital	"1"	69,000,000	
B) Share Application Money		5,000,000	
C) Reserves and Surplus	"2"	13,252,352	
			87,252,352
Loan Funds :			
Secured Loans	"3"		30,000,000
Deferred Tax Liability			
(Refer note 2.8 to Schedule 10)			678,009
			<u>117,930,361</u>
APPLICATION OF FUNDS			
1. Fixed Assets :			
A) Gross Block	"4"	129,196,645	
B) Less: Depreciation		4,704,124	
		124,492,521	
Capital Work-in-Progress		8,163,587	
			132,656,108
2. A) Current Assets, Loans and Advances :			
i) Sundry Debtors	"5"	17,267,692	
ii) Cash and Bank Balances		9,090,358	
iii) Loans and Advances :		3,198,776	
		29,556,826	
Less:			
B) Current Liabilities And Provisions :			
i) Current Liabilities	"6"	43,258,368	
ii) Provisions		1,024,205	
		44,282,573	
Net Current Assets (A-B)			<u>(14,725,747)</u>
			<u>117,930,361</u>
Significant Accounting Policies and notes forming part of accounts	"10"		

Schedule 1 to 10 form an integral part of the accounts.

As per our attached report of even date.

For **Deloitte Haskins & Sells,**
Chartered Accountants

P. R. Barpande
Partner

Place : Navi Mumbai
Date : 25th January, 2005

For and on behalf of the Board

L. S. Sarma
(Chairman)

Ashok S. Bildkar
(President & Executive Director)

S. Doreswamy
(Director)

Shyam J. Mansukhani
(GM - Finance & Company Secretary)

H. P. Nag Chowdhury
(Director)

Profit and Loss Account for the period ended 31st December, 2004

Particulars	Schedule	For the period ended 31st December, 2004	
		Rupees	Rupees
INCOME			
Income from Operations		55,814,315	
Other Income	"7"	33,689	
			55,848,004
EXPENDITURE			
Employment Expenses	"8"	19,887,686	
Administration and other Expenses	"9"	17,173,573	
Interest on Term Loan		122,260	
Depreciation		4,704,124	
			41,887,643
PROFIT FOR THE PERIOD			13,960,361
Provision for Tax			
– Current Income Tax		23,000	
– Deferred Tax		678,009	
(Refer note 2.8 to Schedule 10)			
Wealth Tax		7,000	
			708,009
BALANCE CARRIED TO BALANCE SHEET			13,252,352
Earning per Share (refer note 2.4 of Schedule 10)			
– Basic			5.35
– Diluted			4.45
Significant Accounting Policies and Notes Forming Part Of Accounts	"10"		

Schedule 1 to 10 form an integral part of the accounts.

As per our attached report of even date.

For **Deloitte Haskins & Sells,**
Chartered Accountants

P. R. Barpande
Partner

Place : Navi Mumbai
Date : 25th January, 2005

For and on behalf of the Board

L. S. Sarma
(Chairman)

Ashok S. Bildkar
(President & Executive Director)

S. Doreswamy
(Director)

Shyam J. Mansukhani
(GM - Finance & Company Secretary)

H. P. Nag Chowdhury
(Director)

Cash Flow Statement for the Period Ended 31st December, 2004

	Year Ended 31st December, 2004	
	Rupees	Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax		13,960,361
Adjustments for		
Depreciation	4,704,124	
Interest Expenses	122,260	
Interest on deposit	(23,089)	
		4,803,295
Operating profit before working capital changes		18,763,656
Adjustments for		
Sundry Debtors	(17,267,692)	
Loans & Advances	(3,198,776)	
Current Liabilities & Provisions	44,252,573	
		23,786,105
NET CASH FROM OPERATIONS		42,549,761
Add :-		
Interest on deposit		23,089
		42,572,850
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets		(137,360,232)
NET CASH USED IN INVESTING ACTIVITIES		(137,360,232)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	69,000,000	
Proceeds from share application money	5,000,000	
Proceeds from long term borrowings	30,000,000	
Interest paid	(122,260)	
		103,877,740
NET CASH FROM FINANCING ACTIVITIES		9,090,358
Cash and Cash Equivalents as at 14th May, 2004		—
Cash and Cash Equivalents as on 31st December, 2004	9,090,358	9,090,358

- Notes :
- 1 The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard-3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
 - 2 Purchase of Fixed Assets includes Capital Work-in-Progress and considered as part of Investing Activities
 - 3 Interest on Deposits is considered as Cash Flow from Operating Activities
 - 4 Cash & Cash Equivalents include Cash & Bank balances in Current & Deposit accounts.

As per our attached report of even date.

For **Deloitte Haskins & Sells,**
Chartered Accountants

P. R. Barpande
Partner

Place : Navi Mumbai
Date : 25th January, 2005

For and on behalf of the Board

L. S. Sarma
(Chairman)

Ashok S. Bildikar
(President & Executive Director)

S. Doreswamy
(Director)

Shyam J. Mansukhani
(GM - Finance & Company Secretary)

H. P. Nag Chowdhury
(Director)

Schedules to Balance Sheet

Particulars	As At 31st December, 2004 Rupees
SCHEDULE "1" — SHARE CAPITAL	
AUTHORISED	
1,00,00,000 Equity Shares of Rs. 10/- each.	<u>100,000,000</u>
	<u>100,000,000</u>
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	
69,00,000 Equity Shares of Rs.10/- each Fully Paid Up (The entire capital is held by the holding company Hexaware Technologies Limited and its nominees)	<u>69,000,000</u>
	<u>69,000,000</u>
SCHEDULE "2" - RESERVES AND SURPLUS	
Surplus In Profit And Loss Account	<u>13,252,352</u>
	<u>13,252,352</u>
SCHEDULE "3" - SECURED LOANS	
FROM BANKS	
Term Loan from a Bank (To be secured by Equitable mortgage of premises of the Company located at Navi Mumbai. The said loan is also secured by guarantee issued by Hexaware Technologies Limited, the holding company)	<u>30,000,000</u>
	<u>30,000,000</u>

SCHEDULE "4" - FIXED ASSETS

(Amount in Rupees)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK
	Additions	Deductions	As At 31.12.2004	For The Period	Deductions	As At 31.12.2004	As At 31.12.2004
Building *	74,782,500	—	74,782,500	16,698	—	16,698	74,765,802
Plant & Machinery	28,574,336	—	28,574,336	2,819,685	—	2,819,685	25,754,651
Furniture, Fixtures & Office Equipment	23,549,764	—	23,549,764	1,680,219	—	1,680,219	21,869,545
Vehicles	2,290,045	—	2,290,045	187,522	—	187,522	2,102,523
TOTAL	129,196,645	—	129,196,645	4,704,124	—	4,704,124	124,492,521
Capital Work In Progress							8,163,587

* The building is allotted by MIDC and total purchase cost being the premium is paid/payable in accordance with the terms agreed with MIDC. The final agreement on payment of the full amount is being executed. (Refer Schedule 6).
Capital Work in Progress is in respect of furnishing of building and includes advances.

Schedules to Balance Sheet

Particulars	As At 31st December, 2004	
	Rupees	Rupees
SCHEDULE "5" - CURRENT ASSETS		
Sundry Debtors (Unsecured - Considered Good)		
Due over Six Months	—	
Others	17,267,692	
		17,267,692
Cash And Bank Balances		
Cash In Hand	31,544	
Balances With Scheduled Banks In Current Accounts (including in Exchange Earners Foreign Currency Account Rs. 5,943,486/-)	8,241,353	
In Fixed Deposit Accounts (including interest accrued Rs. 23,089/-)	817,461	
		9,090,358
LOANS AND ADVANCES (UNSECURED - CONSIDERED GOOD)		
Advances Recoverable In Cash Or In Kind Or For Value To Be Received.	2,475,592	
Deposits	696,667	
Advance Tax (Tax Deducted At Source)	26,517	
		3,198,776
Note : Loans & Advances Include Rs. Nil due from a Director of the Company (Maximum balance outstanding during the year Rs. 368,636/-). The said loan was given by Hexaware Technologies Limited, the holding company when he was an employee with the said company, which was transferred to the Company on his transfer to the Company as a director)		
		29,556,826
SCHEDULE "6" - CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors *		
– Total outstanding dues to small scale undertakings	—	
– Total outstanding dues to creditors other than small scale undertakings	39,990,132	
	39,990,132	
Other Liabilities	3,268,236	
		43,258,368
Provisions		
– For Gratuity	500,000	
– For Leave Encashment	494,205	
– For Taxation	30,000	
		1,024,205
		44,282,573

Note : Sundry Creditors include Rs. 37,391,250/- being amount payable towards premises (refer schedule 4) which has been paid subsequently.

Schedules to Profit and Loss Account

Particulars	For the year Ended 31st December, 2004	
	Rupees	Rupees
SCHEDULE "7" - OTHER INCOME		
Interest on Deposit (Tax Deducted at source Rs. 4,828/-)		23,089
Miscellaneous Income		10,600
		<u>33,689</u>
SCHEDULE "8" - EMPLOYMENT EXPENSES		
Salary and other Allowances * (Includes reimbursed Rs. 1,522,987/-)		16,171,183
Contribution to Provident and other Funds		1,438,096
Staff Welfare Expenses		2,278,407
		<u>19,887,686</u>
* (Net of Recoveries Rs. 3,823,768/-)		
SCHEDULE "9" - ADMINISTRATION AND OTHER EXPENSES		
Rent		3,658,900
Rates & Taxes		37,306
Travelling and Conveyance Expenses		2,428,432
Electricity Charges		1,710,922
Communication Expenses		3,643,990
Repairs and Maintenance		
Plant & Machinery	33,060	
Others	53,542	
		<u>86,602</u>
Printing and Stationery		333,659
Auditors' Remuneration		
Audit Fees	220,400	
Certification Fees	8,265	
		<u>228,665</u>
Legal and Professional Fees		45,348
Consulting Fees - Personnel Deputation		853,221
Seminar and Conference Expenses		162,174
Bank and Other Charges		496,676
Exchange Rate Differences		999,499
Preliminary Expenses written off		42,080
Directors' Sitting Fees		40,000
Stamp Duty and Filing Fees		973,281
Insurance		174,237
Miscellaneous Expenses		1,258,581
		<u>17,173,573</u>

Note : Miscellaneous Expenses includes Registrar & Share Transfer Expenses, Staff Recruitment Expenses, Service Charges, Membership & Subscription etc.

SCHEDULE "10" : SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS

1. Significant Accounting Policies :-

1.1 Basis of preparation:

The accompanying financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles, the provisions of the Companies Act, 1956 and the applicable accounting standards issued by the Institute of Chartered Accountants of India.

1.2. Use of Estimates :-

The preparation of the financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognised in the period in which the results are known/materialise.

1.3 Revenue Recognition:

- a) The Company's revenue arises from unit-priced contracts and engagement services. Such revenue is recognized on completion of the related services and is billed in accordance with the specific terms of the contract with the client.
- b) Revenue from per incident services is based on the performance of specific criteria at contracted rates.

1.4. Fixed Assets & Depreciation :

Fixed assets are valued at cost less accumulated depreciation and they are stated at Historical cost.

Depreciation on Fixed Assets is provided on Straight-Line Method on a pro rata basis as per the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956 except in the following cases where the assets are depreciated over their estimated useful lives as stated below :-

Asset	Estimated Useful Lives
Plant & Machinery – Machinery	3 Years
– Electrical Equipments	8 Years
Furniture, Fixtures & Office Equipment – Furniture & Fixtures	8 Years
– Office Equipment	5 Years
Vehicles	4 Years

1.5. Foreign Currency Transactions:

- i) Transactions in foreign currency are recorded at the original rates of the exchange in force at the time transactions are effected. Exchange differences arising on repayment of liabilities incurred for the purpose of acquiring fixed assets are adjusted in the carrying amount of the respective fixed asset. Exchange differences arising on settlement of other transactions are recognized in the Profit and Loss Account.
- ii) Monetary items (other than those related to acquisition of fixed assets) denominated in foreign currency are restated using the exchange rates prevailing at the date of Balance Sheet and the resulting net exchange difference is recognized in the Profit and Loss Account. The exchange gain/loss arising on restatement of foreign currency liability relating to fixed assets is adjusted in the value of the related fixed assets.

1.6. Retirement Benefits:

- i) Company's contribution to Provident Fund, Superannuation Fund and other fund is charged to Profit and Loss Account.
- ii) Provision is made towards liability for leave encashment on actual basis in accordance with the policy followed by the Company.
- iii) The liability in respect of Gratuity is charged to revenue based on actuarial valuation at the year end.

1.7 Borrowing costs :

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue.

1.8 Income Taxes :

Income Taxes are accounted for in accordance with Accounting Standard 22 on "Accounting for Taxes on Income", (AS 22) issued by The Institute of Chartered Accountants of India. Tax expense comprises both current tax and deferred tax. Current tax is measured at the amount expected to be paid or recovered from the tax authorities using the applicable tax rates. Deferred tax assets and liabilities are recognised for future tax consequence attributable to timing difference between taxable income and accounting income that are measured at relevant enacted tax rates. At each Balance Sheet date the Company reassesses unrealised deferred tax assets, to the extent they become reasonably certain or virtually certain of realization, as the case may be.

1.9 Impairment of Fixed Assets:

At the end of each year, the Company determines whether a provision should be made for impairment loss on Fixed assets by considering the indication that a impairment loss may have occurred in accordance with the requirements of Accounting Standard 28 on "Impairment of Assets", (AS 28) issued by The Institute of Chartered Accountants of India where the recoverable amount of any Fixed Asset is lower than its carrying amount, a provision for impairment loss of such assets is made for the difference.

1.10 Contingent Liabilities :-

These are disclosed by way of notes on the Balance Sheet. Provision is made in the accounts in respect of those liabilities which are likely to materialise after year end, till the finalization of accounts and have material effect on the position stated in the Balance Sheet.

2 Notes to Accounts :-

2.1 Company Overview :

The Company is engaged in business process management, transitioning services and customer contact services. The Company was incorporated on the 14th of May, 2004 and the accounts are for the period 14th May, 2004 to 31st December, 2004. Accordingly previous year figures have not been given since this is the first period of operations of the Company.

2.2 Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) Rs. 15,418,886/-

2.3 Related Parties Disclosures

a) Name of Related parties and description of relationship :-

Holding Company - Hexaware Technologies Limited, India

Fellow Subsidiary - Hexaware Technologies Inc., USA

Key Management Personnel - Mr. Ashok S. Bildikar, President & Executive Director

b) Related Party Transaction

Sr. No.	Description and Nature of Transaction	Holding Company (Rs.)	Fellow Subsidiary (Rs.)	Key Management Personnel (Rs.)
1	Fixed Assets Purchased	2,206,411	255,786	—
2	Net liabilities transferred during the year	2,184,430	—	—
3	Reimbursement of costs	—	2,029,289	—
4	Recovery of expenses	4,310,069	—	—
5	Receiving of services & reimbursements of expenses	—	—	1,241,815
6	Sales	941,100	18,953,229	—
7	Receivable	—	5,602,096	—
8	Payable	672,441	807,412	—
9	Guarantees on behalf of the Company	30,000,000	—	—
10	Share Capital issued during the year	68,999,400	—	—
11	Share application money received	5,000,000	—	—
12	Repayment of loan	—	—	368,636

2.4 Earnings Per Share (EPS):

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

	Current Period (Rs.)
Net Profit as per Profit and Loss Account (Rupees)	13,252,352
Weighted Average of number of Equity shares Outstanding:	
Basic	2,478,664
Add : Share Application money	500,000
Diluted	2,978,664
Nominal Value of Equity shares (Rupees)	10.00
Earnings Per Share (Rupees)	
Basic	5.35
Diluted	4.45

2.5 Remuneration to a Whole time Director :-

Particulars	Current Period (Rs.)
– Salaries and allowances	1,050,180
– Contribution to Provident and Other funds	93,150
– Perquisites	13,800
Total	<u>1,157,130</u>

2.6 Additional information pursuant to the provisions of Paragraphs 3,4C and 4D of Part II of Schedule VI of the Companies Act, 1956 (To the extent applicable).

- a) The Company is engaged in business process management, transitioning services and customer contact services and hence the sale and related services cannot be expressed in any generic unit. Hence, it is not possible to give quantitative details of sales and the information as required under paragraphs 3,4C and 4D of part II of Schedule VI to the Companies Act, 1956.
- b) CIF value of Imports : Capital Goods 24,574,289
- c) Expenditure in Foreign Currency :
i) Foreign Travelling Expenses 164,998
ii) Communication Expenses 859,995
iii) Administrative & Other Expenses 1,628,012
- d) Earnings in Foreign Currency : Income from Business Process Outsourcing Services 37,283,670

2.7 Balance Sheet Abstract & Company's General Business Profile

I. Registration Details

Registration No.: U 72900 MH 2004 PLC VB 146322

State Code :

1 1

Balance Sheet Date :

3 1 1 2 0 4

Date Month Year
Right Issue

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

Public Issue
N I L

Bonus Issue

N I L

N I L

Private Placement*

6 9 0 0 0

* Equity Capital of the Company

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

Sources of Funds
Total Liabilities
1 6 2 2 1 3
Subscribed & Paid-up Capital

6 9 0 0 0

Reserves & Surplus

1 3 2 5 2

Unsecured Loans

N I L

Application of Funds

Net Fixed Assets

1 3 2 6 5 6

Net Current Assets

- 1 4 7 2 6

Accumulated Losses

N I L

Total Assets
1 6 2 2 1 3
Share Application Money

5 0 0 0

Secured Loans

3 0 0 0 0

Deferred Tax Liability

6 7 8

Investments

N I L

Misc. Expenditure

N I L

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

Turnover
5 5 8 4 8

Profit Before Tax

1 3 9 6 0

Earning Per Share in Rs.

B A S I C 5 . 3 5

D I L U T E D 4 . 4 5

Total Expenditure
4 1 8 8 7

Profit After Tax

1 3 2 5 2

Dividend Rate %

-

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)

Product Description

B U S I N E S S P R O C E S S

O U T S O U R C I N G

* Allotment of Equity Shares to Hexaware Technologies Ltd and its nominees

2.8 Provision for current income tax is made for Minimum Alternate Tax in accordance with Section 115JB of the Income Tax Act, 1961 considering the exemptions available u/s 10 A of the said Act. Deferred tax liability of Rs. 678,009 has been provided on timing differences related to fixed assets in accordance with AS-22 "Accounting for Taxes on Income" for the year ended on 31st December, 2004. The provision for tax will be adjusted considering the total assessable income for the financial year ending for income tax purposes being 31st March, 2005.

Signature to Schedules 1 To 10

For Deloitte Haskins & Sells,

Chartered Accountants

P. R. Barpande

Partner

Place : Navi Mumbai

Date : 25th January, 2005

For and on behalf of the Board

L. S. Sarma

(Chairman)

S. Doreswamy

(Director)

H. P. Nag Chowdhury

(Director)

Ashok S. Bildikar

(President & Executive Director)

Shyam J. Mansukhani

(GM - Finance & Company Secretary)



HEXAWARE TECHNOLOGIES LIMITED

Registered Office : 152, Millenium Business Park, Sector - III, 'A' Block, TTC Industrial Area
Mahape, Navi Mumbai - 400 710

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 falling him / her Mr./ Ms.
 residing at
 as my / our proxy to vote for me / us and on my / our behalf at the **Twelfth Annual**

General Meeting of the Company to be held on Monday, the 4th day of April, 2005 at 11.30 a.m. at M. C. Ghia Hall, 2nd floor, Bhogilal Hargovinddas Building, 18/20, K. Dubhash Marg, Behind Prince of the Wales Museum / Kala Ghoda, Mumbai - 400 001 and at any adjournment thereof.

Signed this day of, 2005.

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

Registered Office : 152, Millenium Business Park, Sector - III, 'A' Block, TTC Industrial Area
Mahape, Navi Mumbai - 400 710

ATTENDANCE FORM

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 **Twelfth Annual General Meeting** of the Company held on Monday, the 4th day of April, 2005 at 11.30 a.m. at M.C. Ghia Hall, 2nd floor, Bhogilal Hargovinddas Building, 18/20, K Dubhash Marg, Behind Prince of Wales Museum / Kala Ghoda, Mumbai - 400 001.

.....
 Member's / proxy name in BLOCK letter

.....
 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.)

ECS / BANK MANDATE FORM

To
Sharepro Services (India) Private Limited
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 March 25, 2005.
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 you shares are in Dematerialized form, inform / update the Depository Participant (DP) with whom you are maintaining Demat account.
4. In case of more than one Folio, please complete the details on separate sheets.
5. Shareholders are also requested to note that change 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.

FORM 2B

(see rules 4CCC and 5D)

NOMINATION FORM

(To be filled in by individual applying singly or jointly)
(if jointly, only upto two persons)

I/We _____ and _____ the holders of Shares/Debentures/Deposit Receipt bearing number(s) _____ of M/s. **Hexaware Technologies Limited** wish to make a nomination and do hereby nominate the following person in whom all rights of transfer and/or amount payable in respect of shares / debentures /deposits shall vest in the event of my/our death.

Name and Address of Nominee

Name : _____

Address : _____

Date of Birth* : _____

(* to be furnished in case the nominee is a minor)

** The Nominee is a minor whose guardian is _____

Name and Address : _____

(** To be deleted if not applicable)

Signature : _____

Name : _____

Address : _____

Date : _____

Signature : _____

(in case of more than one shareholder, the remaining shareholders are requested to attach an additional sheet and sign, in order of their names, with their Name, Address and Date.)

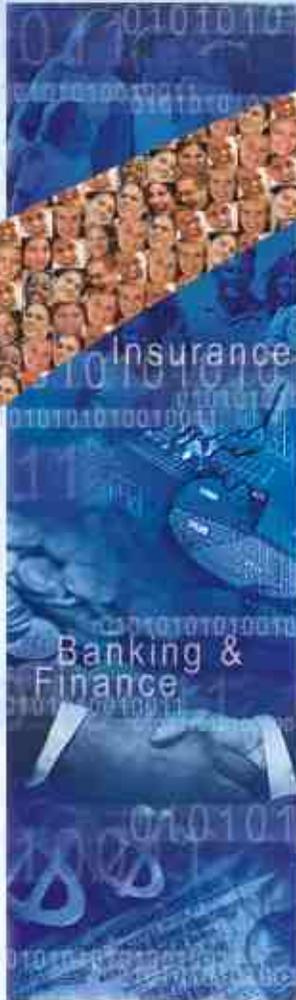
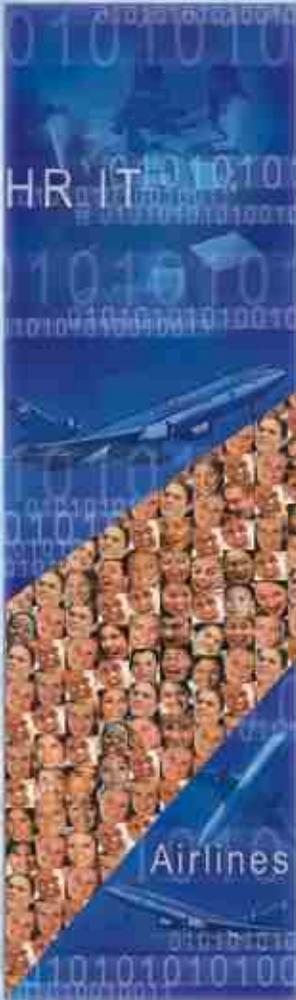
Signature of two witnesses

Name and Address	Signature with date
1.	
2.	

Instructions:

1. The facility for making nomination is available to the individual shareholders in respect of the shares held by them.
2. The nominee shall be a person in whom all rights of transfer and/ or amount payable in respect of the shares shall vest in the event of the death of the shareholder(s).
3. A minor can be a nominee provided name and address of the guardian is given in the Nomination Form.
4. The facility of nomination is not available to non - individual shareholders such as bodies corporate, kartas of Hindu undivided families, partnership firms, societies, trust and power of attorney.

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Nurturing Relationships



Mission Statement

To build value
for customers
through innovative use
of technology and talent.

